

Exchange Mail

DATE-TIME 02/12/2000 5:18:12 PM
FROM Orzulak, Paul K. (SPCHW)
CLASSIFICATION UNCLASSIFIED
SUBJECT TALKING POINTS ON CHINA/WTO [UNCLASSIFIED]
TO Shapiro, Daniel B. (LEGIS)

CARBON_COPY Halperin, David E. (SPCHW)
Malinowski, Tomasz P. (SPCHW)
Matthews, Sonyia (SPCHW)
Orzulak, Paul K. (SPCHW)
Widmer, Edward L. (Ted) (SPCHW)

TEXT_BODY Dan, Sandy asked me to add a page or so of talking points that sum up the argument we have been making on China the past two weeks. This is a pretty comprehensive summation of Sandy's two speeches and his op-ed. It may be a bit longer than what we talked about, but it will give Sandy the chance to simply delete information rather than adding it. Hopefully.

Page me if you have any questions.
I'll be at home at 202-544-4267. Thanks.

TRANSLATED_ATTACHMENT Potus TPs Feb 11_.doc

TALKING POINTS ON CHINA/WTO

* You know that passage of PNTR is very important to me. It is one of the most important things we can get done together.

* As I have said before, we need to have a vote on this soon so that we will have

the best chance of passage.

* You all have been terrific leaders of this effort in your respective caucus.

* In particular I want to thank Bob Matsui and Cal Dooley and David

Dreier for
working with us and the outside community and really running the
operation to see

this legislation passed.

* I also want to thank my cabinet, particularly the members here
today, Trade
Representative Barshefsky, Secretary Glickman, and Secretary Daley
as well as my
National Security Advisor, Sandy Berger and the Chairman of the
National Economic

Council, Gene Sperling. They have also been tireless in their efforts to
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sure as many people as humanly possible are aware of the benefits
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* You all know by now that my chief of staff, John Podesta and his
deputy Steve
Richetti are working with Secretary Daley and Chuck Brain and the
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administration to focus our efforts and ensure a good vote in the
Congress.

* I plan to do my part.

* I know that most of you heard me talk about this in the State of the
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Democratic Caucus retreat. As you know not everyone in the
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agrees with me -- with us -- that PNTR for China is such a good deal,
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so important that I do not feel I can miss any opportunity to stress it.

* I will continue to talk about China/WTO, and my cabinet will
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* I plan to deliver a speech on China this month to highlight the benefits that will flow to the American people if we grant PNTR status to China. I want people

to understand that China is opening its market, that China is making the concessions in this deal. And I want to underline the national security stakes in

our relationship with the Chinese.

* We will also arrange in the next month an event to shine the spotlight on high-tech opportunities to expand trade and open new channels for American ideas and values to filter into China.

* Finally we'll be organizing a Congressional Delegation visit to China, possibly

in April. I encourage you to think about how we can use this to best effect.

* I know that you are familiar with the agreement and share my view that it is good for America

* I don't believe there can be a serious question that this agreement is in America's interest. This agreement requires that China open its market on everything from agriculture to manufacturing - while we agree only to maintain the market access we already offer to China. It will create jobs and exports for Americans by allowing our companies, for the first time, to competitively sell products in China without having to open factories in China itself. And it responds to unfair trade practices in China, including import surges.

* The importance of this agreement goes far beyond its economic benefits, and so does the debate that surrounds it. In our talks with Members of Congress, most do not challenge the agreement on economic grounds. Critics say: China is a

growing threat to Taiwan and its neighbors, and we shouldn't strengthen it.

China is a drag on labor and environmental standards, and we shouldn't engage it.

China is an offender of human rights, and we shouldn't reward it. But we cannot

let this be defined as economic rights versus human rights - or economic security

versus national security. It's a trap, a false choice.

* This agreement is just as vital - if not more vital - to our national security

as it is to our economic security. To understand how, we need to understand the

dilemma China finds itself in today. Over the last 20 years, China has lifted

more than 200 million people out of absolute poverty. But its workforce is

increasing by 12 million each year. Millions are migrating from the countryside,

where they see no future, to cities, where only some find work. And economic

growth has slowed just when it needs to be rising to create new jobs.

* China's leaders face a dilemma: opening China's antiquated markets to global

competition risks unleashing forces beyond their control -- unemployment, social

unrest, increasing domestic pressure for political change. Yet, if they don't

open their economy to outside competition, China will not build world-class

industries that can survive in the global economy. With this WTO agreement, China

has chosen to speed the opening of its economy, despite the political risks. Do

we really want to reject that choice? On the contrary. Our interests lie in embracing it.

* Bringing China into the WTO will promote the change we seek in three ways.

* First, it will obligate China to deepen its market reforms. With lower

tariffs, and greater competition, China's private sector will expand; its state sector will shrink. Chinese firms will learn that unless they treat employees with greater respect, they will lose the top talent to foreign companies, which offer better pay and a chance to get ahead based on merit. This will lift standards for Chinese workers - and their expectations.

* Second, by speeding economic change, the agreement has the potential to encourage China to evolve into a more open society. The Chinese state was once every citizens' employer, landlord, shopkeeper, and news provider rolled into one. By advancing the flow of information, the pace of privatization, and the force of competition, this agreement will accelerate a process that is removing government from vast areas of people's lives. By opening China's telecommunications market, the WTO agreement will help bring the information revolution to cities and towns across China. China's government may be trying to control Internet content, but the effort is futile and it simply proves how threatening these changes are to the status quo.

* Third, this agreement increases the chance that in the new century China will be on the inside of the international system, playing by the rules, instead of on

the outside, denying them. By joining the WTO, China has agreed to subject some of its most important economic decisions, for the first time, to the review of an

international body. As China becomes a stakeholder in the WTO and other international regimes, it will be more likely to define its future within the global community. And if China violates its commitments, it will confront judgments backed by all 135 members of the WTO, rather than being able to chalk up friction to supposed U.S. bullying.

* We must also make clear: This agreement is not, by itself, a human rights policy for the United States. Change in China will only come through a combination of internal pressure and external validation of those who struggle for a political voice. That's why we are once again sponsoring a resolution in the UN Human Rights Commission condemning China's human rights record, and why we

have sanctioned China as a "country of particular concern" under the International Religious Freedom Act. We will also continue to press China to respect global norms on non-proliferation; to encourage a peaceful resolution of issues with Taiwan; to urge China to help us solve the problem of global climate change.

* If we fail to obtain PNTR, we will lose the full benefits of the agreement. In

a global economy, with global markets, your companies will be shut off from one-fifth of the world - while your European, Japanese, and other competitors will be the beneficiaries of the very good deal we negotiated. But failure would

also send a penetrating signal to the rest of the world, particularly after the Senate's rejection last year of the Comprehensive Test Ban Treaty, that America truly has turned inward. That would be devastating for our future.

* At the moment of America's greatest strength and influence, we must be leading the world, and embracing change, not turning from it. I look forward to working with you to pass PNTR and take one more step to a more stable, prosperous world.

* * * * *

Exchange Mail

DATE-TIME 02/14/2000 12:17:03 PM

FROM Shapiro, Daniel B. (LEGIS)

CLASSIFICATION UNCLASSIFIED

SUBJECT RE: POTUS China WTO Points For Meeting with Membersl
[UNCLASSIFIED]

TO Lee, Malcolm R. (NEC)
Burrell, Christina L. (LEGIS)
Lackey, Miles M. (LEGIS)
Shapiro, Daniel B. (LEGIS)
Tavlarides, Mark J. (LEGIS)
Barnett, Cheryl E. (RUE)
Huso, Ravic R. (ASIA)
Joshlyn, Gay L. (ADMIN)
Keith, James R. (ASIA)
Lieberthal, Kenneth G. (ASIA)
Pritchard, Charles (Jack) L. (ASIA)

CARBON_COPY Sutphen, Mona K. (NSA)
Crocker, Bathsheba N. (NSA)

TEXT_BODY Malcolm -- Here is the version with Sandy's additions that we sent
to Chuck. -- Dan

-----Original Message-----

From: Lee, Malcolm
R. (NEC)
Sent: Monday, February 14, 2000 12:08 PM
To: @LEGISLAT
- Legislative Affairs; @ASIA - Asian Affairs
Cc: Sutphen, Mona K.
(NSA); Crocker, Bathsheba N. (NSA)
Subject: POTUS China WTO Points
For Meeting with Membersl [UNCLASSIFIED]

Gene has asked me
to add a few points the talkers for the President for the meeting
with members this afternoon. I understand Sandy made comments,
and
that NSC leg has the latest version. Please shoot me the version

with Sandy's edits soonest and give me a call at 6-9299. .

TRANSLATED_ATTACHMENT Potus TPs Feb 11_.doc

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* In particular I want to thank Bob Matsui and Cal Dooley and David Dreier for working with us and the outside community and really running the operation to see

this legislation passed.

* I also want to thank my cabinet, particularly the members here today, Trade Representative Barshefsky, Secretary Glickman, and Secretary Daley as well as my National Security Advisor, Sandy Berger and the Chairman of the National Economic

Council, Gene Sperling. They have also been tireless in their efforts to make sure as many people as humanly possible are aware of the benefits that this agreement will bring to the United States.

* You all know by now that my chief of staff, John Podesta and his deputy Steve Richetti are working with Secretary Daley and Chuck Brain and the entire administration to focus our efforts and ensure a good vote in the Congress.

* I plan to do my part.

* I know that most of you heard me talk about this in the State of the Union, I have also talked about it in Davos, and last Monday I even talked

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Democratic Caucus retreat. As you know not everyone in the Democratic Caucus agrees with me -- with us -- that PNTR for China is such a good deal, but this is

so important that I do not feel I can miss any opportunity to stress it.

* I will continue to talk about China/WTO, and my cabinet will continue to talk about this every opportunity we get or can make.

* We had a very good event last week that John Podesta with representatives from the agriculture community and I know that votes prevented a number of you from joining us in that effort. We will continue to have opportunities to work together like that and I hope we will take advantage of them.

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DATE-TIME 02/14/2000 1:41:41 PM
FROM Lee, Malcolm R. (NEC)
CLASSIFICATION UNCLASSIFIED
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TO Shapiro, Daniel B. (LEGIS)
Burrell, Christina L. (LEGIS)
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CARBON_COPY Sutphen, Mona K. (NSA)
Crocker, Bathsheba N. (NSA)

TEXT_BODY

Folks: See the added detail on market access/import protection on page two, per Gene. They subticks of Sandy's broader market access/import protection points . I am forwarding back to Lael and Gene and CC: to Chuck. ML

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Daniel B. (LEGIS)
Sent: Monday, February 14, 2000 12:17 PM
To: Lee,
Malcolm R. (NEC); @LEGISLAT - Legislative Affairs; @ASIA -
Asian
Affairs
Cc: Sutphen, Mona K. (NSA); Crocker, Bathsheba N. (NSA)
Subject: RE:
POTUS China WTO Points For Meeting with Membersl
[UNCLASSIFIED]

Malcolm

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TRANSLATED_ATTACHMENT PotusTP Feb 11x.doc

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* We consulted and listened closely to the concerns of members during the negotiations. Your priorities are reflected in the agreement. Let me highlight a few specifics:

* Many of you urged us to open up China's agriculture market. This agreement will cut agricultural tariffs by more than 50%, end discriminatory licensing, expand trading rights, and eliminate both export subsidies and scientifically unjustified restrictions on U.S. agricultural exports such as wheat, citrus and meat. A huge win agriculture.

* An enormous victory for U.S. manufacturers and workers as well. Industrial goods tariffs will be slashed from 24% in 1997 to 9.4% by 2005. As impressive as this is, it is trading and distribution rights that gives these tariff cuts

meaning. For the first time, American companies will, for the first time, be able to export to China from here at home, and distribute within China directly to Chinese consumers, rather than being forced to set up factories in China and sell products through Chinese middlemen.

* Many of you cited high technology as a priority. China has agreed to eliminate

tariffs on products such as computers, semiconductors and related products by

2005. The agreement we negotiated contains measures prohibiting forced technology transfer, mandated offsets, local content requirements, and other practices intended to drain jobs and technology away from the United States.

* Finally, many of you expressed concern about imports, specifically surge and antidumping protections. This agreement has the strongest import provisions of any accession agreement we have negotiated, and will provide effective protection

against unfair and market distorting trade.

* This agreement will allow us to take effective action against surges of Chinese

products if such imports disrupt a particular U.S. product market. The Chinese agreed to a standard for relief that is lower than our Section 201 standard, and to allow us to take action against only China. Our Section 201 law requires us to provide serious injury based on imports from all countries, not just one.

* Many members made clear we needed to maintain the strength of our anti-dumping laws vis-à-vis China. We did so by securing China's agreement to our use of special non-market economy dumping rules for 15 years after China's accession.

* The importance of this agreement goes far beyond its economic benefits, and so does the debate that surrounds it. In our talks with Members of Congress, most do not challenge the agreement on economic grounds. Critics say: China is a growing threat to Taiwan and its neighbors, and we shouldn't strengthen it. China is a drag on labor and environmental standards, and we shouldn't engage it.

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* * * * *

Exchange Mail

DATE-TIME 02/24/2000 5:13:23 PM

FROM Wozniak, Natalie S. (PRESS)

CLASSIFICATION UNCLASSIFIED

SUBJECT RBTP to the Business Council on China WTO, Park Hyatt, Washington
[UNCLASSIFIED]

TO Fallin, James (PRESS)
Gobush, Matthew N. (PRESS)
Hammer, Michael A. (PRESS)
Hoelzer, Jennifer I. (PRESS/INTERN)
Huff, Lindsey E. (PRESS)
Leavy, David C. (PRESS)
Stockwell, David B. (PRESS)
Thinakaran, Prabhath (PRESS/INTERN)
Williams, Mary C. (ADMIN)
Wozniak, Natalie S. (PRESS)
Halperin, David E. (SPCHW)
Malinowski, Tomasz P. (SPCHW)
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Lieberthal, Kenneth G. (ASIA)
Pritchard, Charles (Jack) L. (ASIA)
Bruns, Judson L. (Jay) (INTECON)
Duncan, John D. (INTECON/DOS)
Goldberg, David B. (INTECON/INTERN)
Hendricks, Lori A. (INTECON)
Lee, Malcolm R. (NEC)
Mitsler, Elaine M. (INTECON)
Samans, Richard (NEC)
Smith, Holly M. (INTECON/INTERN)

CARBON_COPY

TEXT_BODY Remarks by the President
RBTP to the Business Council on China WTO,
Park Hyatt, Washington, DC

TRANSLATED_ATTACHMENT

business council.doc
THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release February 24, 2000

REMARKS BY THE PRESIDENT
TO THE BUSINESS COUNCIL

Park Hyatt
Washington, D.C.

11:45 A.M. EST

THE PRESIDENT: Thank you, Ralph, and good morning. I want to begin asking if the microphone's too loud, so -- can we turn it down just a little bit? That's good. I'm delighted to be here. I know you just had a good panel on the economy. And I wanted to talk mostly about China today. But I would like to mention just a couple of other matters very briefly.

First of all, you've already talked in some detail about the question of how to keep the economy going. And I don't have much to add to what I'm sure Secretary Summers said, except I would like to just make three points very briefly. Number one,

I think it is terribly important that we continue to pay the debt down and for reasons that you understand. But it's an enormous hedge against the necessary borrowing by business to continue to invest and continue to grow. And whatever the Fed does, the interest rate structure will be lower than it otherwise would be, not only now, but for, perhaps, decades in the future. I think it is a critically important thing.

And I think it's important that people understand this. I've seen all kinds of articles in the papers saying I've adopted Coolidge economics, but I don't think so. We're continuing to invest robustly in our people and our future. But I think it's important.

The second point I want to make is, I think it is even more important to continue to invest in the education and skills of our people. A lot of you are heavily involved in trying to make our elementary and secondary schools better.

We have a proposal now before the Congress to make college tuition tax deductible, which would functionally open the doors of four years of college to every American, with the other increases we've made in the Pell grants and other things. But I think we need to do more on this, particularly with people who are

already in their young adult years who are out there and not either employed or are under-employed. I think that's important.

And the third thing I would say is, many of you have helped us on this National Markets Initiative, but I hope all of you will. Some of you have been involved in our welfare-to-work partnership, which has 12,000 companies now and has hired hundreds of thousands of people from welfare to work. And reports indicate that they're doing quite well.

But I think when you consider the fact that telecommunications, among other things, enables us to bring economic opportunities to rural areas and, in the worse case, some of our Indian reservations still have unemployment rates that are around 70 percent, there are real opportunities there for noninflationary growth if we can figure out how to do it. I don't want to minimize the risk. I'm trying to get Congress to pass some legislation that would give significant tax credits to minimize the risk of private sector investment in these areas but

I think they are profoundly important.

And, as I said, I know a lot of you have been involved in this already, but this

is the only chance we've had, I think, in my adult lifetime to genuinely bring free enterprise to people in places that have been left behind. And it's an opportunity I think we ought to take, and I also think it would be good for the overall economy.

Now, I want to talk a little about China today, because I think it is the most important question that the Congress will take up in the first half of this

And I realize that in many ways, I may be preaching to the choir, but I think it's important that we all understand not that this is a good thing to do, but that it is an essential thing to do.

For 30 years now, every single President, without regard to party, has worked for the emergence of a China that contributes to the stability, not the instability, of Asia; that is open to our products and to our businesses; that allows people access to ideas and information there; that upholds the rule of law

at home and adheres to the rule of law around the world.

We have a big stake in how China evolves. We have, after all, fought two wars

in Asia in the 20th century. And the path China takes to the future will either eliminate or cast a great shadow far beyond its borders. I think we all know that. Therefore, it is clear that the more we can promote peace and stability

in Asia by helping the right kind of China to develop, the more America's interests and values will be served.

The WTO agreement with China helps to advance all these goals in unprecedented ways. It's the kind of opportunity which comes along once in a generation; we seize it, a generation from now people will wonder why the debate was so hard at all. If we don't, we'll be regretting it for a generation.

I don't think there's any question that this is in America's economic interest.

The agreement requires China to open its markets on everything from agriculture to manufacturing to high-tech products. All we do is simply agree to maintain market access already given to China. For the first time, our companies will be able to sell and distribute in China products made by American workers at home. It strengthens our response to unfair and market distorting trade practices from China, from import surges to forced technology transfers to protection of intellectual property.

One of the things I am quite sure that many members of Congress still don't

know is that this agreement actually contains bilateral protections that we don't

now have to deal with problems like import surges, and it's important that they know that.

If you think about what this agreement could mean to our economy, we could start

with agriculture -- from corn to wheat to barley, tariffs are cut by two-thirds and our farmers get full access to a fifth of the world's population. It's little wonder that the pay stubs at the Farmland Institute read -- and I quote -- "China will account for nearly 40 percent of the future growth of American agricultural products."

With regard to our telecommunications industry, those of you in that business know that China has the largest potential market in the world, and only 10 percent

of it has been tapped. This agreement will allow our firms, which are already leading the world, access to the other 95 percent.

With regard to the auto industry, tariffs will fall by nearly 75 percent. The requirement that we rely on Chinese distribution is eliminated, as is the requirement that we have to transfer our technology -- I think a very important advance secured by Ambassador Barshefsky and Mr. Sperling in this agreement.

For the first time, American manufacturers will be able to sell American-made cars in China, to set up their own distribution centers, to run their own service

shops, to provide their own financing to consumers. That means we'll see more American cars and auto parts there, and have more jobs here at home.

Most members of Congress don't question the economic benefits. Critics more

likely to say things like this: China is a growing threat to Taiwan and other neighbors; we shouldn't strengthen it. China is a drag on labor and environmental market rights and, if you put them in the WTO, they will block further progress on those issues. Or, China is an offender of human rights

and
we shouldn't reward it. Or, China is a dangerous proliferator; we should
empower it.

Now, all these concerns, I believe, are legitimate. The question is whether
they will be advanced or undermined by the decision Congress will make
and
America will make on letting China into the WTO. I believe to set this up
a
choice between economic rights and human rights, or economic security
national security is a false choice. I believe that this agreement is vital to
our national security, and that every single concern we have will grow
greater
and the problems will be worse if we do not bring China into the WTO.
I believe this agreement promotes not only the economic interests of the
United
States, but progress toward positive change in other areas in China.

For the past 20 years, China has made progress in building a new economy
it's
lifted more than 200 million people out of absolute poverty; it's linking
many

people through its wireless communication network that it's adding the
equivalent

of a new Baby Bell every year. But the system still is plagued by corruption.
Less than one-third of the economy is private enterprise. The workforce
meanwhile, is increasing by about 12 million a year. At least 100 million
people

in China are still looking for work, and economic growth has slowed just
when it
needs to be rising.

So the leaders of China actually face quite a dilemma in making this decision
to

go for WTO membership. They realize that if they open their markets to
global
competition, they risk unleashing forces that are beyond their control --
unemployment, social unrest, demands for political freedom. This is a big
decision in a country that time and again has suffered more from internal
chaos
and disintegration than from external threat.

But they have concluded that without competition from the outside, China
will
simply not be able to attract the investment or build the world-class
industries

they need to thrive in a global economy. So with this agreement, Chinese leaders

have chosen to embrace change. They are highly intelligent people; they know

exactly what they're doing, and they're prepared to take a risk that will require

them to change as well.

So the real question for America is, now that they have decided to take a risk, do we want to walk away from our decision? Do we want to risk a rejection of the profound decision and choice they have made? I think it would

be a terrible mistake. We need to embrace their decision, not only for our own

interests, but for the long-term interests of the world.

The WTO agreement advances our interests by encouraging China to move not

muzzle, the growing demands of people for openness. Rather than work from the

outside in, it will work from the inside out, as all profound change has to

Let me just make a few points about this. First, having China in a rule-based system increases the likelihood that China will follow the rules of the road

terms of the international economy. Under this agreement, for the first time some of China's most important decisions will be subject to the review of an international body. It means China is conceding that governments cannot behave

arbitrarily at home and abroad, that their actions are subject to international rules.

Opponents say that doesn't matter, because China will just break its promises.

But if that were to happen, our differences can no longer be ascribed to bullying; this time it will be 135 nations making collective judgment. Let nobody agrees with the WTO all the time. I don't agree with their FSC decision

-- I presume most of you don't. And we'll have to work with Congress to

figure out whether there is a WTO-consistent way for us to continue to play on a

level playing field. But having a system of rules is, nonetheless, profoundly important.

Second, the agreement will obligate China to deepen its market reforms intensify the process of change. A decade ago, China's best and brightest

college graduates sought jobs in the government, in large, state-owned firms or universities. More and more now, they're starting their own companies or choosing to work for foreign-invested companies where, generally, they get higher

pay, a better work environment and a chance to get ahead based on merit politics. That process will also accelerate if China joins the WTO.

Third, this agreement has the potential to help open China's society in non-economic ways. In the past, virtually every Chinese citizen woke up in the morning in an apartment or house owned by the government; went to work in a factory or farm run by the government; read newspapers written by the government.

The state-owned workplaces operated the schools where they sent their children, the clinics where they got health care, the stores where they bought food. The system was a big source of the Communist Party's power. The meager benefits provided were a big source of the loyalty it commanded.

Now, with lower tariffs and greater competition, China's state sector will shrink, the private sector will expand. In that way, the WTO will speed the process that is removing government from vast areas of people's lives.

It will also increase access to communications dramatically. A year ago, China had 2 million Internet addresses; now it has 9 million. The agreement will bring

the Information Revolution to cities and towns all across that vast nation hasn't reached yet. And as the Chinese people see how the world lives, they will

seek a greater voice in shaping their own lives. In the end, China will learn what people all over the world are now learning -- you can't expect people to be innovative economically while being stifled politically.

Bringing China into the WTO doesn't guarantee, of course, that it will create a path of political reform, but by accelerating the process of economic change it will force China to confront the choice sooner in ways that are more powerful, making the imperative, I believe, the right decision.

Of course, bringing China into the WTO is not, by itself, a human rights policy or a political rights policy for the United States. The reality is that China continues today to suppress voices of those who challenge the rule of the Communist Party. It will change only by a combination of internal pressure for change and external validation of the human rights struggle. So we must maintain

our leadership in the latter even if the WTO agreement contributes to the former.

That's why we sanctioned China as a country of particular concern under the International Religious Freedom Act last year; why we're once again sponsoring a resolution at the U.N. Human Rights Commission condemning human rights abuses there. We'll continue to press China to respect global norms on nonproliferation,

and we'll continue to reject the use of force as a means to resolve the Taiwan question. We'll also continue to make absolutely clear that the issues between

Beijing and Taiwan must be resolved peacefully and with the assent of the people of Taiwan.

We must not, and we cannot, rely solely on the invisible hand of the market to do all our heavy lifting in China, and neither should the private sector. For all of us, including the business community, permanent NTR must mean permanent commitment to positive change in China.

But to even get that opportunity, we've first got to sell this agreement to Congress, and we can't underestimate how hard it will be. I want you to know that I will push as hard as I can to secure agreement as quickly as possible. I made that clear in the State of the Union address, in my press conference in Davos. Last week, I started meeting with members of Congress, and those meetings

are continuing. You will get a full-court press from our administration, headed by Secretary Daley.

Now, I know you realize the stakes here. If China doesn't approve normal trading relations, we risk losing the full benefits of China's WTO

membership.

In a global market economy, your companies would be shut off from a lot of the world, while your European, Japanese, and other competitors would take advantage of the benefits we went to the trouble to negotiate. Failure would also send a signal to the world that America is turning inward. It would be, I believe, a devastating setback to our vision for the future.

Now, I think it's important that we be honest with the Congress and the country on one thing. We don't know -- you don't know and I don't know -- what the choices

China will make over the next decade. We can't control the choices they make.

But we can control the choice we make; that's all we can do. And all my experience, not only as President in dealing with China, but as a person who has

lived more than half a century in dealing with human nature, indicates that this

is a time for the outstretched hand in constructive partnership.

And I believe -- I will say again -- if we pass this up, we will regret it for

generations. And all of our successes and interests will be paying a price greater than economic, because of our rejection. We cannot allow this effort to fail.

We face a choice between a Chinese market open to American products and services, or closed to us -- and only to us; between speeding the opening of China's economy, or turning our backs between a China that is on the inside of an

international system looking out, or on the outside looking in.

Let me just make one other comment about this. Some of our friends in the labor

community with whom I have great sympathy, say that, well, if you put China in

the WTO, it will make it even harder for legitimate labor and environmental issues to be raised, because we know where they stand. Look, I just went to Seattle and met with the people in the WTO. That's a hard sell no matter who's

there, and it won't change substantially if China's there. That's just not a vital argument, given where all the other countries are. That is not accurate.

A lot of you don't even agree with me on that, but I can just tell you, what

you agree or not, the membership of China in or outside the WTO, given perceived interest of the other developing countries that are going to be the WTO on these issues, will not materially change what the WTO does or over the next decade. I feel very strongly about that.

So we've got a simple choice to make. And the first thing we have to do make it clear that there will be a vote on this, and that we want the vote quickly as possible. And no one should take a pass.

I know that -- I met with a lot of Republican members who were very concerned about the religious liberty issue. I can just say -- a lot of you may know -- but the religious groups with whom I have met, who have been involved in China

for years, who have been doing their missionary work there for years, are overwhelmingly in favor of this. The forces that genuinely and sincerely advocate religious freedom and then oppose this agreement are overwhelmingly people who have not been involved in China, with the Chinese, seeing how the society works.

So I really believe this is a choice for America between fear and hope. I made a decision, and anybody who understands anything about Chinese history knows

that these people are very deliberate, highly intelligent, and aware of the consequences of the decision they have made. And they have decided to take the risk of becoming part of a more open society. They know it will require to change in ways that they have not yet come to terms with.

We have the strongest economy we have ever had. We are the world's only superpower, and whenever we walk away from an opportunity to lead the world toward greater integration and cooperation, as I believe we did with the Comprehensive Test Ban Treaty, we bear a particular responsibility for future adverse consequences.

So I ask you to help me with members of the Congress, without regard to party, based on the national interest, the clear economics, and going beyond the economics. This is a profoundly significant decision for the United States will affect our grandchildren's lives, and we dare not make the wrong decision.

Together, we can make sure it comes out all right. You can help us pass but it can't be a casual effort. It's not going to be a casual effort with me, and it can't be with you. And even if your companies don't have any direct stake

in this, as an American you have a huge stake in it. As a citizen of the world -- and most of your companies are citizens of the world -- you have a huge stake in it.

I'll do whatever I can. I implore you to do the same. And we'll have a great time at the signing ceremony. Thank you very much. (Applause.)

END

12:20 P.M. EST

Exchange Mail

DATE-TIME 09/27/2000 6:33:42 PM
FROM Rosen, Daniel H. (NEC)
CLASSIFICATION UNCLASSIFIED
SUBJECT RE: Press Guidance on China's WTO talks in Geneva [UNCLASSIFIED]
TO Lieberthal, Kenneth G. (ASIA)

CARBON_COPY Burrell, Christina L. (LEGIS)
Lackey, Miles M. (LEGIS)
Shapiro, Daniel B. (LEGIS)
Tavlarides, Mark J. (LEGIS)
Walldorff, Rebecca L. (LEGIS)
Baer, Elliott H. (NEC)
Bruns, Judson L. (Jay) (INTECON)
Duncan, John D. (INTECON)
Efros, Laura L. (NEC)
Goldberg, David B. (RECORDS/INTECON)
Mitsler, Elaine M. (INTECON)
Punke, Timothy E. (NEC)
Rosen, Daniel H. (NEC)
Samans, Richard (INTECON)
Shapiro, Hal S. (NEC)
Tseng, David C. (NEC)
Christy, Gene B. (ASIA)
Jarrett, Kenneth H. (ASIA)
Lieberthal, Kenneth G. (ASIA)
Pritchard, Charles (Jack) L. (ASIA)
Smith, Holly M. (ASIA)
Williams, Mary C. (ADMIN)

TEXT_BODY

Ken: here is a mark up. This is based in part on suggested talking points I received from Don Phillips (USTR China), who is still in Geneva. Let me know if you want his raw points.

Dan

* We

have not made as much progress as we hoped in the round of Geneva talks on China's WTO accession ending today. Will reconvene at a later date.

* We are committed to assuring that the final Chinese accession agreement is not weaker than the bilateral accession agreement

we negotiated with Beijing in November 1999.

- * We believe China's

entry into the WTO on strong commercial terms is good for China, good for the world economy, and good for the United States. We therefore strongly support China's entry on these terms.

- * The President plans

to sign the PNTR legislation very soon. That legislation provides that the President "may" grant PNTR if the Chinese agreement on joining the WTO meets the conditions noted in the legislation.

- * We believe

we can still complete China's accession process this year. However, time is getting very short, and the outcome will largely depend on China.

If Asked about next steps:

- * The talks will resume at

a later date, tentatively scheduled for the end of October. Given the inability to make progress this month, further discussions in capitals may be required. [NOTE: reported in 9/27 FT.online that Barshefsky is preparing to go to Beijing. USTR confirms they are looking for a date to do so, but has not publicized that.]

If

asked what the contentious issues are:

- * Outstanding issues include

details on how China will implement commitments already made, and terms of agreement on matters not fully agreed in our bilateral -- such as the functioning of a transitional review mechanism. A number of technical issues, mostly involving verification of scheduled commitments, also remain.

-----Original Message-----

From: Lieberthal,

Kenneth G. (ASIA)

Sent: Wednesday, September 27, 2000 1:43 PM

To: @LEGISLAT

- Legislative Affairs; @INTECON - Economic Affairs

Cc: @ASIA - Asian

Affairs

Subject: Press Guidance on China's WTO talks in Geneva [UNCLASSIFIED]

The

following email that I just sent to PJ is self-explanatory. Please provide clearance/edits to me on the draft press guidance points at the end of the mail. Would appreciate these by OOB tomorrow morning. Thank you.

Ken

PJ,

I got a call from Nick Lardy (at Brookings, key specialist on China trade issues) yesterday to let me know that tomorrow the FT will carry a major piece tomorrow that argues that the WTO accession negotiations for China in Geneva have basically collapsed. The reality is that these talks have not made sufficient progress but they will adjourn and then a new round of talks will convene at a future point (that is, "collapse" is too strong a term to use). I note this article because:

- * In our public profile, we have treated PNTR passage as largely assuring China's WTO , but the reality is that there is still a lot of work to be done; and
- * Some key interests domestically (such as agriculture) may start to press hard now to make sure that we do not give anything away in Geneva.

My own sense is that the Chinese negotiators were told to hold firm on this round so they could feel out other countries' bottom lines. They will then return to Beijing to work out the real Chinese positions on issues in contention and then return to Geneva to try to cut the deal.

This email is primarily to give you a heads up on the issue. We should have some press guidance available for the fallout from the Geneva talks. I presume this should be along the lines of:

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for clearance and will submit the cleared version tomorrow morning.

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Exchange Mail

DATE-TIME 09/28/2000 11:46:34 AM
FROM Lieberthal, Kenneth G. (ASIA)
CLASSIFICATION UNCLASSIFIED
SUBJECT RE: Press Guidance on China's WTO talks in Geneva [UNCLASSIFIED]
TO Cruise, Daniel L. (PRESS)

CARBON_COPY**TEXT_BODY**

Thanks.

-----Original Message-----

From: Cruise, Daniel L. (PRESS)

Sent: Thursday, September 28, 2000 11:44 AM

To: Lieberthal, Kenneth

G. (ASIA); @LEGISLAT - Legislative Affairs

Cc: @PRESS - Public

Affairs; @INTECON - Economic Affairs; @ASIA - Asian Affairs; Rosen,
Daniel H. (NEC)

Subject: RE: Press Guidance on China's WTO talks
in Geneva [UNCLASSIFIED]

FYI - WTO head said this morning that
completing accession talks with teh CHinese by the end of the year
was unlikely.

Additional Q&A (cleared by USTR)

Is Ambassador

Barshefky planning a trip to Beijing?

* USTR has spoken to the Chinese
about a possible trip but no dates have been set.

-----Original
Message-----

From: Lieberthal, Kenneth G. (ASIA)

Sent: Thursday,

September 28, 2000 11:26 AM

To: @LEGISLAT - Legislative Affairs

Cc: @PRESS

- Public Affairs; @INTECON - Economic Affairs; @ASIA - Asian Affairs

Subject: FW:

Press Guidance on China's WTO talks in Geneva [UNCLASSIFIED]

Would
appreciate @Legis clearance on the text Dan has provided below.
I am OK with this text with Dan's edits. Please clear/edit ASAP.
Thanks.

Ken

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From: Rosen,
Daniel H. (NEC)
Sent: Wednesday, September 27, 2000 6:34 PM
To: Lieberthal,
Kenneth G. (ASIA)
Cc: @LEGISLAT - Legislative Affairs; @INTECON
- Economic Affairs; @ASIA - Asian Affairs
Subject: RE: Press Guidance
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September 27, 2000 1:43 PM

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@INTECON - Economic Affairs

Cc: @ASIA - Asian Affairs

Subject: Press

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