Case Number: 2010-1024-F

FOIA MARKER

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Folder Title: China-WTO/PNTR, 2000				
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Withdrawal/Redaction Sheet
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. paper	Message for Ambassador Prueher to Deliver to Minister Shi. (2 pages)	n.d.	P1/b(1)
002. draft	Talking Points for Your Call to Minister Shi Guangsheng (3 pages)	n.d.	P1/b(1)
003. report	Intelligence Report. (13 pages)	03/16/2000	P1/b(1)
004. report	Intelligence Report. (15 pages)	04/11/2000	P1/b(1)
005. email	White House Situation Room to Judson Bruns, Cables, John Duncan, et al. Subject: China (6 pages)	05/24/2000	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Asian Affairs (Jarrett)
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FOLDER TITLE:

China - WTO / PNTR 2000

2010-1024-F
vz1870

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
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PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
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b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Dear Mr. Leader:

I want to commend you for commencing debate on H.R. 4444, which would extend Permanent Normal Trade Relations to the People's Republic of China. This crucial legislation will help ensure our economic prosperity, reinforce our work on human rights, and enhance our national security.

Normalizing our trade relationship with China will allow American workers, farmers, and businesspeople to benefit from increased access to the Chinese market. It will also give us added tools to promote increased openness and change in Chinese society, and increase our ability to work with China across the broad range of our mutual interests.

I want to address two specific areas which I understand may be the subject of debate in the Senate. One is Taiwan's accession to the World Trade Organization (WTO). There should be no question that my administration is firmly committed to Taiwan's accession to the WTO, a point I reiterated in my September 8 meeting with President Jiang Zemin. Based on our New York discussions with the Chinese, I am confident we have a common understanding that both China and Taiwan will be invited to accede to the WTO at the same WTO General Council session, and that Taiwan will join the WTO under the language agreed to in 1992, namely as the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (referred to as "Chinese Taipei"). The United States will not accept any other outcome.

The other area is nonproliferation, specifically the proposals embodied in an amendment offered by Sen. Fred Thompson. Preventing the proliferation of weapons of mass destruction and the means to deliver them is a key goal of my Administration. However, I believe this amendment is unfair and unnecessary, and would hurt our nonproliferation efforts.

Nonproliferation has been a priority in our dealings with China. We have pressed China successfully to join the Non-Proliferation Treaty, the Chemical Weapons Convention, the Biological Weapons Convention, the Comprehensive Test Ban Treaty and to cease cooperation with Iran's nuclear program. Today we are seeking further restraints, but these efforts would be subverted -- and existing progress could be reversed -- by this mandatory sanctions bill which would single out companies based on an unreasonably low standard of suspicion, instead of proof. It would apply a different standard for some countries than others, undermining our global leadership on non-proliferation.

Automatic sanctions, such as cutting off dual use exports to China, would hurt American workers and companies. Other sanctions, such as restricting access to U.S. capital markets, could harm our economy by undermining confidence in our markets. I believe this legislation would do more harm than good.

The American people are counting on the Congress to pass H.R. 4444. I urge you and your colleagues to complete action on the bill as soon as possible.

Sincerely,

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Amy V. Oberdorfer
07/27/2000 04:44:46 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:
Subject: Cloture vote

The Senate voted 86-12 for cloture on the motion to proceed to consideration of PNTR. A number of Senators are now making statements on the floor. Lott announced that the Senate will take up consideration of PNTR when the Senate returns from recess in September. They will debate PNTR by day and turn to Energy Approps at night. Lott agreed that there would be no cloture vote during the first week of debate and emphasized the importance of a full debate on PNTR.
In other news, we will be meeting tomorrow at 11 in Room 445. Principals meeting at 4:00.

Message Sent To:

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BUSINESS COALITION FOR U.S. - CHINA TRADE

Business Welcomes Progress On China PNTR in Senate
Should Be First Item of Business in September

For Release:
July 28, 2000

For Information:
Chris Padilla
(202) 857-3463

Washington, July 28 -- Leaders of business organizations supporting trade with China welcomed last night's procedural vote in the Senate which clears the way for consideration of Permanent Normal Trade Relations with China in September. By a vote of 86-12, the Senate approved cloture on the motion to proceed to H.R. 4444, the China PNTR bill.

"We are pleased that the Senate has cleared the way to take up PNTR in early September. This legislation is vitally important to our country, and it clearly enjoys broad bipartisan support in the Senate," said Jerry J. Jasinowski, President of the National Association of Manufacturers. Jasinowski thanked Senate Majority Leader Trent Lott (R-MS) for "making a tremendous effort, really doing everything within his power, to get PNTR to the floor quickly," and also stressed the critical role of Senate Minority Leader Tom Daschle (D-SD) in obtaining the overwhelming vote. "It was truly a bipartisan effort," Jasinowski said.

"We will spend the month of August reminding Senators how important it is to take up PNTR right after Labor Day, and to approve it without amendments," said Calman J. Cohen, President of the Emergency Committee for American Trade and a co-chair of the Business Coalition for U.S.-China Trade. Cohen added, "The House bill is the product of a careful bipartisan compromise which ensures U.S. access to China's market while addressing concerns about human rights, enforcement issues and import surges. It should be supported in the Senate without further changes."

The Business Coalition for U.S.-China Trade consists of over 1,200 leading American companies, trade associations, and farm organizations that support Permanent Normal Trade Relations (PNTR) with China. It is co-chaired by The Business Roundtable, the Emergency Committee for American Trade, the U.S. Chamber of Commerce, and the U.S.-China Business Council.

# # #

Business Coalition for U.S.-China Trade • 601 13th Street, NW Suite 1100 North
Washington, DC 20005 • Phone (202) 879-5810 • Fax (202) 347-1750
www.business4chinatrade.org

VIA FAX

TO: Kenneth Lieberthal
National Security Council
202.456-9250

FROM: Business Coalition for U.S.-China Trade

ATTN:

TO: FAX PHONE#: 202.456-9250

Job Number: 85030909-006-188-0184
TIME: Fri Jul 28 12:53:10 2000

2 pages including cover sheet

'00 JUL 31 AM 7:43

Classification

NATIONAL SECURITY COUNCIL
RECORDS MANAGEMENT STAFFING DOCUMENT

Document Description:

TO: BERGER

DOCUMENT DATE: 7/31

FROM: LOY, L

SUBJECT: TALKING POINTS FOR POTUS SPEECH ON CHINA TRADE

Document Distribution:

ACTION	CONCURRENCE	INFO
BRUNS	MALINOWSKI	EXEC SEC
	&	LACKEY
		LIEBERTHAL
		RUDMAN

ACTION REQUIRED: APPROPRIATE ACTION

DUE DATE: ASAP

COMMENTS:

LOGGED BY

Classification

WHITE HOUSE STAFFING MEMORANDUM

Date: 7-31-00 7:10 a.m. ACTION / CONCURRENCE / COMMENT DUE BY: ASAP

Subject: Talking Points on China Trade – Tampa

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☑	☐	LOCKHART	☐	☑
PODESTA	☑	☐	MARSHALL	☐	☐
ECHAVESTE	☑	☐	MOORE	☐	☐
RICCHETTI	☑	☐	NASH	☐	☐
LEW	☐	☐	NOLAN	☐	☐
BAILY	☐	☐	REED	☐	☐
BERGER	☑	☐	SPERLING	☐	☐
BLUMENTHAL	☐	☐	STREETT	☐	☐
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BURSON	☐	☐	UCELLI	☐	☐
CAHILL	☐	☐	VERVEER	☐	☐
EDMONDS	☐	☐	T. Malanoski	☑	☐
FRAMPTON	☐	☐		☐	☐
IBARRA	☐	☐		☐	☐
JOHNSON, B.	☐	☐		☐	☐
JOHNSON, J.	☑	☐		☐	☐
LANE	☐	☐		☐	☐

REMARKS: Comments to Shesol

RESPONSE:

Staffing Form 5/26/00

Office of the Staff Secretary
Ext. 62702

Final 07/30/00 11pm
Jeff Shesol

'00 JUL 31 ~7:25

PRESIDENT WILLIAM J. CLINTON
TALKING POINTS ON CHINA TRADE
"CHINA: FLORIDA'S NEW MARKET OF OPPORTUNITY" CONFERENCE
TAMPA, FLORIDA
July 31, 2000

Acknowledgments: Rep. Jim Davis; members of the Commerce Dept. & the Fla. District Export Council; all the other business leaders here today.

In May, the House voted to extend PNTR to China – and took a historic step toward continued prosperity in America, reform in China, and peace in the world. Our administration made a powerful case on the merits and made every effort to keep politics out of the equation. I'm grateful for the early and strong support of Rep. Davis. We can all be proud of the impressive margin of victory.

The business community played a big role in that success. You helped build a strong and persuasive case for PNTR. You helped convince the House that expanding trade with China is in keeping with our values; it's good for American companies and workers; and it's vital for our economy and our national security.

Businesses large and small back this effort because you know the stakes. You know that China is the biggest potential market in the world, with more than a billion potential consumers. The agreement we negotiated gives American business unprecedented new access to China's markets, from citrus to cars to computers, and grants China no new access to our economy. This deal is overwhelmingly in our favor.

I am here today because Florida, like all of America, has a big stake in our success. Florida is our eighth largest exporting state; and China is a large and growing market for the people of this region. From 1993 to 1998, Florida's exports to China shot up 146 percent. By a large margin, the greatest share of those exports came from the Tampa-St. Petersburg-Clearwater area. If Congress does the right thing, you stand to make great gains.

But for America to win the benefits, the Senate has to vote as the House has done – and it has to vote soon. This week, the Senate took steps to make this happen in September, when they return from their summer recess. I am grateful to Senator Lott for moving us this much closer to final passage. It is important that we continue to move forward. More than 60 senators publicly support PNTR. I believe we have enough support today to win on the floor.

There's no reason why this vote shouldn't be scheduled right away, without further delay. It's too important to be weighed down by amendments or kicked around like a political football in this election year. America will lose the benefits we negotiated to our competitors in Europe, Japan, and other countries. Your companies will reap none of the rewards of lower tariffs, greater market access, or the stronger safeguards we won against unfair competition.

So I hope you will continue to make the case on the merits for PNTR – and urge the Senate leadership to schedule this vote soon. It is the opportunity of a lifetime for your companies and for our nation. It is vital to our national security; important for our economic security; and will give our children a chance to prosper in a safer and saner world. Thank you.

Amy — for your list of validators. Jim

of China PNTR

ADOLPH S. OCHS, *Publisher 1896-1935*
ARTHUR HAYS SULZBERGER, *Publisher 1935-1961*
ORVIL E. DRYFOOS, *Publisher 1961-1963*
ARTHUR OCHS SULZBERGER, *Publisher 1963-1992*

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MICHAEL G. WILLIAMS, *V.P., Chief Information Officer*

THOMAS K. CARLEY, *President, News Services*

A Clear Choice on China Trade

By permanently awarding China the normal trading status it has enjoyed for two decades, Congress can advance America's economic interests without diluting its support for human rights on the mainland or the defense of democracy on Taiwan. Yet while Senate passage seems assured, the House is wavering as both liberal Democrats and conservative Republicans withhold support. Both groups should reconsider their opposition.

Passing the trade bill, which is scheduled for a vote in May, would lock in the market-opening concessions by China. These include easier access for foreign telecommunications companies and a reduction of state controls over the economy, steps that would expand the sale of American goods in China. Over time, lower trade barriers could loosen constraints on information and political debate. Without the trade deal, American businesses would be at a disadvantage in the China market.

Some Democrats, including the House minority leader, Richard Gephardt, argue that granting permanent trade rights to China would sacrifice the leverage now available to Congress through its annual votes on China's trade status. But those votes have become empty rituals, with China's trading rights invariably renewed. Pressure on trade is an inappropriate way to seek human rights reforms in China, since trade restrictions insulate China from progressive outside influences.

Representative Sander Levin, a Michigan Democrat, has proposed steps that would couple permanent trade status with new tools for monitoring and pressing China on human rights and fulfillment of its trade commitments. If warranted, Congress could also consider applying penalties allowed by World Trade Organization rules. This approach would create more effective American pressure on these issues than the annual trade status reviews.

Most House Republicans support the trade bill. But some have held back to protest Chinese belligerence toward Taiwan. China's threatening tone before last month's Taiwanese presidential election was troubling, but Beijing's rhetoric has lately been more restrained. Washington should continue trying to calm the tensions, not inflame them with the sale of sophisticated weapons to Taiwan.

The Clinton administration struck the right balance in its newly announced package of arms sales to Taiwan. This includes a variety of upgraded missiles and radars but rightly omits the four destroyers with advanced Aegis antimissile technology that had been requested by Taiwan.

Opening China's markets advances American, Chinese and Taiwanese interests. Other matters like the preservation of democracy in Taiwan and the expansion of liberty in China are equally important American objectives. They are best pursued by disentangling them from trade issues.

Mr. Giuliani's New Budget

The $37 billion budget presented by Mayor Rudolph Giuliani yesterday lays out a sound financial blueprint for New York City and a potential showcase for his campaign for the Senate. The budget combines targeted growth in spending, particularly for police and schools, with a call for limited tax cuts. For the first time in years, Mr. Giuliani has decided to forgo his ugly annual fight with the City Council over cutting funds to libraries and neighborhood cultural institutions. On the other hand, he has set himself up for a big battle with municipal unions over his demand for merit pay instead of across-the-board wage increases.

In laying out his financial plans. Mr. Giuliani never once mentioned his tough Senate campaign against Hillary Rodham Clinton, but that race had to be very much on his mind as he repeatedly proclaimed his love of schools, the environment and children's services as well as fighting crime and cutting taxes. The mayor sensibly trimmed back his tax-cut package outlined in January, noting that bond rating agencies were worried about the deficits projected in future years.

had not used one-shot revenues to plug the deficit. However, he is using $2 billion of this year's surplus to pay for next year's ongoing expenses. The surplus would more prudently be used for debt reduction or capital construction.

Mr. Giuliani issued a daunting challenge to the city's unions on merit pay, which he has previously won for principals and child welfare workers. Merit pay is a good idea, but only if there are safeguards against favoritism or corruption in managing the work force. Merit pay should also be coupled with greater demands for changes in work rules to improve productivity. The new budget lags in this area. For example, Mr. Giuliani has made little progress in replacing police officers in desk jobs with less expensive civilian workers.

The budget must now be approved by the City Council, where Speaker Peter Vallone has signaled a fight over the makeup of the tax cuts. Mr. Giuliani proposes to cut the personal income tax, which would benefit wealthiest taxpayers the most. Mr. Vallone may have a sounder approach in seeking tax cuts to help the working class and produce jobs. The speaker also questions whether another cut in

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THE BROOKINGS INSTITUTION

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FAX TRANSMISSION

TO: Ken Lieberthal
NSC 202-456-9250

FROM: Nicholas Lardy
202-797-6312

DATE:

TOTAL NUMBER OF PAGES____

MESSAGE: This is a copy of Dr. Lardy's testimony to the Senate Finance Committee hearing on China's WTO Accession, April 6, 2000.

Foreign
Policy
Studies
Program

q China PNTR

Prepared statement of
Nicholas R. Lardy
Senior Fellow
The Brookings Institution

United States Senate Committee on Finance
Hearing on
China's Accession to the World Trade Organization
April 6, 2000

China's Domestic Economic Challenges

China faces a major challenge in sustaining the rapid economic growth that has been the hallmark of its transition from plan to market since 1978. Economic growth, as reflected in the official data, was 7.1 percent in 1999, the seventh consecutive year in which growth was slower than the previous year. The official Chinese government forecast for 2000 is 7.0 percent, which would continue the growth slowdown yet one more year.

The challenge the leadership faces is actually much greater than these numbers suggest. The official data overstate the pace of economic expansion and the gains in real economic welfare that the economy generates, if for no other reason that over the past decade there has been an extraordinarily build up of unsold and unsaleable inventories. While these inventories are counted as part of output and thus contribute to the growth of China's gross domestic product, they are not utilized for either consumption or fixed investment. The real resources that have gone into the production of these goods has been largely wasted. From 1990 through 1998 additions to inventories averaged 5.7 percent of gross domestic product.[1] In the United States the comparable figure was 0.4 percent.[2] On average in 1990-98 annual additions to inventories in China absorbed 42 percent of incremental output. While some increase in inventories is needed to support higher levels of output, the disproportionately large inventory build up in China reflects the continued production of low quality goods for which there is little or no demand. Chinese society would have been much better off if the goods had never been produced at all. China's Premier, Zhu Rongji, in his annual address to the National People's Congress last month acknowledged that inventory build up was an ongoing problem and that China must "limit the production of non-marketable products."[3] Of course, if China's banks were operating on a commercial basis they would have cut off the flow of additional working capital loans to foundering companies, automatically limiting the build-up of inventories.

Whatever the precise rate of economic growth, there is little doubt that the economy has slowed significantly in recent years, despite a massive program of increased government expenditures and lending by state-owned banks through which the leadership has sought to prop up economic growth via increased outlays for investment.

There are several other indicators, in addition to the growth slowdown, of the challenges that China's leadership faces in the wake of the Asian financial crisis. Export growth has slowed dramatically over the past two years. Between 1987 and 1997 exports surged from under US$40 billion to more than $183 billion, an average annual rate of expansion of 16.5 percent. In the past two years export growth has been far more modest, averaging only a little over 3 percent annually. Similarly after watching foreign direct investment inflows soar from a range of from US$3 billion to US$4 billion annually in the late 1980s to $45 billion in 1997, the leadership saw foreign direct investment growth evaporate in 1998 and then witnessed a significant shrinkage of foreign direct investment in 1999. This significant shrinkage, the first ever in the reform period, has continued in the early months of 2000. Similarly, year after year foreign banks were willing to extend larger and larger amounts of foreign currency loans to China. But in 1998 lending to China began to decline and in 1999, in the wake of the bankruptcy of the Guangdong International Trust and Investment Company in January that year, turned sharply lower for the first time in more than a decade. By the end of the third quarter of 1999 total foreign currency lending to China by banks was down by US$20 billion or about one-fourth compared to year-end 1997.[4] Finally, for the first time in three decades China's leadership is grappling with the problem of price deflation. The underlying problem has been over investment in many sectors, leading to excess capacity and a tendency for manufacturers to cut prices in an effort to sell enough product to cover the cost of their labor and other variable inputs. Thus price deflation in China for some critical products, such as steel, long predates the Asian financial crisis. But the crisis significantly deepened the inflationary trend since China's fixed exchange rate vis a vis the U.S. dollar meant that the deflation elsewhere in the region was imported into China. But now, because of a brisk recovery, deflation is over in most of Asia. But in China deflation not only persists but accelerated in 1999.

The Search for a New Growth Paradigm

China's sweeping bilateral agreement with the United States on the terms of its accession to the World Trade Organization, concluded last fall, reflects the search of the leadership for a new growth paradigm. There is a widespread recognition that repeated short-term fiscal stimuli are no more than a temporary expedient. They may prevent a complete collapse of economic growth but can not be the source of sustained economic growth in the long run. The leadership has come to the belief that sustaining growth in the long run depends critically on allocating resources more efficiently rather than simply maintaining the highest rate of investment of any country in the world, as has been the case for most of the reform era. The leadership sees efficiency gains as stemming in part from reducing the restrictions that have previously constrained the private sector of the economy and in part from the increased international competition that will follow from opening up China more fully to the global economy. To increase competition and stimulate productivity gains the leadership has agreed to continue to reduce both tariff and nontariff barriers and, more importantly, more fully open its service sector to increased foreign ownership. All of these steps will increase competition, thus placing significant additional pressure on domestic firms to lower their cost structures in order to survive. Membership in the World Trade Organization in effect is being used as a lever to achieve fundamental changes in state-owned enterprises and state-owned banks that the leadership has long sought but which have been somewhat elusive.

There can be little doubt that the leadership fully appreciates the risks of the course on which they have embarked. Already tens of millions of urban workers have lost their jobs in state and collective factories as China accelerates domestic economic restructuring in preparation for increased international competition that inevitably will follow it's membership in the World Trade Organization. Many of those that have been laid off have found new jobs in the competitive portions of the economy—the rapidly growing private, foreign-funded, and export oriented sectors. But those that lack the skills or live in cities long dominated by state-owned factories have little prospect for finding new jobs locally. Rising levels of urban unemployment, compounded by delays in the distribution of both living allowances due laid off workers and pensions due those already retired from failing state-owned companies, have led to widespread urban violence. In rural areas too the prospect is for substantial dislocation as China reduces its subsidies for basic staple commodities, again in anticipation of increased inflows of lower priced foreign products. The willingness of the leadership to incur these substantial short-term economic and political costs in the pursuit of long-term economic gains is a measure of the depth of their commitment to further reforms.

U.S. Interests

Granting permanent normal trade relations is strongly in the U.S. national interest for several reasons. First, denying China permanent normal trade relations would require the United States to invoke Article XIII of the Final Act of the Uruguay Round, meaning that we would not apply the World Trade Organization Agreement with respect to China, even after it became a member of the organization. The notice to non-apply would have to be delivered prior to the time the General Council of the World Trade Organization meets to approve the terms and conditions of China's membership. China, in turn, would then almost certainly invoke Article XIII with respect to the United States, meaning that U.S. firms would not benefit from most of the sweeping market opening measures to which China agreed in the November 1999 bilateral agreement.[5] Although the United States could subsequently reverse its non-application, during the intervening period firms from Europe, Japan, Canada, Australia, and elsewhere would gain a decisive advantage over U.S. firms, particularly in the service sectors that China has agreed to open more fully.

Second, and even more importantly, the failure of the U.S. Congress to grant permanent normal trade relations to China would undermine the position of reformers in

China. They have overcome intense domestic opposition to membership in the World Trade Organization, in part by arguing that it was the only means of avoiding the process of annual renewal of their most-favored-nation status in their largest export market—the United States. The United States should embrace the commitment of the Chinese leadership to integrate China more fully in the world economy, to much greater reliance on market forces to allocate resources within China, to the further liberalization of the flow of information on which the market depends, and to allow a much larger role for the private sector. Over a period of time these commitments will have profoundly transforming effects. The most effective way for the Congress to signal support for these developments is to pass legislation authorizing the President to extend permanent normal trade relations status to China when it enters the World Trade Organization. Failure to do so plays into the hands of conservative elements in China that seek to constrain the role of the private sector, to limit the role of the market, and to control more tightly the flow of information.

Finally, the failure of the U.S. Congress to grant permanent normal trade relations to China would significantly undermine the position of our negotiators in the final stage of China's entry to the World Trade Organization—the drafting of the protocol of accession and the report of the working party. These two documents, which will be negotiated in a multilateral setting in Geneva after China has concluded all of its bilateral negotiations, will spell out in detail China's commitments on all WTO rules. While some of these already have been specified in the November 1999 bilateral agreement between China and the United States, several critical commitments remain to be set forth and clarified at the multilateral stage. While not all of these remaining issues have been publicly identified, at a minimum they include the details of its commitment to eliminate agricultural export subsidies, which are not set forth in the bilateral agreement between China and the United States; China's commitment to comply with both the Uruguay Round Agreement on Technical Barriers to Trade and the Understanding on the Interpretation of Article XVII of GATT 1994, which covers the activities of state trading enterprises; and the details of the trade policy review process that will track China's compliance with its terms of accession once it has become a member. While not wishing in any way to detract from the strength of the bilateral agreement reached between the

United States and China, given the importance of the issues that remain to be addressed, it is strongly in our interest that the voice of U.S. negotiators be just as strong in the multilateral negotiations as it was in the bilateral negotiations that led to the November 1999 agreement. The best way to assure this is to provide the President with the authority to extend permanent normal trade relations to China.

---

1 National Bureau of Statistics, *China Statistical Yearbook 1999* (Beijing: China Statistics Press, 1999), pp. 67-68.

2 US Census Bureau, *United States Statistical Abstract 1998*, p. 451

3 "China Releases Premier Zhu Rongji's Key-note Work Report for the Whole Year," *China Daily*, March 16, 2000 at http://chinadaily.com.cn.

4 "Joint BIS-IMF-OECD World Bank Statistics on External Debt," at http://www.bis.org/wnew.htm.

5 If the United States is unable to grant permanent normal trade relations to China, under the terms of the United States-China bilateral trade agreement of 1979 U.S. firms would certainly benefit from the lower import tariffs that China has negotiated as part of its accession to the World Trade Organization. But they almost certainly would not be able to take advantage of the opening up of China's service sector to higher levels of foreign ownership and would not be eligible for most of the other provisions included in the bilateral agreement signed in November 1999. The most complete explanation of why the 1979 Agreement does not confer the full benefits of the WTO accession agreement is set forth in Trade Representative Charlene Barshefsky's letter of March 8, 2000 to Congressman Charles B. Rangel. The letter is reproduced in *Inside U.S. Trade*, Vol. 18, No. 11 (March 17, 2000), pp. 26-29.

ø China PNTR

Why Taiwan Supports WTO Membership and PNTR for China

[redacted]

I recently returned from a trip to Taiwan and Mainland China. In Taiwan, in my capacity as Chairman of the US-ROC (Taiwan) Business Council, I met with political and business leaders, including President-elect Chen Shui-bian. I discussed major economic trade and business issues, as well as the economic policies that are anticipated from the incoming Taiwanese administration.

A major topic was WTO membership for China. The US debate on PNTR is being followed with great interest as a prelude to China's WTO admission but is recognized in a narrow sense as a bilateral issue between the US and the PRC. WTO membership for China, though, is something that enjoys widespread and vocal support in Taiwan. President-elect Chen Shui-bian, not known for his pro PRC views, has publicly favored it; he also favors normalizing trade relations between China and the U.S. He conveyed this position in my private meeting with him. Business leaders are universally in support.

Why? Sounds counter intuitive. To many in the Congress what is good for the PRC has to be bad for Taiwan, and vice versa. This attitude overlooks some fundamental realities.

Point one. Taiwan is one of the largest investors in Mainland China. Investment commitments total over $40 billion on about 40,000 enterprises; $24 billion of that is funded. An investor of that magnitude has an interest in seeing China play by the rules of the game, and that is what WTO membership is all about.

Point two. The Taiwanese are anxious for a fruitful cross-straits dialogue. They know that the more China opens to the outside world the more likely that is to happen. In this respect they are way ahead of the opponents of PNTR in the U.S. who believe that withholding PNTR is the right way to constrain China.

Point three. Admission to WTO is by consensus. While nobody directly links the two it is clear it would be easier for Taiwan to enter if China were already in. Conversely a confrontation between the US and the PRC on PNTR could well make Taiwan the innocent victim.

We Americans can be proud of the way we have handled complex relations between the PRC and Taiwan over the years. We have helped to open China to the outside world while enabling Taiwan to develop into an economic powerhouse and a flourishing democracy.

The decision before the Congress on PNTR can either further that momentum or lead us into an era of confrontation with the PRC. Our friends on Taiwan do not want the latter. They understand that good relations between the US and the PRC can only serve their interests. This is why the US-ROC business Council has consistently favored Chinese entry into the WTO.

I encourage our Congress to be as enlightened as the Taiwanese are on this subject. PNTR is clearly in the US interest; it is also in the interest of Taiwan.

Withdrawal/Redaction Marker
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
004. report	Intelligence Report. (15 pages)	04/11/2000	P1/b(1)

COLLECTION:
Clinton Presidential Records
National Security Council
Asian Affairs (Jarrett)
OA/Box Number: 3138

FOLDER TITLE:
China - WTO / PNTR 2000

2010-1024-F
vz1870

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Congress of the United States

Washington, DC 20515

January 12, 2000

The Honorable Madeleine Albright
US Department of State
2201 C Street, NW
Washington, DC 20520

Dear Secretary Albright:

Congressional consideration of permanent normal trade relations status for China as part of China's accession to the World Trade Organization provides an important opportunity for the Administration to initiate a renewed and sustained effort to press China to improve its human rights practices. To be credible with the American people, U.S. policy must stress the need for China to comply both with international human rights obligations and norms, and with global trading norms.

The State Department's Annual Human Rights report and more recent reports by NGOs make it clear that China's human rights performance has deteriorated in the past year. Chinese government efforts to repress democracy activists and religious groups, such as Chinese Christians, Tibetan Buddhists and even Falun Gong practitioners, have clearly increased in the past year.

We commend the Clinton Administration for yesterday announcing its intention to support a resolution condemning the human rights situation in China at the annual meetings of the U.N. Commission on Human Rights in Geneva. In the past, countries of the European Union and other nations have joined as cosponsors. To be effective, however, this year and in the future, the resolution must be introduced early, and must be coupled with a strong effort to gain support among other nations.

China should not escape scrutiny by the U.N. body charged with monitoring compliance with international human rights standards. We hope that you will recommend to the President that the U.S. immediately begin the process of pressing for the adoption of a resolution on China for the March Commission meeting in Geneva. The Clinton Administration should urge other governments at the highest level to join in this important multilateral effort.

Sincerely,

Sander Levin
Sander M. Levin

Nancy Pelosi
Nancy Pelosi

Charles B. Rangel
Charles B. Rangel

David E. Bonior
David E. Bonior

Richard A. Gephardt
Richard A. Gephardt

RECORD ID: 9908818
RECEIVED: 03 DEC 99 15

TO: MCCAHILL, WILLIAM

FROM: PRESIDENT

DOC DATE: 16 DEC 99
SOURCE REF:

KEYWORDS: CHINA P R   WTO
NTR

PERSONS:

SUBJECT: LTR TO US EMBASSY IN BEIJING

ACTION: FOR DISPATCH   DUE DATE: 09 DEC 99   STATUS: C

STAFF OFFICER: LIEBERTHAL   LOGREF:

FILES: PA   NSCP: CODES:

DOCUMENT DISTRIBUTION

FOR ACTION	FOR CONCURRENCE	FOR INFO
WH STRIPPING DESK		KEITH
		LIEBERTHAL
		NSC CHRON

COMMENTS: ______

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OPENED BY: NSEMK   CLOSED BY: NSEMK   DOC 3 OF 3

RECORD ID: 9908818

ACTION DATA SUMMARY REPORT

DOC	ACTION OFFICER	CAO	ASSIGNED	ACTION REQUIRED
001	BERGER	Z	99120611	FWD TO PRESIDENT FOR SIGNATURE
001	BARSHEFSKY, C	Z	99120719	FOR SIGNATURE
001	SPERLING, G	Z	99121016	FOR SIGNATURE
002	PRESIDENT	Z	99121421	FOR SIGNATURE
003		X	99122113	PRESIDENT SGD LTR
003	WH STRIPPING DESK	X	99122113	FOR DISPATCH

DISPATCH DATA SUMMARY REPORT

DOC	DATE	DISPATCH FOR ACTION	DISPATCH FOR INFO
002	991214		VICE PRESIDENT
002	991214		PODESTA, J
003	991216	WH STRIPPING DESK	
003	991216	MCCAHILL, WILLIAM	

NATIONAL SECURITY COUNCIL

THE WHITE HOUSE

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	SEQUENCE TO	INITIAL/DATE	DISPOSITION
GIRE		has seen	
JACOBSON	1	12/15	
POWELL			
SARGEANT			
BRADTKE			
RUDMAN			
STEINBERG			
BERGER			
SITUATION ROOM			
WEST WING DESK	2	12/15	D Pres
RECORDS MGMT.			

A = ACTION I = INFORMATION D = DISPATCH R = RETAIN N = NO FURTHER ACTION

'99 DEC 15 PM 7:55

CC:

COMMENTS: okay to make Staff Secretary edits?

NATIONAL SECURITY COUNCIL

THE WHITE HOUSE

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BYPASSED WW DESK: ____ DOCLOG ✓ A/O ____

	SEQUENCE TO	INITIAL/DATE	DISPOSITION
GIRE			
JACOBSON			
POWELL			
SARGEANT	1	12/14	
BRADTKE			
RUDMAN			
STEINBERG			
BERGER			
SITUATION ROOM			
WEST WING DESK	2	12/17	D
RECORDS MGMT.	3	12/21	D

A = ACTION I = INFORMATION D = DISPATCH R = RETAIN N = NO FURTHER ACTION

'99 DEC 16 PM 6:05

CC:

COMMENTS: Date December 16, 1999?

EXEC SEC OFFICE HAS DISKETTE

NATIONAL SECURITY COUNCIL

THE WHITE HOUSE

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URGENT NOT PROOFED: SYSTEM PRS INT ARS

BYPASSED WW DESK DOCLOG A/O

	SEQUENCE TO	INITIAL/DATE	DISPOSITION
GIRE			
JACOBSON			
POWELL			
SARGEANT	1/2	12/	
BRADTKE			
RUDMAN	3	12/7	
STEINBERG			
BERGER			
SITUATION ROOM			
WEST WING DESK	4	12/7	
RECORDS MGMT.			

A = ACTION I = INFORMATION D = DISPATCH R = RETAIN N = NO FURTHER ACTION

'98DEC 6 AM11:17 * SENT TO USR TO LEVEN HICKS

COMMENTS: Ltr to American Emb in Beijing, China

EXEC SEC OFFICE HAS DISKETTE yes

Kaplan, Dean M. (RECORDS/NESA)

From: Joshi, M. Kay (EXSEC)
Sent: Tuesday, December 21, 1999 11:22 AM
To: @RECORDS & ACCESS MGMT
Cc: @EXECSEC - Executive Secretary
Subject: FW: POTUS Letter to McCahill [UNCLASSIFIED]

For your action. Thanks.

-----Original Message-----
From: Lieberthal, Kenneth G. (ASIA)
Sent: Tuesday, December 21, 1999 8:41 AM
To: @EXECSEC - Executive Secretary
Cc: @ASIA - Asian Affairs
Subject: POTUS Letter to McCahill [UNCLASSIFIED]

You have a signed POTUS letter to Bill McCahill. This should have been sent by now in cable form to the US embassy in Beijing. Please send the original letter to:

William McCahill
%John McCahill
229 Lawrence Avenue
Oakland, N.J. 07755

Thank you.

Ken

THE WHITE HOUSE

WASHINGTON

December 16, 1999

Dear Bill:

I want to thank you and your Embassy staff for the extraordinary work you did in support of our WTO negotiations in November. China's entry into the World Trade Organization will be a development of enormous long-term significance for our domestic and foreign policies. You and your team have provided invaluable counsel and have been an integral part of the Administration's effort that resulted in this historic agreement.

Our negotiating team imposed significant burdens on your Embassy on very short notice as we brought the long-standing negotiations to a close. Charlene Barshefsky, Gene Sperling, and the entire team reported to me that you handled this situation in a way that reflected the very best traditions of the Foreign Service.

Please convey my sincere thanks to your entire staff for their outstanding efforts to accomplish this important job. I congratulate all of you for this signal achievement.

Sincerely,

Bill Clinton

Mr. William C. McCahill, Jr.
Charge d'Affairs ad interim
of the United States of America
Beijing

FOR Ambassador

1. Following is the text of a letter from the President to Bill McCahill and the entire Embassy staff expressing praise and gratitude for the Embassy's superb support of the USG effort to achieve a bilateral WTO accession agreement with China. Ambassador is requested to distribute widely the text of the President's letter to convey the President's personal thanks for a job well done to all of those who contributed to this achievement.

2. FYI, a text will be provided separately to Bill McCahill.

3. Begin text:

NATIONAL SECURITY COUNCIL

ID 9908818

REFERRAL

DATE: 21 DEC 99

MEMORANDUM FOR: WH STRIPPING DESK

DOCUMENT DESCRIPTION: TO: MCCAHILL, WILLIAM

SOURCE: PRESIDENT

DATE: 16 DEC 99

SUBJ: LTR TO US EMBASSY IN BEIJING

REQUIRED ACTION: FOR DISPATCH

DUEDATE: 22 DEC 99

COMMENT:

CMW

FOR JOHN W. FICKLIN

NSC RECORDS MANAGEMENT OFFICE

TIME OF TRANSMISSION: TIME OF RECEIPT:

WHITE HOUSE
SITUATION ROOM

PRECEDENCE	CLASSIFICATION:	
IMMEDIATE	**UNCLASSIFIED**	RELEASER:
		DATE/TIME:
		MESSAGE #: **8818**

FROM: **NSC** PH: **456-9425** ROOM: **WW Desk**

SUBJECT: **LETTER TO AMERICAN EMBASSY IN BEIJING, CHINA** PAGES: **3**

PLEASE DELIVER TO:

LOCATION	DELIVER TO	ROOM	PHONE
STATE	**Executive Secretary**		

SPECIAL DELIVERY INSTRUCTIONS/REMARKS:

Please incorporate both pages into cable for Beijing embassy
NSC will directly dispatch original to William McCahill

THE WHITE HOUSE

WASHINGTON

'99 DEC 14 P-8:19

December 14, 1999

'99 DEC 15 PM9:57

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL BERGER
CHARLENE BARSHEFSKY CB
GENE SPERLING

SUBJECT: Letter to American Embassy in Beijing, China

Purpose

To congratulate Charge McCahill and his staff on their important contributions to our historic WTO accession deal with China.

Background

The WTO negotiating team led by Charlene Barshefsky and Gene Sperling descended on the U.S. embassy in Beijing with less than twenty-four hours' notice. The team then required twenty-four-hours-a-day support. Key embassy officers, including the Charge, devoted six full days to this effort, with barely an opportunity to sleep.

This support for our team required truly extraordinary efforts, and all members of our negotiating team agree that it warrants special attention. Moreover, Bill McCahill and his key staff have been deeply involved in the long effort to bring this negotiation to fruition. He and his staff richly deserve congratulations.

RECOMMENDATION

That you sign the attached letter to the American Embassy in Beijing.

Attachment
Tab A Letter to American Embassy in Beijing

cc: Vice President
Chief of Staff

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20504

8818

December 6, 1999

ACTION

MEMORANDUM FOR SAMUEL R. BERGER

FROM: KENNETH G. LIEBERTHAL KL

SUBJECT: Letter to American Embassy in Beijing, China

The memorandum for the President at Tab I recommends a letter to the U.S. Embassy in Beijing to express appreciation for the extraordinary efforts Embassy staff made in support of our WTO negotiating team in mid November. Both Charlene and Gene have indicated they strongly support sending a Presidential letter of appreciation.

Concurrence by: Holly Hammonds HH

RECOMMENDATION

That you sign the memorandum for the President at Tab I.

Attachments
Tab I Memorandum for the President
Tab A Letter to American Embassy in Beijing

8818

THE WHITE HOUSE

WASHINGTON

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL BERGER
SPERLING
BARSHEFSKY

SUBJECT: Letter to American Embassy in Beijing, China

Purpose

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Background

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RECOMMENDATION

That you sign the attached letter to the American Embassy in Beijing.

Attachment
Tab A Letter to American Embassy in Beijing

cc: Vice President
Chief of Staff

8818

THE WHITE HOUSE

WASHINGTON

Dear Bill:

I want to thank both you and your Embassy staff for the extraordinary work you did in support of our WTO negotiations in ~~mid~~ November. China's entry into the World Trade Organization is a development of enormous long-term significance for their ~~PRC's~~ domestic and foreign policies.

~~I know that~~ Our negotiating team imposed significant burdens on your Embassy on very short notice as we brought the long-standing negotiations to a close. You and your team have been an integral part of the Administration's effort that resulted in this historic agreement. Charlene Barshefsky, Gene Sperling, and the entire team reported to me that you handled this situation in a way that reflected the very best traditions of the Foreign Service.

Please convey my sincere thanks to your entire staff for ~~an~~ the outstanding manner in which they accomplished this important job. ~~very well done. My personal~~ congratulati~~ons go out to~~ all of you for this signal achievement.

Sincerely,

Mr. William C. McCahill, Jr.
Charge d'Affairs ad interim
~~American Embassy~~ of the United States of America
Beijing

f WTO/PNTR

May 8, 2000

Dear Fellow Citizens,

Over the years, we have joined many debates of great consequence to the American people, sometimes on the same side, sometimes on opposing sides. On the issue of embracing China's membership in the World Trade Organization and granting it permanent Normal Trade Relations (PNTR) status, however, we are united. There is no doubt that China's World Trade Organization (WTO) membership and PNTR will serve our national interest.

The exact contours of America's policy toward China have changed with the times, but the fundamental purpose of our policy has not. America has an enduring national interest in the emergence of a China that contributes to the stability of Asia, that is open to the world, that upholds the rule of law both within and beyond its borders. Each of us worked to advance that interest; each of us sought the support of the American people and of Republicans and Democrats in the Congress toward that end. We do so again today in urging the Congress to approve PNTR.

To earn the support of the American people, our engagement with China must advance specific goals: global non-proliferation, stability in the Taiwan strait and the region, the safety of our allies, the prosperity of our nation and the creation of new job opportunities, the health of our environment, and the universal values of human rights and freedom. In the current debate, we do not believe these goals are in conflict. Each is advanced by bringing China into the WTO on the terms America has negotiated. Each is advanced by granting China PNTR.

In economic terms, the case is clear. The agreement to bring China into the WTO is the product of more than thirteen years of tough negotiations conducted by four Administrations, Democratic and Republican. It builds upon a series of market opening initiatives pursued by every President since the Second World War. It will open China's markets to us without increasing China's access to our market. But America can only reap the benefits of this agreement if Congress approves PNTR.
A failure to do so would cost America jobs and squander the best opportunity we have had in a generation to address our long-standing concerns about China's trading practices.

The national security interest also is compelling. Enactment of PNTR will reduce the volatility and improve the atmosphere of

U.S.-China relations, strengthen our ability to move China in the right direction, and increase China's stake in stability and prosperity in the region and beyond. It will strengthen the hand of Chinese leaders who have worked to improve relations with the United States. It will reassure our friends and allies in Asia, every one of whom supports our granting China PNTR. It will increase China's interdependence with the world. It will make positive change within China more likely, by opening doors to the information revolution and accelerating reforms that are dismantling many state controls over the economy and society.

A vote against PNTR will make it far more difficult to attain these critical goals. It would be read in China as a vote for confrontation and as an argument for hunkering down, instead of continuing to reach out. It would encourage deeper tensions between Beijing and Taiwan and diminish our ability to work for Asian stability. Our friends and allies would wonder why, after decades of promoting regional security and seeking to open China to the world, we squandered the opportunity to advance both goals now.

For all these reasons, the agreement to bring China into the WTO represents a turning point in our relationship with that profoundly important country and in its future development. We urge the Congress to embrace this agreement and to bring its benefits home by voting for PNTR.

Gerald R. Ford

Jimmy Carter

George Bush

PLEASE PASS TO SANDY

cc WTO/PNTR

RE: Call to Ed Markey on Import Ban on munitions from China

I am sending (by fax) a set of talking points prepared by USTR and cleared by NEC and NSC on the Markey issue. The points are quite good but a bit long, but the basic thrust is:

- China's membership in the WTO will have no effect on the U.S. ban on imports of munitions from China;
- We have import bans on assault-type weapons from other WTO Members (e.g., Brazil and Israel) -- and no WTO member has ever challenged these measures;
- If, however, China does challenge the ban, we would assert our rights under the WTO to take any action we consider necessary for the protection of essential security interests relating to the traffic in arms;

The details of these arguments are fleshed out in the points.

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
005. email	White House Situation Room to Judson Bruns, Cables, John Duncan, et al. Subject: China (6 pages)	05/24/2000	P1/b(1)

COLLECTION:
Clinton Presidential Records
National Security Council
Asian Affairs (Jarrett)
OA/Box Number: 3138

FOLDER TITLE:
China - WTO / PNTR 2000

2010-1024-F
vz1870

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]