Case Number: 2010-1024-F

FOIA MARKER

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Folder Title: [China]-WTO-1999 [1]				
Staff Office-Individual: Asian Affairs-Smith, Holly				
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Withdrawal/Redaction Sheet
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. paper	Trade in Services. (3 pages)	09/12/1999	P1/b(1)
002. report	Notes on Summers-Zhu Bilateral. (9 pages)	10/27/1999	P1/b(1)
003. memo	For Samuel Berger from Jeffery Bader. Subject: China's Accession to the WTO. (5 pages)	n.d.	P1/b(1)
004. list	Key Protocol Issues. (14 pages)	1999	P1/b(1)
005. paper	Protocol Issues. (1 page)	c. 01/1999	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Asian Affairs (Holly Smith)
OA/Box Number: 2970

FOLDER TITLE:

[China] WTO-1999 [1]

2010-1024-F
vz1872

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]
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THE SCOWCROFT GROUP

FAX COVERSHEET

OCTOBER 7, 1999

TO:	**JAMES R. KEITH** **NATIONAL SECURITY COUNCIL**
FAX:	**(202) 456-9250**
FROM:	**ARNOLD KANTER**
SUBJECT:	**CHUBB LETTER TO BARSHEFSKY**

PAGES IN ALL: 4

Jim:

A copy of the letter from Dean O'Hare to Charlene I mentioned to you is attached.

As you will see, it is an effort to energize USTR to ensure that the Chinese actually follow through on the various undertakings on insurance they have made both in the WTO negotiations themselves and as a way to improve the political environment surrounding those negotiations. (I gather from our conversation that the agriculture industry is in the same boat as the insurance industry.)

In a nutshell, the Chinese need to license Chubb to do business in Beijing because that is where the vast majority of foreign-invested businesses are headquartered, and the Chinese will not allow foreign insurers to write policies on Chinese entities. For related reasons, Chubb also must be permitted to insure these businesses' operations wherever in China they take place for the obvious reason that these companies need insurance where they actually make things, not just where their headquarters staff pass around paper.

If Chubb is not licensed to do business in Beijing and to write these "master policies," then (a) its license in China would be almost worthless, rendering the Chinese decision to announce it with such hoopla a fairly impressive exercise in hypocrisy, and (b) several specific provisions in the WTO deal relating to the opening of the Chinese insurance market – which the Chinese treat as major concessions -- would be rendered virtually meaningless. Such a dual outcome would hardly be getting an WTO agreement off on the right foot, much less contribute to improving US-China relations.

- I would appreciate it if you could let me know whether you hear any reverberations emanating from USTR in reaction to the O'Hare letter. Also, since the message to the Chinese is essentially a political one, it would be best delivered – or at least reinforced – in political as well as trade negotiations channels. I would appreciate any thoughts you have about how that might accomplished.

It was good to see you, although there appeared to be some physical evidence that the bastards are beginning to succeed in grinding you down. Don't let them!

All the best,

[illegible] N.W. Suite 600 ♠ Washington, D.C. 20006 ♦ (202) 296-9312 ♦ Fax (202) 296-9395

THE CHUBB CORPORATION

DEAN R. O'HARE
Chairman and
Chief Executive Officer

September 28, 1999

The Hon. Charlene Barshefsky
U.S. Trade Representative
Executive Office of the President
600 17th Street NW
Washington, D.C. 20508

Dear Charlene:

As you know, in connection with Premier Zhu Rongji's visit to the United States in April, the Chinese announced that Chubb would receive a license to conduct non-life insurance business in China. At that time, the Chinese expressed the hope that Chubb would be able to apply for the actual license within 60 days, contingent on Chinese decisions about such matters as the city in which Chubb would be licensed and the scope of business Chubb would be permitted to conduct. Some five months later, however, we are still waiting.

Although progress on our license is not directly tied to the remaining issues in the WTO negotiations, I am convinced that it will have important implications both for political climate in which an WTO agreement is considered, and for indications of how the Chinese intend to carry out the WTO obligations they assume. I, therefore, believe it is the right time for you to raise the matter of our license with the Chinese at the highest levels.

No one doubts that the Chinese announced their decision to issue an insurance license to Chubb (and one to John Hancock) in April in order to improve U.S.-China relations in general and the prospects for a WTO agreement in particular. Now, with the WTO negotiations resumed and hopefully headed toward a successful conclusion, it is critical that the Chinese be seen to be following through on a commitment they made with considerable fanfare.

It is equally important that the Chinese follow through in a way which ensures that our license conveys real commercial benefit, rather than empty symbolism which reinforces doubts about the sincerity with which China is taking on its WTO obligations. Given that the Chinese will limit foreign property and casualty insurers like Chubb to insuring foreign-invested enterprises for the foreseeable future, Chubb must be licensed in Beijing where the vast majority of American and other foreign companies are headquartered. Given the nature of the commercial property and casualty business, Chubb's customers also will properly demand that Chubb provide coverage to these companies' activities wherever in China they are conducted.

These two issues – being licensed in Beijing and being permitted to issue "master policies" which cover customers' business activities throughout China – will determine whether our license is commercially viable or an exercise in hypocrisy. How they are resolved also will determine whether key WTO provisions you and your team have negotiated to open the Chinese insurance market are real or mere rhetoric. Not only the American insurance industry, but also the U.S. Congress, will be watching closely for which it is as they evaluate a WTO deal.

Charlene, as you well know, we have worked closely with you and your colleagues in the Clinton administration for more than five years to get this license in China. At this point, it not only is extremely important for us, but also for a WTO agreement and U.S.-China relations more broadly, that the Chinese move quickly to deliver on the commitment they made in April in a way which helps convince skeptics in our country about their good faith and seriousness.

As always, thank you for your support and help.

Sincerely,

Dean

- As we work together on more export license verification visits, I believe support in the U.S. for high tech exports can increase. The U.S. remains committed to promoting the legal export of high technology goods to China.

Carson
sending

Alex
They discussed 3 elements

April 8
- protocol
- additional details
-

then broke

- Larry to send letter
  will be circulated
  - thinks we serious

- April 8, protocol, longer period needed safeguards

- CB - to work details

~~SECRET~~
CLASSIFICATION

1842
10-27-99
TIME TRANSMITTED (LOCAL)

TREASURY

MSG NBR 1782

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FROM Deborah Crane OFFICE/DESK China Desk PHONE NBR 622-1260

SUBJECT Detailed Notes on Summers-Zhu Bilateral

DELIVERY INSTRUCTIONS:

PAGES ______
(INCLUDING COVER)

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AGENCY	INDIVIDUAL (NAME)	OFFICE	ROOM NBR	PHONE NBR
4	Stanley Roth	EA/Pacific		
8	Jim Keith	NSC		
–	Ken Lieberthal			Embassy Beijing

REMARKS: Addressees listed on page "2"

WASHFAX COVER SHEET

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中 国 美 国 商 会
The American Chamber of Commerce
People's Republic of China
Room 318, Great Wall Sheraton Hotel, North Dongsanhuan Avenue, Beijing 100026 PRC
中国北京市长城饭店 318 房间 邮政编码: 100026
Tel: (8610) 6590-5566 ext 2378, 2379 Fax: (8610) 6590-5273
Website: www.amcham-china.org.cn

November 15, 1999

For Immediate Release--

AmCham-China Encouraged by WTO Deal

BEIJING--The American Chamber of Commerce in the People's Republic of China (AmCham-China) commended both U.S. and Chinese negotiators on successfully reaching an agreement on the terms of China's entry into the World Trade Organization (WTO).

"Having worked hard for years to convey to the two governments how China's WTO accession could help both countries, the American business community here is delighted it is now at hand, and we pledge our full support for the implementation process in coming years," said Richard Latham, Chairman of AmCham-China. He noted that both the U.S. and Chinese economies will benefit from increased trade between the two nations.

AmCham-China Vice-Chairman John Sullivan said AmCham members look forward to studying the details of the agreement, and that increased investment in China operations by U.S. companies is likely with the stability and predictability offered by China's accession to the WTO. "Implementation of WTO standards will reduce many of the distribution and regulatory hardships that U.S. businesses now face in China. That means more growth potential for American companies, and creation of more jobs back home," Sullivan added.

The American Chamber of Commerce in the People's Republic of China was founded in 1920, and re-energized in 1981, following the resumption of diplomatic relations between the U.S and China. The Chamber's mission is to promote the development of trade, commerce, and investment between the two countries, to provide a forum for American business in China, and to work with Chinese and U.S. government officials to encourage long-term beneficial trade relationships.

AmCham China currently has 600 member companies and more than 1,300 individual members in China.

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For further information, please contact:

Mr. Richard Latham	6519-1166
Mr. John Sullivan	6505-0591
Mr. Michael Furst	6519-1909

NEWS RELEASE

THE AMERICAN
CHAMBER OF COMMERCE
IN HONG KONG

美國商會

TO THE BUSINESS EDITOR
FOR IMMEDIATE RELEASE

Media Contacts: Isabella Wong, Public Affairs Officer, tel 2530-6915
Shuk-han Pong, Public Affairs Manager, tel 2530-6914

AMCHAM HAILS HISTORIC US-CHINA WTO AGREEMENT

HONG KONG, November 15, 1999 – The American Chamber of Commerce in Hong Kong hails the historic agreement reached between the US and China today and commends the US and Chinese negotiators for their perseverance in coming to a satisfactory conclusion. The agreement will pave the way for China's entry into the World Trade Organization (WTO).

AmCham Chairman Jason Felton said: "While we have yet to study the details of agreement, we have every confidence that it will be a strong deal for both countries. We further believe that the ability of our two countries to reach an agreement will usher in a new phase in Sino-US relations."

"This is the deal the US business community has been waiting for over a decade," Mr Felton continued. "AmCham firmly believes that the US and China, including Hong Kong, stand to benefit from China's integration into the global economy."

"From the US business community's perspective, clearly China's accession to the WTO will change unfair trade practices, by eliminating barriers to American products, increasing transparency in Chinese trade and economic policy, and altering discriminatory regulations that limit US market access in China. China's accession will also level the playing field for American business, thereby increasing US exports to China and creating more jobs for American workers," Mr Felton said.

While the agreement signed today will be a decisive victory in AmCham's 13-year WTO lobbying campaign, the Chamber has pledged to continue in its efforts to rally the support of the US Congress to pass legislation granting Permanent Normal Trade Relations (NTR) status for China.

*****

Enclosure: *AmCham Fact Sheet: Implications of China's Accession to the WTO*

THE AMERICAN CHAMBER OF COMMERCE IN HONG KONG

Fact Sheet: Implications of China's Accession to the WTO

What is the WTO? Created in 1995 following the Uruguay Round of world trade talks, the World Trade Organization (WTO) is an institutional mechanism for international trade. The previous international agreement dealing with trade in goods, the General Agreement on Tariffs and Trade (GATT), lacked a solid legal structure. The WTO deals with the full range of trade issues, including goods, services and intellectual property. The WTO does not monitor or enforce member compliance with trade regulations, but has a legally binding dispute settlement system. Today, the WTO has 134 members with another 30 in the process of accession. Over 150 cases for dispute settlement have been brought forward to date.

What are the implications for China of accession to the WTO? The US International Trade commission has estimated that China's GDP would expand by 4.1% based on China's April 1999 offer.[1] Overall, China's exports would increase by 12% and imports would increase by 14%. Efficiency gains from freer trade would lead to additional investment in China's economy and expanded production. China would also benefit from increased imports of capital goods. Advocates of China's accession also anticipate greater progress for economic reforms and financial-sector restructuring, as well as increased transparency in China's trading system. There has also been political pressure against increased entry of American agricultural goods, and investment in telecommunications, finance and other service sectors.

What does the US stand to gain with China's entry into the WTO? Exports are the fastest-growing segment of the American economy. The USITC has estimated that China's accession to the WTO will lead to an overall decrease in the US trade deficit with China.[2] US-China trade flows would be stimulated, with US exports to China being 10% higher, and US imports from China almost 7% higher. From the US perspective, China's accession to the WTO will change unfair trade practices by eliminating barriers to American products, increasing transparency in Chinese trade and economic policy and altering discriminatory regulations that limit US market access in China. China's accession will level the playing field for American business, thereby increasing US exports to China and creating more jobs for American workers. However, for China's WTO entry to be commercially meaningful for the US, Congress will have to agree to grant China permanent normal trading relations. Reaching a trade agreement with China also constitutes an important foreign policy achievement, as having China participate in the WTO ensures that China is subject to global trading rules.

What opposition has the deal faced? President Clinton refused the April 1999 offer on the grounds that it did not go far enough on issues related to securities, audiovisual, financial and other services. The Administration also sought additional dumping and product safeguards, especially in steel and textile exports.[3] American labor unions have opposed a trade deal with China, citing concerns over job losses due to cheaper labor and imports from China. Unions have pressured the Administration to maintain the right to place punitive tariffs on low-cost Chinese steel, textiles and other products. Non-governmental organizations in the US and worldwide have voiced criticisms that the WTO and corporations do not adequately address issues such as product quality, job safety and environmental standards, and public participation in the decision-making process.[4] Many developing countries fear competition from an expected flood of Chinese goods if they have to apply WTO open trading rules to China.[5] Finally, there are

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[1] "Assessment of the Economic Effects on the US of China's Accession to the WTO - Executive Summary". USITC, August 1999, www.usitc.gov.
[2] Ibid.
[3] Statement of Ambassador Charlene Barshefsky Regarding Broad Market Access Gains Resulting from China WTO Negotiations, April 8, 1999, www.ustr.gov.
[4] Statement of Joan Claybrook, President, Public Citizen, April 23, 1999, www.harmonizationalert.org/joan.htm.
[5] "US, China upbeat as key WTO talks open," *New York Times*, November 11, 1999.

- concerns that accepting China into the WTO (a multilateral issue) and granting China permanent NTR (a bilateral issue requiring Congressional approval) could be seen as a concession or reward, and thus deter China from furthering economic reforms, or addressing human rights and environmental concerns.

Is a US-China trade deal a reward for China, and does an agreement with the US mean China is automatically accepted into the WTO? Any agreement entails numerous trade concessions by China. A deal grants no special favors; rather, it requires China to reduce its trade barriers to levels comparable to those of major trade partners, including industrial countries.[6] China's accession to the WTO will allow businesses greater access to the Chinese market, and will pressure China into abiding by a rules-based international trade system, without requiring market access, export control or trade law concessions from the US. Recent diplomatic incidents delayed US-China negotiations. A bilateral trade agreement between the US and China does not guarantee immediate accession, though it is implied. China has yet to resolve a range of outstanding issues with the European Union and Canada. The agenda for the next round will be launched at the Ministerial Conference November 30 in Seattle, but the actual negotiations and work programs will take place in Geneva, where the WTO is located, beginning in early 2000 and lasting about three years.

What are the implications for Hong Kong? According to the Trade Development Council, the WTO's ability to open Chinese markets and lift barriers to its exports could result in business growth for Hong Kong. Over 60% of exports handled by Hong Kong are produced in the Mainland, and over 40% of China's exports and imports are re-exported through Hong Kong.[7] Increased trade with China will lead to increased activity in Hong Kong's ports and service sector, additional foreign distribution and sales management facilities in Hong Kong to manage mainland investments, and greater access for Hong Kong to the Chinese market especially in the telecommunications and financial services industries. Accession to the WTO would, however, mean increased international competition in China's internal market. With more investment in the Mainland there might also be less foreign exchange and fewer new jobs in the Hong Kong market, as investors take advantage of lower costs in the Mainland. In addition, as some 80% of Hong Kong manufacturers' production facilities are in the Mainland, their exports would be vulnerable to any trade disputes between China and its partners.[8]

What is AmCham's position? AmCham believes that Hong Kong, mainland China and the US stand to benefit from China's entry to the WTO. AmCham strongly supports China's accession to the WTO under commercially viable terms that provide for the following: unrestricted trading rights to all companies; transparency of Chinese commercial laws and regulations; an open market for services; reduction of trade weighted tariffs; holding China to developed country standards for customs valuation; immediate elimination of quotas and other non-tariff measures; dismantling of China's trade monopolies for agricultural goods, and acceptance of the WTO's scientific standards; removal of trade-related investment measures; effective protection of intellectual property rights; and suspension of WTO benefits if China does not abide by commitments set out in the agreement.

[6] Ambassador Barshefsky statement, April 8, 1999.
[7] "Impact of China's WTO accession: current status and implications for Hong Kong," *Trade Watch*, Hong Kong Trade Development Council, April 1999.
[8] Ibid.

APPEAL OF CONSCIENCE FOUNDATION

119 WEST 57TH STREET, SUITE 820
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November 16, 1999

To:	Mr. James Keith
Fax:	202-456 9250
From:	AM Duross
Pages:	2

APPEAL OF CONSCIENCE
FOUNDATION

FOR IMMEDIATE RELEASE
November 16, 1999

CONTACT: Ann Marie Duross
TEL: 212-535-5800

APPEAL OF CONSCIENCE FOUNDATION WELCOMES SIGNING OF TRADE ACCORD BETWEEN CHINA AND THE UNITED STATES

NEW YORK--The Appeal of Conscience Foundation welcomes the trade accord between the People's Republic of China and the United States, paving the way for China's full membership into the World Trade Organization.

According to Rabbi Arthur Schneier, President of the Foundation:

"China's entry into the World Trade Organization will integrate China into the global economy in conformity with the rules and regulations adopted by the international community. It will boost not only trade but potentially will also broaden the rule of law in all spheres of Chinese society.

The relationship between our two great nations requires a web of engagements in trade, security, non-proliferation and human rights and religious freedom. This complex, multi-dimensional relationship can be greatly strengthened by people to people contact through exchanges between the religious communities in China and the United States.

The American and Chinese people will help shape the destiny for peace and security in the 21st century. The deeper the involvement, the broader the engagement, the easier it is to overcome the more difficult issues that separate us."

The Appeal of Conscience Foundation, founded in 1965, is an inter-religious coalition of business and religious leaders working to advance religious freedom and tolerance throughout the world.

U.S. Trade Deficit with China

* **China is our largest deficit country for goods and services** combined (since 1996). For full year 1998, the U.S. goods and services deficit with China, at $55.3 billion, is the largest among all countries, surpassing Japan, at $47.4 billion. The U.S. goods and services deficit with China in 1998 accounted for 34 percent of the overall U.S. goods and services deficit

* The U.S. goods deficit with Japan at $64.1 billion in 1998 was still the largest among all countries, $7.2 billion higher than China ($56.9 billion). However, the U.S. has a sizable commercial services surplus with Japan ($17.0 billion in 1998), whereas the U.S. has only a small commercial services surplus with China ($1.6 billion in 1998). The U.S. goods deficit with China in 1998 accounted for 24 percent of the overall U.S. goods deficit.

* **For the first eight months of 1999 (latest available data), China is the United States 2nd largest goods deficit trade partner**. For January - August 1999, the U.S. goods deficit with China is $42.5 billion, second to Japan at $46.8 billion.

* There is some question about whether or not bilateral trade flows with China are accurately measured. For example, Chinese exports through Hong Kong may be doubled in price in transit through Hong Kong by Hong Kong investors. Because there is not substantial transformation of the product in Hong Kong, U.S. statistics attribute the whole value to China, even though China may have received only 50% of the price. Nevertheless, all agree that the U.S. is running substantial trade deficits with China. [Note: China data reports that the United States had only a $20.1 billion goods deficit in 1998, not a $56.9 billion deficit as the U.S. reported.]

* China is currently our 4th largest goods trading partner with more than $85 billion in total goods trade (exports plus imports) during 1998. It is our 12th largest goods export market and our 4th largest source for goods imports.

* **U.S. exports to China for 1998 were $14.2 billion**. This is nearly 11 percent higher than 1997 exports of $12.9 billion, and 92 percent higher than 1992 exports of $7.4 billion. So far in 1999, (Jan. - July) U.S. exports to China were $7.5 billion, which is 1.8 percent lower than the comparable period of 1998 ($7.6 billion).

• **U.S. jobs supported by U.S. goods exports to China were estimated to be approximately 180,000 in 1998**.

* **U.S. imports from China for 1998 were $71.1 billion**, up nearly 14% over 1997 levels ($62.6 billion). U.S. imports from China have grown nearly twice as fast as U.S. exports between 1992 and 1998 (177% vs. 92%). Accordingly, the U.S. deficit with China has increased by $39 billion from $18.3 billion in 1992 to $56.9 billion in 1998. So far in 1999, (Jan. - July) U.S. imports to China were $43.1 billion, up from $38.2 billion for the same period in 1998, an increase of 12.9 percent.

* **U.S. exports to China are heavily weighted toward higher valued capital goods and industrial supplies** (1998 exports: 60% capital goods, 26% industrial supplies). Our largest export category in 1998 was aircraft ($3.6 billion) followed by machinery ($2.7 billion). China is also a major market for some key U.S. products. In 1998, China purchased over 30% of all U.S. fertilizer exports and 34% of all soybean oil exports sold by U.S. farmers.

• **U.S. imports from China are primarily simple and quite low value-added consumer goods** (69%) such as apparel, toys, and some consumer electronics. Such imports, whether from China or elsewhere, have been highly competitive in the U.S. market for many years.

* **Some of the increase in the deficit with China represents the shifting sourcing of low-skilled labor-intensive consumer imports (e.g. toys, clothing, some consumer electronics) from other countries in Asia where wages have risen relative to China.** As China's share of such U.S. imports has risen, that of other Asian countries has fallen. For example, between 1989 and 1999 (through July), the share of U.S. imports from China rose significantly and the share from other Asia countries (Hong Kong, Taiwan, Korea, and Japan in this example) fell sharply:

-- **Footwear** - China from 9% to 60% of U.S. imports; other Asia from 51% to 2%;
-- **Toys and Sporting Goods** - China from 22% to 60%; other Asia from 58% to 20%;
-- **Radios** - China from 11% to 31%; other Asia from 49% to 13%;
-- **35MM Cameras** - China from 4% to 35%; other Asia from 84% to 22%.

• **Foreign Direct Investment**: China was the third largest recipient of foreign direct investment from the world in1998 with $45.5 billion. The largest recipient of foreign direct investment from the world in 1998 was the United States with $193 billion, more than four times the level going to China (United Kingdom was second with $63 billion). (Nearly $1 of every $3 invested abroad in the world went to the United States in 1998, though this may have reflected, in part, the unusual circumstances of the Asian financial crisis).

-- The stock of U.S. foreign direct investment in China reached $6.3 billion in 1998. U.S. companies may have far more invested in China, but apparently they source those investments from countries other than the United States. More than half of the U.S. stock of investment in China (59%) was concentrated in the manufacturing sector ($3.7 billion), mostly in the electronic and other electrical equipment category. An additional 14% ($911 million) was in the petroleum sector and 12% ($771 million) in the finance, insurance and real estate sector. As China's economy develops, the percentage of U.S. investment in China's manufacturing sector is expected to increase further.

• Individual U.S. State exports to China in 1998 (latest information available) were led by Washington ($3.2 billion), California ($2.6 billion), Illinois ($1.0 billion), New York ($739 million), and New Jersey ($720 million).

Comparison of United States, Japan and European Union's Trade Performance with China

* As shown in the table below, **the European Union and the United States had growing goods trade deficits with China during 1992-98, and Japan had a growing trade deficit during 1992-97 (with a decline in 1998).** Although the United States has the highest trade deficit of the three entities ($57 billion for the U.S., $24 billion and $17 billion for the EU and Japan, respectively), the growth rate of the deficit for Japan exceeds that of the United States (240% vs 211%). The U.S. rated second in export growth to China between 1992 to 1998 (EU 102%, Japan 68%, U.S. 92%), and first in import growth from China (EU 107%, Japan 118%, U.S. 177%). While the U.S. had faster growing imports from China than the EU or Japan over the period, this, in part, reflects the fact that the U.S. economy was faster growing -- increasing at twice the rate of those of other G-7 countries since 1992.

* For 1998, the fast growing United States was less successful than the slower growing EU or recession bound Japan in limiting the deficit growth. The U.S. deficit with China increased by 14.5% in 1998, whereas it increased by 13.7% for the EU and declined by 15.4% for Japan. The growth rate of U.S. imports from China was higher than either that for the EU or Japan in1998 (U.S. 13.7%, EU 9.3% Japan -11.2%,). U.S. exports to China increased by 11% in 1998, whereas the EU exports increased by 4.3% and Japan exports declined by 7.3%.

European Union's, Japan's, and U.S. Trade with China
(In Billions of Dollars)

		1992	1997	1998	Change vs 1992	Change vs 1997
EU	**Balance**	**-11.4**	**-21.2**	**-24.1**	**111.4%**	**13.7%**
	Exports	9.6	18.6	19.4	102.1	4.3
	Imports	21.0	39.8	43.5	107.1	9.3
		1992	1997	1998	Change vs 1992	Change vs 1997
Japan	**Balance**	**- 5.0**	**-20.1**	**-17.0**	**240.0%**	**-15.4%**
	Exports	12.0	21.7	20.1	67.5	- 7.3
	Imports	17.0	41.8	37.1	118.2	-11.2
		1992	1997	1998	Change vs 1992	Change vs 1997
U.S.	**Balance**	**-18.3**	**-49.7**	**-56.9**	**210.9%**	**14.5%**
	Exports	7.4	12.9	14.3	92.2	10.8
	Imports	25.7	62.6	71.2	176.6	13.7

Sources: IMF Direction of Trade Statistics, U.S. Census Bureau.

<u>Other Economic Facts on China</u>

- China is the fastest growing market in the world with GDP growth ranging between 5% (1998) and 14% (1992) over the last 9 years. With 1.2 billion consumers, China makes up one-fifth of world consumers.

- Measured in dollars at market exchange rates, **China is the world's 7th largest economy** with over $1 trillion in GNP for 1997 (World Bank). Measured at purchasing-power-parity exchange rates (a more appropriate measure for many real inter-country comparisons), **China already has an economy larger than the size of Japan,** the world's second largest economy in nominal terms. China's growth potential for the foreseeable future is also thought to be among the world's highest.

- Over the past 10 years, **China's imports (as reported by China) have increased by 154% (to $140.4 billion in 1998), growing 40% faster than global imports. U.S. exports to China almost tripled over that period**, despite the existence of many Chinese barriers and practices restricting U.S. exports.

- **Integrating China into the rules-based global trading system while significantly expanding market access for U.S. goods and services exports to one of the world's largest and fastest growing markets is strongly in the interest of U.S. exporters, U.S. workers and future U.S. living standards.**

* **Specifically with regard to the bilateral deficit with China**, several points stand out.

-- **Success in reducing China's market barriers is important to the United States, irrespective of the bilateral balance of trade.** Even were the United States in trade surplus with China, barriers to U.S. exports would restrict our ability to expand some of our successful, productive industries and the higher wage U.S. jobs that the output of these industries support.

-- **Further success in opening China's market -- bilaterally, regionally or through eventual WTO accession -- could act to expand U.S. exports, and to slow the growth of, or lower, the bilateral and/or global trade deficit.** There is, however, little reason to believe that even complete market opening in China would eliminate the bilateral deficit; too many factors other than China's import restrictions are involved.

-- In a multilateral trade and payments system, even when overall trade is in balance, a country may run surpluses with some countries and deficits with others. **The possibility cannot, therefore, be precluded -- particularly given China's strong price competitiveness in low cost consumer goods vis a vis other suppliers to the U.S. market -- that some bilateral deficit with China would remain, even with completely open markets and U.S. global trade in balance.**

FACSIMILE COVER PAGE

Date:	11/15/99
Time:	10:54:02
Pages:	2
To:	Jim Keith
Company:	NSC
Fax #:	94569250
From:	Liz Weiss
Title:	Asia Division Associate
Company:	Human Rights Watch
Address:	1630 Connecticut Ave, NW Suite 500 Washington , DC 20009 USA
Fax #:	(202) 612-4333
Voice #:	(202) 612-4321

Message:

Press release on US-China WTO deal

HUMAN RIGHTS WATCH
350 Fifth Ave. 34th Floor
New York, NY 10118
Telephone. 212-270-4900
Facsimile. 212-736-1300
E-mail: hrwnyc@hrw.org

Website: http://www.hrw.org

HUMAN RIGHTS WATCH

For Immediate Release:
November 15, 1999

Contact: Mike Jendrzejczyk, DC, (o) 202-612-4341; (h) 301-585-5824
Mickey Spiegel, NY, (o) 212-216-1229
Minky Worden, NY, (o) 212-290-4700

Human Rights Watch Welcomes WTO Deal, Presses for Rights Improvements in China

(November 15, 1999, New York)—We welcome the deal between the US and China on WTO entry. This agreement is good for trade but also for human rights and the rule of law. Over the long term, China's membership in the WTO could increase pressure for greater openness, more press freedom, enhanced rights for workers, and an independent judiciary.

The next step is up to Congress. Before giving China permanent NTR (Normal Trade Relations) status, we hope Congress will insist on limited, meaningful steps to improve human rights. For example, within one year of getting permanent NTR, China should ratify one or both of the two key UN human rights treaties it has signed, and take other steps. Beijing must respect both the global rules on trade, and international norms of human rights.

TO: NSC - Jim Keith 456-9250
NEC - Malcolm Lee 456-9290
USTR - Bob Cassidy 395-3512

FROM: State - Bob Goldberg Bob

Re: PRC Press Spokesman on China's position regarding Taiwan in the WTO

Steve Schlaijker asked me to call your attention to the November 16 comment of MFA spokesperson Sun Yuxi, drawn from Beijing 10674, re Taiwan in the WTO: China's position on Taiwan's accession to the WTO was consistent. Taiwan could join the WTO as a separate customs territory, but only after China's accession. Members of the WTO should abide by this principle.

When asked about prospects for China-Taiwan relations within the WTO framework, Sun replied that future cooperation between WTO members should not be an issue.

Pritchard, Charles (Jack) L. (ASIA)

To: Keith, James R. (ASIA)
Subject: FW: Afternoon Session of WTO talks [UNCLASSIFIED]

Jim,

Bob Cassidy also said that the dates for Pickerings trip may not work for the Chinese. No report on anything that may have come out of last night's dinner with Barshefsky.

Jack

-----Original Message-----
From: Pritchard, Charles (Jack) L. (ASIA)
Sent: Monday, September 27, 1999 6:49 PM
To: @NSA - Natl Security Advisor
Cc: @ASIA - Asian Affairs; Lee, Malcolm R. (NEC)
Subject: Afternoon Session of WTO talks [UNCLASSIFIED]

Please pass to Jim and Sandy for information (as a supplement to the unclass system email Malcolm Lee sent earlier in the day):

Susan Shirk and Bob Cassidy report that no progress was in the afternoon WTO session.

Jack

Malcolm R. Lee
09/27/99 06:10:21 PM

Record Type: Record

To: Charles L. Pritchard/NSC/EOP@EOP

cc:
Subject: China WTO Talks Status

--------------------- Forwarded by Malcolm R. Lee/OPD/EOP on 09/27/99 06:10 PM ---------------------------

Malcolm R. Lee
09/27/99 02:17:20 PM

Record Type: Record

To: Bathsheba N. Crocker/NSC/EOP@EOP, Mona K. Sutphen/NSC/EOP@EOP, James R. Keith/NSC/EOP@EOP, D Holly Hammonds/OPD/EOP@EOP

cc:
Subject: China WTO Talks Status

SENSITIVE, NOT FOR DISTRIBUTION

Please pass to Sandy and Jim.

China WTO Status

Based on readout from lead negotiator Cassidy. Barshefsky met with MOFTEC Minister Shi for two hours this morning. Experts will review market access differences this afternoon. Barshefsky will meet Shi for dinner this evening and decide next steps. Chinese delegation scheduled to leave Tuesday early afternoon.

No progress made. Fisher says tone friendly, better than Auckland.

Minister Shi made following key points

- China serious, wants to accelerate progress.
- Hope U.S. studied Chinese texts
- Chinese side has brought important people for talks from many agencies (Note: main negoitator VM Long did not come)
- Any argreement needs to be based on balance of rights and obligations. Sharp differences in U.S. and Chinese position. China will not do what it cannot do, but will keep its promises. May be able to do more after get into WTO.

- Hope U.S. side realistic and shows more flexibilty.
- Minister Shi reiterated three"requests" made in Auckland 1)permanent NTR guarantee, 2)no general safeguard 3) export controls not removed but liberalized.
- Timing not important, subtance is. Must adhere to principles. If terms and conditions right, can agree now.
- Do not refer publicly to April 8 document. No way China can accept. If you mention, will raise expectations and put you in awkward position.

Key Substantive Points (delivered much more artfully than my summary)

- U.S. side cannot accept less than announced in April.
- Releasing details here vital to getting support for perm. NTR.
- Remaining additional issues must also be resolved. Have shown some flexibility.
- We will not negotiate up to eve of WTO Ministerial. Cannot meet common objective if do so. (Shi became nervous)(Charlene did not recite Congressional calendar, which they have heard many times).
- Subtance most important to U.S. as well.
- Reiterated positions on the three Chinese requests that were made in Auckland. Export contols must be completely off the table, will be decided on merits.
- If reach agreement on substance, can discuss how to characterize publicly.

Experts meet this afternoon.

Noone expects agreement here, but will try to make progress. USTR negotiators feel Chinese side has sent large delegation to show good faith.

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
003. memo	For Samuel Berger from Jeffery Bader. Subject: China's Accession to the WTO. (5 pages)	n.d.	P1/b(1)

COLLECTION:
Clinton Presidential Records
National Security Council
Asian Affairs (Holly Smith)
OA/Box Number: 2970

FOLDER TITLE:
[China] WTO-1999 [1]

2010-1024-F
vz1872

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]
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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]

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
004. list	Key Protocol Issues. (14 pages)	1999	P1/b(1)

COLLECTION:
Clinton Presidential Records
National Security Council
Asian Affairs (Holly Smith)
OA/Box Number: 2970

FOLDER TITLE:
[China] WTO-1999 [1]

2010-1024-F
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
005. paper	Protocol Issues. (1 page)	c. 01/1999	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Asian Affairs (Holly Smith)
OA/Box Number: 2970

FOLDER TITLE:

[China] WTO-1999 [1]

2010-1024-F
vz1872

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REDRAFT OF BAUCUS LETTER ON PERMANENT NTR

Dear Max:

I want to personally thank you for your strong leadership on U.S.-China issues. We are facing great challenges and enormous opportunities. Clear-eyed engagement is the best way to advance U.S. interests.

I welcome your letter in support of granting Permanent Normal Trading Relations status to China in the context of a strong bilateral agreement on China's accession to the World Trade Organization. There is no higher priority on my Administration's international economic agenda than concluding a strong agreement that will open Asia's largest and fastest growing economy to U.S. agricultural, manufacturing and services exports, integrate China into a rules-based trading system, and advance fundamental, historic economic reforms and the rule of law in China. I want to work closely with you on normalizing our trade relationship with China on a permanent basis this year if we successfully conclude such an agreement. I would appreciate any thoughts or advice you have.

As you know, Ambassador Barshefsky made significant progress in these negotiations in the weeks before Premier Zhu's visit to Washington. Important issues remain, but I believe these can be bridged. The recent tragic accident in Belgrade and subsequent events in Beijing have not made this task easier. Nevertheless, both sides share a mutual interest in the success of these talks, and I am confident that we can achieve a strong and workable agreement.

Again, I want to work closely with you as we move forward.

Sincerely,

The Honorable Max Baucus
United States Senate
Washington, D.C. 20510

DTG: 251305Z JUN 99
FROM: FM FBIS RESTON VA
CONTROLS:
UNCLAS 1NB

WARNING: FTS_DOC_ID: FTS19990625000819

WARNING: TOPIC: DOMESTIC, ECONOMIC, INTERNATIONAL, POLITICAL, URGENT

SERIAL: OW2506130299

TEXT:
COUNTRY: CHINA, UNITED KINGDOM, UNITED STATES
SUBJ: WTO SEMINAR PLANNED; SHI GUANGSHENG'S REMARKS REITERATED

SOURCE: BEIJING XINHUA IN ENGLISH 1241 GMT 25 JUN 99
TEXT:

(FBIS TRANSCRIBED TEXT)

BEIJING, JUNE 25 (XINHUA) -- LOCAL GOVERNMENT OFFICIALS AND ENTREPRENEURS ACROSS CHINA WILL BE BRIEFED ON THE LATEST DEVELOPMENTS IN THE COUNTRY'S BID TO ENTER THE WORLD TRADE ORGANIZATION (WTO) AND THE EFFECT WTO ENTRY WILL HAVE ON CHINA IN A WEEK-LONG SEMINAR SCHEDULED FOR JULY 18.

THE ORGANIZER OF THE SEMINAR, THE CHINA WTO RESEARCH SOCIETY, SAID THAT SENIOR OFFICIALS OF THE MINISTRY OF FOREIGN TRADE AND ECONOMIC COOPERATION (MOFTEC), INCLUDING LONG YONGTU, MOFTEC CHIEF NEGOTIATOR, AND SEVERAL OTHER SENIOR ECONOMISTS, WILL LECTURE AT THE SEMINAR.

TOPICS OF BRIEFINGS WILL COVER A GENERAL INTRODUCTION TO THE WTO, CHINA'S FOREIGN TRADE SYSTEM REFORM, CHINA'S OPENING POLICY, THE PROCESS OF CHINA'S BID TO ENTER THE MULTILATERAL TRADE BODY OVER THE PAST 13 YEARS, AND WHAT CHINA'S ACCESSION TO THE WTO WILL MEAN TO THE COUNTRY'S VARIOUS ECONOMIC SECTORS AS WELL AS THE RELEVANT POLICIES CHINA SHOULD ADOPT.

IT WILL BE THE SECOND SUCH SEMINAR THIS YEAR. IN JANUARY, PRIOR TO PREMIER ZHU RONGJI'S OFFICIAL VISIT TO THE UNITED STATES, A WEEK-LONG WTO SEMINAR WAS ALSO HELD HERE ON A SIMILAR TOPIC.

THE US ADMINISTRATION PROMISED ITS FIRM SUPPORT FOR CHINA'S ENTRY INTO THE WTO IN 1999, DURING CHINESE PREMIER ZHU'S VISIT TO THE UNITED STATES. IMPORTANT PROGRESS HAS BEEN MADE ON THE ISSUE, MOFTEC MINISTER SHI GUANGSHENG SAID SOON AFTER THE PREMIER'S VISIT.

THE TALKS ON CHINA'S ENTRY INTO THE WTO BETWEEN CHINA AND THE UNITED STATES CAME TO A STANDSTILL FOLLOWING THE US-LED NATO ATTACK ON THE CHINESE EMBASSY IN BELGRADE MAY 8.

DURING A MEETING WITH VISITING BRITISH SECRETARY OF STATE FOR TRADE AND INDUSTRY STEPHEN BYERS LAST WEEK, SHI SAID THAT CHINA HAS NEVER CHANGED ITS STANCE, VIEWPOINT AND ATTITUDE TOWARD ITS ACCESSION TO THE WTO. BUT, HE SAID, NOW IS NOT THE PROPER TIME TO RESUME THE WTO TALKS WITH EITHER THE UNITED STATES OR THE EUROPEAN UNION.

"THE US-LED MISSILE ATTACK AGAINST THE CHINESE EMBASSY IN BELGRADE DAMAGED THE GOOD ATMOSPHERE OF NEGOTIATIONS," HE SAID.

"ONLY AFTER THE US-LED NATO HAS MADE A RESPONSE SATISFACTORY TO CHINA AND A GOOD ATMOSPHERE IS REINSTATED CAN THE TALKS BE RESUMED."

(DESCRIPTION OF SOURCE: BEIJING XINHUA IN ENGLISH -- CHINA'S OFFICIAL NEWS SERVICE FOR ENGLISH-LANGUAGE AUDIENCES (NEW CHINA NEWS AGENCY))

Congress of the United States
Washington, DC 20515

May 26, 1999

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

We are deeply concerned about the continuing negotiations regarding China's being admitted into the WTO. In light of current events, and, specifically, the recent incidents in and by China, we are fully convinced that the most responsible and appropriate step is to set aside negotiations.

China's entrance into the WTO would have a permanent and significant effect on the American economy, not to mention the flexibility of future Administrations. Under present circumstances, the U.S. should take a step back, reconsider the current approach to China and resume negotiations only when they can be conducted without the overhang of ancillary events.

Among the issues that must be addressed is the effectiveness of our current terms of engagement with China. Recent newspaper editorials across the political spectrum have suggested that the Chinese government's sanctioning of the attacks on our embassy in Beijing, the torching of the consulate, and the attacks on U.S. businesses demonstrate clearly that our engagement policy and delinking trade from other issues such as human rights have not fostered the deep, stable and meaningful relationship between the United States and China that had been promised.

Moreover, the Chinese government's allowance (and even encouragement) of such unlawful activity against the United States emphasizes the concerns many members of Congress have expressed about China's willingness and ability to enforce the rule of law, including its WTO commitments.

In short, we are persuaded that the United States will be well served by such a "time-out." We look forward to working with you on this issue in the future and to developing an appropriate policy toward working with China.

Sincerely yours,

Jesse Helms

Russ Feingold

Ben Gilman

Tom Lantos