

FOIA MARKER

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Folder Title: [China]-WTO-1999 [3]				
Staff Office-Individual: Asian Affairs-Smith, Holly				
Original OA/ID Number: 2970				
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Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. letter	Charlene Barshefsky to Minister Wu Yi. (3 pages)	02/06/1998	P1/b(1)
002. draft	Memorandum for the President from Samuel Berger. Subject: Message for Mickey Kantor. (2 pages)	10/20/1998	P1/b(1)
003. report	Services Side-by-Side. (13 pages)	02/1999	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

[China] WTO-1999 [3]

2010-1024-F

vz1874

RESTRICTION CODES

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

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

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P2 Relating to the appointment to Federal office [(a)(2) of the PRA]

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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.

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Jim - a few sentences.

Telecom equipment: In 1998 the press reported that an internal Ministry of Information Industry directive mandated that China's cell phone operators purchase domestic equipment. Such internal directives are non-transparent and at odds with national treatment and non-discrimination.

Telecom services: (Jim - may want to tread carefully here - there's talk of a way to work this out in concert with WTO). Last August the State Council issued an internal directive which would ban the China-China-Foreign model of joint ventures which U.S. telecom service providers used to enter the Chinese telecom market. The market is officially closed to foreign investment, but by using a JV with a Chinese JV, U.S. companies were able to bring modern technology and services to China. The U.S. companies stand to lose millions if they are forced to divest.

Power Generation: In January of this year, China issued a moratorium on all power projects. The implementation of the ruling is unclear, and there are apparently some exceptions. In May of last year, the State Power Corporation issued guidelines encouraging the exclusive use of domestic equipment in plants of 600 MW and below. Some plants have been forced to localize their equipment.

Pharmaceuticals: Last year China introduced a schedule of price controls that singles out imported pharmaceuticals for more onerous regulation. Chinese medical units receive lower sales margins for selling imported drugs. The result is a policy that promotes import-substitution and denies U.S. products equivalent market access.

OPTIONAL FORM 99 (7-90)		# of pages ▶
FAX TRANSMITTAL		
To <i>Jim Kerth</i>	From <i>Mark Korman</i>	
Dept./Agency <i>NSC / Asst</i>	Phone # <i>647 6798</i>	
Fax # <i>456 9250</i>	Fax # <i>647 6820</i>	
GENERAL SERVICES ADMINISTRATION		
NSN 7540-01-317-7388 5099-101		

A few more sentences; the Ag SPS issues. [General comment - hard to determine "lost sales" due to SPS restriction, because tariffs remain high. Both SPS and tariffs are on WTO negotiating table.]

Citrus: China continues to cite the Mediterranean fruitfly quarantine areas as a primary reason to ban U.S. citrus imports. The U.S. has gone to extensive lengths to demonstrate how we prevent contamination of exports -- and how we have successfully protected the spread of medfly to domestic crops in Japan, Korea and Hong Kong, which recognize U.S. quarantine efforts. In the U.S. view, China does not adhere to internationally accepted concepts of the WTO Sanitary and Phytosanitary Agreement (SPS). [FYI: U.S. citrus exports to Hong Kong have found their way to markets in southern China for years.]

Meat (pork, poultry, and beef): China insists that, to ensure that sanitary standards are met, it must perform plant-by-plant inspections of U.S. meat exporters rather than accepting the U.S. inspection system as a whole (which many countries have done). China's regulations also effectively limit U.S. meat exports to two Chinese importers that sell only to restaurants catering to foreigners.

Wheat: TCK (Tilletia Controversa Kuhn) is a mold which occasionally develops in winter wheat fields world-wide, including in the Pacific Northwest. China has banned wheat from this region since 1972. In 1997 China stopped seven U.S. wheat shipments from the Gulf when they were found to have TCK, and subsequently canceled orders for over a million tons of U.S. wheat. The U.S. view is that scientific evidence indicates that China's climate is such that it is virtually impossible for TCK to become established long enough to do economic damage in China; China's zero tolerance is unreasonable.

OPTIONAL FORM 89 (7-90)

FAX TRANSMITTAL

of pages ►

To <u>Jim Kerth</u>	From <u>Mark Koumans</u>
Dept./Agency	Phone # <u>647 6798</u>
Fax # <u>456-9250</u>	Fax # <u>647 6820</u>

NSN 7540-01-317-7388

5000-101

GENERAL SERVICES ADMINISTRATION

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**Congress of the United States
House of Representatives**

COMMITTEE ON
INTERNATIONAL RELATIONS
VICE CHAIRMAN
SUBCOMMITTEE
ASIA AND THE PACIFIC
CHAIRMAN
INTERNATIONAL ECONOMIC
POLICY AND TRADE
COMMITTEE ON BANKING
AND FINANCIAL SERVICES
SUBCOMMITTEE
MONETARY AND CURRENCY
STABILITY
FINANCIAL INSTITUTIONS
AND CREDIT RISK
DOMESTIC AND INTERNATIONAL
MONETARY POLICY

STAND FIRM ON A CHINA TRADE DEAL!

Dear Colleague:

Are you concerned that a politically expedient, but weak, trade deal will be cut with China in time to have a big-production signing ceremony during the upcoming summit between Chinese Premier Zhu Rongji and President Clinton? America must not throw away its energetic and necessary efforts to achieve a real, commercially-viable trade agreement with China just for the sake of a photo-op at this political summit in April.

Numerous reports indicate that the pressure is on to cut a trade deal by the time of this summit that would pave the way for China's accession into the World Trade Organization (WTO). We need to see China in the WTO, but under the right accession terms. Given the huge gaps that remain between the United States and China on many key issues, there is legitimate reason to be concerned that the Administration will scale back the requirements for Chinese WTO accession that we previously laid down in order to achieve a deal with China in time for the summit.

Congress needs to be on record of opposing any such capitulation!

An inadequate, politically expedient deal in lieu of a commercially viable agreement is simply unacceptable. Please consider signing the attached letter which **strongly urges the Administration not to weaken U.S. trade demands of China.**

China's desire to join the WTO represents an historic opportunity for the U.S. to level the playing field for U.S. companies, workers and farmers to sell their products in China. China already gets the same trade benefits as other WTO members despite the fact that it is not a member of the WTO. Yet, China does not reciprocate this similar, fair treatment to U.S. exports. It's past time for China -- not the U.S. -- to make the concessions necessary to close the gap. Let us not lose this unique chance for a fair deal, one which will help reverse the presently out of control trade deficit with China (now at \$1 billion per week!), just for the sake of summit headlines.

To sign this letter, please have your office contact Matt Reynolds at x6-7825.

Sincerely,

DOUG BERTEUTER

Chairman, Subcommittee on
Asia and the Pacific
House International Relations Committee

CC: JK
(w)

Date

The Honorable William J. Clinton
The President
The White House
Washington, D.C. 20500

Dear Mr. President:

With Chinese Premier Zhu Rongji scheduled to visit the United States and meet with you on April 8-10, we have become aware of numerous reports indicating that your Administration may dramatically scale back the requirements the United States has laid down for China's accession to the World Trade Organization (WTO) in order to achieve a WTO agreement in time for the U.S.-China summit. We are very concerned about these reports. Under such circumstances, we believe that no agreement at this time is better than a bad agreement. We strongly urge you not to significantly weaken U.S. trade requirements of China.

China's desire to join the World Trade Organization represents an historic opportunity for the United States to level the playing field for U.S. companies and for workers and farmers to sell their products in China. Eliminating the trade barriers and structural impediments which currently stand between China and its membership in the WTO will significantly help reduce our enormous and ever-growing bilateral trade deficit. However, respectfully we suggest that success in these efforts can only be achieved with a WTO accession agreement that is based on a solid, commercially viable trade package.

We understand that great differences remain between the United States and China in key sectors including agriculture, telecommunications and financial services. Recognizing that China already gets access into U.S. markets at a level similar to WTO members without giving U.S. exports similar, fair treatment, it is up to China to make the concessions necessary to close the gap. The United States has already made a disproportional number of compromises. Mr. President, we believe that to weaken our position any further is unacceptable. Mr. President, we realize that as part of a final WTO accession agreement, Congress undoubtedly will have to consider providing China with permanent Normal Trade Relations (NTR) status. Clearly, how well American interests have been protected will significantly influence the NTR process and its outcome.

Mr. President, the trade deficit with China which is growing out of control at \$ 1 billion per week is politically unsustainable. We believe that a solid, commercially viable trade agreement with China is necessary if we are to reverse this deficit. We need to see China in the WTO, but under the right accession terms. We very much welcome your public endorsement of this position.

Sincerely,

DOUG BEREUTER
Chairman, Subcommittee on
Asia and the Pacific
Committee on International Relations

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Bader, Jeffrey A.

To: @NSA - Natl Security Advisor
Subject: Note from SRB to POTUS on MK message to Jiang Zemin

Mona/Nina, Attached is a draft note, out of the system, from SRB to POTUS recommending Mickey Kantor carry a message to Jiang Zemin from POTUS on Tibet and that MK deliver his own message "based on discussions with Administration officials" on WTO. This note is my attempt to provide Mona what she thinks SRB would find useful to communicate to POTUS, disaggregating the Kantor message issue from the POTUS-Blum and SRB-Feinstein conversations. Tell me if this fits the bill. Jeff



mkpotustibetwto.doc

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United States Department of State

Washington, D.C. 20520

BUREAU OF EAST ASIAN & PACIFIC AFFAIRS (EAP)

OFFICE OF CHINESE & MONGOLIAN AFFAIRS (CM)

FAX COVER SHEET

DATE: 12 March 1999TO: J Baden / J Keith - NSC Cassidy / Lund / Field / Lane - USTRFAX: 395 - 3639
395 3512

PHONE: _____

FROM: EAP/CM: Mark Koumans

FAX: 202-647-6820

PHONE: 202-647- 6798NUMBER OF PAGES INCLUDING COVER SHEET: 5REMARKS:

— Draft Eizenstat Testimony (3/15)
for clearance.

— Thank you.

UNCLASSIFIED

Q's & A's for U/S Eizenstat, Trade with China

Q. Isn't it true that the policy types at the State Department are forcing USTR to complete a political WTO deal to try to salvage the U.S.-China relationship?

A. No. We share U.S. Trade Representative Ambassador Barshefsky's view as recently stated in Beijing, that there is NO possibility of a political settlement - none. The upcoming visit of Premier Zhu to the U.S. gives China the opportunity to make the difficult political decisions required. The date of the visit is an opportunity -- but it is not a deadline. The U.S. has long sought China's accession to the WTO on "commercially meaningful terms" - this means on terms which would grant U.S. agriculture, industry, and services significantly improved access to the Chinese market. We will not sacrifice our need for a commercially meaningful package to meet an artificial timetable.

Q. Given what China is doing -- stealing nuclear secrets and increasing the missiles aimed at Taiwan -- why should we ever let them into the WTO?

A. The U.S. has negotiated towards China's accession to the WTO for almost 13 years, through both Republican and Democratic administrations. We continue to support China's accession on commercially meaningful terms because it is in the interest of U.S. agriculture and industry. We want China subject to the same rules of international trade that everyone else plays by.

China's accession on commercially meaningful terms will:

- start the clock on China's market access commitments;
- lock in China's economic reforms;
- expose China to continuing multilateral pressure for market opening (through our use of dispute resolution and China's participation in upcoming WTO multilateral negotiations); and
- provide a more predictable environment for U.S. companies in China.

Q. Given what China is doing -- stealing nuclear secrets and increasing the missiles aimed at Taiwan -- why should we ever grant them (permanent) NTR (MFN)?

A. The NTR (MFN) vote is not a referendum on China's policies. It's about how best to promote U.S. interests.

Every President (Republican and Democrat) to confront the issue has supported NTR because it promotes U.S. interests.

The granting of permanent NTR would require Congressional action, and the President has stated that the Administration would want to consult closely on any step in that direction. But let me say this: Should China become a member of the WTO, the U.S. would want every option available to insure Chinese compliance with its WTO commitments and to open Chinese markets as wide as possible. We would want to be able to use the WTO's multilateral dispute resolution mechanism. To have these options open to us, the U.S. would have to treat China as virtually all WTO members treat each other: by extending NTR that would not require annual renewal. The prospect of permanent NTR is one that China clearly desires, and that prospect may help China to make the "commercially meaningful" commitments that we have long sought.

Q: Will the U.S. make Taiwan wait for China's entry in the WTO? Will the U.S. actively press for Taiwan's inclusion in the WTO?

A: The applications of China and Taiwan are not linked. The U.S. finalized its market access agreement with Taiwan in August 1998. We are now actively working with Taiwan to resolve outstanding multilateral issues.

We have publicly expressed our support for Taiwan's accession on its own commercial merits. Final action, however, on Taiwan's application will require a consensus decision by the members of Taiwan's Working Party.

Q: Does the Administration plan to ease Tiananmen sanctions?

A: Any steps to ease Tiananmen sanctions would be taken in the context of overall U.S.-China relations and with close consultation with Congress. I'm not aware of any imminent move to ease the sanctions.

Q: Given the massive trade deficit, the nuclear spying, and China's horrible human rights record, isn't it clear the Administration's "engagement" policy is a failure?

A: Our policy of engagement is built on recognition that the relationship between the U.S. and China and the policies China pursues will help determine whether the next century

will be one of peace, stability and prosperity for America. It would be irresponsible not to engage with China.

Engagement advances our interests and helps us meet regional and global challenges. We have thus chosen a pragmatic and principled course: expanding our areas of cooperation with China while dealing effectively with our differences. This approach has produced tangible results in important areas, including nonproliferation and human rights.

Q: What are you doing to reduce the growing trade deficit with China?

A: The U.S. trade deficit with China is the result of many factors, including the strength of the U.S. economy, and imports from China -- which mostly do not compete with U.S. products. We believe that the best way to address the trade deficit is for China to open its markets further.

We continue to work vigorously to remove the barriers that American companies face in trying to do business in China. The best way for China to address this issue is to join the WTO on the basis of a commercially meaningful accession package. By "commercially meaningful" I mean a package that grants U.S. companies significantly better access to the Chinese market.

Q. What agricultural tariff levels do you foresee achieving with China/WTO accession?

-or-

Q. How will you ensure that beef and pork gain access to China's markets? What about corn, soybeans, wheat?

-or-

any question seeking an answer containing specific agriculture or services details:

A. Ambassador Scher, who I understand was recently in Beijing, and Gus Schumacher are no doubt in a better position to answer your detailed questions. We seek improved access for American agriculture, industry, and services immediately upon Chinese accession to the WTO. During subsequent phase-in periods, access must increase even further. As Amb. Barshefsky underscored in Beijing, "China's WTO accession can -- and will -- occur only on commercially meaningful terms."

(agriculture) There are longstanding bilateral agricultural issues that we seek to resolve with China, including finding a workable, science-based, and transparent system of sanitary and phyto-sanitary controls. These are the same standards we seek with any other country acceding to the WTO. In the case of China, this issue is important to our citrus, wheat, and meat exports. Chinese practices in these areas have effectively been market access barriers.

(services) We have long sought improved Chinese market access in services. We will continue to seek improved market access.