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Final 07/30/00 11pm

SP1561

Jeff Shesol

7-31-00

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.

7-31-00

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

Big Econ benefits

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given us a chance →

~~security;~~ and will give our children a chance to prosper in a safer and saner world. Thank you.

Final 07/30/00 11pm
Jeff Shesol

'00 JUL 31 AM 7:25

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Nanda Chitre
07/31/2000 02:45:25 PM

Record Type: Record

To:

cc:
Subject: 7/31 Remarks By the President at China: Florida's New Market of Opportunity Event

THE WHITE HOUSE

Office of the Press Secretary
(Tampa, Florida)

For Immediate Release July 31, 2000

REMARKS BY THE PRESIDENT
AT CHINA: FLORIDA'S NEW MARKET OF OPPORTUNITY PROGRAM

Airport Hilton
Tampa, Florida

11:07 A.M. EDT

THE PRESIDENT: Thank you very much. First of all, let me say that I'm delighted to be back in Florida. I'm glad to be here with Jim Davis and my longtime friends, Bill Nelson and Buddy MacKay, who is doing a wonderful job for the United States as our Special Envoy to the Americas. And he did spearhead the passage in the Congress earlier this year the Caribbean Basin Trade Initiative, which is one of the most important things Congress has done this year. It is something I know that will be of special benefit to Florida.

I want to just say a few words about this China issue. First of all, it is part of an overall strategy we have followed for almost eight years now. When I became President, it was obvious to me that to turn the economy around, we had to do three things. We had to get rid of the deficit and get interest rates down and get investments up. We had to invest in the new technologies of the future and in the educational capacity of our people and to create a whole network of lifetime learning in America. And we had to expand trade.

Whether we like it or not, the economy of every country will become increasingly global and we have to be in a position to take advantage of it. A lot of people who don't agree with my position say that, well, we've still got a big trade deficit. That's true. And the reason we do is because our economy has grown so much more rapidly than that of our major trading partners. A five-year economic slowdown in

Japan has contributed to our trade deficit. The collapse of the other Asian economies for a couple of years and the problems that Russia had all contributed to our trade deficit.

But if you look to the long-term future, America has got -- if we want to make things, we've got to sell them to somebody. We have 4 percent of the world's population and 22 percent of the world's income. So it's not rocket science to figure out that if you're going to produce this much wealth, you've got to sell it to somebody.

And so I believe that -- we have now about 300 trade agreements we've negotiated over eight years under the leadership of Charlene Barshefsky and, before her, Mickey Kantor. I think they've done a great job and, as I said, Buddy MacKay has done a great job. We have enjoyed strong support in a bipartisan fashion from the Florida legislative delegation, and Senator Graham in particular has been very helpful and I'm grateful for that.

But this China issue is something special because it involves huge economics, but it goes beyond economics. And I'd just like to mention and make one or two points here. The agreement basically is not like other trade agreements. In all the other trade agreements they really are trade -- we get together and we swap out. You give them something, they give you something, and you work out the best deal you possibly can, and not everybody's happy, but you do it because you think there will be more good than harm.

This is really a membership agreement, and it's important that it be understood as that. That is, in order for China to get into the WTO, the members of the World Trading Organization have to agree that China will get in on reasonable commercial terms. So in order to do that, they have to start with the world's largest economy, the United States, and we work out what the reasonable terms would be.

Since we have a very large trade deficit with China, which is typical for a country that's developing like that, their markets are more closed to us than our markets are to them. This agreement essentially involves opening China's markets for trade and for investment to an extent that would have been unimaginable even a year or a year-and-a-half ago. Phosphate fertilizer will be affected; citrus will be affected; automobiles and automobile parts and dealerships will be affected. It's all, in that sense, a one-way street in our favor.

Now, China will also be able to sell more things to us as it grows more economically diverse and more powerful. So it's a good deal for them because they can modernize their economy.

Beyond that, I have to tell you that, for me, while keeping this prosperity going is very important, and in some ways and the great underlying issue that the American people have to decide in this election year -- and I think a big part of it is paying off the debt, for example. We can be out of debt in 12 years. And if we do it, interest rates over the next decade will be at least a point lower than they otherwise would be, and that's lower business loans, $250 billion in lower home mortgage payments, $30 billion in car payments, $15 billion in college loan payments. I think that's very important. But this trade issue must be at the heart of that.

Beyond that, as important as all the economics is, you should understand also that this is a big national security issue for the United States. In the last 50, 60 years, we fought three wars with Asia. A lot of blood was shed in World War II and Korea and Vietnam. Now we look to the future and we don't know what the next 50 years will hold and no one can guarantee the future, but we know this -- that if we're trading with people and working with them, there's a lot better chance that we will find peaceful ways to work out whatever differences we have. And the more China is involved in the global economy, the global society, the more likely it is to change and become more democratic, to become more open, to become more transparent and to become a better partner instead of a competitor with us in the Pacific region, and a better neighbor to all the other countries in that area.

So I really believe that there are lives at stake here. I believe our futures at stake. And I believe if we can -- if you look at the two largest countries in the world in population, they are China and India. And the Indian Subcontinent together actually has about the same population as China. And if we could affect a peaceful transition in both those places that have greater trade at its core, and greater communications back and forth, the world would be a very different place in the next 50 years and a much better place for all of our children.

So I want to tell you all, although I know your interest, properly, is in the benefits that will flow directly to your activities in this state and in this region, the truth is it's bigger than all that. And it's about what kind of future our kids and our grandkids are going to have.

I just want to make one last point, a very practical one. Jim Davis was appropriately modest, but the truth is we had to fight like the devil to get things in the House. And we carried -- and we had a pretty good vote, as it turned out. But it was a very, very hard fight. And it was a harder fight for members of our party. And he showed great courage and great leadership, and you should be very grateful to him because he really stuck it out there. He was very strong, unambiguous -- saying we should do this and it's the right thing for our country. And I'm really proud of him for doing it. (Applause.)

Here's the practical issue. We got this bill through the House in a timely fashion. I had very much hoped that we would pass it through the Senate, where it's an easier bill to pass. We've got way more votes than we need to pass it. But we couldn't get it through all the procedural and substantive business of the Senate before the 4th of July and then before the August recess. That means that we have to pass it early in September, as soon as they come back, after both parties have their conventions and the August recess is over.

We had a very encouraging vote on procedure that got over 80 votes in the Senate, basically to take it up early. But it is absolutely imperative that this bill be voted in early September. The longer they take to vote on it, the more likely it could be caught up in procedural wrangling in the Senate. The people who are against the bill -- and there are people in both parties that are against the bill, interestingly, though they tend to be, ironically, the most conservative members of the Republican caucus and the most liberal members of the Democratic caucus.

But the Senate is set up -- the Senate is set up and was set up by the founders to slow things down. And one member can cause a world of trouble if there are a whole lot of other things going on at the same time.. So this is not a done deal. We had 60 people who -- I think there are probably 70 senators for this. And I know that it may be hard for you to imagine that if that's the case that we would have some trouble bringing this up in early September. But, in fact, it is true.

I am very grateful to Senator Lott, the Republican leader in the Senate, the Majority Leader, for his amendment to bring this up in early September. This is really an American issue; this should not be a partisan issue. It is a very important economic and a national security issue.

But one of the things that I hope to come out at this meeting is that either as an organization or individually, you will make it clear both to your senators, Senator Mack and Senator Graham, but also insofar as you can to the Senate hierarchy, that it is imperative that this be brought up early. The Senate -- the Democratic leader, Senator Daschle, is also strongly in support of what we're doing.

But the only worry I have now is that with all the business they still have to do, with all the budgetary issues, and the controversy that inevitably attends the closing weeks of a congressional session in an election year, something procedural could happen that would delay this and you just don't know what's going to happen. And I can tell you that it is profoundly important to our country.

So anything you can do to make your voices heard as ordinary Americans on behalf of voting this quickly in September, that's the key. If they vote it early in September, it will pass quick and we will have a better future. Thank you very much. (Applause.)

END 11:19 A.M. EDT

Draft 07/29/00 4:00pm
Jeff Shesol

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TALKING POINTS ON CHINA
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John - fax
73116

Loretta
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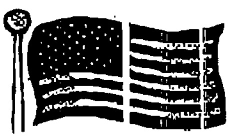
CHINA

FLORIDA'S NEW MARKET OF OPPORTUNITY

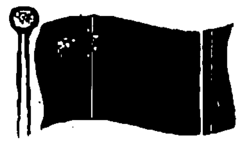
Presented by the: Florida District Export Council & U.S. Department of Commerce

Featuring Keynote Speaker:

Congressman Jim Davis



Monday, July 31, 2000
10:00 AM - 2:00 PM
HILTON Tampa Airport Westshore Hotel
2225 N. Lois Avenue, Tampa, FL 33607



And Presentations By...

George L. Martinez Duran
Manager, Export Assistance Center
U.S. Department of Commerce
(Overview of Trade with China)

Wesley T. Hiller
President
Carbon Products, Inc.
(Negotiating with the Chinese)

Steve Valentin
Manager, Asia/Pacific
Celotex Corporation
(Being Successful in China)

Christopher Ryan
Marketing Representative
Rubin Management, Inc.
(Hong Kong's Role in U.S.-China Trade)

REGISTRATION

NAME(S): ______________________________

COMPANY: ______________________________

TEL: (____) ______________ FAX: (____) ______________

TO REGISTER, make a check for $22 payable to the: Florida District Export Council. The fee includes lunch and materials. Fax form to: (727)-449-2889 and mail check to: USDOC, 1130 Cleveland Street, Clearwater, FL 33755. **QUESTIONS?** Contact George Martinez or Sandra Campbell via tel: (727)-893-3738, fax: (727)-449-2889, or e-mail: George.Martinez@mail.doc.gov. **Cancellations with less than 24 hours notice will be billed.*

JIM DAVIS
11TH DISTRICT, FLORIDA

COMMITTEE ON THE BUDGET

COMMITTEE ON
INTERNATIONAL RELATIONS

COMMITTEE ON
HOUSE ADMINISTRATION

Congress of the United States
House of Representatives
Washington, DC 20515–0911

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(202) 225-3376

HOME OFFICE:
3316 HENDERSON BOULEVARD, #100
TAMPA, FL 33609
(813) 354-9217

To: Kay Casstevens, White House Legislative Office, Fax 456-6220
From: Rep. Jim Davis
Date: June 14, 2000
Subject: President's July 31st trip to Tampa

It is my understanding that President Clinton will be in Tampa, Florida, July 31st for an event on behalf of Commissioner Bill Nelson. I would like to propose that while he is in town, President Clinton may want to participate in a trade education seminar for small businesses in the Tampa Bay area.

My office has been working with the local manager of the US Department of Commerce Export Assistance Office in putting together a trade conference. Subsequently, Commerce has decided to organize a series of seminars in various cities to educate American companies about the Chinese market and showcase opportunities for American exporters in China. The objective is to facilitate and increase U.S. small business exports to China utilizing e-commerce and traditional products and services. These one-day seminars would showcase the International Trade Administration's products and services, with each unit describing assistance available to American companies seeking to export to China. We are hoping to be able to host one of these seminars in Tampa with the President as the speaker.

President Clinton's presence at this event, whether it is to give opening remarks or speak at a luncheon, would highlight the value of trade with China as it applies not only to large corporations but also to community level small businesses. This message would also reinforce my position as a strong and early supporter of all the President's trade initiatives.

If this event is a possibility, I would like for my office to move forward as quickly as possible to get the show on the road. I look forward to further discussing this with you.

emailed Loretta + Joel on 6/19

On 7/11 I talked to Jim Davis. He would prefer a message event on trade + small business but would be happy w/ a seniors event. DOC is goin ahead + settin up a trad mtg w/ or w/out the President →

U.S. DEPARTMENT OF COMMERCE
International Trade Administration
April 2000

OPPORTUNITIES FROM CHINA'S ACCESSION TO THE WTO

Florida

The U.S.-China Bilateral Agreement on China's accession to the WTO opens an important market to Florida's exports, benefitting key industries and creating export and employment opportunities. The importance of exports to China and the benefits of the Agreement for Florida and its key industries are outlined below.

Export Profile

Florida's exports of merchandise to China more than doubled between 1993 and 1998, rising from $201 million to $495 million—a gain of 146 percent.

In 1998, China ranked as Florida's 11th largest export destination, up 13 positions from 24th place in 1993.

Most Florida export categories experienced significant growth in sales to China from 1993 to 1998.

Florida metro areas that posted the largest export totals to China in 1998 were Tampa–St. Petersburg–Clearwater ($348 million) and Orlando ($89 million).

Over the 1993–98 period, exports to China more than doubled from four Florida metro areas: Daytona Beach (1,087 percent increase), Jacksonville (729 percent), Orlando (233 percent), and Tampa–St. Petersburg–Clearwater (177 percent).

Sector Snapshot

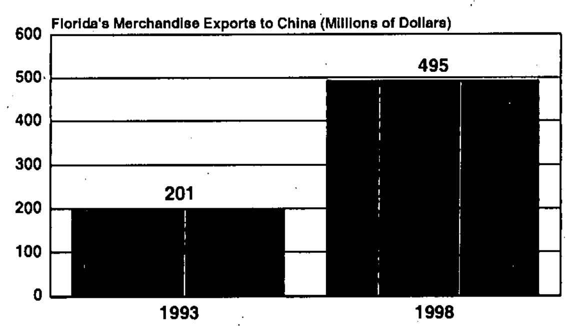
U.S. farmers no longer will have to compete with export subsidies on China's agricultural products. Also, China has agreed to eliminate sanitary and phytosanitary barriers that are not based on sound scientific evidence, such as the restrictions on meat, poutry, and citrus. In addition, exporters will benefit from broadening the right to import and distribute imported products in China and from tariff cuts on a wide range of products including poultry, dairy products, beef, potato and potato products, and fruit and juice (including oranges, grapefruit and peaches).

As a result of the Agreement, Florida's key export sectors benefit from reduced tariffs in China, strong intellectual property protection and improved trade rules protecting U.S. industries against unfair trade practices and removing burdensome obstacles, including:

- Tariff elimination for information technology products, including computers and integrated circuits; toys and game products. Major tariff reductions for civil aircraft and parts, wood products, paper, building materials, scientific and measuring instruments, construction equipment, medical equipment, optical fibers and fiber optic cables, pumps and compressors, food processing machinery and environmental technology equipment.
- Low tariffs for most chemicals at WTO harmonization rates.
- Elimination of import restrictions for products such as civil aircraft and construction and medical equipment.

The agreement will open the market for a wide range of services, including telecommunications, banking, insurance, financial, professional, hotel, restaurant, tourism, motion pictures, video distribution, software entertainment distribution, periodicals distribution, business, computer, environmental, and distribution and related services.

Florida Increased Its Exports to China by $294 Million From 1993 to 1998



Source: U.S. Department of Commerce, Exporter Location Series.

Key Industry Benefits

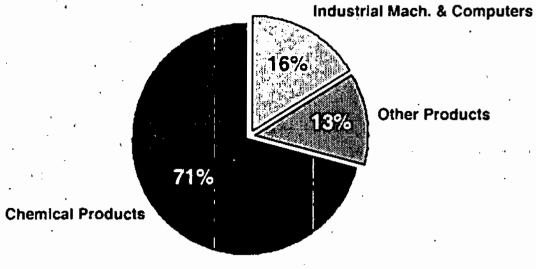
Chemicals

This sector includes chemicals and chemical products such as cosmetics, pharmaceuticals, agricultural chemicals, resins, and plastics. China will reduce average tariffs on chemicals by more than half to an average rate of 6.9 percent by January 1, 2005. All priority U.S. chemical exports, as well as all products in the Chemical Tariff Harmonization Agreement of the Uruguay Round (CTHA) are included in the tariff reductions. In addition, China will eliminate all quotas on chemical products by 2002. Trading rights will be phased in over three years from accession for most chemical products. China will not apply or enforce export performance or local content requirements as a condition for importation or investment approval. China has agreed to apply tariffs uniformly and all taxes equally to domestic and foreign chemical products businesses. This will alleviate the uncertainty associated with China's inconsistent application, refund, and waivers of its 17 percent value added tax.

Civil Aircraft and Parts

This sector includes civil aircraft and parts listed in Annex I of the Agreement on Civil Aircraft. China will reduce tariffs on all items in the Annex from an average rate of 14.1 percent to an average bound rate of 8.1 percent. Most reductions will be completed by January 1, 2002. At the time of WTO accession, China will eliminate all quotas and licenses for civil aircraft products. Trading and distribution rights for civil aircraft products will be phased in over three years. China has agreed that it will not condition import or investment approvals on technology transfer, or on conducting research and development in China. China has agreed that importation and investment will not be conditioned on providing offsets or local content.

Chemical Products Dominate Florida's Exports to China



Florida's merchandise exports to China totaled $494.7 million in 1998

Source: U.S. Department of Commerce, Exporter Location Series

Information Technology

China will eliminate its duties for all information technology products, as defined by the WTO Information Technology Agreement (ITA), by January 1, 2005. These products include electronics, computers, fiber optic cable, and other telecommunications equipment. The current duties on information technology products average over 13 percent. All quotas on ITA products will be eliminated at the time of China's WTO accession. Within four years of its accession into the WTO, China will eliminate its tendering requirements for non-government purchases of ITA products. Trading and distribution rights for ITA products will be phased in over three years. China has agreed to apply tariffs uniformly and all taxes equally to domestic and foreign ITA businesses. This will alleviate the uncertainty associated with China's inconsistent application, refund, and waivers of its 17 percent value added tax. China has agreed that it will not condition import or investment approvals on technology transfer, or on conducting research and development in China.

Optical Fibers

China will reduce its tariffs on optical fibers over 81 percent to an average of 2.5 percent by January 1, 2004. Trading and distribution rights for optical fibers will be phased in over three years. U.S. companies will also be able to sell products for commercial resale or for non-government use to state-owned and state-invested enterprises in China on terms consistent with national treatment and transparency parameters of the WTO. China will not apply or enforce export performance or local content requirements as a condition for importation or investment approval. China has agreed to apply tariffs uniformly and all taxes equally to domestic and foreign optical fibers businesses. This will alleviate the uncertainty associated with China's inconsistent application, refund, and waivers of its 17 percent value added tax.

Paper

China will reduce its tariffs on paper and paper products to an average of 5.4 percent. Reductions will begin upon accession and will be fully implemented by January 1, 2005, in annual cuts with significant initial tariff cuts on priority paper products. Tariffs on U.S. priority paper products will reach 2 percent or 5 percent by 2004. If WTO members agree to and adopt the forest products sectoral initiative that originated in APEC, China has committed to join this initiative and eliminate its tariffs on paper and other forest products. For paper products, China has agreed to provide treatment to the United States on par with China's preferential programs for other countries. China has agreed to apply tariffs uniformly and all taxes equally to domestic and foreign paper businesses. This will alleviate the uncertainty associated with China's inconsistent application, refund, and waivers of its 17 percent value added tax. Trading and distribution rights for paper products will be phased in over three years.

Dairy Products

China's dairy product consumption is rapidly increasing due to rising incomes and government promotion. China's milk production is also growing, but the domestic dairy sector is not expected to keep up with the growth in demand. Under its WTO accession agreement, China will cut its tariffs on selected dairy products by 2004. Specific reductions include: selected cheeses (from 50 percent to 12 percent); lactose (from 35 percent to 10 percent); and ice cream (from 45 percent to 19 percent). In recent years, the United States has supplied approximately one-fifth of China's dairy imports.

Fruit

Under its WTO accession agreement, China will reduce tariffs by 70 percent on fresh citrus fruit by 2004 as tariffs of 40 percent on oranges, grapefruit, and lemons will drop to 12 percent. In addition, as a result of the 1999 U.S.-China Agreement on Agricultural Cooperation, China committed to lifting its import ban on citrus from Florida. Tariff reductions of up to 57 percent are scheduled for key citrus and other fruit juices. For fresh and processed deciduous fruit, tariff reductions of up to 75 percent are scheduled. Tariffs on pears, fresh and canned peaches, and jams and jellies will fall from 30 percent to 10 percent.

Poultry Meat

With imports accounting for 12 percent of total consumption, China is already the second leading market for U.S. poultry meat exports. Under its WTO accession agreement, China will cut its tariff in half (from 20 percent to 10 percent) by 2004 for frozen poultry meat cuts. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China Agreement on Agricultural Cooperation, China agreed to accept all poultry meat from the United States that is certified wholesome by USDA.

Audio-Visual Services

China will allow 20 films to be imported on a revenue-sharing basis in each of the three years after accession. U.S. firms can form joint ventures to distribute videos, software entertainment, and sound recordings and to own and operate cinemas. China has also agreed to grandfather the existing level of market access already in effect at the time of China's accession for U.S. companies currently operating in China.

Trade Stories

Florida Wire and Cable Company (Jacksonville) is a manufacturer of wire and specialty cable for the construction industry which is used in power cables, buildings, and other products. In 1999, the company had its first success in China when Florida Wire was able to under-bid its French competitors for an order worth $740,000. Florida Wire would like to do more business in China and looks forward to doing business in an environment with more transparency, which would result from China's membership in the WTO.

Awareness Technology, Inc. (Palm City) is a small manufacturer of laboratory instruments used in the medical industry and a regular exporter to China. Nearly 80 percent of the company's yearly revenues are derived from export sales. While annual sales to China accounted for roughly 18 percent of the company's revenue in 1996, sales have fallen in recent years. Similar Chinese products cost less and the government encourages the purchase of domestic

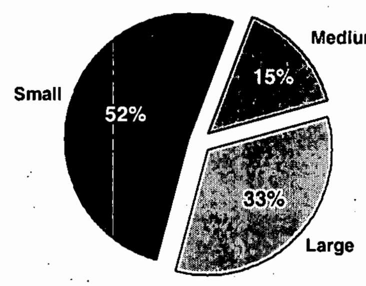
(Trade Stories continued on page 8)

ROLE OF SMEs IN EXPORTS TO CHINA

Small and medium-sized enterprises (SMEs) are responsible for a growing share of U.S. exports to China.

- In 1997, SMEs generated 35 percent—more than one-third—of all U.S. merchandise exports to China. This figure is up significantly from a 28 percent share in 1992.
- The 35 percent SME share of the China market in 1997 was higher than the SME share of overall U.S. merchandise exports (31 percent) in that year.
- Approximately two-thirds of all firms exporting from Florida to China in 1997 were small or medium-sized enterprises (fewer than 500 employees).

Small & Medium-Sized Companies Account for 67 Percent Of All Firms Exporting From Florida to China



302 companies exported merchandise from Florida to China in 1997

Definitions: small = fewer than 100 employees; medium = 100–499 employees; large = 500 or more employees. Source: 1997 Exporter Data Base, U.S. Department of Commerce.

Overview of China WTO Accession Benefits to the United States

The Agreement is a one-way deal that will open China's now largely closed market to U.S. exports. By enacting Permanent Normal Trade Relations (PNTR), the United States is merely maintaining the market access policies it already applies to China. If Congress enacts PNTR, the agreement is expected to provide a substantial boost for U.S. exports. If Congress fails to pass PNTR, American companies, workers and farmers will be denied the great bulk of benefits of the agreement the United States already negotiated—including broad new market access for critical services such as telecommunications and distribution, strong import protections, and the right to enforce China's commitments through WTO dispute settlement. Failure to enact PNTR means fewer U.S. exports to China. U.S. competitors in Europe, Asia and elsewhere will gain market share at the expense of U.S. exporters as these countries will enjoy the full benefits of China's market opening WTO commitments.

Deep cuts for tariffs in manufactured products sectors[1] affecting most U.S. exports—averaging an across-the-board 60 percent cut in tariffs for industrial products. Important gains include a 62.5 percent cut in tariffs for pulp, paper and printed material and elimination of tariffs for information technology products including electronics, telecommunications equipment, and computer equipment.

Tariff bindings for every sector. U.S. industries gain greater certainty of access with China's commitment not to raise tariffs on any products above the negotiated ceiling (bound) rates.

Huge reduction in paperwork costs—a boon to smaller exporters. Simplification, harmonization of customs procedures and licensing will slash costs of processing export orders.

Elimination of quotas and non-automatic licenses for all manufactured products by year 2005. Only a handful of quotas will remain after year 2003. While quotas are being phased out, the quota level will be higher than our current export levels and will increase by 15 percent each year until the quota is eliminated.

By joining the WTO, China is committing to establish a tariff-only import regime for **agricultural products;** all non-tariff barriers will be eliminated. Any other measure, such as inspection, testing, and domestic taxes, must be applied in a manner that is consistent with WTO rules requiring a transparent and nondiscriminatory system. All health-related restrictions must be based on sound science.

China also committed to implementing **agriculture tariff-rate quotas** (TRQs) on economic rather than political criteria. These commitments are designed to ensure a transparent and consistent system for allocating shares of the TRQ to end users and provisions to ensure that quota-holders are not impeded in utilizing their allocations.

China has committed not to use **export subsidies** for agricultural products when it joins the WTO. This commitment is particularly useful for China's potential exports of corn, rice, and cotton, which in the past have displaced U.S. product from third-country markets.

Bilaterally, China agreed to the terms for removal of scientifically unjustified restrictions on importation of U.S. **wheat and other grains, citrus and meat.**

Foreign exchange balancing requirements—which link a company's level of imports to its level of exports—will be eliminated upon accession. This allows U.S. companies to make market-driven decisions about what to import and export instead of decisions driven by the Chinese government.

Local currency banking will be allowed starting with foreign clients upon accession, followed by Chinese enterprises two years after accession and Chinese individuals five years after accession. Foreign currency business will be allowed without geographic restrictions upon accession. China currently limits foreign banks to foreign currency business in selected cities.

Foreign securities firms may currently only trade in a limited number of stocks designated for foreign investors and then only via shared commissions. Upon accession, China will allow foreign firms to trade these shares with no Chinese intermediary. By three years after accession, foreign entities may establish securities joint ventures (JVs) with a minority equity share for foreign investors to underwrite all shares and corporate and government debt, and trade all these securities except those equity shares restricted to Chinese investors. Also upon accession, foreign entities may establish minority JVs to manage assets of all sorts.

Insurance licenses will be granted on a prudential basis, without numerical restrictions or discretionary economic needs tests. China currently only allows selected foreign companies (including four U.S. companies) to operate in China on a limited basis in only two cities.

Majority equity share for foreign non-life insurance entities will be permitted upon China's accession. Wholly owned subsidiaries will be allowed two years after accession. Life insurance joint ventures will be permitted at 50 percent equity share upon accession.

Easier access to and more control of distribution systems in China allowing U.S. companies to operate commission agents' services, franchising services, wholesaling, retailing and direct sales of their own products in three years post accession for almost all products.

Foreign companies will also be permitted greater control and access to other services related to distribution, including maintenance and repair, rental and leasing, advertising, technical testing and freight inspection, packaging, courier, storage and warehousing, and freight forwarding agency services.

The right to trade (import and export) will be permitted for almost all products within three years of accession. Currently, the right to trade is strictly limited; only companies that receive specific authorization or who import goods to be used in production have such rights.

Telecommunications services are currently not permitted to be supplied by foreigners in China. However, with its accession, China has agreed to allow foreign participation for both value-added and basic services. China has also agreed to undertake all the obligations contained in the WTO Reference Paper on pro-competitive regulatory principles. Telecom services which foreigners can supply under the Agreement include e-mail, voice mail, online information and database retrieval, facsimile, paging, cellular, and internet services via any technology including satellites.

Professional service providers will now be permitted to operate in China and receive national treatment for accounting, auditing, bookkeeping, management consulting, legal, tax consulting, architectural, engineering, and computer services.

The elimination of local content requirements will result in better access for U.S. exports and eliminate unfair incentives or requirements to use domestic goods.

U.S. exports and investments will be free from government-imposed conditions such as technology transfer, research and development in China, and offsets. Upon China's accession, such conditions may only be negotiated between the parties to a contract and not imposed or enforced by the government.

U.S. companies can sell their products in China and not be forced to export a certain percentage back to the United States or elsewhere. This eliminates the non-market incentive to use China as an export platform.

State-owned and state-invested enterprises will be required to buy and sell based on commercial considerations, making the purchase process more market-driven and transparent for U.S. companies and will provide new sales opportunities to U.S. firms.

China has agreed to establish **judicial review** procedures for the prompt review of all administrative actions relating to the implementation of laws, regulations, judicial decisions and administrative rulings related to its WTO obligations. The tribunals will be independent of the agencies entrusted with administrative enforcement.

Greatly improved enforcement of China's commitments through the WTO dispute settlement process. The United States will now have allies in other WTO members to address violations of international trade norms.

Current U.S. practice of using a special, non-market economy methodology when calculating dumping margins in **antidumping investigations** involving imports from China will remain in effect for 15 years. Chinese industries will continue to have the burden of proving to the U.S. government that market economy conditions prevail in their industry to avoid application of this methodology.

China will apply its trade-related laws **uniformly** throughout all of China including land and seaports.

China will be required to apply equally the value-added tax (currently at 17 percent for most products) to domestic goods as well as imports under the WTO **national treatment** provisions.

The United States will have access to a **product-specific safeguard mechanism** for 12 years which will allow the U.S. to address more easily any rapidly increasing Chinese imports in a targeted fashion in cases of actual or threatened market disruption to a U.S. industry.

China has agreed to incorporate into the WTO a **textile-specific safeguard** drawn from the U.S.-China Bilateral Textile Agreement.

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[1]For more information on tariff reductions, see tariff summary table.

ADDITIONAL INFORMATION AND ASSISTANCE

The reports for each of the 50 states are available at www.chinapntr.gov, as well as supplemental information on the benefits of China's membership in the World Trade Organization for U.S. industry and agriculture. Additional information on agricultural products is available from www.fas.usda.gov and speeches and testimony are provided on www.ustr.gov.

For counseling and assistance regarding exporting to China, call the Trade Information Center at 1-800-USA TRAD(E) or the Agriculture FAS Trade Assistance Office at 202-720-7420.

To discuss problems you are experiencing in exporting to China or a Chinese trade barrier you are encountering that is limiting your ability to export, please contact the Commerce Department's Trade Compliance Center. The fastest means to contact the Trade Compliance Center is the internet at http://www.mac.doc.gov/tcc. It can be reached also via e-mail (tcc@ita.doc.gov), fax (202-482-6097), or phone (202-482-1191).

Key Industry Tariff Reductions Resulting from the Agreement

Product Description	Average Base Rate[1]	Average End Rate[2]	Percent Change
Agriculture equipment	11.5	5.7	50.4
Auto parts	23.4	10.0	57.2
Beer	70.0	0	100.0
Building materials	16.4	14.1	14.0
Glass fibers	16.0	7.0	56.2
Chemicals	11.1	6.9	37.8
Cosmetics	29.3	11.9	59.3
Fertilizers	5.0	4.0	20.0
Pharmaceuticals	9.6	4.2	56.2
Soda ash	9.0	5.5	38.8
Civil aircraft	14.7	8.1	44.9
Compressors and pumps	15.5	9.0	41.9
Construction equipment	13.6	6.3	53.7
Distilled spirits	60.8	34.2	44.0
Engines	12.4	7.9	36.2
Environmental technologies equipment	13.4	6.9	48.5
Fish	20.5	11.4	44.3
Food processing machinery	13.5	9.8	27.4
Footwear	25.0	20.8	16.8
Footwear machinery	11.5	8.4	26.9
Furniture	22.0	0	100.0
Heavy machinery	14.5	7.8	46.2
Husbandry machinery	10.3	7.3	29.1
HVAC[3]	24.3	15.2	37.4
Information technology covered under ITA[4]	13.5	0	100.0
Laboratory machinery	12.9	10.2	20.9
Leather	18.7	16.2	13.3
Machinery parts	8.1	4.7	41.9
Medical equipment	9.9	4.4	55.5
Metalworking machinery	15.1	11.4	24.5
Molds	10.2	7.3	28.4
Motorcycles	58.3	41.7	28.5
Motor vehicles	75.9	23.6	68.9
Passenger motor vehicles	84.1	25.0	70.0
Nonferrous metals	9.3	6.6	29.0
Aluminum	14.2	9.4	34.0
Oil and fuel	7.4	4.9	33.7
Paper and printing machinery	14.3	10.8	24.5
Photographic equipment	19.4	14.7	24.2
Power generation equipment including batteries	13.4	8.5	36.6
Precious metals	13.8	11.0	20.0
Prefabricated buildings	22.0	10.0	54.5
Pulp, paper and printed material	14.4	5.4	62.5
Railway equipment	5.7	4.4	22.8
Recorded media	10.0	6.8	32.0
Rubber products	14.5	11.4	21.4
Rubber- and plastic-working machinery	15.7	7.7	50.9
Scientific and measuring equipment	12.1	6.1	49.6
Small household appliances	31.2	24.7	20.8
Special purpose vehicles	17.4	12.4	28.7
Specialized machinery	14.0	8.4	40.0
Steel	10.3	6.1	40.7
Telecommunications equipment not covered under ITA[4]	24.0	17.2	28.3
Optical fibers	13.5	2.5	81.4
Textiles and apparel	27.1	11.7	56.8
Synthetic yarn	18.1	5.0	72.3
Toys	23.0	0	100.0
Trailers	13.8	10.0	27.5
Trucks	31.5	18.5	41.2
Vending machines	23.0	13.6	40.8
Welding machines	14.8	9.8	33.7
Wood	12.5	4.6	63.2

[1]Average 1997–98 applied duties for each product category. Reductions will be made from the 1997–98 base rate for each tariff line. Most cuts will be made in equal annual increments.

[2]Average end rate for each product category which will be attained once China phases in all duty reductions agreed bilaterally with the United States. All reductions will be completed by January 1, 2008, with 70 percent of all reductions on industrial goods achieved by 2003 and 98 percent of all industrial duty reductions by 2005. China's agreements with other countries may result in lower rates and shorter staging.

[3]Includes heaters, ventilators, air conditioners, washers, refrigerators, centrifuges/dryers.

[4]WTO Information Technology Agreement (ITA), implemented in July 1997.

Key Agricultural Tariff Reductions Resulting from the Agreement

Product Description	Base Rate 1997-98[1]	End Rate[2]	Percent Change	Product Description	Base Rate 1997-98[1]	End Rate[2]	Percent Change
Beef	45	12	73.3	Pecans	35	10	71.4
Pork	20	12	40.0	Pistachios	35	10	71.4
Poultry	20	10	50.0	Cheese	50	12	76.0
Oranges	40	12	70.0	Lactose	35	10	71.4
Grapefruit	40	12	70.0	Ice cream	45	19	57.8
Lemons	40	12	70.0	Yogurt	50	10	80.0
Apples	30	10	66.7	Hop cone pellets	30	10	66.7
Cherries	30	10	66.7	Hop extracts	20	10	50.0
Grapes	40	13	67.5	Ginseng	40	10	75.0
Pears	30	10	66.7	Soybean flour	40	15	62.5
Peaches	30	10	66.7	Potatoes: Frozen hash browns	25	13	48.0
Canned peaches	30	10	66.7	Potato flour, meal and flakes	30	15	50.0
Raisins	40	10	75.0	Potato chips	25	15	40.0
Orange/grapefruit juices	35	15	57.1	Yellow grease	40	10	75.0
Celery	13	10	23.1	Soup	45	15	66.7
Lettuce	16	10	37.5	Pet food	30	15	50.0
Cauliflower	13	10	23.1	Wine	65	20	69.2
Broccoli	13	10	23.1	Protein concentrates	45	10	77.8
Frozen mixed vegetables	13	10	23.1	Water-based drinks with sugar	65	20	69.2
Frozen sweet corn	13	10	23.1	Other water-based drinks	50	35	30.0
Tomato paste	25	20	20.0	Cigarettes	65	25	61.5
Tomato ketchup	30	15	50.0	Tobacco	40	10	75.0
Almonds	30	10	66.7				
Hazelnuts	35	10	71.4				

[1]Base rate: 1998 current applied duty from which reductions will be made.

[2]End rate: End rate that will be attained by January 1, 2004, when China finishes phasing in all agricultural duty reductions agreed bilaterally with the United States. China's agreements with other countries may result in lower rates and shorter staging for some products.

Key Agricultural Tariff Rate Quotas (TRQ)

Product Description	Initial TRQ (million metric tons)	2004 TRQ (million metric tons)	Private Share (percent)	1999 Chinese Imports[3] (metric tons)
Wheat	7.3	9.6	10	448,000
Corn	4.5	7.2	25 growing to 40	70,000
Rice				168,000
Short/medium grain	1.3	2.6	50	
Long grain	1.3	2.6	10	
Cotton	0.743	0.9	67	46,000
Soybean oil[4]	1.71	3.2	50 growing to 90	804,000

[3]Import data from China Customs Administration, on a calendar year basis.

[4]TRQ quantity and private share will be phased in by 2005. On January 1, 2006, China will eliminate the TRQ and state trading for soybean oil, with nothing but a 9 percent duty remaining.

(Trade Stories continued from page 3)

products. After accession to the WTO, China will not be able to discriminate in favor of domestic products. AT products cost more than the similar domestic products, due to the high tariffs imposed by China. However, under the WTO agreement, China has committed to lowering its tariffs on priority laboratory equipment from an average of 12.8 percent to an average of 6.1 percent. China will be required to charge the same tax rates to all products whether foreign or domestic, and Awareness Technology products will compete with Chinese products on a level playing field.

Black Dragon, Inc. (Miami) is a newly founded brokerage firm that has been exporting various U.S. products to China since 1997. Recent shipments have included machinery, bringing profits of $100,000 on sales of $700,000. Company president Mark Thomas is currently interested in beginning trade in fresh citrus fruit (and perhaps citrus juice and concentrate), which is not economically viable under the present high tariffs and phytosanitary restrictions. Once China enters the WTO, Thomas anticipates large sales volumes as the result of large tariff reductions on fresh citrus and juice and the lifting of the Chinese ban on imports of citrus from Florida.

Joshua S. Gottheimer
07/28/2000 06:05:55 PM

Record Type: Record

To: Jeffrey A. Shesol/WHO/EOP@EOP

cc:
Subject: china

--------------------- Forwarded by Joshua S. Gottheimer/WHO/EOP on 07/28/2000 06:06 PM ---------------------------

Stephanie A. Cutter
07/28/2000 06:05:03 PM

Record Type: Record

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Subject: china

fyi

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Julie D. Eddy

07/28/2000 06:03:06 PM

Record Type: Record

To: Stephanie A. Cutter/WHO/EOP@EOP, Sarah E. Gegenheimer/WHO/EOP@EOP, Laura A. Graham/WHO/EOP@EOP, Maria Echaveste/WHO/EOP@EOP

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FYI

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Marty J. Hoffmann

07/28/2000 05:58:39 PM

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Subject:

fyi:
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Lauren K. Gillespie 07/28/2000 05:55:04 PM

Record Type: Record

To: Kay Casstevens/WHO/EOP@EOP

cc: Marty J. Hoffmann/WHO/EOP@EOP, Lisa M. Kountoupes/WHO/EOP@EOP
Subject: per your request

--------------------- Forwarded by Lauren K. Gillespie/WHO/EOP on 07/28/2000 05:54 PM ---------------------------

"Pratt, Diane" <Diane.Pratt@mail.house.gov>
07/28/2000 05:52:31 PM

Record Type: Record

To: Lauren K. Gillespie/WHO/EOP

cc:
Subject: per your request

<<ChinaTradeConf.wpd>>
Per your request, this is the draft of Congressman Jim Davis' speech for his July 31 trade event in Tampa.

China Trade Conference
Monday, July 31
Speech

--Thanks to the Department of Commerce and the Florida District Export Council for putting this event together...

Why are we here today?

-We are here today in search of methods to tap into an amazing economic opportunity for America's business community. China's suppliers, whose production capabilities have been oppressed from years of government control, cannot begin to keep up with the rapidly growing demand of the nation's 1.2 billion citizens, leaving international companies with the chance of a lifetime to fill the void.

--America's strong economy and its wealth of innovative and motivated small and medium sized businesses poise us to be a leader in meeting the product and services demand of the Chinese. By gaining greater access to the most populous market on Earth, we will reap enormous economic benefits as our U.S. business grow to meet China's demand.

-We have all watched in wonder as our bull economy has continued its charge, but as we all know, to maintain this unprecedented growth, we must seek new avenues for development, new opportunities to expand. Your businesses and those of your partners nationwide, are successfully meeting the demand of America's consumers. Now we must seek out new markets, like China's, to supply. The health of our economy depends upon it.

Businesses are already succeeding in trade with China...

-Not long ago, the prospect of filling the gap in China's market was far outside our realm, but today more than ever, United States businesses are functioning in a global economy, and thanks to the Information Age and the growth of e-commerce, even the smallest of America's businesses are engaging in and thriving from their interactions in international markets.

-Just look at the numbers. Florida's exports to China more than doubled between 1993 and 1998, rising from $201 million in merchandise to $495 million-a gain of 146 percent.

-Florida's success has had a remarkably positive effect in Tampa, where our own Port of Tampa ships the majority of the state's exports to China. Port officials tell me that China is the Port's largest trading partner by far, and they expect this relationship to grow more fruitful in the coming years.

-While most Americans associate Florida with its booming tourism industry, our State is also known as the world leader in phosphate rock production. As it turns out, the Florida phosphate fertilizer industry's biggest international customer is China-last year, our state shipped more than 3 million tons of fertilizer to China.

Small business success...

-However, the trade statistic that surprised me the most was the number of small businesses that are engaged in trade with China. In 1997, Florida's companies with less than 100 employees accounted for 52 percent of all businesses exporting from Florida to China. Small and medium sized companies combined accounted for 67 percent of all firms exporting from Florida to China.
--Nationwide, small and medium sized businesses shipped 35% of all the U.S. merchandise sent to China, but the most promising national statistic is the rate at which small and medium sized businesses are entering this market. From 1992 to 1997, the number jumped by 141 percent. Today more than ever,

thanks in part to the growth of the Internet, U.S. business owners are thriving from new opportunities to sell their products and services abroad.

--A few months ago, I spoke with Dale Grogan, President of Leapfrog Smart Products, Inc., a Florida business of 50 employees, that is part of the high-tech industry thriving in their trade ventures with China. Grogan's computer software company manufactures software applications for smart cards and has been selling products to China for the last two years. Today, 40 percent of all of Leapfrog's exported products go to Chinese markets. The company's goal is to issue smart cards to every Chinese adult over the next four years. As Grogan said to me, "The swift march of China's estimated 1.2 billion people from an agrarian nation, through an industrialized era and into the information age is a breathtaking business opportunity."

-(See attached sheet on eFruit if you want a second small business example from the Chamber of Commerce report...)

How Government is helping...

-However, Leapfrog's success certainly didn't come overnight. Especially for small businesses, exporting to China can be daunting prospect. Beyond logistical difficulties, we are faced with linguistic and cultural challenges that for an independent business person can be intimidating enough to make this international trade seem impossible.

-That's why I am so pleased to see the Department of Commerce and the Florida District Export Council hosting this event. Today's program serves as an excellent example of how government can help America's businesses grow and develop and thereby spur a continued economic boom and job growth.

-Thanks to services provided by Department of Commerce and the Florida District Export Council, barriers to trade can be torn down. Through their services, you will have access to all the information you need to successfully break into China's markets:

-detailed profiles on the international market you wish do business in, the companies you wish to sell to, and regulations you will have to abide by

-market research on international demand for product you wish to sell

-overseas offices to provide assistance

-networking and matchmaking opportunities to help pair potential exporters with agents, distributors and trade partners abroad

PNTR...

-But this assistance is only part of the solution. You can receive all the advice and council you need, but if governmentally imposed trade regulations block your access to trade with China, you still won't be able to take your product to market. That's where I come in...

--There has been a lot of talk in the last few months about the U.S. trade agreement with China. China wants to become the newest member of the World

Trade Organization, or the WTO, the international authority that oversees global trade. To achieve this goal, China has agreed to cut tariffs across the board and dramatically expand market access to American businesses and workers who want to trade in China. In return, the U.S. will grant China Permanent Normal Trade Relations status, or PNTR, which we have done on an annual basis for the last 20 years.

--In the WTO agreement, the U.S. has won unprecedented concessions from the Chinese that break down barriers to our goods, services, technology products, automobiles and financial services. Across the board industrial tariffs will be cut as much as 66 percent-dropping from 24.6 percent down to 9.4 percent, and as low as 7.1 percent on some products. Our farmers will be able to sell their agricultural products in China like never before because tariffs on our goods will drop from 31 percent down to as low as 14 percent.

--For example, tariffs on oranges and grapefruits will be slashed, enabling growers to tap into a huge market that has thus far remained impenetrable. Florida citrus growers will be able to sell their products competitively because tariffs will be reduced from as much as 40 percent to 12 percent by 2004. One estimate shows that China has a $500 million market for U.S. citrus exports within five years, with Florida expected to get the majority of that business. Since citrus already has a statewide economic impact of $8.5 billion and employs more than 100,000 Floridians, this incredible potential for growth in the citrus industry is promising for our economy.

-Florida's fertilizer industry, which we discussed earlier, would also greatly benefit from China's agreement to reduce tariffs on a significant amount of imported fertilizer and partially privatize the importation and distribution of that fertilizer within the country. These changes not only benefit our phosphate industry, but also the Port of Tampa.

-Finally, Florida's small business owners, who have already generated impressive returns from trade with China, are expected to benefit from the trade agreement. Under the agreement, our small technology start-ups will have a new market to sell their goods in because China has promised to completely eliminate tariffs on our computer and telecommunications equipment, and will for the first time, allow foreign investment in its telecommunications and Internet sectors.

-Cal Reed, President of Tampa Tank, Inc., a small custom steel fabricator business in our community, provides an excellent example a small business that stands to gain from the China trade agreement. Tampa Tank is already doing extensive work in South and Central America and sees PNTR as an avenue for expanding his operations and those of other small businesses in the area. As the citrus, fertilizer and other large industries expand their exports, they will need more custom designed tanks to ship their products, thus sharing the wealth with Tampa Tank and other small business owners which assist the industry in their efforts to get the product to market. As Cal Reed said, "There are thousands of businesses my size out there which make contributions to these industries which help them with their exports."

-You all are here because you know the promise that is held in China's markets today. However, just think of the potential once this trade agreement is implemented. Opening up Chinese markets literally opens a whole new world for our goods and services.

-The House of Representatives approved the agreement in May, but unfortunately the Republican Leadership in the Senate has declined to bring this debate to the floor in a timely fashion. I will continue to push to get this trade agreement to the President's desk so that folks like you, and our economy as a whole, can begin enjoying the fruits of China's markets.

-I will also continue to work to promote opportunities like this one, where government is doing what it can to help businesses flourish. Thank you again to the Department of Commerce and the Florida District Export Council for their work.

Diane Pratt
Press Secretary
Congressman Jim Davis' Office

- ChinaTradeConf.wpd