ACCESSION OF CHINA TO THE WTO

HEARING

BEFORE THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTH CONGRESS

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ACCESSION OF CHINA TO THE WTO

THURSDAY, MAY 3, 2000

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, DC.

The Committee met, pursuant to notice, at 10 a.m., in room 1100, Longworth House Office Building, Hon. Bill Archer (Chairman of the Committee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

FOR IMMEDIATE RELEASE CONTACT: (202) 225–1721

April 18, 2000

No. FC–21

Archer Announces Hearing on Accession of China to the WTO

Congressman Bill Archer (R–TX), Chairman of the Committee on Ways and Means, today announced that the Committee will hold a second hearing on the bilateral trade agreement between the United States and China and on the pending accession of China to the World Trade Organization (WTO). The hearing will take place on Wednesday, May 3, 2000, in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 10:00 a.m.

Oral testimony at this hearing will be from both invited and public witnesses. Invited witnesses will include the Honorable Robert E. Rubin, Former Secretary of the Treasury, and the Honorable William M. Daley, Secretary of Commerce. Also, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee or for inclusion in the printed record of the hearing.

BACKGROUND:

China applied for accession to the General Agreement on Tariffs and Trade (GATT) in July 1986, and work has proceeded in the China Working Party since that time to negotiate the conditions upon which China will enter the WTO.

Article XII of the Agreement Establishing the World Trade Organization states that any State or separate customs territory may accede to the WTO "on terms to be agreed between it and the WTO." In practice, any WTO applicant must negotiate terms for membership in the WTO in the form of a Protocol of Accession. Through the operation of a Working Party, the United States and other WTO members have an opportunity to review the trade regimes of applicants to ensure that they are capable of implementing WTO obligations. In parallel with the Working Party's efforts, the United States and other interested member governments conduct separate negotiations with the applicant. These bilateral negotiations are aimed at achieving specific concessions and commitments on tariff levels, agricultural market access, and trade in services.

On November 15, 1999, Ambassador Barshefsky announced the successful completion of bilateral talks on China's accession to the World Trade Organization. The expansive market access agreement will provide broad market openings for U.S. agriculture, manufactured products and services, along with Chinese commitments to adopt WTO rules relating to such issues as technology transfer and offsets, subsidies, product safeguards, and State enterprises. In a separate agreement signed in April 1999, China agreed to end sanitary and phytosanitary bans on the importation of U.S. wheat, meat, and citrus products.

The Agreement represents a crucial step in China's WTO accession process. Other steps that remain ahead include the conclusion of bilateral negotiations with a number of other WTO members, as well as the multilateral negotiations on China's accession protocol. China then must complete its domestic process for implementing the country's WTO commitments.

Congressional approval of permanent normal trade relations (NTR) is *not* necessary for China to accede to the WTO. However, in order for American businesses, farmers, and workers to be guaranteed an opportunity to benefit from the trade concessions and better compete in China's markets, China's name must be removed

from Title IV of the Trade Act of 1974, the so-called Jackson-Vanik amendment, which provides for an annual review of China's trade status based on freedom of emigration.

Otherwise, the United States would be in violation of Article I of the GATT, which requires the extension of "unconditional" most favored nation (or NTR) status, and subject to trade sanctions. If the United States does not remove the conditions imposed by Jackson-Vanik, the United States would have to invoke the non-application clause of the GATT, meaning that China would be able to withhold benefits of the 1999 bilateral agreement from the United States.

In response to progress achieved in China's WTO commitments represented by the bilateral agreement with the United States, President Clinton announced that he will work with other WTO member countries to gain China's entry in the WTO as soon as possible. On March 8, 2000 he transmitted to Congress a request for legislation to terminate the application of Title IV of the Trade Act of 1974 to China and to extend permanent Normal Trade Relations treatment to products from China.

The first hearing on this topic took place on February 16, 2000, and was announced in a Full Committee press release No. FC–16, dated January 31, 2000.

FOCUS OF THE HEARING:

The focus of the hearing will be to examine: (1) the opportunities and issues associated with the entry of China into the WTO; (2) the potential benefits of the U.S.—China bilateral trade agreement for U.S. firms, workers, farmers, ranchers, and other interested parties; and (3) the current status of negotiations in Geneva for China to accede to the WTO. The Committee would also welcome testimony on how normalizing trade relations with China would affect other United States objectives in China and the surrounding region, such as improved respect for human rights, progress toward democratization, and enhanced economic and regional security.

DETAILS FOR SUBMISSIONS OF REQUESTS TO BE HEARD:

Requests to be heard at the hearing must be made by telephone to Traci Altman or Pete Davila at (202) 225–1721 no later than the close of business, Wednesday, April 26, 2000. The telephone request should be followed by a formal written request to A.L. Singleton, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. The staff of the Committee will notify by telephone those scheduled to appear as soon as possible after the filing deadline. Any questions concerning a scheduled appearance should be directed to the Committee on staff at (202) 225–1721.

In view of the limited time available to hear witnesses, the Committee may not be able to accommodate all requests to be heard. Those persons and organizations not scheduled for an oral appearance are encouraged to submit written statements for the record of the hearing. All persons requesting to be heard, whether they are scheduled for oral testimony or not, will be notified as soon as possible after the filing deadline.

Witnesses scheduled to present oral testimony are required to summarize briefly their written statements in no more than five minutes. THE FIVE-MINUTE RULE WILL BE STRICTLY ENFORCED. The full written statement of each witness will be included in the printed record, in accordance with House Rules.

In order to assure the most productive use of the limited amount of time available to question witnesses, all witnesses scheduled to appear before the Committee are required to submit 300 copies, along with an IBM compatible 3.5-inch diskette in WordPerfect or MS Word format, of their prepared statement for review by Members prior to the hearing. Testimony should arrive at the Committee office, room 1102 Longworth House Office Building, no later than Monday, May 1, 2000. Failure to do so may result in the witness being denied the opportunity to testify in person.

WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE:

Any person or organization wishing to submit a written statement for the printed record of the hearing should submit six (6) single-spaced copies of their statement, along with an IBM compatible 3.5-inch diskette in WordPerfect or MS Word format, with their name, address, and hearing date noted on a label, by the close of business, Wednesday, May 10, 2000, to A.L. Singleton, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public at the hearing, they may deliver 200 additional copies for this purpose to the Committee office, room 1102 Longworth House Office Building, by close of business the day before the hearing.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be submitted on an IBM compatible 3.5-inch diskette in WordPerfect or MS Word format, typed in single space and may not exceed a total of 10 pages including attachments. Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.

4. A supplemental sheet must accompany each statement listing the name, company, address, telephone and fax numbers where the witness or the designated representative may be reached. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press, and the public during the course of a public hearing may be submitted in other forms.

Note: All Committee advisories and news releases are available on the World Wide Web at "http://waysandmeanshouse.gov".

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202–225–1721 or 202–226–3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Chairman ARCHER. The Committee will come to order.

Good morning. The Committee today continues its review of what international trade means in the everyday lives of farmers, workers, and businesses of this country. Specifically, we will further examine the bilateral agreement reached between the U.S. and China last year, to make sure that it is good for America.

Winning the China vote is not going to be easy, especially since the House Minority Leader is against it and the House Minority Whip is devoting enormous amounts of time and energy working

toward its defeat. In fact, I am at least as concerned today as I was four weeks ago about our prospects for winning this historic vote.

I am also concerned about the nature and composition of any potential side agreements or parallel legislation being discussed. I think we must work to find ways to address issues and will be cooperative in that regard with the, I think, very constructive efforts of Sandy Levin. We do need to be sure, however, that whatever we do in that regard is not trade restrictive and should apply to China only.

We also need to be sure that it will not attract other provisions which will bog down the process, particularly in the Senate. And we must be sure that whatever we do in that regard does not threaten the existing base of support.

These are questions I hope to have answered today. The importance of this issue to our country's future and the future of free trade cannot be overstated. The fact that we will have four Cabinet officials here today is testimony to that.

So I hope the President will again consider my request to address the Nation on television on this critical issue. He has done so on Haiti, Bosnia, Iraq and Kosovo. And I believe he is inclined to do so. I know that the President is working very hard to get the votes for us to win this issue. And surely when the American people hear the importance of this, and hear it from the President, I believe that it will help us greatly with the American people.

And having said that, I yield to the chairman of the Trade Subcommittee, Mr. Crane, for any comments he would like to make, and then I will yield to Mr. Rangel, who will yield, I assume, to Mr. Levin.

Mr. CRANE. Thank you, Mr. Chairman.

It's heartening for me to experience the historic bipartisan show of support we've seen for expanding trade relations with China. The opportunity Congress has to impose an enforceable system of fair trade rules on a nation of 1.2 billion people, as it emerges from the iron grip of communism and state planning, is one that cannot be lost.

Chairman Archer and I are in agreement with the President that the bill to approve permanent NTR status must be a simple change to the Jackson-Vanik statute, rather than one which attempts to make changes to our trade laws, or which brings in other issues and complications. And I agree with the Chairman on the criteria for evaluating any parallel legislation.

The bilateral trade deal with China sells itself in every area. In one sector after another, there is no question United States workers and businesses will be better off if Congress passes the PNTR and puts these unilateral concessions in place. In exchange for steep tariff reductions and whole scale reforms of the Chinese trading system, the United States gives up nothing, gives up nothing.

In a global economy, increasing trade with China is the best way to keep our economy growing and help improve the standard of living and human rights conditions in China. We will not gain improvement in the respect for rule of law, religious freedom, and democratic principles by rejecting this agreement and surrendering our presence and influence in China. American businesses, religious leaders and unions need to remain engaged in China.

And I look forward to today's discussion and yield back the balance of my time.

Chairman ARCHER. I now recognize Mr. Rangel for any statement he might to make on behalf of the minority.

Mr. RANGEL. Thank you, Mr. Chairman.

I think we all ought to take a deep breath as we see the Republicans and Democrats finding some issue that we can work with the President of the United States and hold up on the hearings on the Gonzales matter and put impeachment behind us and put the country as a priority, as it relates to our trade policy.

I also find it difficult to understand how we can so easily agree to engage with a billion communists in China and find it so awkward even to talk about normal trade relationships with Cuba, which is closer to our borders and certainly has the same type of problems in terms of not moving toward democracy any faster than the leadership would be in the People's Republic of China.

Having said that, I agree with you that the Administration has brought some very important and influential representatives here, and I'm very anxious to hear from them. And I should note that while Leader Gephardt has taken a position against normalization of trade relations with China that he's made it abundantly clear that is not a party position for the minority, but an individual position.

And while you accurately pointed out that David Bonior also opposes normalization at this point in time, that he too is not acting as the whip of the Democratic minority, but is doing that as an individual member. And that leads me to laud the work that's being done by my friend and colleague, Sandy Levin, who has constantly tried to bridge the gap in working with the other side. And whether you call them side agreements or trade restrictions, you know as I know that he's trying to put together a coalition under very difficult political circumstances that would allow a degree of unity to support the President of the United States.

And so while it is very important, in my opinion, that China does and will be entered into the world trade agreement, I think it's important too that while we gain access to this potentially lucrative market, that we also find some way to enforce the commitments that China has made as it relates to human rights or the protection of environment. These things are important to Republicans, Democrats and Americans alike, and Sandy Levin and a group of Democrats and Republicans are trying very hard to reach some type of agreement that can produce the votes that are necessary.

So I publicly thank Sandy Levin for what he's doing, not just as the ranking Democrat on the Trade Committee, but as a concerned American that would want to do what's in our interest and the world's interest. And with your permission, Mr. Chairman, I'd like to yield to Sandy Levin.

[The opening statement follows:]

Opening Statement of Hon. Charles B. Rangel, a Representative in Congress from the State of New York

Mr. Chairman, we have a particularly distinguished list of witnesses appearing before us today.

First, we seem to have most of the President's Cabinet here I'm not sure who's left minding the store. Starting with the distinguished Secretary of the Treasury we

are always privileged to have him before our Committee joined by the Secretary of Commerce, the Secretary of Agriculture and the U.S. Trade Representative.

And, if that were not enough, we have the distinguished former Secretary of the Treasury, Bob Rubin, following the Administration. Finally, we have a number of important private sector witnesses.

In view of the impressive array of witnesses before us, I will keep my opening comments short and then turn my remaining time over to Congressman Levin, the Ranking Democrat on the Trade Subcommittee.

I think the facts before us today are relatively clear.

As we all know, last November, the Clinton Administration concluded an historic bilateral accession agreement with China.

• Based on my understanding of the agreement, it would provide substantial new opportunities for U.S. farmers, businesses, and workers assuming China lives up to its obligations.

• In addition, it contains important safeguards under U.S. law including a special anti-surge provision to prevent China's centrally-planned production from spilling over into the U.S. market and gives affected U.S. industries fair recourse in these circumstances.

Now, the views about the agreement are also clear.

• **Business** wants access to a potentially lucrative market - and I think overall we can agree that in the long run, bringing China into the framework of world trading rules is a very important objective. It can serve U.S. interests, including the interests of U.S. workers and businesses, and also strengthen the rule of law within China itself.

• But there are many who have concerns.

• Those concerns include whether China will live up to its commitments, and if it does not, to make sure that we have in the WTO dispute settlement process an effective means to get enforcement.

• Others are concerned that the agreement does not address China's egregious labor practices, flagrant violations of human rights, or contain protections for the environment.

Just as the potential benefits are real, so are these concerns.

No one has done more than my colleague Sandy Levin to try to address those concerns in an effective, consultative, bipartisan way. I want to commend him for his often thankless work on this important issue and turn over my remaining time to him after one last comment.

I believe our policy U.S. policy needs to be consistent in engaging countries that need to be brought into the mainstream of the international system.

In that regard, I look forward to the day soon, I hope when we can begin a serious and substantive discussion of the importance and benefits of normalizing economic relations with Cuba.

Mr. LEVIN. Thank you very much, Mr. Rangel and Mr. Chairman.

China's integration into the world trading system presents both opportunities and challenges. We need a policy that recognizes to both sides of this equation, a policy that seeks to take advantage of the opportunities and prepares fully for the challenges.

According to a recent World Bank study, "China's share in world trade could more than triple to 10 percent, making it a major engine of growth for world trade." China could become the second largest trading nation in the world over the next 25 years. There is no doubt, trade change is underway and tremendous change is underway in China. But while that change is irreversible, its direction is not inevitable.

China is the world's largest state controlled economy where markets, free markets and the rule of law are still in the rudimentary stages of development. China has a tight one party system with a record of gross human rights violations and the absence of a free labor market.

During my trip to China in January, I asked everyone I met, students, academics, entrepreneurs, intellectuals, artists, a few questions to sense their basic feelings about China's future. One person very poignantly said to me, I could never have imagined 10 years ago we would be where we are today. I cannot predict where we might be in another 10 years.

We, too, are not able to predict China's future. But as the President said in the State of the Union address, we need, "to know we did everything we possibly could to maximize the chance that China will choose the right future."

Over the last three months, the picture has become clearer, and our response much more critical. The U.S. cannot block China's entry into the World Trade Organization. The U.S. also cannot receive the full benefits of the agreement we ourselves negotiated with the Chinese without granting PNTR. In my judgment, we cannot simply say no.

At the same time, just increasing trade does not adequately address the complex challenges presented by China. We cannot rely on economic contact and exchange alone to automatically lead to more democracy, greater freedom and greater enforcement of core worker rights. We cannot expect potential economic dislocations in our country to just eventually correct themselves. We cannot simply say yes.

In my judgment, the only course is to actively shape globalization. We cannot escape it, we cannot ignore it. We must engage with China and we must confront it. We should consider PNTR within a framework that has the following three goals. One, maximized benefits to U.S. businesses and workers and farmers from China's accession to WTO. Two, minimize the potential downsides from growing and more intense competition, and there will be, with a country where free markets and the rule of law are still in early stages of development. And three, and so importantly, keep the heat on China when it comes to human rights and other dimensions of our relationship.

With respect to the first goal-maximizing the benefits of China's WTO accession. I believe that strong monitoring and enforcement are keys to success. In that spirit, the framework includes several important provisions, the framework we've been working on. It calls for increased resources to be allocated to U.S. Government agencies assigned to monitor and enforce trade agreement compliance by China and other foreign countries. It provides for an annual review by USTR of China's compliance with its WTO obligations. And it calls on the U.S. administration, and this is so important, to press for an annual review by the WTO itself.

It also establishes a congressional executive commission which will have among its functions review of worker rights in China. All of this is in addition to the enhanced enforcement that will come from bringing China into a system that has as its foundation closer ongoing scrutiny which must be increased, as well as a strong dispute settlement mechanism.

With respect to the second goal, minimizing the potential downside from growing and more intense competition from China, the framework would put into U.S. law the strong anti-import surge safeguard that was included in the U.S. China agreement. Obtain-

ing that safeguard, which had not been obtained as of April 1999, was vital to reaching agreement in November. Now it is time to seal that achievement, as we did in implementation of the Uruguay Round provisions, by legislating the standards and procedures to make the safeguard a useful tool for U.S. businesses and workers.

With respect to the final goal, the third goal, keeping the heat on China on human rights and other areas, the framework includes a significant improvement over the current system of reviewing China's issues for a day or two each week. The proposal is, we create a congressional executive level commission, modeled after the Helsinki Commission. In the last quarter century, that commission made major strides in improving human rights and cultivating democratic institutions in the country of the former Soviet block.

I believe a similar commission for China could make equally important strides. That commission will place an ongoing and focused spotlight on China rather than the temporary and diffused spotlight of an annual review. The proposals that have been put forth constitute a hard headed and common sense approach to bringing China into the world trading system. I would be strongly urging their adoption even if the dynamics of the PNTR vote were different than they are today. I would be doing so, because I firmly believe that we must actively shape globalization and not simply rely only, as important as it is, on more open markets to bring about positive developments.

I have no illusions, in conclusion, that enacting the framework that I've outlined will transform China overnight. But it will help to reinforce the evolution of China's economic, social and political institutions in a positive direction. It will be a step by step activist approach. This type of reinforcement is not only in China's interest, it is in our vital economic and national security interest as well.

I look forward to the Administration's views today on these proposals, as well as the continuing and continued discussions as mentioned by others on both sides of the aisle about their implementation in the context of a PNTR bill.

Mr. Chairman, thank you, and Mr. Thomas has asked if I might yield to him for a few seconds.

Mr. THOMAS. Thank the gentleman for yielding. And I want to thank the gentleman for the language and our ability to look, and my ability to look at it prior to your statement.

And the specificity is of a great help. I think conceptually there are a number of areas that we can agree and move forward on, perhaps in some areas on terminology or structure, we can continue to work on it. But the willingness of the gentleman to continue to flesh out and show the specifics of his approach is appreciated. I think there is a fertile ground for us to continue to work, and I thank the gentleman for his statement.

Mr. LEVIN. Thank you, Mr. Chairman.

Chairman ARCHER. Without objection, all members may insert written statements in the record at this point.

[This opening statement of Mr. Ramstad follows:]

Opening Statement of the Hon. Jim Ramstad, a Representative in Congress from the State of Minnesota

Mr. Chairman, thank you for calling this important hearing on China's accession to the WTO.

We often talk about what China's accession to the WTO means in relation to permanent normal trade relations (PNTR) for China, but today, I would like to draw attention to what this crucial step will mean to the Chinese citizens and why the average Chinese citizen supports it.

On Monday, four Chinese citizens who work for an American company in China, Honeywell, were in my office. They were asked questions about the differences between working for U.S. firms and the Chinese state-owned enterprises. The differences are stark.

They explained how the working conditions at American firms far exceeded those of the state enterprises. The U.S. firms are not only utilizing U.S. labor and environmental standards at their facilities, but they are also requiring companies with which they do business—whether it is a Chinese or foreign company—to also meet these high standards. It is U.S. firms, not the Chinese government, that are pushing for better working and environmental conditions!

A Chinese employee explained how important the housing benefits are at American firms, which allow them to actually own their own housing. Another mentioned how much more training is provided at U.S. companies, and that salaries and benefits, which are tied to merit, are helping to motivate workers in ways never imagined at the government enterprises.

A Chinese employee who has worked at both the government enterprises and American companies also explained that the salaries are far better at the American firms. He said his salary now is 1000 times higher than what he made when he first started working at the government enterprise. His salary is also almost 15 times the amount of a friend of his who does a similar job at a government factory.

Better working conditions, better benefits and incentives and better salaries—these greatly improve the lives of Chinese citizens. That's why we must support bringing China into the WTO and passing PNTR so we can promote continuance of these positive opportunities and influences in China.

Thank you again, Mr. Chairman, for holding this hearing and I look forward to hearing from our witnesses today.

Our first witness is one of our own colleagues, Congressman Frank Wolf from Virginia. Frank, if you'd take a seat there at the witness chair. We're happy to have you before the Committee, and we'll be pleased to receive your testimony.

STATEMENT OF HON. FRANK R. WOLF, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. WOLF. I thank you, Mr. Chairman. I'll submit my full statement and sum up. And I want to thank you and the members of the Committee, for the opportunity to testify.

The Clinton Administration has a very poor record on human rights around the world. In Africa, in Sudan, 2 million Christians and animists have been killed and slavery is taking place. In Sierra Leone, 90,000 people have been killed and women are raped and arms are taken off. In Rwanda, they stood by and did nothing. In Chechnya, during the bombing, innocent people have died. In Indonesia, when Bishop Bella won the Nobel Peace Prize in East Timor, the Administration stood by and did nothing.

So it's not surprising to see its policy with regard to China. In the Simon and Garfunkel song, The Boxer, it says, I am just a poor boy, though my story's seldom told, I have squandered my resistance for a pocket full of marbles, such are promises, all lies and jests, still a man hears what he wants to hear and disregards the rest."

You've heard the Administration and you've heard about trade. So I'd like to talk a little bit about the rest. In China today, there are at least eight Catholic bishops that are in jail and the number

is actually higher. There are numerous Protestant house church pastors that have been arrested and one in the photo here is the bishop in jail still, and Pastor Li in the photo here was arrested and has put in prison in China.

The Chinese have plundered Tibet. Three years ago I was in Tibet. I went in through the back door, and saw what they have done, destroying 3,000 to 4,000 monasteries. And every monastery has public security police that run the monastery. They have hundreds of monks and nuns in the Dropshe prison that are being tortured. They have persecuted the Muslims in the northwest portion of the country.

There are more slave labor camps in China today than there were when Solzhenytsin wrote the book, Gulag Archipelago. The People's Liberation Army kills people to sell organs for organ transplantation. Many of the Tiananmen Square demonstrators are still in prison. Chris Smith and I visited in Beijing Prison, number one, we saw them working and many are still in prison today.

Fifty-five years ago last month, Dietrich Bonhoeffer was marched from his cell in the Flossenburg prison, taken to the gallows because of speaking out for human rights. We now have modern day Dietrich Bonhoeffers who serve in prison in China. And this Administration and this Congress is doing nothing about it.

There are forced abortions. This is a pro-life issue, a women's issue. They have mass sterilizations as they go into villages. Over 500 women a day commit suicide in China. Militarily, they sell weapons to countries that are a direct threat, not only to the security of the United States, but to our men and women who wear the uniform. They have an espionage program directed against the United States and private companies.

I would urge the Committee to get the security briefing by our intelligence people. Ask them how broad ranging is China's intelligence operation in the U.S. Will giving PNTR to China allow China greater access to sensitive technology? Is there evidence that China has a program underway to attack U.S. satellites in space? Does the intelligence community have any written evidence that China is preparing to sink U.S. aircraft carriers?

The human rights record in China today is worse than it has been for years. Giving China MFN, or PNTR, will not change them, just as giving it to Nazi Germany would not have changed the leaders of Nazi Germany.

With that, Mr. Chairman, I would also, since I have 46 seconds, read you a letter from the Fleet Reserve Association that represents 150,000 career military Marines and Coast Guard. They say, the Fleet Reserve Association must do all that it can to oppose any move that could possibly send those brave men and women into harm's way without rhyme or reason, with the possibility that the future will hang dark shadows over open end trading with yet another unproven China. FRA is sensitive to the harm that country may inflict upon our nation and joins your colleagues in opposing PNTR.

Just within the past two weeks, China has made military threats against Taiwan and threatened military actions against the U.S. On this issue, Congress should respect the wisdom of the American people. Now is not the time to grant PNTR to China.

[The prepared statement follows:]

Statement of the Hon. Frank R. Wolf, a Representative in Congress from the State of Virginia

Mr. Chairman, thank you for the opportunity to testify today.

Having visited prison labor camps in China in 1991 and having visited Tibet a few years ago, I firmly believe that much is at stake if the Congress abandons its annual review of China trade. Much is at stake if the Congress ignores China's continuing human rights violations. Much is at stake if the Congress ignores the national security threat arising out of Beijing.

China's human rights record is deplorable and it continues to worsen. That's not just me saying that. The 1999 State Department Human Rights report on China said, "The Government's poor human rights record deteriorated markedly throughout the year, as the Government intensified efforts to suppress dissent."

On May 1, 2000, the United States Commission on International Religious Freedom released its first report on international religious freedom.

This is a timely report. Its language and recommendations about whether the U.S. should give China Permanent Normal Trade Relations (PNTR) are important in considering whether or not it is appropriate at this point in time to give China PNTR.

The Commission ". . .believes that *Congress should not approve PNTR for China* until China makes substantial improvements in respect for religious freedom. . ." Right smack in the middle of this debate on PNTR, the Chinese government continues to arrest and imprison people because of their faith.

It was 55 years ago Sunday, April 9, that Dietrich Bonhoeffer was marched from his prison cell at the Flossenburg concentration camp in Germany and was hung. Bonhoeffer was a Protestant minister who opposed Hitler. He refused to keep silent about the discrimination and persecution of the Jews. He spoke out repeatedly and fearlessly until the Nazis executed him.

Many Protestant house church leaders, pastors, Catholic bishops, and priests in China are modern day Dietrich Bonhoeffers. Dietrich Bonhoeffer suffered in prison for two years—from April 1943 to his death almost exactly two years later.

This is a photograph of Bishop Peter Joseph Fan Xue-Yan. Bishop Fan died in a Chinese prison as a result of torture and physical abuse carried out against him in prison. Bishop Fan was imprisoned by the Chinese government in 1958 and held there for 34 years because of his loyalty to the Pope. In April 1992, security officers returned his frozen and broken body in a plastic sack. The autopsy showed that he died as a result of torture wounds suffered in prison.

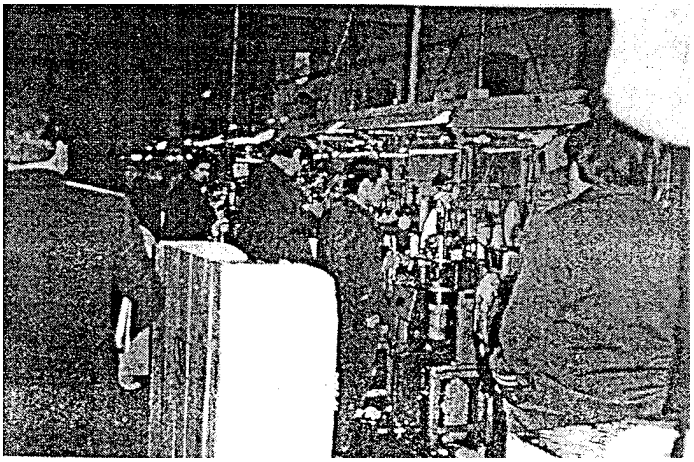
Here is a picture of Protestant House church leader, Pastor Li Dexian, getting arrested by Chinese authorities. Pastor Li has been arrested over 13 times since last October and has been persecuted by the Chinese government for the past 10 years. He was beaten in 1995 by the police around the head and neck with a Bible in an apparent attempt to break his windpipe, and then beaten with an iron bar and jumped upon, causing him to vomit blood and leaving him with broken ribs.

This picture here is of Catholic Bishop Zeng Jingmu. He has spent almost 35 years in Chinese prisons since 1955. He was released from jail in 1998 and is now under strict house arrest. At this point in life, he is very sick and is over 80 years old.

This picture to above is of Catholic Bishop An Shuxin who disappeared and then was discovered to be in prison. Bishop An has been in and out of prison in China, because of his faith, since 1982. Bishop An is currently in prison and was only released for one hour to visit his invalid 90-year-old mother. Bishop An's present location is unknown.

The Chinese regime continues to plunder and occupy Tibet. Hundreds of Tibetan monks and nuns continue to be imprisoned and brutally tortured. Monasteries and nunneries continue to be destroyed. Those that remain open are under heavy surveillance (see photo at above in Lhasa and look for the surveillance cameras) by cadres of Chinese communist party officials. China continues to coerce the Tibetan people to accept the Beijing-appointed Panchen Lama instead of the young boy identified by the Dalai Lama, Gendhun Choekyi Nyima. Chinese authorities reportedly have detained the parents of the 14-year old Buddhist leader, the Karmapa Lhama, who recently fled China to India.

China continues to use prison/slave labor. There are more gulag prisons in China today than in Russia when Alexander Solzhenitzen wrote the Gulag Archipelago. Over 200 Tiananmen square protestors are still in prison or forced labor prison camps or are on medical parole; many have spent more than ten years in prison because of their advocacy for democracy in China.



This is a photograph of a Chinese prison labor camp I visited in 1991 with Representative Chris Smith.

We visited Beijing Prison No. 1 and learned that at least 40 Tiananmen Square protestors were imprisoned there. We asked to speak with them but our request was denied. Instead, we were taken on a tour of the prison's textile and plastic shoe manufacturing facility. I obtained socks manufactured in the prison, some of which were provided to the U.S. Customs Service for thread and dye analysis to determine if they are being imported into the U.S.

The Peoples Liberation Army is responsible for trafficking in human organs. People in need of organ transplants are matched with prisoners serving sentences in Chinese prisons who have their blood-type taken by the Chinese authorities. When a match is made, prisoners are taken to a remote location where the necessary medical personnel have been assembled, and summarily executed. Their organs are then removed and quickly transported to the waiting organ recipient.

he Chinese government carries out policies of forced abortion and forced sterilization. The 1999 State Department Human Rights Report on China says that some 56 percent of the world's female suicides occur in China (about 500 per day), most are of child bearing age. The fines for violating government birth quotas are three times a couple's annual salary.

A country that abuses its own citizens on a massive scale cannot be trusted in its dealings with the U.S. Do Members actually think that the same Chinese government that flattens its own citizens with tanks—that kills frail 80 year-old Catholic bishops—can be trusted?

Human rights isn't my only concern, though. I am also opposed to giving China PNTR out of concern for national security. Congress cannot ignore the national security threat emanating from China. We hear the argument that PNTR will lead to economic and political growth in China, but who in China will benefit the most from increased foreign investment? Much of the capital and revenue the Chinese would gain from PNTR will go to help increase China's military build-up and to help stabilize a repressive, authoritarian regime.

I'd suggest the money is going to go toward building more jails and more prison labor camps, toward more weapons purchases and toward funding more intelligence operations against the U.S.

We know that this year, China has reportedly increased its military budget by close to 13 percent.

In 1999, China's Defense Minister declared that war with the U.S. "is inevitable." It is estimated that China has over a dozen nuclear ballistic missiles aimed at major U.S. cities and is reportedly building three new types of long-range missiles capable of striking the U.S.

Less than one year ago the Cox Committee found that China has "stolen" classified information regarding the most advanced U.S. thermonuclear weapons, giving

them design information "on par with our own." The information included classified information on every currently deployed warhead in the U.S. ballistic missile arsenal.

China's official military newspaper threatened the U.S. saying if the U.S. were to defend Taiwan, China would resort to "long range" missiles to inflict damage on America.

China has exported weapons of mass destruction and missiles in violation of treaty commitments. The director of the CIA has said that China remains a "key supplier" of these weapons to Pakistan, Iran, and North Korea. Other reports indicate China has passed on similar weapons and technology to Libya and Syria. If one of these countries is involved in a conflict, it is very possible that our men and women in uniform could be called into harm's way. These weapons of mass destruction could then be targeted against American troops.

Incidences of technology transfers from the U.S. to China have been numerous.

A recent report issued by the CIA and the FBI stated that China has stepped up military spying against the United States while using political influence programs to manipulate U.S. policy. This FBI/CIA report says that the U.S. military and U.S. private corporations are the primary targets of Chinese intelligence. This report also says that Chinese companies play a significant role in China's pursuit and acquisition of secret U.S. technology.

I am concerned that Members of Congress and the American public do not know enough about the national security threat that China poses to the U.S. I have been urging our colleagues to obtain a briefing by the CIA on China. I've had the briefing and what I learned has solidified even more my concern about the U.S. yielding permanent trade status to China.

Members and the American public need to know the answers to questions about the national security concerns regarding China and PNTR.

• Have U.S. exports over time contributed to China's nuclear weapons development, missile delivery systems, intelligence gathering, electronic warfare, power projection, anti-submarine warfare, encryption capabilities, and low-observable technology?

• Will giving PNTR to China allow China greater access to sensitive U.S. technology?

• Have U.S. exports to China contributed to the development of the Chinese military's command, control, communication, computer, and intelligence capabilities?

• Has China written that the U.S. is its main enemy?

• I understand that China has a defense treaty with North Korea and that this treaty might have secret implications. If the event of 1950 were to happen again, what would China do?

• Does the intelligence community have any evidence that China is preparing to sink U.S. aircraft carriers?

• Is there evidence that China has a program underway to attack U.S. satellites in space?

• Is China continuing to export weapons of mass destruction which could be used against American troops?

In closing, I am concerned that we in the U.S. have become so enamored with China's prospective market, that we are on the verge of ignoring history, of ignoring China's abysmal human rights record, and of ignoring the threats China poses to U.S. national security and to our men and women in uniform.

The U.S. should not give China PNTR until there is significant improvement in China's human rights record and until questions of national security have been adequately addressed.

We must have a way to continue our annual review of trade with China. If we sign off on permanent trade, we hand over any influence we could have in promoting a China that respects its citizens and that is a non-threatening member of the community of nations.

The process of reviewing trade relations with China each year is an opportunity for Congress to influence the behavior of China on matters of national security and human rights. Annual review of China's trade status is an appropriate foreign policy tool and it is the right thing to do.

Chairman ARCHER. Thank you, Mr. Wolf. Without objection, your entire printed statement will be included in the record.

Mr. WOLF. Thank you, Mr. Chairman.

Chairman ARCHER. Does any member wish to inquire? Mr. Stark.

Mr. STARK. Frank, thank you for your testimony. I know this is a matter of which you studied for many years.

Are you familiar with the United States Commission on International Religious Freedom? And if you are, and the report that they issued a couple of days ago? Could you summarize how that commission came into being and who's on it and what their report says?

Mr. WOLF. That is a bipartisan commission that was voted on by every member of this House. And Rabbi Saperstein is the chairman of the commission. And on a unanimous vote the other day, and they voted in opposition for PNTR unless a series of things have been done.

So this is the conclusion of the commission, voted on by every member of this House and every Senator, they opposed granting PNTR at this time.

Mr. STARK. Who is appointed to that commission?

Mr. WOLF. There are a series of people who are appointed to the commission. It's chaired by Rabbi Saperstein. It has Republicans and Democrats and people who are Muslim, people who are Protestant, people who are Catholic, people who are Jewish, and people who are broad based.

The members are Rabbi David Saperstein, the chairman, Dean Michael K. Young, the vice chairman, from George Washington University, the Honorable Elliott Abrams, Laila Al-Marayati, M.D., the Honorable John R. Bolton, who served in the Reagan Administration, and you know, Ronald Reagan never gave MFN to the Soviet Union. The fact is, in 1987, he signed a bill to take MFN away from Ceaucescu's remaining government.

Archbishop McCarrick from New Jersey, Nina Shea with Freedom House, Justice Charles E. Smith, and the ex officio member is Ambassador Robert Seiple.

Mr. STARK. It's my understanding that those members of the commission were all appointed by various elected officials who support giving most favored nation to China, is that correct?

Mr. WOLF. That's correct.

Mr. STARK. So the commission was created by us, and the commissioners were appointed by people who the Administration's position on PNTR, and they unanimously recommend to us that we at least postpone granting it, is that the basis?

Mr. WOLF. That's correct.

Mr. STARK. Thank you, Mr. Chairman.

Mr. DOGGETT. Mr. Chairman?

Chairman ARCHER. The gentleman from California yielded to the gentleman from Texas.

Mr. DOGGETT. I ask for my own time, if I might.

Chairman ARCHER. The gentleman is recognized.

Mr. DOGGETT. Thank you.

Frank, thank you very much for the leadership you've played on this human rights issue. I serve on the Congressional caucus on human rights with you, and I think it's very important to focus attention on this issue. I believe that the effects of this agreement have been greatly exaggerated by both the advocates and the opponents of the agreement generally. But I don't see how anyone can

look at the human rights situation in China and feel that it has improved in the last few years, particularly within the last year.

I guess as someone who is firmly uncommitted on this vote at the moment, I'd like to ask you, given the fact that there has been deterioration in the situation with human rights in China, how can we say that the process of annual renewal, rather than giving China the permanent trading relationship we enjoy with almost every other country in the world has a potential to make it any better? Isn't it a pretty blunt instrument to use to address the human rights problem?

Mr. WOLF. The failure has been the Administration's to speak out. We used to have a bipartisan position on human rights. Ronald Reagan gave the speech in 1983, if you recall, where he took on the human rights issue. Chris Smith and I were in Perm Camp 35 in 1989, and actually spoke to Sharansky's cellmate. They told us that every time that Ronald Reagan and the Congress spoke out on these issues that the people in the Gulag, the people in the Perm, and talk to Nathan Sharanski, and talk to Elena Bonner and talk to Sakharov, will tell you that their life got better. Sharanski will tell you.

And the failure has been of this Administration from Rwanda to Chechnya, to East Timor, they have done nothing. And hopefully, whatever man wins the Presidential election, that man will be hopefully a person who will speak out. So with this annual review and with a president that will voice and speak out and speak truth to the powerful, there is an opportunity for the cells to open up.

Who would have thought in 1985 that we would have seen in 1991 the Berlin Wall to fall down. How did the men in the Perm and the Gulag know of Ronald Reagan's speeches? And when in 1987, we took away MFN from Romania, the peasants knew of what we had done. So the failure has been this Administration's weakness on human rights and religious freedom.

Why has the Administration never spoken out with regard to the Catholic bishops? The torture—here is a bishop born December 29, died a martyr, ordained priest. His body, in 1992, press reported that government officials had hesitantly assigned the April 13 as stated death. His body was sent back in a frozen body plastic sack. Chris Smith gave holy communion to Bishop Shu, a Catholic bishop. Bishop Shu is still in jail for giving Congressman Smith holy communion.

And the next Administration, whether it's Gore or Bush, hopefully it will be. Bush, will speak out and there will be a time that we can give them permanent MFN. I am a free trader. I voted for NAFTA. I am an internationalist.

I supported the bombing in Kosovo. I was one of 33 Republican members on my side. I supported the troops being sent to Bosnia. I have actually argued for more foreign aid in certain areas than most people on my side of the aisle. This is not only a trade issue, it's a religious freedom and a human rights issue. So with an administration that speaks out, then this annual review can make a tremendous difference.

Mr. DOGGETT. Why couldn't we achieve the same kind of annual review through the separate human rights review mechanism that Congressman Levin has been advancing?

Mr. WOLF. President Reagan never gave MFN to the Soviet Union, he never gave it to any East Bloc nation, and actually signed a bill to take it away from Romania. Sanctions on South Africa brought about the end of apartheid. The inconsistency, and one of the persons mentioned with regard to Cuba and China and the church and apartheid, is unbelievable.

So I think you need, annual review. This is something the Chinese understand. And when this vote takes place, the word will go into the prison camps and the Gulag camps and the slave labor camps that this Administration and this Congress either granted PNTR, whereby they don't care, or they didn't grant it, whereby there's hope, and hope springs eternal.

So I think to deny PNTR this year, bring a new administration in, pass something that's decent and then maybe at that time you can do it. But not now.

And workers' rights, one other thing, for those that are interested in workers' rights, we saw 40 Tianamen Square demonstrators in Beijing Prison number one working on socks that were for export to the United States. And these are the socks.

And in the socks that we picked up off the line in Beijing Prison Number One, there are golfers on the side, and they don't play golf. These socks were made by people who were in Tiananmen Square, and they are now for export to the west.

Mr. DOGGETT. Thank you, Frank.

Chairman ARCHER. The gentleman's time has expired.

Mr. Matsui.

Mr. MATSUI. Thank you, Mr. Chairman. I'll be brief.

Frank, I would just like to point out that President Clinton is actually following decades of bipartisan foreign policy with respect to China. I might just point out, I'm sure you're aware of this, and I think everyone else is as well, but it bears sometimes repeating that after Tiannamen, I believe it was in June, about three months later, if you recall, Mr. McFarland, Mr. Scowcroft and Mr. Eagleburger, Mr. Eagleburger at that time was Secretary of State, Mr. Scocroft was National Security Advisor. They did go to China and met with the president premier of China and actually toasted them, if you recall. Those were national photos throughout the world that were represented.

So I'd just like to point out that was a bipartisan—

Mr. WOLF. That was a dark day. That was a dark day.

Mr. MATSUI. If I may finish. A bipartisan support of foreign policy. And secondly, I might point out that both candidates running for president, and I understand those are the only two, the Republican and Democrat, that really have a chance of winning, not Mr. Buchanan, do favor PNTR.

And let me just ask this one question. I respect where you're coming from and certainly I do admire, over the years, your support and strong feelings for human rights. One concern I have, however, the opponents of PNTR, besides opposing PNTR, have not come up with a positive strategy on how we change China's behavior. And you know, outside of perhaps declaring war on China.

So perhaps somebody can give me a help and a hand as to what approach we should be taking. Because those of us that support this look for engagement. We think that engaging China in some

way might move in the direction of a more open society and hopefully a society that one day will grant more freedoms to its citizens. But by being negative, how does that actually change China's behavior, and how does that make China a better country in terms of part of the international community? It's easy to say no. It's another thing to come up with a positive strategy on how we change behavior.

Mr. WOLF. Well, I would say that Ronald Reagan had a positive strategy that worked very, very well with the Soviet Union and the East Bloc. And when you look at those who are opposed, I hope you read the letter from the Catholic Conference, Cardinal Bishop Law, with regard to this issue. The Catholic Conference is a group that I know every member has great respect for. They have consistently in this time opposed granting MFN or PNTR.

I think it takes an administration, whether it be a Gore administration or a Bush administration, and obviously I hope it's a Bush administration, that will speak out the way that Ronald Reagan did, the way that Jimmy Carter did. You talk about bipartisanship, there was bipartisan. Ronald Reagan and Jimmy Carter spoke out on this and did more to help with regard to human rights than the administrations that followed thereafter.

Mr. MATSUI. Well, if I may just conclude, Mr. Chairman, one of the concerns I have, and bear in mind that six months after Ronald Reagan left office, and you know, I would imagine he did influence China's behavior, Tiannamen Square did in fact occur. So I think China's behavior was not necessarily influenced by the rhetoric of President Reagan.

So obviously, that didn't work so well either. But I yield back the balance of my time.

Chairman ARCHER. Mr. Kleczka.

Mr. KLECZKA. Thank you, Mr. Chairman.

Mr. Chairman and members, I'm one of those who are undecided as to whether or not to support PNTR, the permanent trade status for China, or the annual. The Chairman of the Committee starts out this hearing by blasting two Democrats who happen to be opposed to granting permanent trade status. In a unique feature of the hearing, the first person to testify is a Republican who has the same view.

And I bring that up, Mr. Chairman, because I don't believe what we're talking about today is a partisan issue. It's one that goes above partisan politics. So for anyone here to chastise one side or the other I don't think gets to the heart, the purpose of the hearing, and that is to help those of us who are undecided try to make a decision on it.

My colleague, Mr. Wolf from Virginia, starts off his testimony by blasting the hell out of the Administration. Well, I don't think that helps much on the vote on China, either. Because I think we're here to talk about whether or not this Congress should grant permanent trading status to China. We know full well they're going to enter the World Trade Organization with or without us.

So Mr. Wolf, the question I have of you, and you've heard the same arguments and the same comments prior to you making up your mind, is that now the United States has negotiated a trade agreement with China. And if in fact we do not grant permanent

trading status, we will not be able to avail ourselves to the benefits of that trade agreement.

How do you respond to individuals and groups that come to you with that argument?

Mr. WOLF. I would respond this way. And let me just stipulate, there are good and decent people on both sides of the issue. And I was equally critical of the Bush Administration for its policies with regard to China.

Secondly, I think you can give them temporary NTR and come back next year with a new president and look at it again. Thirdly, in answer to all the questions, I want to read this thing. In 1973, this was from Chuck Colson, he said, President Nixon sent me to Moscow to negotiate for the release—

Mr. KLECZKA. No, no, no—

Mr. WOLF. This is the answer.

Mr. KLECZKA. Frank, the question is, how do you respond to groups when they say, here we've negotiated this very admirable agreement with China, it's going to be pro-business, pro whatever else, and if we don't give them permanent, we're not going to avail ourselves to it. How do you respond to that?

Mr. WOLF. You can avail yourself with temporary. You can do it on a year to year basis, and the next administration can deal with this in a fresh way and speak out on behalf of human rights. And behalf of the people in the church, the slave labor camps and others.

Mr. KLECZKA. So you're saying that if in fact we do at some point this session grant only annual temporary trade status, we can avail ourselves to all the benefits of the trade agreement?

Mr. WOLF. That's correct.

Mr. KLECZKA. Okay, well, Ambassador Barshefksy was before the Committee some months ago and indicated that was not accurate.

Now, my question is one probably more of procedure, Frank. If in fact on the 22nd the House does not vote in favor of permanent trade status, at what point will we have another vote before us to grant the temporary or the annual trade status? Will that come normally in June or July?

Mr. WOLF. That would depend on the leadership of the Congress to bring that up.

Mr. KLECZKA. So there would be another proposal, another resolution coming before the House to deal with that specifically?

Mr. WOLF. I cannot speak for the leadership. That would be the leadership, I would hope that would be the leadership choice, to do that.

Mr. KLECZKA. But we will have to take another vote at some point.

Mr. WOLF. That's correct.

Mr. KLECZKA. Okay, thank you very much, Mr. Chairman.

Chairman ARCHER. Mr. Thomas.

Mr. THOMAS. Briefly, I want to thank the gentleman from Virginia for his statement. But I also want to recognize our former colleague from Florida, the former chairman of the trade subcommittee, Sam Gibbons. Given his long, hard work—

[Applause.]

Mr. THOMAS. While he's not here, he's here in spirit, and I want to thank him.

Chairman ARCHER. I say to my friend from Wisconsin, in my opening statement I did not take a partisan blast at anyone. In fact, I heavily complimented the President for his activities and cited that it is good for us to be working together. But this will be a difficult issue. It is not going to be easy to get the necessary votes to pass this.

And it is a matter of fact that the top two leaders in the House on the minority side are opposed. And they are in a leadership position.

Mr. KLECZKA. Will the gentleman yield?

Chairman ARCHER. Congressman Wolf is expressing his own views, which are very fervently held and very genuine, and a man of great conscience. But he, every single one of the Republican leaders in the House of Representatives is for passing permanent NTR for China.

And it is not easy for my Democrat colleagues when their two top leaders are opposed to it. That just happens to be a fact. It's not a blast at anybody.

Mr. KLECZKA. Well, but Mr. Chairman, would you yield on that?

Chairman ARCHER. Thank you very much for your testimony.

Mr. WOLF. Thank you, Mr. Chairman. I thank the members very much.

Chairman ARCHER. We always appreciate hearing from you.

Mr. KLECZKA. Will the Chairman yield?

Chairman ARCHER. I'll be happy to yield.

Mr. KLECZKA. Mr. Chairman, I don't intend to belabor the point, but it seems quite odd that—

Chairman ARCHER. But the gentleman is belaboring the point.

Mr. KLECZKA.—but I'm going to, because I think it's only fair to do so. And state to the Chairman, to single out two Democrats, regardless of their title, I think they're still voting as individual members of Congress, representing their district. And I ask the Chairman, how many Republicans are you aware of who are not supporting this proposal? We just had the lead witness today, a Republican, start out who is opposing. How many Republicans are opposing this permanent trade status with China?

Chairman ARCHER. This colloquy is not going to serve any constructive purpose.

Mr. KLECZKA. Well, the fact is there's probably 50 to 75 Republicans—

Chairman ARCHER. I simply want to reiterate that I did not blast anyone in my opening statement. And we now need to get on to what is really an historic event for this Committee, because we have four Cabinet level officials who will be witnesses in our next panel.

I don't recall any time when the Committee has had four Cabinet level officials at one time before the Committee, demonstrating the importance and the significance of this issue. And the Chair heartily welcomes each of those officials. And I see you're taking your seats at the witness table. We're delighted to have all four of you. And I'm sure that is a bipartisan welcome to all four of you this morning before the Committee. [Laughter.]

Chairman ARCHER. So normally we have members of the Committee who say, gee, let me introduce a witness. I don't think any one of you needs an introduction to this Committee. So let me say as a preface that Secretary Summers, I understand, has got to leave here at 12:00 o'clock. And so I'm going to recognize you one after another and then in the questioning, hopefully the questioning can be devoted primarily to you, Secretary Summers, if it relates to your areas of interest, so that we can then have you excused at 12:00.

And I am sure that Charlie Rangel does want to make an opening, welcoming statement.

Mr. RANGEL. Mr. Chairman, I would like to yield my time to you for you to continue to laud the Administration as you have this morning. Thank you. [Laughter.]

Chairman ARCHER. Well, it is actually—

Mr. KLECZKA. Mr. Chairman, reserving the right to object—

[Laughter.]

Chairman ARCHER. It actually is very heartening to the Chair that there can be this bipartisan working together. It is always a bigger comfort zone to get things done that are in the best interests of this country. And so Secretary Summers, if you will lead off, we'll be happy to receive your testimony.

STATEMENT OF HON. LAWRENCE H. SUMMERS, SECRETARY, U.S. DEPARTMENT OF THE TREASURY

Secretary SUMMERS. Thank you very much, Mr. Chairman, Ranking Member Rangel, members of the Committee. We are all glad to be here, and we all have longer statements for the record.

I'm pleased to have a chance to testify on what I believe is the most important vote that the Congress will take this year, and that is quite likely the vote that the Congress will take this year that has the greatest prospect of appearing for good or ill in history books written 20 or 50 years from now.

Let me briefly outline why I believe that the passage of PNTR is enormously in our national economic interest and then conclude with some comments about the broad context. First, it is in our national economic interest because of the commercial benefits that it brings.

As my colleagues will outline, the PNTR agreement brings about historic change and openness in China's market. To forego that opportunity would be to inappropriately disadvantage American producers. To forgo that opportunity at a time when that opportunity may become open to all our major international competitors would particularly be folly. At a time when it is a matter of great economic importance that we promote our exports, this type of market opening agreement is very much in the national interest.

And unlike many of the trade agreements and trade issues that we discuss, this agreement is a one way street, providing for new opening of a foreign market to American products but not providing for any further opening of the American market to foreign products.

The second economic argument is that passage of PNTR this supports the cause of market reform within China and creates a rule-based economic framework within which future Chinese reforms to

take place. We've spoken with Chinese officials. They've made it clear that they see an important benefit of this agreement as being the framework that provides for the transformation of their society.

Last year, the number of Chinese internet users quadrupled from 2 million to 9 million. This year, it should more than double to 20 million. As the President has said, consider how much the internet has changed America, which is already an open society, and then imagine how much it can change China.

By providing a framework for reform, by strengthening the hand of those who are more committed to the market and to openness, China's WTO Accession serves our interest in influencing China's evolution.

Let me say finally, Mr. Chairman, that as important as PNTR is, we recognize that it is but one piece of a much larger global challenge. And that challenge is, as the President has said, to make this global economy work, it has to work for people, and it has to support our core values. This imperative needs to continue to shape our overall international economic policy and our overall policy towards China.

In this context, I want to highlight that the Administration believes that the proposals being developed by Congressman Levin, with others, are constructive and address issues of major importance. We very much welcome and support further dialogue on these proposals among Members on both sides of the aisle.

For example, we agree that it is a priority for the United States to press for improvement in China's human rights, religious freedom, labor rights and the rule of law. Finding alternatives to the annual NTR renewal process, such as a commission, modeled in some ways on the Helsinki Commission, to keep a spotlight on these issues, makes good policy sense.

We agree, as well, that it is essential to have a vigorous program, both within our Government and within the WTO, to monitor China's implementation of its WTO commitments and to ensure that China lives up to them. This monitoring requires adequate resources.

Finally, we agree that we must make clear the rules and procedures this and future Administrations will employ to implement the strong import-safeguard protections that Charlene Barshefsky so ably negotiated. We could not, of course, accept anything that would in any way condition PNTR. However, Mr. Chairman, Members of the Committee, we are committed to working with Congress to address these concerns and are receptive to any and all ideas that make good policy sense and can garner broad bipartisan support.

Thank you.

[The prepared statement follows:]

Statement of the Hon. Lawrence H. Summers, Secretary, U.S. Department of the Treasury

Chairman Archer, Ranking Member Rangel, and Members of the Committee, I thank you for the opportunity to testify today on what I believe to be the most important issue that Congress will face this year: the decision to grant China permanent Normal Trade Relations, or PNTR.

Last fall, the United States signed a bilateral agreement with China to bring it into the World Trade Organization, on strong terms that will open its markets to American exports. After China completes its agreements with other countries, and

completes the multilateral part of the negotiation, it will join the WTO. But for us to enjoy the full benefits of the market opening that we negotiated, we must first grant China the same permanent normal trading status that we have already granted to every other country with which we share the benefits of the WTO.

The legislation presently before Congress enables the United States to grant PNTR to China once it has completed its accession, provided that it is on terms at least as good as those in our 1999 bilateral agreement. In fact, the terms can only get better, as we benefit from all further concessions China makes to other countries.

I will discuss in a few moments the concrete commercial advantages for the United States of passing this bill. I believe they are enormous. Moreover, the agreement with China is a one-way street. China opens its markets to an unprecedented degree, while in return the United States simply maintains its current market access policies.

It is also important to keep in mind what granting PNTR to China is not:

• This vote is not about whether China will enter the WTO: it will become a member either way.

• It is not about whether Chinese producers will have access to our market: they will continue to be able to sell their goods in the United States whether or not Congress passes PNTR.

• It is not about whether we approve or disapprove of China's human rights record: we will continue to pursue improvements at the United Nations Human Rights Commission and other fora, either way.

• It is not about China's policies toward the environment: we will continue to work with China to improve its capacity to protect China's environment and national resources, either way.

• It is not about China's policies toward Taiwan or other strategic issues that concern us: we will continue to press for peaceful resolution of differences between the PRC and Taiwan, and to urge China to respect global norms of conduct in nuclear nonproliferation and other areas, either way.

It is difficult to discern any disadvantage to the United States in passing this legislation. We will continue to press our full agenda with China regardless of how Congress votes. And China will open its markets to other members of the WTO when it joins the system, regardless of how Congress votes.

There are, however, three crucial advantages to the United States in passing this bill, which I would like to focus on today:

• First, there are the direct and commercial benefits of the market opening agreement that we concluded last fall.

• Second, there are the economic and broader benefits to the United States of promoting economic and social change in China.

• Third, there is the ultimate enhancement of America's national security interests that comes from integrating China more closely with the community of nations.

I. The Commercial Benefits to the United States of Granting PNTR

First, the economic and commercial benefits of granting PNTR are significant and all on the side of US businesses and workers. By passing PNTR, we will be agreeing to continue to grant China the same access to our markets that its producers currently enjoy. What we will get in return—as a result of the agreement we concluded last fall—is unprecedented new access to what could ultimately become the largest market in the world.

I might note that it is evidence of the compelling nature of these benefits that economists reflecting the full diversity of academic opinion have been united in their support for the Administration's approach. On April 25, 138 economists, including 13 Nobel Laureates, released a joint letter to the American people strongly supporting China's accession to the WTO on the terms that we negotiated last fall. It has sometimes been remarked that asking five economists a question will generate ten different answers. On this issue there has been only one answer: that welcoming China into the global economic system is right for the American economy and for the global economy.

The scope of this new access is impressive, with reductions in tariff and non-tariff barriers on industrial and agricultural goods and the elimination or reduction of barriers to American service providers:

• Chinese tariffs on industrial and agricultural goods will fall by 50 percent or more in the space of five years, along with sharp cuts in non-tariff barriers to U.S. exports. For example:

—Industrial tariffs on U.S. products will fall from an average of approximately 25 percent in 1997 to 9.4 percent in 2005.

—In the automobile sector, tariffs will fall from 80–100 percent to 25 percent by mid–2006, with the largest cuts in the first years after WTO accession. Quotas on autos will be phased out. And American auto companies will be allowed to provide auto financing for the first time.

—Tariffs on the broad range of agricultural goods will fall by roughly one half, with larger cuts for US priority goods. The role of state trading companies will be progressively reduced, allowing for more market-based trade. This improved access is expected to result in an increase of $2 billion a year in our agricultural exports to China by 2005, according to USDA estimates. In addition, China has committed to eliminate agricultural export subsidies, which displace American exports to third country markets, and to reduce domestic agricultural subsidies, which also distort trade.

—China will participate fully in the Information Technology Agreement (ITA), eliminating all tariffs by 2005 on computers, semi-conductors and other high-tech products—markets in which the U.S. is highly competitive.

—China will also eliminate or sharply reduce a wide range of crucial non-tariff barriers. For example, American exporters will be able to import directly into China themselves, distribute within China, and offer after-sale service in ways they never could before. With these rights, U.S. firms and farmers will be better able to sell American-made products directly to Chinese consumers.

• China would phase out restrictions in a broad range of services, including in financial services and other key sectors where the United States is more competitive.

—China has agreed to liberalize international trading rights, and wholesale and retail distribution services throughout China in three years for most products. Instead of having to produce in China or import and sell through a state-sponsored middleman, American businesses will win the right to distribute goods directly—goods that are made here at home.

—In banking, China has accepted full market access for branches and subsidiaries of foreign institutions, to be phased in progressively over five years.

—In insurance, the Chinese market will also be progressively opened over five years, with the elimination of limits on the number of licenses for foreign firms and the geographic scope of operations for foreign firms. In non-life insurance, wholly foreign owned subsidiaries would be allowed two years after accession.

—In telecommunications, China has agreed to allow direct foreign investment for the first time. It will also participate in the Basic Telecommunications Agreement, accepting pro-competition principles such as an independent regulatory authority and interconnection rights.

—The Chinese market for a wide range of computer, internet and software services will be opened to American companies, either through joint ventures or direct service. The opening of the information technology and telecommunications sectors comes at the same time as the powerful revolution in information and communications technology is just beginning in China. American high technology exports to China grew 500 percent between 1990 and 1998 alone.

In addition to this new access to China's markets, we will benefit from unprecedented special safeguards and protections to defend American workers and farmers from import surges, unfair pricing, and abusive investment practices. No agreement on WTO accession has ever contained stronger measures.

Notably:

• A"China-specific" safeguard that allows us to take measures focused directly on China in case of an import surge that threatens a particular industry. This protection, which remains in effect for 12 years after accession, provides stronger and more targeted relief than our current Section 201 law.

• Strong anti-dumping protections. The agreement includes a provision recognizing that the U.S. may employ special methods, designed for non-market economies, to counteract dumping by Chinese exporters for 15 years after its accession.

• Requirements that China eliminate barriers to U.S. companies that cost American jobs. For the first time, Americans will have the means, accepted under the WTO rules, to combat such measures as forced technology transfer, mandated offsets, local content requirements and other practices intended to drain jobs and technology away from the U.S. Moreover, combined with Chinese commitments to open up trading and distribution rights, these protections will allow American companies to export products made at home by American workers to China, rather than being forced to set up factories in China or go through Chinese government-approved middlemen in order to sell products there.

We are already preparing for the most intensive enforcement and compliance effort ever mounted for a single trade agreement. The President has requested an ad-

ditional $22 million for new enforcement and compliance efforts, which will focus in large part on China. The Administration's aggressive monitoring and enforcement efforts will include the private sector, other WTO partners, and Congress. For the first time, China's compliance will be subject to multilateral enforcement under the WTO dispute settlement mechanism, which will force China to comply with WTO rulings or be subject to trade sanctions.

II. America's Stake in Promoting Successful Market Reform in China

There are also crucial indirect advantages for the United States in China's WTO membership in that it will both support the cause of market reform within China -and provide an effective rule-based framework for future Chinese reforms to take place.

China has come a long way since the beginnings of market reforms a little over 20 years ago. Its economy has grown by more than 350 percent in real terms. It has risen to being the 10th largest trading nation. And the number of Chinese with access to a television has risen one hundred-fold, to one billion.

This transformation has brought enormous benefits for the Chinese people. But it has also unleashed new forces for change in the Chinese economy and society more broadly, forces that the authorities fear they will ultimately be unable to control. As a result, there are powerful voices within China today in favor of halting, or even reversing, the process of economic reforms -and all that reform implies.

By supporting China's decision to sign this agreement and enter the WTO:

• We can strengthen the hand of those who favor the reform path, and make it more difficult for China to turn back the clock.

• We can also support the establishment of a rules-based framework for continued economic reform in China that can support faster growth in productivity and wages in China -and thus higher demand for our products in the future -and provide a catalyst for broader changes that will help to promote core American interests and values. As competition and integration proceed, China will need to become more market-based; more protective of personal and commercial freedoms, and more open to the free flow of information and ideas.

The potential economic and broader benefits of supporting the forces of Chinese reform are evident when we consider the impact on China's growing technology sector. By the end of this year, some analysts predict that China will become the world's second largest market in both telecommunications and personal computers. Last year the number of Chinese Internet users quadrupled, from 2 million to 9 million. And this year, it should more than double, to 20 million.

No amount of censorship or monitoring can completely control this explosion of information. WTO membership will not only open Chinese markets, but will also provide China's people with an unprecedented opening to the outside world. As the President has said: consider how much the Internet has changed America, which is already an open society, then imagine how much it could change China.

Already, in the wake of the agreement last fall, there are clear signs of renewed commitment to reform at the highest levels of the Chinese leadership, a commitment that is expressly linked to the need to prepare the economy for tougher competition from the outside world.

• The government has stepped up efforts to promote the development of private firms, the most dynamic sector of China's economy, by eliminating heavy deposit requirements and other regulations which discriminate against them and allowing them to list themselves on the stock market for the first time.

• People's Bank of China Governor Dai has pledged to intensify efforts to clean up bad loans within the banking sector and to enhance competition among banks by permitting more flexible interest rates. A regulatory overhaul is underway to level the playing field between foreign and domestic firms in line with WTO commitments.

• As the Wall Street Journal reported, even parts of the economy that the Chinese consider strategically important are being opened up to the private sector, with individual investors already dominating the Chinese Internet industry and being allowed take ownership stakes in domestic banks for the first time.

We recognize that the kind of changes that we seek to support in China will not happen overnight. In the meantime, the United States will remain continuously vigilant on human rights abuses in China, and we will continue to express forcefully our disapproval when such abuses occur. The Administration already engages the Chinese on this issue through bilateral channels, monitors the situation continuously and issues annual reports.

We are, however, convinced that we will have much more positive influence over China's behavior if we are actively engaged with China, rather than trying to isolate

it. And I might note that a large number of prominent activists in this area have the same view. For example:

• Martin Lee, the leader of the Democracy Party of Hong Kong, has said: "the participation of China in the WTO would not only have economic and political benefits, but would also serve to bolster those who understand that the country must embrace the rule of law."

• Dai Qing, a Chinese environmentalist and former prisoner in China, wrote recently that she believed that: "permanent normal trade status, with its implications of openness and fairness, is among the most powerful means of promoting freedom in China."

• A Chinese dissident, Ren Wanding, a leader of the 1978 Democracy Wall Movement, sees Chinese entry into the WTO as 'a new beginning.'"

III. The Broader National Interest In Supporting Greater Integration of China

Finally, a policy of welcoming China into the community of nations—rather than being a voice that keeps China out, even when it commits to live by the rules—is a policy that supports our deepest national security interests and values.

Ever since the rise of Assyria and Sparta, emerging economic strength and major changes in the economic balance of power have raised the specter of war and conquest. In this century alone we have seen two World Wars that followed closely on the emergence of major new economic powers. And the pace of economic change in China over the past 20 years -and indeed through much of Asia—is literally unprecedented in history, with standards of living for hundreds of millions of people quadrupling or more in a single generation.

This has so far been achieved with the minimum of conflict, despite the pervasive rivalries between the peoples of Asian nations, is a reflection of the progress that has been made across the region toward openness and integration. And it speaks to the success of postwar international institutions in helping to cement that progress. But if the next quarter century in Asia is to be as successful as the last, it will be crucial that China use its emerging power in a constructive way, that it fits into the global economic system, and that it continues to maintain economic growth and stability.

As President Clinton has said, if we have learned anything in the last few years, it is that rapidly changing, insecure nations can pose as a great a challenge to the United States as strong and confident ones. Our long-term strategy must be to encourage the right kind of success in China: to help it grow into a strong, prosperous and open society; to come together not fall apart; and to become part of institutions that promote our deepest values and interests and can build mutual trust. And we have a much greater chance of having a positive influence if we welcome it into the broader global system.

By learning to "play by the rules," both internationally and domestically, China will strengthen the rule of law, which will enable it to become a more reliable partner and a fairer society. It can even lay the groundwork for protection of core values in China, such as human rights, religious freedom, workers' rights and environmental protection.

We believe that in a 21st century global economy, China will increasingly have to recognize that, to maintain stability and growth at home, it must meet, rather than stifle, the growing demands of its people for openness and accountability. We must not seek to cut China off from the economic and broader forces that are most likely to change it in the right direction.

This is not a policy based on mutual affection. As I said at the beginning, we can and will continue to express our differences with China both forthrightly and consistently. Simply bringing China into the WTO does not guarantee that its government will take a responsible, constructive course. But it will lead the authorities to confront that choice sooner, and it will make stronger and more visible the imperative to make the right choice.

IV. Concluding Remarks

Mr. Chairman, I have emphasized today three key reasons: the commercial benefits to the US of this agreement; America's deep economic and broader interest in China's continuing evolution; and our deep national interest in a more stable and peaceful global system. This is why we believe granting China PNTR to be enormously in America's core interests.

As important as PNTR is, we recognize that it is but one piece in a much larger mosaic as we consider the kind of China we would like to see -and the kind of global economic system that we want to create. The President has called it "the challenge of the millennial generation...to create a world trading system, attuned both to the pace and scope of a new global economy and to the enduring values which give di-

rection and meaning to our lives." If we want this new global economy to work, we have to make sure it works for people. And we have to make sure it works to support our deep values.

This imperative will continue to guide our international economic policy more broadly—in areas ranging from our support for international efforts to address environmental problems, to support for core labor standards. And it can and must continue to guide our broader policy toward China in the months and years ahead.

In this context, let me say that the Administration believes that the proposals being developed by Congressman Levin with others are constructive, address issues of major importance, and we welcome further dialogue on these proposals among Members on both sides of the aisle.

For example:

- We agree that it is a priority for the United States to press for improvement of China's human rights, religious freedoms, labor rights and the rule of law. Finding alternatives to the annual NTR renewal process, such as a Commission, to keep a spotlight on these issues makes sense.
- We agree as well that it is important to have a vigorous program, both within the USG and within the WTO, to monitor China's implementation of its WTO commitments and to ensure China lives up to them. And we must have adequate resources to accomplish this.
- Finally, we agree that we must make clear the rules and procedures this and future Administrations will employ to implement the strong import safeguard protections we negotiated.

The Administration could not, of course, accept anything that would in any way condition PNTR. However, we are committed to working with Congress to address these concerns, and are receptive to ideas that make good substantive sense and can garner broad bipartisan support.

Mr. Chairman, granting PNTR to China represents but one of the aspect of the relationship with China that we will be pursuing in the years ahead -and one piece of the global economic system we would like to build. It will, however, be an exceptionally important piece—one that is fundamentally supportive of our broader long-term economic and broader national interests.

Indeed, with due respect to all the other issues we work on, I believe this is the only vote that Congress will take this year that is likely to appear in a prominent way in history books 25 or 50 years from now. I look forward to working with this Committee and the House as we work toward the best result on this crucial issue. Thank you.

Chairman ARCHER. Thank you, Secretary Summers.

Our next witness is Secretary Dan Glickman. We're happy to have you, one of our former colleagues who has gone on to bigger and better things, we're happy to have you before the Ways and Means Committee.

Welcome, and you may proceed.

STATEMENT OF HON. DAN GLICKMAN, SECRETARY, U.S. DEPARTMENT OF AGRICULTURE

Secretary GLICKMAN. Thank you, Mr. Chairman, Mr. Rangel, Mr. Crane. It's an honor for me to be here.

I'm going to try to be brief. I have a formal statement which talks about the extraordinary benefits to American agriculture, perhaps the most export sensitive part of the American economy in the size and scope of the benefits of agriculture to this PNTR vote.

But I'd like to just briefly talk, as you know, the President sent a mission to China last week, which he asked me to lead. Four of your colleagues went with me, Congressman Walden of Oregon, Congressman Dicks of Washington, Congressman Meeks of New York, Congressman Hinojosa of Texas, and Governor Shaffer of North Dakota. It was a bipartisan meeting.

And what I wanted to do is give you the texture of three or four things that we did. Some involved agriculture and some didn't. One was a discussion with several dozen Chinese workers, all the way from Armstrong Tile to Aetna to Motorola to high tech, low tech, medium tech, talking about their opportunities working for American companies, their wages, their benefits, their access to the internet as a result of their working for American companies, and the impact of their employment on co-workers working in non-American companies, other Chinese companies, that was absolutely dramatic.

I mean, I would have never dreamed that we would see Chinese workers working for American companies with a lot of the same benefits that American workers have, and with the opportunity to dramatically further expand in the rest of the world. Talk about a way to impress American values into China. These people were very, very impressed and involved and imbued with a lot of the work ethic and values that our workers have. And they will spread throughout the country. That was a dramatic thing that we did.

We went to a soybean crushing facility. China, if their incomes continue to improve, their eating patterns will dramatically change. They will upgrade. They will eat a lot more meat, they will use a lot more cooking oils that we use, they will eat a lot more citrus. And we saw the potential for just a dramatic increase in value added and bulk commodity agricultural exports.

We toured a major supermarket, kind of like a hyper mart, a Wal-Mart. There we saw California grapes, pistachios, oranges of high quality that were extremely popular, that had just come in, I believe, from both California and Florida. Washington apples, Alaskan seafood, frozen vegetables, U.S. hazelnuts, Oregon hazelnuts and the like. And the fact is that the quality was outstanding.

And it's also again an example of American values coming in with those agricultural products. The Chinese people really like what we are selling them. And as long as we keep the quality up, there will be a dramatic potential market there.

And the final thing I thought I would just discuss with you is our meeting with Bishop Chen in Shanghai. And I know Congressman Wolf talked about human rights issues. But Bishop Chen is the Catholic bishop of Shanghai. He was in jail for 27 years, from 1955 or 1956, 1954, until 1982 when he was released. He was jailed for allegedly being a spy for the Vatican.

And in fact, he told us that he was probably saved during the cultural revolution because he was in jail. They didn't bother with him, since he was already incarcerated.

Some of you may have been to the cathedral there in Shanghai. They give mass to about 5,000 people every Sunday. And his views were that while human and religious rights had not reached the levels that he'd like them, that if in fact we turn this deal down, it would have a dramatic negative impact on human and religious rights in China, not a positive impact. It would have a negative impact.

And it was a profound experience, and I realize that you can't necessarily extrapolate his views to every human rights issue and religious rights issue in China, but that was an extremely significant thing.

The other side is, we went to the Shanghai stock exchange right before then. I don't know if any of you have been there. About 500 companies are traded in this modern stock exchange, which is computerized. On the wall in the back was a modern Reuters communication system on which was listed on the board every major stock exchange in the world and what was happening at that moment in time, with Chinese workers managing that effort.

It turned out that the CEO of that stock exchange happened to spend time at the University of Kansas. So it was of personal interest to me to see that there.

But the whole trip, and you ought to talk to Congressman Meeks and Hinojosa and Dicks and Walden to get their experiences. I know all of you have been to China, but the whole trip convinced me that while there is no miracle in terms of the future of U.S. agricultural trade or trade generally, that this country has a lot more to be gained by going ahead with this agreement than by rejecting it.

Thank you.

[The prepared statement follows:]

Statement of the Hon. Dan Glickman, Secretary, U.S. Department of Agriculture

Mr. Chairman, members of the Committee, it is a pleasure to appear before you to discuss permanent Normal Trade Relations (PNTR) for China.

Congressional approval of permanent Normal Trade Relationship (PNTR) status for China is the Administration's top priority this year. PNTR status is necessary to ensure that U.S. agriculture has access to a market that accounts for one-fifth of the world's population.

America's farmers have a major stake in the debate over PNTR status for China. The granting of PNTR status, together with China's accession to the World Trade Organization (WTO), will provide economic benefits. That is indisputable. We have everything to gain and a great deal to lose by refusing to grant PNTR status to China.

We estimate that the U.S.—China WTO accession agreement could add an estimated $1.6 billion annually to U.S. agricultural exports of bulk commodities such as grains, oilseeds and products, and cotton by 2005. U.S. export gains could approach $2 billion as the Chinese reduce their tariffs on high value-added products, such as poultry, pork, beef, citrus and other fruits, vegetables, tree nuts, and forest and fish products.

China has committed to eliminate export subsidies, cap and reduce domestic support measures, eliminate scientifically unjustified sanitary and phytosanitary barriers, provide strong provisions against unfair trade and import surges, and adhere to the rule of international law (i.e., the dispute settlement system of the WTO, which, overall, has benefitted the United States).

Tariffs on our priority products like meat and dairy will drop, on average, from 31 to 14 percent, by 2004.

Tariff-rate quotas (TRQs) and other elements of the U.S.—China agreement should provide U.S. agriculture with the opportunity to capture a considerable share of the Chinese market. American farmers and ranchers, with their superior products and competitive prices, will benefit even more from the TRQs if China develops into a market-based economy as we hope.

I know many people are concerned about China's overwhelming overall trade advantage with the United States, which reached nearly $69 billion last year—second only to our trade deficit with Japan at $73.9 billion. That's because current Chinese policies shield its economy from world market forces and restrain competition. This agreement will go a long way toward correcting that imbalance. It provides a comprehensive approach to dealing with China's trade policies that put U.S. exports at such a disadvantage.

The agreement also specifically addresses *the issue of protecting U.S. agricultural and non-agricultural products from import surges* from China. This is a facet of the agreement that I believe is a very important point. The product-specific safeguard

provision sets up a special mechanism to address increased imports that cause or threaten to cause market disruption to a U.S. industry.

This mechanism, which is in addition to other WTO safeguard provisions, differs from traditional safeguard measures. It permits the United States to address imports solely from China, rather than from the whole world, that are a significant cause of material injury and to adopt measures such as import restrictions to deal with those import issues. In addition, the United States will be able to apply restraints unilaterally based on legal standards that differ from those in the WTO safeguards agreement. This could permit action in more cases. The product-specific safeguard will remain in force for 12 years after China joins the WTO.

I think President Clinton summed it up best when he said in both his State of the Union address and when he introduced his proposed legislation at the John Hopkins School for Advanced International Studies, "Our markets are already open to China; this agreement will open China's markets to us."

PNTR for China is not just a vote on our China trade policy. By and large, our trade laws should be used as intended—to challenge and roll back trade barriers in China and elsewhere. It also ensures the U.S. engagement in a wide range of economic and social issues in China such as promoting human rights, freedom of religion, and the democratization process.

We can best reconcile those differences and influence their behavior by engaging them, by bringing them into a rules-based global community, not by isolating them. In addition, removing these barriers allows China to have access to quality U.S. products such as better quality cotton or soybeans with higher content oil. China wants the quality of U.S. products and the reliability of supply. For all these reasons, that is why approving PNTR status for China is so important for our national interests, and especially for American farmers. This is a historic opportunity because what it can achieve in opening Chinese society goes far beyond the economic underpinnings of improved trade with China. In granting PNTR status, we are not abandoning the principles we as a nation have always valued; instead, we provide tangible economic benefits to the American people.

I believe that China's WTO accession agreement with the United States is a bold statement that China intends to be a responsible player on the world stage. The Chinese have shown they understand that they must commit to longstanding principles governing world trade—transparency, fair trade practices, peaceful settlement of disputes and, most importantly, the rule of law.

The agreement is strong evidence of China's willingness to move beyond the stagnant, protectionist policies of the past and embrace economic and trade principles that will have a ripple effect on their economic, social and political institutions.

In fact, changes in Chinese agricultural policies are a good indication that China is beginning to see the advantages of stronger ties to the global economy. Over the past 50 years, China has struggled to increase its grain production to meet the needs of its growing population. But now China's leaders are pointing out that China might be able to raise farm incomes by diverting resources away from areas where it does not have a comparative advantage—like grain production -and into areas that would take advantage of the large Chinese labor pool—like horticultural products.

Chinese policy makers are now saying that China could live with a self—sufficiency rate of 95 percent rather than 100 percent. That 5 percent may not sound like much, but if China imported just 5 percent of its grain needs, that would equal 20 million tons of grain a year—making China the world's second largest market for imported grain after Japan.

I would like to leave you with one final thought. China can still accede to the WTO without Congressional approval of permanent NTR status (accession is independent of the U.S. process and is reached by consensus of the 136 WTO members). If Congress were not to approve permanent NTR status for China, then the only winners would be our competitors such as the European Union and Australia. They are aggressively pursuing new trade deals and would welcome the chance to pick up business that would otherwise go to U.S. farmers and ranchers. Rest assured, once our competitors are in those markets, they will be very difficult to displace—and the United States is not likely to regain substantial market share for a long time.

Mr. Chairman, that completes my statement. I would be happy to answer any questions.

[Attachments are being retained in the committee files.]

Chairman ARCHER. Thank you, Secretary Glickman.

Our next witness is a gentleman that I've enjoyed working with very closely on this issue over the last months, Secretary of Commerce William Daley. We're happy to have you before our Committee, and we'll be pleased to receive your testimony.

STATEMENT OF HON. WILLIAM M. DALEY, SECRETARY, U.S. DEPARTMENT OF COMMERCE

Secretary DALEY. Thank you very much, Mr. Chairman and Congressman Rangel, and members of the Committee. It is a pleasure to join my colleagues and come once again before the Ways and Means Committee.

We have spent a tremendous amount of time over the last number of months on the Hill talking to members. And many are convinced of the economic positive results of this deal with China.

But a question which we have all heard over and over again is how do we know that China will comply with this agreement? Their track record frankly has been mixed.

However, in my opinion, things are changing dramatically. The Chinese have told all of us countless times that they want the benefits of open markets. And after 14 years of negotiations, they do want to join the WTO and follow the rules. Obviously, deeds, not words, matter to all of us. China is in the process of changing its rules and laws, and retraining state bureaucrats and managers, and all of this is very positive.

But there are no guarantees. So today I'm announcing a five point Commerce Department plan that will be very aggressive at making sure China lives up to this deal. It takes effect immediately and will not require additional resources to start. And it dovetails with the very helpful enforcement proposals which Congressman Levin has put forward and other members are working with.

First, we're putting in place a new rapid response team on China. It includes a dozen compliance and trade specialists. It will be headed by a deputy assistant secretary for China who is focused on compliance. This will be the highest level Commerce official ever put in charge of enforcing a trade agreement with a single country.

Next week, I'm sending a senior Commerce official to Beijing to determine the needs and priorities of the U.S. business community and report back immediately. By next year, I want to triple resources for compliance, increase the size of our team and permanently station compliance experts in China. I want to do the same in Japan and South Korea as part of a broader effort to beef up enforcement worldwide.

Obviously, we need Congress' help. The President has requested $22 million for these measures in his budget for next year.

The second point of our plan explains where the name rapid response team comes from. We're putting in place tight deadlines for investigating market access and commercial problems. Our goal is to resolve conflicts quickly before they turn into formal trade disputes, and to cut through bureaucratic red tape. But as Ambassador Barshefsky will tell you, we will not hesitate for a minute to go to the WTO if that's what it takes to fix a problem.

Third, we will keep a careful eye on U.S.—China trade flows. We will have a special program watching for surges in imports, much like our monitoring program for steel imports which has been very effective. We'll chart export growth in key sectors to ensure China is opening its markets as it has agreed to. And we'll have special programs for anti-dumping and anti-subsidy rule violations.

Fourth, we want to help China help itself. We will share our experiences in putting WTO legislation into effect and give technical assistance which China has requested of us. Meetings on this began this summer. Last month when I attended the Joint Commission on Commerce and Trade in Beijing, we agreed to a comparative law dialogue, to help the Chinese conform their laws to the WTO.

Fifth and finally, we must be more proactive on the export side. I want American businesses, especially first time exporters, to understand U.S. legal rights and China's commitments under the WTO. In our country, we're planning to hold a number of training sessions for small and medium size companies, and will be using our 100 trade centers around our country and our 5 offices in China to find export opportunities.

In the past, Commerce has created programs to handle unique situations. We did it for Eastern Europe after the fall of the Berlin Wall. And it was popular with the business community and was very successful.

Our five point plan is good government, just as businesses are hiring and expanding so they are ready one day to export, we in Government must also be ready.

Let me highlight another issue of great concern to us and to many of the members before us. And that is, the impact of trade on workers and communities. President Clinton is requesting a substantial budget increase to help them succeed in this global economy. The package includes a community economic adjustment initiative, which is modeled on the Defense Department's program to help communities slated for military base closures. This program, based at Commerce's EDA, would coordinate Administration-wide responses for regions suffering from sudden and severe economic distress.

The package would also reform and expand the Labor Department's trade adjustment assistance program. And it would greatly expand the President's new markets initiative by providing investment initiatives to spur economic activity in distressed urban and rural areas.

Mr. Chairman, we need programs like these if we are to build confidence amongst the American people about trade and about globalization. I did a number of trade education events around the country last year. And you can see, people are sincerely worried as each of you have heard from your constituents, worried about the effects of globalization. We saw it in Seattle in December, and we saw it in Washington last month.

Government needs to step up to the plate by helping all Americans deal with the effects of globalization, because it is here to stay. And as we know, the world economy has been good for us as a Nation. We are the biggest trading Nation on earth. Our economy

is the strongest, and our goal and the reason to pass the PNTR is to keep our Nation strong.

Thank you very much, Mr. Chairman.

[The prepared statement follows:]

Statement of the Hon. William M. Daley, Secretary, U.S. Department of Commerce

Mr. Chairman, Congressman Rangel, members of the Committee, thank you for the opportunity to testify today on the benefits to America of China's accession to the World Trade Organization (WTO). It is my pleasure to appear here today with my colleagues, Treasury Secretary Lawrence Summers, Agriculture Secretary Glickman, and United States Trade Representative Ambassador Charlene Barshefsky to discuss this important initiative. Secretary Summers's testimony discusses the economic benefits of this agreement to the United States, and Ambassador Barshefsky's testimony places WTO accession and the grant of Permanent Normal Trade Relations into the broader trade perspective as well as outlining the details of the November U.S.—China accession agreement itself. Secretary Glickman will discuss the benefits of China's WTO accession for American farmers. I will focus in my testimony on our efforts to ensure that China provides us the market access that we have negotiated.

I recently returned from a trip to Beijing where I co-chaired the 13th Session of the U.S.—China Joint Commission on Commerce and Trade (JCCT). The JCCT is a government-to-government forum developed to promote U.S.—China commercial cooperation. We met to discuss China's ongoing reform efforts and ways to enhance China's transition to a rules-based global trading system. Obviously a lot of the discussion centered on China's pending application to join the WTO and on our process for deciding whether to grant Permanent Normal Trade Relations (PNTR).

This was my third visit to China during my tenure as Secretary of Commerce. Much has changed even in the few years that I have been traveling there. The signs of a nascent transition to a market-based economy are evident everywhere in increased private ownership of businesses, and more freedom for the Chinese to choose their own places of employment. Over twenty years of domestic reforms have enabled China to lift more than 200 million people out of absolute poverty. Wireless communications has put cell phones in the hands of 40 million Chinese (only a fraction of the potential market) and given them access to a world of ideas and influences.

But many problems exist. High unemployment, inefficient state-run enterprises and corruption continue to plague the Chinese economy. As a result, economic growth has slowed.

The Chinese leadership has recognized the need to open its market to global competition in order to be able to build a modern, successful economy. One of the best indicators of the commitment of the Chinese leadership to a more open economy is its desire to take on the challenges and obligations of WTO membership. I am here today to discuss with you how supporting PNTR status for China can move China toward a more open economy.

Last November, after 13 years of negotiations, the United States and China reached a bilateral agreement on the terms and conditions of China's entry into the WTO. China made significant and far-reaching market access and trade concessions that will benefit American exporters and import sensitive industries across a broad range of industrial goods, services and agriculture. It contains strong enforcement mechanisms and strong protections against unfair trade. American exporters stand to benefit immediately upon China's accession to the WTO. China has agreed to begin opening its markets in virtually every sector immediately upon accession. The phase-in of further concessions will be limited to five years in almost all cases, and in many cases only one to three years.

In contrast to China's historic set of commitments, with this agreement we have only one obligation, and that is to maintain the market access policies we already apply to China by granting it Permanent Normal Trade Relations status. We are appearing here today to seek your support for the President's legislative proposal to grant China PNTR.

I won't spend my time in this testimony discussing the details of this historic agreement. However, attached to my testimony is a written summary of the terms of the agreement. Also, over 45 industry specific fact sheets, 50 state-specific reports, and other detailed information are available on our Web site at *www.chinapntr.gov*.

There is no doubt that this agreement is a great opportunity for American businesses, workers and farmers. It will provide unprecedented access to a largely untapped market of over one billion consumers. The benefits for the U.S. are widespread, including significant opportunities for small and medium size businesses. SMEs are responsible for a growing share of U.S. exports to China.

Recently 47 Governors sent a letter to Senators and Members of the House expressing how important they believe passage of China PNTR is to maintaining the economic growth and prosperity of families in their states and territories. These Governors know this is a good economic deal for America. They do not want America to be left behind.

Yet this agreement goes beyond economics. As President Clinton has said, this represents the most significant opportunity that the United States has had to create positive change in China since President Nixon's visit there in the early 1970s. As a world leader we have an obligation to foster further reform in China. Encouraging China to join the rules-based world trading system gives it a greater stake in the stability and prosperity of its regional neighbors and the rest of the world. It will create a better, more stable, safer world.

Safeguards, Compliance and Enforcement

In addition to unprecedented access to the vast Chinese market, we negotiated additional terms to ensure that we gain the full benefits of our agreement and that China lives up to its commitments. China has agreed to a number of provisions that go to the core of the closed Chinese economy and that will result in real and effective market access. These special provisions address issues raised by the high degree of government involvement in the Chinese economy and by industrial policy measures, such as local content, offsets, export performance, and forced technology transfer requirements. These provisions were sought to address the legitimate concerns raised by industries and Members of Congress, Democratic and Republican alike.

The agreed provisions include special protections to guard against import surges from China. China has agreed to a 12-year product-specific safeguard provision which ensures that the United States can take effective action in case of increased exports from China which cause market disruption in the United States. This applies to all industries, permits us to act on a lower showing of injury to domestic industry than under existing safeguard law and allows us to act specifically against imports from China. This safeguard provision is in addition to existing safeguard actions authorized under Section 201.

We have also ensured that American firms and workers will have strong protection against unfair trade practices, including dumping. China has agreed to guarantee our right to continue using our current methodology (treating China as a nonmarket economy) in antidumping cases for fifteen years after China's accession to the WTO.

We also have retained the right to use the full range of existing United States trade laws, including Special 301 (intellectual property rights protection), Section 301 (unfair trade practices), and, of course, our antidumping laws. It also is important to emphasize that nothing in this agreement undermines our ability to continue to block imports of goods made with prison labor, to maintain our export control policies, or to withdraw trade benefits, including NTR itself, in case of a national security emergency.

The agreement will also require China to reform a number of internal policies which force foreign companies to locate operations in China and give up valuable intellectual property rights as conditions of doing business. The agreement will eliminate unfair practices such as mandated offsets, local content and various investment performance requirements. China will take on the obligations of the WTO Agreement on Trade-Related Investment Measures. This will make it easier for U.S. companies to export to China from home rather than forcing companies to set up in China in order to sell their products there. Forced technology transfers will also be eliminated as a condition of investment, better enabling U.S. companies to protect their investment in R&D. China has agreed to stop enforcement of such practices in existing contracts immediately upon accession.

The agreement contains additional effective enforcement tools to ensure China meets its obligations. For the first time, China's trade commitments will be enforceable through binding WTO dispute settlement, subjecting its actions to impartial review, and ultimately sanctions if necessary. The multilateral nature of the WTO also strengthens our enforcement capabilities. And the significance for China is great—its economic decisions will be subject to multilateral trade review, which will provide us additional leverage in resolving future trade disagreements with China.

Our bilateral agreement with China is highly specific with clear timetables for implementation and firm end dates for full compliance. When copies of the agreement were handed out to Members of Congress, some members commented that the text looked more like a spread sheet with its defined tariff rates, dates certain and concrete obligations. This was intentional and reflects past experience with trying to enforce trade agreements with China. The specificity of China's commitments in this bilateral agreement will strengthen our ability to monitor and demand compliance.

The Administration intends to vigorously monitor and aggressively enforce the terms of this agreement. Our commitment to do so is reflected in the President's budget request for a $22 million increase in new compliance and enforcement resources for Commerce, USTR, USDA and the State Department.

In addition, today, I am announcing a five-point plan for monitoring China's compliance with its commitments and making sure that we get the full benefits of the WTO from our bilateral agreements. This is Commerce's part of an interagency effort to ensure China's compliance with the WTO. Most elements of Commerce's plan will be put in place immediately.

Rapid Response Compliance Team. I am creating a Deputy Assistant Secretary for China focusing on compliance. This will be the highest level Commerce official we have devoted to a single country's compliance with a trade agreement. Working with the DAS will be a rapid response team of at least 12 compliance and trade specialists in Washington and China, most of whom are already on the payroll. I am sending a senior compliance officer to China next week to assess the needs and priorities of the business community. In the medium term, I want to station compliance officers permanently in China. This is part of the President's $22 million Trade Compliance Initiative in the 2001 budget request. These officers will be exclusively devoted to compliance matters, not trade promotion and not economic analysis. The State Department also plans to place additional compliance officers in China, and is currently developing a specialized training course to equip new officers from all agencies with a deeper understanding of our international agreements to ensure compliance.

Prompt addressing of market access problems. I am putting in place tight deadlines for investigating market access and commercial problems in China. Within strict deadlines, the rapid response team will engage appropriate officials in China to address the problem. If resolution is not reached within 90 days, we will work with other agencies to determine if further action is required. The goal of this procedure will be to encourage resolution of issues without resorting to WTO dispute settlement. To make this procedure more user-friendly, I will launch a China compliance website. It will contain a detailed description of China's accession commitments in all sectors, the relevant ministries and key individuals responsible for implementing the commitments, and most significantly, changes in China's laws and regulations to implement the new commitments as they are promulgated.

Statistical monitoring of Chinese trade flows and special trade law enforcement program. I am putting together a special team to monitor both imports from China and exports to China in critical sectors. This will be modeled on the import surge monitoring program we established for steel, which has been so effective in helping to combat last year's steel crisis. The data collected will help to implement the China-specific safeguard that we negotiated. In addition, the data collected will be useful in vigorously enforcing our other trade laws. As I mentioned earlier in my testimony, we have maintained our ability to apply our non-market economy methodology to China for 15 years. To ensure strict enforcement, I am creating a China-specific dumping anticircumvention program. In addition, I am creating a China-specific subsidies enforcement team to ensure that China abides by its subsidy commitments.

Comparative law dialogue and technical assistance. I know many of you are concerned about China bringing its laws into conformity with the WTO. We share your concerns. So when I was in China last month, I obtained agreement to set up a comparative law dialogue. We will keep a close watch as China amends its laws and regulations, share our experience with implementing WTO rules, and provide technical assistance and advice. We will begin meetings in June. These efforts will be closely coordinated with the Department of State's China Rule of Law Initiative which stems from the Presidential agreement with China to expand cooperation for addressing rule of law issues throughout the Chinese legal system.

China-specific WTO training and export promotion program. Finally, we are setting up an unprecedented WTO training and trade promotion strategy to ensure that our exporters take advantage of all the opportunities presented by China's new commitments. This will include a trade opportunities service similar to what we did for Eastern Europe after the fall of the Berlin wall and for the Middle East after the Gulf War. We will use our nation-wide network of export assistance centers and

video conferencing to conduct seminars for small and medium companies on doing business in China and promoting export opportunities. We are establishing a China market information website and will assign a China expert to our trade information center hotline. We will provide U.S. businesses with training about U.S. rights under the WTO agreement.

Community Economic Adjustment Initiative

In addition to compliance, let me highlight another Administration effort that addresses a concern of many Members: the impact of trade on U.S. workers and communities. President Clinton has requested in the FY2001 budget a substantial increase to help U.S. workers and communities succeed in the global economy. The package includes a Community Economic Adjustment Initiative modeled on the Department of Defense's program to help communities slated for military base closures. This program, based at Commerce's Economic Development Administration, would coordinate Administration-wide responses for regions adversely affected by trade or other problems.

The package would also consolidate and reform the Department of Labor's two trade adjustment assistance programs for workers who lose their jobs due to imports or shifts in production, capturing the best features of each. It also would greatly expand the President's New Market Initiative by providing investment incentives to spur economic activity in distressed urban and rural areas.

A More Open China

The President has made clear that supporting China's accession into the WTO does not mean a tacit endorsement of China's human rights policies. We will continue to denounce China's persecution of its citizens for their political or religious beliefs. Last month, Secretary of State Albright demonstrated this commitment when she personally presented a resolution condemning China's human rights record to the United Nations' Human Rights Commission in Geneva. We will not hesitate to use our authority to sanction China under the International Religious Freedom Act as we did last year. We will also continue to pursue our foreign policy goals with China in a number of important areas such as non-proliferation and global climate change. We remain committed to a peaceful resolution of issues between China and Taiwan.

It is significant that many of those most supportive of a more open, democratic China support its membership in the WTO. The newly elected leader of Taiwan, Chen Shui-bian, supports normalizing trade relations between the United States and China. Martin Lee, the leader of Hong Kong's Democracy Party, recently said "The participation of China in the WTO would not only have economic and political benefits, but it would serve to bolster those in China who understand that the country must embrace the rule of law." A longtime Chinese dissident leader, Ren Wanding, declared in support of the China's WTO membership "Before the sky was black, now it is light. This can be a new beginning."

By seeking to join the WTO, China has undertaken to deepen its market reforms and open its economy to the rest of the world. It has agreed to adhere to international trade rules and subject its actions to WTO dispute settlement. It's clear that this has not been an easy choice for its leaders. They understand that opening their borders to foreign goods, services and investors opens the door wide to new ideas and ideals they can not control. They have made the decision to take this risk. We should encourage China to choose the path of reform and involvement with the rest of the world. Bringing China into the WTO will make a significant difference.

The possibility of positive change is illustrated by the great potential of the telecommunications market in China. Some analysts predict that China will become the world's second largest personal computer market by the end of this year and the third largest semiconductor market by 2001. It is already the world's fasted growing telecommunications market. In 1999 alone, the number of Chinese Internet users quadrupled, jumping from 2 million at the beginning of the year to 9 million. Growth predictions put Internet users at over 20 million by the end of 2000. Not only will this technology explosion benefit U.S. information technology industry, which is the best and most competitive in the world, but it will also give the Chinese people unfettered access to outside influences and ideas through satellites and the Internet. This cannot help but promote greater economic and political reform in China.

Of course, the trade agreement with China will not, by itself, resolve serious human rights issues in China. At the same time, I believe that WTO membership will bring fundamental changes to China that will advance our goals in this area.

The Vote on PNTR

A few months ago when the President asked me to lead the Administration's efforts to seek Congressional approval of PNTR, I discovered that there was a lot of misunderstanding about what the vote on PNTR means. Let me explain. Normal trade relations, formerly called most-favored-nation or MFN treatment, is the same trading status we extend to the rest of the world, with very few exceptions. The legislation would remove China from the annual NTR renewal process under Jackson-Vanik, under which we have extended NTR to China since 1980.

PNTR is required to meet our obligation to treat all WTO members the same. WTO members are required to grant each other "any advantage, favor, privilege or immunity" provided to other countries "immediately and unconditionally." The United States currently extends PNTR to all countries with whom we share and enjoy the benefits of the WTO, without the condition of annual review. Not surprisingly, China seeks identical treatment upon its accession—and WTO rules require it to be provided.

It is worth emphasizing that this will not be a vote on whether China will join the WTO. Once China completes its accession negotiations with other countries, its application to join the WTO will move forward, with or without PNTR. However, Congress' upcoming vote on PNTR will determine whether the United States will enjoy the economic benefits created by China's WTO membership. A vote against PNTR will mean ceding our share of this newly opened market to our economic competitors in Europe, Asia and elsewhere. As President Clinton has stated, "We must understand the consequences of saying no. If we don't sell our products to China, someone else will step into the breach, and we will spend the next 20 years wondering why in the wide world we handed over the benefits we negotiated to other people."

The vote on PNTR also will not affect whether the Chinese will have access to the American market and consumers. They already do. The United States has the most open market in the world. A vote for PNTR will give us access to the previously closed Chinese market and level the playing field in a dramatic way.

When President Nixon first went to China, more people saw the pictures and heard his words than on any occasion in the history of the world. During that visit he paraphrased Abraham Lincoln, saying "what we say here would not be long remembered. What we do here can change the world." Thirty years later, we now face another history-making foreign policy choice, identified by President Clinton as his top remaining foreign policy goal. After all the speeches, after all the arguments, after all the voices on both sides of the debate, what we say is not as important as what we do. And on this occasion we should act to promote further reform and the rule of law in China and to integrate China into the world economy. It is in our economic, strategic and national security interests to do so.

I appreciate the thoughtfulness and consideration Members have brought to the debate. I am optimistic that once all the pros and cons have been weighed the Congress will vote its support for PNTR.

Thank you, Mr. Chairman, that concludes my statement. I will now be happy to answer any questions you may have.

[Attachment is being retained in the Committee files.]

Chairman ARCHER. Thank you, Secretary Daley.

Our last witness in this panel is a lady that has done yeoman work in negotiating trade agreements in behalf of this country, and one of the truly outstanding USTRs in the history of the country. We welcome you to the Committee, Ms. Barshefsky, and we'll be pleased to receive your testimony.

STATEMENT OF HON. CHARLENE BARSHEFSKY, AMBASSADOR, UNITED STATES TRADE REPRESENTATIVE

Ambassador BARSHEFSKY. Thank you very much, Mr. Chairman.

May I first begin on a slightly different topic, and that is the African Growth and Opportunity Act. I want, Mr. Chairman, in particular, to recognize Mr. Rangel, Mr. Crane, Mr. McDermott, Mr. Jefferson, and you for all of your hard work and the work of your

staffs in trying to bring together this very historic piece of legislation.

I think we're almost at the finish line, and I simply wanted to reiterate the Administration's strong support of your collective efforts to move this legislation forward, and our hope that it will come to the Floor of the House of Representatives, if not this week, then next. And I simply wanted to thank you on behalf of the Administration for the extraordinary effort that collectively all of you and the Committee have put into this legislation.

It's a great pleasure to be here to speak about China. In my previous appearance before the Committee in February, we discussed a number of the specific commitments included in our bilateral WTO agreement with China. My written statement reviews them in detail. For the present, let me simply say that from the perspective of trade and economic policy, the choice before this Committee and before the Congress is absolutely straightforward.

This agreement with China will open China's markets, a market that will be the largest single market in the world, to the full range of American exports of industrial goods, farm products and services, to a degree unprecedented in the modern era. It will strengthen our guarantees of fair trade. It will give us great ability to enforce China's trade commitments, and it will facilitate Taiwan's entry into the WTO, as Taiwan's new leadership has noted, in its support both for China's WTO membership and normalized trade relations between China and the United States.

By contrast, as China enters the WTO, we make no changes whatsoever in our market access policies, not a single tariff line. We make no changes in our trade laws. We make no changes in our laws governing the export of sensitive technology. We agree only, only to maintain the market access policies we already apply to China and have in every year, year in, year out, for over 20 years, by making China's current normal trade relations status permanent.

This is the only policy issue before the Congress. Regardless of the Congressional debate, China will enter the WTO. Regardless of the debate, China will continue to export to the United States, just as it does today. The only question raised by permanent NTR is whether we will receive the benefits of China's accession to the WTO, whether we will receive the benefits of the agreement we negotiated, or will we have opened the Chinese market for the rest of the world's producers, while our farmers and our workers and our ranchers are left behind?

That is the issue that is squarely presented by the question of permanent normal tarde relations for China. And I would submit that on that basis, the economic choice is absolutely clear.

But there are two questions I believe that arise and that should be addressed. First off, as Secretary Daley has indicated, how do we help ensure that China will comply fully with its obligations and second, what do WTO accession and PNTR imply for our larger relationship with China and the concerns we now have with that relationship?

Let me take compliance first. Trade commitments with any country require full implementation to be meaningful. This Administration has pursued well over 100 trade enforcement actions in the

past 7 years. In the case of China, we've gained substantial experience, given our enforcement actions on intellectual property rights, on textiles, on agriculture and in other areas. We've brought these lessons of compliance to the current debate. And let me outline for you seven areas.

First, with respect to compliance and enforcement, we have the WTO dispute settlement mechanism itself. In no previous international accord, and let me repeat that, in no previous international accord, has China ever agreed to subject its governmental decisions to impartial review, judgment and sanctions if necessary.

Second, our continued right to use the full range of U.S. trade laws, anti-dumping laws, Section 301, special 301 and so on. Third, substantial new leverage through a 12 year product specific safeguard mechanism which enables us to address market disrupting import surges from China. This is a remedy that exists for no other country in the world. It is a remedy that does not currently exist in U.S. trade law.

Fourth, guarantees of our right to continue to use a special nonmarket economy dumping methodology for 15 years to ensure fair trade from China. Fifth, the multilateral nature of the WTO itself, including in Geneva the development of a multilateral review mechanism to monitor China's implementation of its commitments, diminishing the ability of China to play one trading partner off another and identifying compliance problems early.

Sixth, experience shows that agreements with China are implemented and enforced most satisfactorily when obligations are concrete, specific, time bound and open to monitoring. The bilateral agreement we negotiated contains remarkably specific commitments in every area without exception, clear timelines for implementation and firm end dates for full compliance.

Finally, enforcement as in any agreement depends on U.S. commitment. We're already preparing for the effort through President Clinton's request for new enforcement and compliance resources at USTR, Commerce, USDA and other agencies with enforcement responsibility. This includes resources for the largest monitoring and enforcement effort ever devoted to a trade agreement, covering the full range of China's obligations in the WTO, including anti-dumping and anti-import surge.

The Administration will monitor China's compliance on three fronts. First, on the ground in China, where State, Commerce, Agriculture and other agencies will seek to resolve U.S. business complaints and prevent compliance problems before they arise.

Second, here in Washington, where special inter-agency teams of government experts will be created to examine China's implementation of each of the 20 WTO agreements to which it will accede, as well as commitments unique to China, with respect to anti-import surge and anti-dumping.

And third, compliance efforts at the WTO itself, where we will join 135 other nations in the multilateral review mechanism specially designed for China.

USTR will add additional resources for this effort. The President's budget request would almost double the number of USTR staff devoted to China. In addition, as I said, a special interagency structure will be created in order to ensure that every aspect of

Chinese compliance is monitored. We will be working with the business community and with Congress in this very large effort.

This agreement and permanent normal trade relations for China will have extraordinary significance for our trade interests. But its full importance is only clear when we consider WTO accession as part of a larger relationship with China, a relationship fundamental to prospects for peace and security in Asia, and worldwide in the coming decades.

We have substantial differences with China on issues related to human rights and religious freedom, on a number of security issues and on other matters. In these areas, we have and we will continue aggressively to assert our interests and our values.

But we have also found and acted upon areas of shared interest and benefit where possible. The Asian financial crisis, peace on the Korean peninsula, and now with WTO accession and PNTR, in our shared interest in a more open and reformed Chinese economy, which more fully reflects the rule of law.

Moreover, we are doing this through a series of one way concessions made by China. Were we to retreat, were we to reject this historic series of one way concessions made by China, we would be making a very dark statement indeed about the future possibility of a stable, mutually beneficial relationship with the world's largest economy.

That outcome would threaten every single interest we have in China, from our work on non-proliferation and arms control to reducing tensions in Korea and South Asia and across the Taiwan Strait. It would complicate for the foreseeable future our Pacific alliances, as our Asian friends and allies would view rejection of PNTR as an unnecessary rejection of stable and constructive relations in their neighborhood, with their largest neighbor, and to turn away from the open, confident vision we have held for the Pacific for many, many years.

Over the long term and perhaps most important, China, seeing no rational economic reason for our decision, would become more likely to read hostile intention into our every move. This could raise the prospect that our present disagreements and tensions will only escalate. That is the ultimate and most significant point at stake in the coming debate.

To deny PNTR would be to severely damage American trade interests. It would be to set back the cause of reform and economic reformers in China. It would be to risk without cause a fundamental deterioration in the U.S. relationship with China.

We must have the vision and the confidence to make the right choice here. WTO accession, PNTR for China offers us a remarkable opportunity, indeed, a historic opportunity, as many members have recognized, to not only advance our own trade interests, that frankly is the least of it. But to strengthen, as a number of activists for human rights and democracy have said, prospects for long term reform within China and ultimately to help build a relationship with China that strengthens the guarantees of peace and security for the world.

That is the opportunity that is before the Committee as the PNTR debate begins in earnest. And it is why the Administration, my Cabinet colleagues and I are absolutely committed to achieving

permanent normal trade relations status for China on the basis of this historic agreement.

Thank you, Mr. Chairman.

[The prepared statement follows:]

Statement of the Hon. Charlene Barshefsky, United States Trade Representative

Mr. Chairman, Congressman Rangel, Members of the Committee:

The House's vote on extension of permanent Normal Trade Relations to China, as China enters the World Trade Organization, will be one of the most important trade and foreign policy decisions the United States has made in many years. I thank you for this opportunity to join with Secretary Summers and Secretary Daley, in testifying on its significance for the United States.

INTRODUCTION: ONE-WAY CONCESSIONS

In a sense, this decision presents us with a simple choice.

Last November, after years of negotiation, we reached a bilateral agreement with China on WTO accession which secures broad-ranging, comprehensive, one-way trade concessions on China's part. These concessions:

—Open China's markets to American exports of industrial goods, services and agriculture to a degree unprecedented in the modern era, through specific and detailed commitments on tariffs, quotas, trading rights, distribution, sanitary and phytosanitary measures, the full range of services industries and other issues.

—Strengthen our guarantees of fair trade, with specific provisions to address dumping into the U.S. market, import surges, technology transfer as a condition of investment and other practices intended to draw jobs and research to China, textile trade and other issues.

—Give us far greater ability to enforce China's trade commitments.

—And facilitate the WTO accession of Taiwan, which has made an equally valuable set of market access commitments.

By contrast, we agree only to maintain the market access policies we already apply to China, and have for over twenty years, by making China's current Normal Trade Relations status permanent.

This is the only policy issue before Congress. Regardless of our decision, China will enter the WTO. Regardless of our decision, it will continue to sell in the American market. The only question Congress will decide is whether we accept the benefits of China's accession and the agreement we negotiated; or whether on the contrary, by turning away from permanent NTR, we enable our competitors in Asia, Latin America, Canada and Europe to take advantage of these benefits while American entrepreneurs, farmers and factory workers are left behind.

I. CHINA'S WTO ACCESSION IN HISTORIC CONTEXT

From the perspective of trade policy, therefore, this is a relatively simple decision. But China's WTO accession also has deeper implications.

China is the world's most populous country; over the past decade, it was the world's fastest-growing major economy. Our relationship thus affects all of America's foreign policy and security goals in Asia today, and its future course will be one of the major issues for Americans throughout the next decades. And the WTO accession, together with permanent NTR, will have a substantial impact on the future of China and our relationship with China.

When we look at our relationship with China today, we see a number of serious differences. In these cases, we have and will continue to assert our values and interests with candor and firmness—as we have recently done at the UN Human Rights Commission in Geneva. At the same time, however, we also see a responsibility to develop a stable, mutually beneficial relationship in which we and China act upon areas of shared benefit and mutual interest. China's WTO accession, together with permanent NTR, is an example of just such shared interest and benefit.

—By opening the Chinese economy to U.S. goods, services and agricultural products, the WTO accession and PNTR will create significant new opportunities for American businesses, farmers and working people; and it will help to reform and improve a deeply imbalanced existing trade relationship.

—By helping to open and liberalize China's economy, WTO accession will create new economic freedoms for Chinese citizens and promote the rule of law in many fields now dominated by state power and control. A number of leading Chinese and

Hong Kong advocates of democracy thus endorse WTO membership not only for its economic value, but as a foundation for broader future reforms.

—And by integrating China more firmly into the Pacific and world economies, WTO accession will give China a greater stake in regional stability and prosperity. Together with our military presence in the Asia-Pacific and our alliances with Japan, South Korea and other Pacific democracies, it will thus be a factor in favor of long-term regional peace.

AMERICA AND THE TRADING SYSTEM

Let me now turn to a detailed review of our bilateral agreement on WTO accession, beginning with the historic context in which we should view this event.

The World Trade Organization has its roots in the General Agreement on Trade and Tariffs, or GATT. Its creation in 1948 reflected the personal experience of President Truman and his European counterparts in Depression and War. They had seen the Smoot-Hawley Act in America and similar protectionist policies overseas deepen the Depression and contribute to the political upheavals of the 1930s. Fifteen years later, they believed that by reopening world markets they could promote growth and raise living standards; and that, in tandem with a strong and confident security policy, as open markets gave nations greater stakes in stability and prosperity beyond their borders, a fragile peace would strengthen.

The work they began has now continued for over fifty years, and the faith they placed in open markets and the rule of law has been abundantly vindicated. Through eight Rounds of negotiations, and as 113 new members joined the 23 founders of the GATT, we abandoned the closed markets of the Depression era and helped to foster a fifty-year economic boom. America, as the world's largest importer and exporter, benefits perhaps most of all: the efficiency of our industries and the high living standards of our families reflect both the gains we receive from open markets abroad, and the benefits of our own open-market policies at home.

But the development of the trading system has had equally important effects worldwide. As it has developed over the past fifty years, the world economy has grown six-fold; per capita income nearly tripled; and hundreds of millions of families escaped from poverty. And perhaps the best testimony to this success is that many of the new applicants to join the WTO are nations which are abandoning the postwar experiment in communist central planning.

CHINA FROM REVOLUTION TO REFORM

This brings me to China.

With the Communist revolution, China set out upon a very different road. After 1949, it shut doors it had once opened to the world. Among its new leaders' first steps were to expel foreign businesses from China and bar direct economic contact between Chinese citizens and the outside world. Inside China were similar policies: destruction of private internal trading networks linking Chinese cities and villages, abolition of private property and land ownership, and of course suppression of the right to object to these policies.

In essence, one cannot separate postwar China's deepening isolation from the outside world from its steadily increasing internal repression and diminishing space for individual life and freedom. Likewise, China's economic isolation had severe consequences for regional peace and stability: Asia's largest nation had little stake in prosperity and stability—in fact, saw advantage in warfare and revolution—beyond its borders. Every Pacific nation felt the consequences not only in economics and trade but in peace and security.

China's domestic reforms since 1978 have helped to undo this isolation, integrating China into the Pacific regional economy as they opened opportunities for Chinese at home. The results have been profoundly positive: as China's people regained the right to farm their own land, open businesses and choose their own places of employment, they have found new opportunities both to raise their living standards and determine their own futures. At the same time, China has moved gradually from a revolutionary role in the region to a willingness to play a positive and stabilizing role on issues as various as the maintenance of peace on the Korean peninsula and the Asian financial crisis.

And as China has opened its economy to the world, it has become a more integrated, responsible member of the Pacific community. To choose a specific example, in 1997, South Korea and the ASEAN states were the market for $22.3 billion worth of Chinese semiconductors, video CD players, rice, apparel and other goods. Setting Hong Kong aside, that is one dollar in six of China's exports to the world. These countries were also the source of $6 billion in foreign direct investment in China,

meaning (again with Hong Kong excepted) a seventh of the FDI China received that year.

This has implications not only for China's economy, but to our own vital interest in a peaceful and stable region—because 1997 was, of course, the year of the financial crisis. A generation ago, China might have seen the event as a revolutionary opportunity. In 1997 its reaction was entirely different: the crisis was a threat to the export markets that support Chinese factories and farm income, and to the Asian investment that creates jobs and growth.

The constructive and stabilizing policies China adopted, through currency stability and contribution to IMF-led recovery programs, thus reflected basic self-interest. But in historic context, they enabled us to deal with the crisis primarily as an economic and humanitarian disaster, rather than a security crisis. And they are thus evidence of a change in China's view of its own regional interests and role whose importance for our national security cannot be overstated.

THE ROLE OF U.S. TRADE POLICY

A bipartisan U.S. trade policy over the past thirty years has contributed to these positive trends.

Broadly speaking, our goals have been to support Chinese domestic economic reform, integrate China into the Pacific regional economy, through a variety of means including commercially meaningful agreements that open opportunities for Americas. This has extended from the lifting of the trade embargo in 1972, to our Bilateral Commercial Agreement in 1980, more specific agreements in the 1980s; and then a series of recent and highly focused agreements including:

—*Intellectual Property*—In the early 1990's, China's failure to protect intellectual property rights was one of the most problematic aspects in our trading relationship. Piracy of films, software, CDs, and other intellectual property-based products cost our industry hundreds of millions of dollars and led to trade confrontations with China, including invocation of sanctions on two occasions. The United States ultimately negotiated agreements in 1995, and then won further commitments in 1996 that led China to close over 70 pirate production facilities; cease the export of pirated products and significantly improve enforcement—the principal focus of the agreements.

—*Textiles*—Likewise, textile transshipment and market access barriers have historically been a problem in our textile trade relationship with China. While problems remain, two separate agreements, in 1994 and 1997, combined with sustained enforcement efforts by the U.S. Customs Service and the Administration, as well as imposition of triple charge penalties, have helped to mitigate these problems. The 1997 agreement, in fact, committed China for the first time to significantly reduce its textile import restrictions.

—*Agriculture*—Most recently, our Agreement on Agricultural Cooperation in April of 1999 lifted long-standing bans on exports of American citrus, meats and Pacific Northwest wheat, imposed due to China's unscientific sanitary and phytosanitary measures. As in the cases of intellectual property and textiles, we continue to hold frequent consultations with the Chinese authorities charged with implementing the agreement, and have seen very significant results in the first shipments of Pacific Northwest wheat, California and Florida citrus, and U.S. meats to China.

Taken as a whole, this work has helped to open the Chinese economy; created a series of new opportunities for Americans; and given the Chinese public a much broader array of contacts with the outside world than at any time since the late 1940s. But the work is only partly done.

China's trade barriers remain very high; a number of policies dating from the 1950s are still unchanged; and China's integration with the world economy remains insecure. Likewise, China's neighbors remain blocked from an economy which—like Japan's—could be an engine of growth. One index of this is our substantial trade deficit with China. Another is that since we extended Normal Trade Relations (formerly MFN status) to China in 1980, our exports to China have grown by only $10 billion, a figure significantly less than our total growth to most other major trading partners in Europe, North America and East Asia.

II. CHINA'S WTO ACCESSION, PNTR, AND U.S. TRADE INTERESTS

The WTO accession agreement therefore builds upon thirty years of work, to reach a detailed, specific and enforceable series of commitments covering the range of American trade priorities in China. As China has looked to WTO accession to create jobs and foster sustainable growth through economic reform, we have won commercially meaningful and enforceable commitments that help Americans on the farm and on the job export to China by addressing the many layers of trade barriers

and policies which limit access; strengthen guarantees of fair trade; and give us additional tools for enforcement and compliance.

Thus, in all respects, this bilateral agreement meets the high standards President Clinton set years ago. Let me now offer an overview of the agreement, and then turn to its specific features.

OVERVIEW

First, our bilateral agreement is *comprehensive*. It will reduce Chinese trade barriers across the range of goods, services and agricultural products; eliminate or sharply reduce restrictions on freedom to import and distribute goods within China; address industrial policies intended to draw jobs and technology to China; and strengthen our guarantees of fair trade practices. All these reflect the ideas, advice and guidance we have received over years of negotiations from Members of the Committee and Congress as a whole.

Second, it is fully *enforceable.* China's commitments in all areas are specific and include timetables and final dates for full implementation. These commitments are enforceable through our trade laws, WTO dispute settlement and other special mechanisms including periodic multilateral review of China's implementation and compliance. These will, of course, require vigilance and constant commitment to enforcement by the United States as well as by China's other trading partners in the WTO. We are committed to vigorous monitoring and enforcement, and are already preparing for this through a number of different means: for example, the President's budget this year requests a tripling of the Commerce Department's budget for China trade enforcement, and an additional full-time China officer at USTR.

And third, its results will be *rapid.* On accession to the WTO, China will begin opening its market from day one in virtually every sector. The phase-in of further concessions will be limited to five years in almost all cases, and in many cases one to three years.

I will now turn to a review of the details in each major sector.

INDUSTRY

In industrial goods, China will cut tariffs from an average of 24.6% in 1997 to 9.4% by 2005 and bind them at these new, lower levels. It will eliminate quotas and other numerical restrictions. And it will allow American firms to import and distribute their products freely in China. This is essential, as American companies, farmers and workers need the ability to import, export and distribute goods in China to compete effectively—rights currently denied but which will be permitted under the agreement, allowing our businesses to export to China from here at home, and to have their own distribution networks in China, rather than being forced to set up factories there to sell products through Chinese partners. Some highlights include:

Trading Rights—China will grant American companies, over a three-year phase-in period, rights to import and export most products without Chinese middlemen. Currently, the right to engage in trade (importing and exporting) is strictly limited; only companies that receive specific authorization or who import goods to be used in production have such rights. This limits not only the ability of U.S. companies to do business in China, but in particular has limited U.S. exports.

Fertilizer—As an addendum to our November 1999 bilateral agreement, we have reached an agreement with China that will effectively provide market access for U.S. fertilizer. The agreement sets up a TRQ system for importation of fertilizer products of priority interest to the United States that is similar to the system we negotiated for agricultural products.

Distribution—As in the case of trading rights, the right to distribute products is critical to our ability to export successfully to China. After accession, China will allow American firms to market, wholesale, retail, repair and transport their products—whether produced in China or imported. At present, China generally prohibits companies from distributing imported products or providing related distribution services such as repair and maintenance services. China will permit enterprises to engage in the full range of distribution services over a three-year phase-in period for almost all products.

Tariffs—China will make substantial tariff cuts on accession with further cuts phased in, two thirds of which will be completed in three years and almost all of which will be completed within five years. On U.S. priority industrial items, tariffs will drop on average to 7.1%—a figure comparable to those of most major U.S. trading partners. As in agriculture, China will bind tariffs at these low levels. Some specific examples include:

Information Technology Agreement—China will participate in the Information Technology Agreement (ITA), eliminating all tariffs on such information technology products as semiconductors, telecommunications equipment, computer and computer equipment and other items by 2003 in most cases and 2005 in a few others.

Autos—China will reduce tariffs on autos from rates of 80%–100% today to 25% in 2006, and on auto parts to an average of 10% from an average of over 23%.

Wood and Paper Products—China will reduce high tariffs on wood and paper to levels generally about 5% and 7.5% respectively. As noted below, China will also implement any sectoral APEC Accelerated Tariff Liberalization initiative adopted by the WTO in this sector.

Chemicals—China will commit to the vast bulk of chemical harmonizations, reducing tariffs from present rates between 10%–35% to an average rate of 6.9%. These reductions include reductions on all priority U.S. chemical exports.

Furniture—China will reduce its current average tariff rate of 22% to 0% on all furniture items covered by the Uruguay Round sectoral initiative, by 2005.

Accelerated Tariff Liberalization—China has agreed to implement the Accelerated Tariff Liberalization initiative of APEC now under consideration in the WTO, when consensus is achieved. This would eliminate tariffs on forest products, environmental goods and services, energy and energy equipment, fish, toys, gems and jewelry, medical equipment and scientific instruments, and also includes chemical harmonization.

Non-Tariff Barriers—China will eliminate quotas and other quantitative restrictions upon accession for top U.S. priorities, including certain fertilizers and fiber-optic cable.

AGRICULTURE

In agriculture, China will make substantial reductions in tariffs both on accession to the WTO and over time. It will adopt tariff-rate quotas that provide significant market access for bulk commodities of special importance to American farmers. It will agree to apply science-based sanitary and phytosanitary standards including in grains, meats and fruits. And it will eliminate export subsidies. Notable achievements here include:

Tariffs—China's agricultural tariffs will fall from 31% to 14% for our priority items. All cuts occur over a maximum of four years, and will be bound at the applied levels. To cite a few examples:

	Current Level	Under the Agreement
Beef	45%	12%
Pork	20%	12%
Poultry	20%	10%
Citrus	40%	12%
Grapes	40%	13%
Apples	30%	10%
Cheese	50%	12%
Crayfish	30%	15%
Lobster	30%	15%
Wine	65%	20%
Beer	70%	0%

TRQs—China will liberalize its purchase of key bulk agricultural commodities like wheat, corn, rice, cotton and soybean oil, through tariff-rate quotas—that is, application of very low tariffs (1% for bulk commodities) on a set volume of commodities. We include in this portion of the agreement provisions to maximize the likelihood that these TRQs are filled. In particular, a portion of each TRQ is reserved for importation through private traders, and TRQs which have not been filled by a set date will be redistributed to other end-users with an interest in importing on a first-come, first-served basis. Some salient examples include:

	1998 Total Imports	Initial TRQ	2004 TRQ	Private Share
Cotton	200,000 mt	743,000 mt	894,000 mt	67%

	1998 Total Imports	Initial TRQ	2004 TRQ	Private Share
Wheat	2,000,000 mt	7,300,000 mt	9,636,000 mt	10%
Corn	250,000 mt	4,500,000 mt	7,200,000 mt	25%, grows to 40%
Rice total	250,000 mt	2,660,000 mt	5,320,000 mt	
short/med grain	.....	1,330,000 mt	2,660,000 mt	50%
long grain	.....	1,330,000 mt	2,660,000 mt	10%

Export Subsidies—China will eliminate agricultural export subsidies. This is an important achievement in its own right, and a step toward our goal of totally eliminating export subsidies worldwide.

Domestic Support—China has committed to cap and reduce trade-distorting domestic subsidies. China also committed to provide greater transparency to make its domestic support measures more predictable.

Sanitary & Phytosanitary Standards—China will agree to apply sanitary and phytosanitary standards based on science. Among other things, this will give us additional means of enforcing the Agreement on Agricultural Cooperation and its commitment to lift longstanding bans on American meats, citrus fruit and Pacific Northwest wheat.

SERVICES

In services, China will open markets across the spectrum of distribution services, financial services, telecommunications including the Internet, professional, business and computer services, motion pictures, environmental services, and other industries.

Grandfathering—China will protect the existing activities and market access of all service providers operating in China at the time of accession.

Distribution—As noted above, China now generally prohibits firms from distributing products other than those they make in China, or from controlling their own distribution networks. Under the Agreement, China has agreed to liberalize wholesaling and retailing services for most products, including imported goods, throughout China within three years. This will remove all restrictions on wholesaling, retailing, maintenance and repair, marketing, customer service and transportation, along with restrictions on auxiliary services including trucking and air express delivery, air courier, rental and leasing, storage and warehousing, advertising and others. This is of immense importance in its own right and as a step that will enable our exporters to do business more easily in China.

Insurance—Currently only two U.S. insurers are operating in China's market. With WTO accession, China agrees to award licenses solely on the basis of prudential criteria, with no economic-needs test or quantitative limits on the number of licenses issued; progressively eliminate geographic limitations within three years, and permit internal branching consistent with the elimination of these restrictions; over five years expand the scope of activities for foreign insurers to include group, health and pension lines of insurance. For non-life insurance, branch and joint-ventures at 51 percent equity share are permitted on accession, and wholly-owned subsidiary permitted within two years from date of accession. For life insurance, joint ventures are permitted with the partner of choice at 50 percent equity share upon accession.

Banking—Currently foreign banks are not permitted to do local currency business with Chinese clients, and only a few can engage in local currency business with their foreign clients. China also imposes severe geographic restrictions on the establishment of foreign banks. With this agreement, China commits to full market access in five years for U.S. banks. China will allow internal branching and provide national treatment for all newly permitted activities. It will also allow auto financing on accession, and allow local currency business with Chinese enterprises starting two years after accession, and allow local currency business with Chinese individuals from five years after accession. Both geographic and customer restrictions will be removed in five years.

Securities—China will permit minority foreign owned joint ventures to engage in fund management on the same terms as Chinese firms. Minority joint ventures will be allowed to underwrite domestic equity issues and underwrite and trade other se-

curities (debt and equity). As the scope of business expands for Chinese firms, foreign joint venture securities companies will enjoy the same expansion in scope of business. China has also agreed to hold regular consultations with the U.S. Treasury Department under the auspices of our Joint Economic Commission with China. The purpose of this is to exchange information and assist the development of China's financial and capital market.

Telecommunications—China now prohibits foreign investment in telecommunications. With WTO accession, it will join the Basic Telecommunications Agreement, implementing regulatory principles including interconnection rights and regulatory rules. It will end geographic restrictions for paging and value-added services such as the Internet within two years, mobile and cellular within five years, and domestic wireline and closed user groups in six. It will also end its ban on foreign direct investment in telecommunications services, allowing 49% foreign investment in all services and 50% foreign ownership for value-added and paging services in two years.

Audiovisual—China does not now allow foreign participation in distribution of sound recordings. Under the agreement, China will allow 49% foreign equity for the distribution of video and sound recordings, majority ownership in three years for construction and ownership and operation of cinemas. China has also agreed to allow the importation of 20 films per year on a revenue-sharing basis.

Travel and Tourism—U.S. travel agencies will now be able to provide a full range of services for Americans in China, such as access to government resorts and major tourist centers.

Other—Also covered is a broad range of other services—architecture, engineering, accounting, legal, computer and business services, environmental services, franchising, express delivery and many more. In each, China has made specific, enforceable commitments that open markets and offer competitive American industries important new opportunities.

PROTOCOL ISSUES

Finally, our bilateral agreement deals, appropriately, with the special and unusual characteristics of the Chinese economy. These include the high degree of state participation in the Chinese economy; a series of industrial policy measures intended to draw jobs and technology from the U.S. and other trading partners to China, such as local content, offset and export performance requirements as well as forced technology transfer; and special measures to address import surges from China and unfair export practices like dumping.

Altogether, no agreement on WTO accession has ever contained stronger measures to strengthen guarantees of fair trade and to address practices that distort trade and investment. China's major commitments in this regard include:

Import Surge Protection—China has agreed to a twelve-year product-specific safeguard provision, which ensures that the U.S. can take effective action in case of increased imports from China which cause market disruption in the United States. This provision applies to all industries, permits us to act based on lower showing of injury, and act specifically against imports from China.

Non-Market Economy Dumping Methodology—China's WTO entry will guarantee our right to continue using our current "non-market economy" methodology in antidumping cases for fifteen years after China's accession to the WTO.

Subsidies—Likewise, when we apply our countervailing duty law to China, we will be able to take the special characteristics of China's economy into account. Specifically, where government benefits are provided to an industry sector and state-owned enterprises are the predominant recipients or receive a disproportionate share of those benefits, the United States could take action under our unfair trade laws. The agreement also establishes that the U.S. can determine whether government benefits, such as equity infusions or soft loans, have been provided to an industry using market-based criteria rather than Chinese government benchmarks.

Investment Reforms—China will reform a large number of policies intended to draw jobs and technology away from China's trading partners. It will, for example, implement the WTO's Agreement on Trade-Related Investment Measures agreement on accession; eliminate mandated offsets, local content and export performance requirements and refuse to enforce contracts containing these requirements; and not condition investment licenses on performance requirements of any kind. All of this will make it significantly easier for Americans to export to China from home, rather than seeing companies forced to set up in China in order to sell products there.

Technology Transfer—China will abolish requirements for technology transfer for U.S. companies to export or invest in China. This will better protect our competitiveness and the results of U.S. research and development.

State-Owned and State-Invested Companies—China commits that state-owned companies and state-invested enterprises will make purchases and sales solely on commercial terms, specify that purchases by these companies for commercial and non-governmental purposes are not government procurements and thus are not subject to any special or different rules that could undercut basic WTO commitments, and provide U.S. firms the opportunity to compete for sales and purchases on non-discriminatory terms and conditions.

Textiles—Under our agreement, quotas will remain in effect for Chinese textiles as for those of other WTO members until 2005. From then until January of 2009, we will have a special safeguard enabling us to address market-disrupting import surges from China in the textile sector. This is in addition to the broader product-specific safeguard noted above.

COMPLIANCE AND ENFORCEMENT

Of course, trade commitments require full implementation and enforcement to be meaningful in practice. Our previous successes in improving intellectual property rights and enforcing textile commitments demonstrate how crucial constant oversight, monitoring, and strict enforcement are in the case of China, and our trading partners in general. And with China's WTO membership, we will gain a number of advantages in enforcement we do not now enjoy.

First is the WTO dispute mechanism itself. In no previous agreement has China agreed to subject its decisions to impartial review, judgment and ultimately imposition of sanctions if necessary.

Second, of course, is our continued right to use the full range of American trade laws, including Section 301, Special 301, and our countervailing duty and antidumping laws.

Third, we gain substantial new leverage by creating the product-specific safeguard, as well as guaranteeing our right to use non-market economy antidumping methodologies. These features of the accession will significantly strengthen our ability to ensure fair trading practices.

Fourth, and very significant, we strengthen our enforcement capabilities through the multilateral nature of the WTO. The accession, to begin with, will create a multilateral review mechanism to monitor all of China's implementation closely. And as these commitments come into effect, China will be subject to enforcement by all 136 WTO members, significantly diminishing China's ability to play its trading partners off against one another. In all previous disputes over Chinese compliance with agreements, notably those over intellectual property, the United States had to act alone. With China in the WTO, we will be able to work with 135 other members, many of whom will be concerned about the same issues we raise and all of whom will have the legal right to enforce China's commitments.

Fifth, the specificity of China's commitments in this bilateral agreement will help us ensure that China complies. Experience shows that agreements with China are implemented and enforced most satisfactorily when obligations are concrete, specific, and open to monitoring. Our bilateral agreement therefore includes highly specific commitments in all areas, clear time-tables for implementation, and firm end-dates for full compliance. These allow us carefully to monitor China's compliance and present clear evidence of failure to comply.

Finally, however, enforcement (as in any agreement) depends on U.S. commitment. We will relentlessly monitor and enforce China's compliance with its Protocol of Accession and all of the WTO agreements. We are already preparing for an increased monitoring and enforcement effort through President Clinton's request for $22 million in new enforcement and compliance resources for USTR, the Commerce Department, USDA, and the State Department. The President has requested resources for the largest monitoring and enforcement effort for any agreement ever, covering China's obligations in the WTO and strong enforcement of our trade laws.

The additional resources sought for the Office of the U.S. Trade Representative in the FY 2001 budget would create new positions in four areas of expertise—legal, economic, geographic, and sectoral—to be devoted to negotiating, monitoring, and enforcing trade agreements; and would almost double the number of USTR staff dedicated to China trade compliance. President Clinton's initiative also would triple resources at the Department of Commerce dedicated to China—including administration of our antidumping and countervailing duty laws.

The Administration will be monitoring China's compliance on three fronts: (1) on-the-ground in China, where State, Commerce and Agriculture officers will seek to resolve U.S. business complaints and prevent compliance problems before they arise; (2) here in Washington, where special interagency teams of government experts will be created to examine China's implementation of each of the 20 WTO agreements

as well as WTO commitments unique to China; and (3) at the WTO in Geneva, where the United States will join 135 other WTO members in the multilateral review mechanism designed especially for China.

USTR will create a special interagency structure that coordinates these initiatives to ensure that China fully complies with the commitments it has made. This will bring together our government's experts on both China and the subject matter of each of the 20 WTO agreements, to regularly and vigorously monitor China's compliance with all of the WTO agreements. These interagency teams will monitor everything from China's implementation of its tariff-rate quota commitments to the grant of insurance licenses and trading rights. Where they find non-compliance, we will use all the tools available to us—under our trade laws, the WTO dispute settlement mechanism, the various WTO committees, and the special WTO transitional review mechanism—to ensure implementation. In addition, we will create two new interagency committees to oversee two unique features of this historic agreement: one dedicated to U.S. participation in the multilateral review mechanism, and one to implement the product-specific safeguard mechanism to address import surges.

These interagency groups will base their work on information gathered from the American Embassy in Beijing, the Foreign Agricultural Service and Foreign Commercial Service; advice received from the business community, the agricultural community, trade associations, organized labor, and other non-governmental organizations; and information received from the public, including information received in response to requests for comment, via agency Web sites, and the Department of Commerce's domestic district office network.

The Administration will continue to work with Congress and American workers, farmers, and businesses to ensure effective monitoring and quick responses to non-compliance. At the same time, we will seek to prevent or reduce problems by working with the Chinese, including through technical assistance where appropriate, to ensure they fully understand their new obligations. WTO rules will require real and meaningful changes in China's application of trade rules and policies, and consultation and training will help head off problems before they arise.

PERMANENT NORMAL TRADE RELATIONS

By contrast to this comprehensive set of Chinese commitments, the U.S. commitment is merely to continue our present policies. Thus, the United States:

—Makes no changes in our current market access policies.

—Preserves our right to withdraw market access for China in the event of a national security emergency.

—Requires no changes in our laws controlling the export of sensitive technology.

—Amends none of our trade laws.

Our sole obligation is to grant China permanent NTR. This is, in terms of our policy toward China, no real change. NTR is simply the tariff status we have given China since our Bilateral Commercial Agreement and normalization of diplomatic relations in 1979; which Congress has reviewed every year since, and found to be in our fundamental national interest. Under the legislation President Clinton sent to Congress on March 8th, permanent NTR would only be available to China when the President certifies that China has entered the WTO on the basis of the commitments we reached in our bilateral agreement.

Thus permanent NTR represents little real change in practice. But the legislative grant of permanent NTR is critical, as without permanent NTR we risk losing the full benefits of the agreement we negotiated, including broad market access, special import protections, and rights to enforce China's commitments through WTO dispute settlement. All WTO members, including ourselves, pledge to give one another permanent NTR to enjoy the benefits available in one another's markets. To refuse to grant permanent NTR, therefore, would enable our trade competitors throughout the world to reap these benefits; but American farmers and businesses would be left behind.

TAIWAN'S WTO ACCESSION

Finally, China's entry will facilitate Taiwan's entry into the WTO. This will have substantial trade benefits, as Taiwan is already a larger export market for us than China. And the opening of both economies, while we have no guarantees, may ultimately play some part in easing the tensions in the Strait. It should thus be no surprise that Taiwan's new leadership supports both China's WTO membership and normalized trade between China and the United States.

III. WTO Accession, PNTR, and Broader U.S. Interests

Let me now turn from the specific trade policy changes China's WTO accession and PNTR will make, to their implications for issues separate from trade, but central to the broader US—China relationship.

U.S. trade policy, ever since the Second World War, has been one element in a larger response, conceived under Franklin Roosevelt and developed into concrete policies and institutions under President Truman, to the lessons of the Depression and the Second World War. These included collective security, reflected by the United Nations, NATO, the Rio Treaty and our alliances with the Pacific democracies; commitment to human rights, embodied by the Universal Declaration on Human Rights and then a series of more recent Conventions; and the fostering of open markets and economic stability, with the creation of the IMF and World Bank on the one hand, and the GATT on the other.

Each element in this set of policies and institutions, over the years, has had its own intrinsic benefit, but also helped to support and strengthen the others. And this will also be true with China's WTO accession and permanent NTR.

Human Rights and the Rule of Law

With respect to reform within China, WTO accession represents a potentially profound and historic shift, building upon but going much further than China's domestic reforms to date.

China's domestic reforms have reversed the most damaging policies of the Cultural Revolution and Great Leap Forward. WTO accession will accelerate and deepen this process, altering policies which date to the earliest years of the communist era. As it enters the WTO, China will:

—Permit foreigners and all Chinese businesses to import most goods into China;

—Reduce, and in some cases remove entirely, state control over internal distribution of goods and the provision of services;

—Enable foreign businesses to participate in information industries such as telecommunications including the Internet; and

—Subject its decisions in all areas covered by the WTO to enforcement, including through formal dispute settlement when necessary.

These commitments are a remarkable victory for economic reformers in China. They will give China's people more access to information, and weaken the ability of hardliners in government to isolate China's public from outside influences and ideas. More deeply, they reflect a judgment that prosperity, security and international respect will not come from the static nationalism, state power and state control over the economy China adopted after the war, but that China's own interests are best served by the advancing economic freedom, engagement with the world, and ultimately development of the rule of law inherent in the initiative President Truman began in 1948 with the founding of the GATT.

The WTO accession, therefore, has potential beyond economics and trade: as a means to advance the rule of law in China, and a precedent for willingness to accept international standards of behavior in other fields. That is why many Hong Kong and Chinese activists for democracy and human rights—Martin Lee, the leader of Hong Kong's Democratic Party who visited Washington this week to restate his support for PNTR; Bao Tong, the reformer jailed for seven years after Tiananmen Square, whose appeal to the UN Human Rights Commission last month drew worldwide sympathy—support PNTR and see WTO accession as China's most important step toward reform in twenty years. And it is why our support for WTO accession rests on a broader long-term commitment to human rights and freedoms, as well as new opportunities and strengthened guarantees of fairness for Americans.

WTO Accession and American National Security

Perhaps still more important, the PNTR decision is a test of our ability to develop the type of stable, mutually beneficial relationship with China that will be critical to peace and stability in the Pacific region in the years to come.

Our relationship with China remains marked by substantial disagreements. When we disagree with China, to quote Theodore Roosevelt, speaking about the Open Door Policy to China in the first years of the 20th century:

"We must insist firmly on our rights; and China must beware of persisting in a course of conduct to which we cannot honorably submit. But we in our turn must recognize our duties exactly as we insist upon our rights."

In this spirit, we recognize how important a stable and peaceful relationship with China is—for the Chinese, for the world, and for America—and how fundamental is our responsibility to act upon areas of shared interest and benefit. We saw this

responsibility clearly in the Asian financial crisis. We see it in the environmental problems of the Asia-Pacific; and for nearly three decades, we have seen it in trade.

Neither this WTO accession agreement, nor any trade agreement will ever solve all our differences. However, the WTO accession, together with PNTR, will address a number of them; and moreover, it will do so through a set of one-way concessions by China. I believe that if we turn down a comprehensive set of one-way concessions, we make a very dark statement about the future possibility of a stable, mutually beneficial relationship with the world's largest country.

Such a statement would threaten our work on all the specific issues in our China policy agenda today—from non-proliferation and arms control, to reducing tensions in Korea and South Asia. It would complicate for the foreseeable future our existing Pacific alliances, as all of our Asian friends and allies would view rejection of PNTR as an unnecessary rejection of stable and constructive relations with their largest neighbor; and a turn away from the open, confident vision we have held for the Pacific over the years.

Over the long term, and perhaps most important, China—seeing no economic reason for our decision—would become more likely to read hostile intent into our every move; and this in turn would raise the prospect that our present disagreements and tensions will escalate into a broader confrontation of great consequence for every Pacific nation and for ourselves.

CONCLUSION

That is the ultimate and most significant point at stake in Congress' decision next month. To reject PNTR would be to severely damage American trade interests; to set back the cause of reform in China; and to risk, without cause, a fundamental deterioration in our relationship with the world's largest country.

But if we have the wisdom and confidence to make the right choice, the WTO accession and PNTR offer us a remarkable opportunity.

Over three decades, trade policy has strengthened China's stake in prosperity and stability throughout Asia. Together with our Pacific alliances and military commitments; in tandem with our advocacy of human rights; and in the best tradition of postwar American leadership; it has helped us build a relationship with the world's largest nation which strengthens guarantees of peace and security for us and for the world. And WTO accession, together with permanent Normal Trade Relations, will be the most significant step in this process in many years.

That is the opportunity before us. These are the stakes in this debate. And that is why this Administration—together with every living former Secretary of State; 47 State and Territorial Governors; all former U.S. Trade Representatives and Secretaries of Commerce, Agriculture, and the Treasury; and four former Presidents of both parties—is committed to permanent NTR on the basis of this historic agreement.

Thank you very much.

Chairman ARCHER. My compliments to each of you for outstanding presentations. And I think each of you complemented the others in your presentation.

Ms. Barshefsky, I think you did an outstanding job in negotiating this agreement with China. Outstanding. The accomplishments, the concessions that you were able to obtain far exceeded what anyone would have expected when you began the negotiations. And I understand that even recently, you have added an additional item, even beyond what was agreed to, which will help us to have entry for our fertilizer products. Is that correct?

Ambassador BARSHEFSKY. Yes, that is, Mr. Chairman.

Chairman ARCHER. And I just think it's an outstanding piece of work. We cannot say often enough what you said, and which the American people I don't think fully understand. Number one, China will enter the WTO without any vote of the Congress of the United States. There is no provision in the law for the Congress to vote to keep China out of the WTO. That is not an issue here.

Many still seem to believe that is the case. And unfortunately, some of the print media even stated earlier on that we would vote on it. We will not. And that needs to be understood.

Number two, as you adequately pointed out, we gave up nothing in these negotiations. This was not like NAFTA, where we gave up things to get something. We gave up nothing as far as entry of goods and services into the United States.

But if we do not approve permanent normal trading relations with China under the rules of the WTO, the rest of the world will get the benefit of the marvelous concessions that you were able to negotiate and we will not. How can that possibly help the United States of America?

China is a country of approaching 1.3 billion people. They will not be ignored in the global market place. The rest of the world will be involved with China. We must decide whether we are going to also be involved. And I think that's exceedingly important.

We can stipulate to the fact that the human rights policies of China do not measure up to the standards that we wish. We can agree with my colleague, Frank Wolf, that yes, they should be improved. But how does severing our relations with China help us in that regard? No one has ever answered that. Those who oppose permanent NTR for China never answer the question, will we be better off, or will we be better off if we continue to have economic involvement with China and benefit from all of the things that Secretary Glickman mentioned that he saw in his trip over to China.

And it is clear to me that we will be better off in achieving those goals if we have trading relations with China. And then furthermore, what has not been mentioned in your testimony but needs to be said, we in my opinion need to build better bridges of cooperation with this massive country. It is in our very best interests.

And the gentleman who played a major role in negotiating with you on this agreement, Zho Rongji, will likely be deposed if we vote down this agreement. And he is one of the reformers, one of the people that wants to push China in the direction that we would like to see China to go. It will play into the hands of the hard liners in China, which certainly is not in the best interests of achieving the goals of those who are striving to get better human rights policies in China. And this just needs to be said over and over and over again.

Secretary Summers, as an outstanding economist, which I think anybody graduating from Harvard is considered to be, in your opinion, what would be the effect on the U.S.'s current prosperity and future competitiveness of our firms and workers in the world markets if Congress were to deny permanent NTR to China? What impact would that have?

Secretary SUMMERS. Mr. Chairman, I think you've stated the core of the case extremely well in the statement that you made. We would be a less prosperous country, with more risk of an end to our expansion, if we were not support the open trade policy in its next step, which is China's participation in the WTO.

First, we would be less prosperous because of the export opportunities that we would lose at a time of substantial current account deficit—opportunities we would lose by putting U.S. producers at a major competitive disadvantage relative to producers from other

countries in one of the world's largest and most rapidly growing markets.

Second, we would be less prosperous due to our reduced capacity to address surges of product from China through multilateral mechanisms. And third, we would be less properous because of what denying PNTR to China would represent for the broad project of supporting open markets around the world, which in my judgment has been so central to our economic success over the last seven years.

Open markets have been the safety valve in our high pressure economy that has enabled us to attain 4 percent unemployment with price stability and rapid real wage growth. Signs that we were moving away from an open market strategy would affect the credibility of our policy broadly and in my judgment, would adversely affect the prospects for stable growth in the future.

Chairman ARCHER. Thank you. Each of you has managed large aspects of the U.S. relations with China. In your opinion, has the annual renewal of NTR with China, a process that has been pursued by the Congress for the last 10 years, increased or decreased the leverage of the U.S. with respect to changing the Chinese behavior?

Secretary GLICKMAN. In the case of agriculture, I don't think it's been a positive impact. That is, it's not allowed us to establish long term rules of engagement, which agriculture needs in order to build markets.

Secretary DALEY. I would just add, I think, Mr. Chairman, if you look at the debate year after year after year, now 20 years, the margin of it passing seems to grow. And the debate seems to be diminished around it. So any leverage seems to be inconsequential, and that is why it's so important to get to a permanent status, so that those markets are open. Having an annual process has not opened that market to the degree that we have wanted, and obviously nowhere near the degree the opportunities presented by the deal that Ambassador Barshefsky negotiated.

Ambassador BARSHEFSKY. If I might say, Mr. Chairman, I agree with what's been said. I think there are two reasons annual NTR has not been leverage. First, it's in our interest that China get annual NTR, and that immediately removes its use as leverage to force China or any other country to do anything that would otherwise not want to do.

To put it another way, it is not in our interest to sever the economic relationship with China. It's not in our interest to make an enemy of China. It's not in our interest were we to deny NTR for China, to destroy the economy of Hong Kong, which is exactly what would happen. It's not in our interest to isolate China. It's not in our interest to give a helping hand to the hard liners in China.

It is certainly not in our interest to see an increase in tension in the Taiwan Strait because of our lack of engagement with China. NTR has been in our interest to give to China, so its use as leverage is by definition severely limited if not zero.

Second, I believe annual NTR has not been leveraged with China because it doesn't really accomplish, I believe, what needs to be accomplished to see effective and sustained reform in China. Effective and sustained reform in China depends upon the Chinese. And it

depends upon the creation in China of a critical mass of economic reform and reformers in China. Certainly buttressed by outside forces, but neither we nor any other country can do it for China.

Annual NTR has been provided to China every year for over 20 years without China having to do a thing. It has never catalyzed that development within China of a large body of internal reform, because they get it for free.

Under this agreement and PNTR, the situation is entirely reversed. China must reform. It must open its market. It must begin to develop a rule of law. It must do these things in order to gain PNTR from the United States. And the cementing of a reformist element in China, which is what WTO accession will do, a cementing of a reformist element in China will provide far greater leverage than an annual process that has always been a foregone conclusion.

Chairman ARCHER. Thank you. Mr. Summers?

Secretary SUMMERS. Very briefly, Mr. Chairman, I think the annual renewal process has had a reach that has exceeded its grasp. While it has sought to pursue important objectives, it has not been effective in meeting them. Indeed, it has been very poorly positioned. The Annual Renewal Process It has been just certain enough that it has afforded the United States very little leverage to advance our agenda, and just uncertain enough to exert a significant chill on trade activity and to serve as an intermittent irritant in the relationship between the United States and China.

I believe the new course that this agreement would chart, based on pre-negotiated long-term commitments with China, based on the prospect of legitimate multilateral enforcement mechanisms, and based on reinforced approaches such as the Helsinki-Commission-type model that we discussed to further our non-trade interests, affords much the best prospect for achieving the objectives of the annual renewal process.

I think it is very important to emphasize that the difficulties with the annual renewal process have, if you like, been tactical rather than strategic. It has been directed at appropriate objectives, but it has not been the best way to achieve those objectives. And it has sought those objectives with significant collateral costs.

Chairman ARCHER. Thank you very much.

Mr. Rangel.

Mr. RANGEL. Thank you.

I invite this panel just to come to make our Chairman feel so good in seeing you on other issues that will be coming before the Committee. Ambassador Barshefsky, I really think he likes you. [Laughter.]

Mr. RANGEL. Which causes me to take another look at this whole thing. [Laughter.]

Mr. RANGEL. Could you tell me, I was very impressed, Secretary Glickman, with the economic gains that we can make in agriculture, in poultry and meats and all those other things. Have you got similar numbers as to what we could do if we were trading with Cuba in terms of rice and beans? Do you keep these figures at all?

Secretary GLICKMAN. The answer is no.

Mr. RANGEL. You don't.

Secretary GLICKMAN. No. We are aware of—

Mr. RANGEL. Don't we have some bill in the Senate where they said they wanted to sell chickens and grain and somehow we got some money for them and they dropped the bill? How did that work?

Secretary GLICKMAN. I'm not sure.

Mr. RANGEL. Were you familiar with the legislation?

Secretary GLICKMAN. Generally familiar with the legislation. I am aware that the Cuban market has been entered into quite aggressively by a lot of our trading competitors, including the Canadians and the Europeans. And I'm sure that our Foreign Agriculture Service does keep some general statistics on their production.

Mr. RANGEL. Could you get that for me?

Secretary GLICKMAN. Yes, I'd be glad to.

Mr. RANGEL. The people in Louisiana and Arkansas, they just beat at my door in terms of the rice that could go over there, bean people and all that.

Secretary GLICKMAN. Sure.

Mr. RANGEL. I am very impressed with my Chairman and all of you that this engagement, if we want to move these countries toward democracy, you just can't stand outside and yell at them and not engage and not work with them. And that democracy and certainly trade policy should be a showcase to show that we're right, we don't just wave the constitution, we show that it works.

Why does this argument not work with Cuba? I mean, why can't we beat down Castro and Communism and their failure to move toward democracy by showing them how the free open marketplace works, and engage them? There are a few communists, too, you know, it's not just 1.3 billion.

Secretary DALEY. I think, Congressman, that as a principle, you're absolutely right. Obviously, there have been intermediate acts that have caused the Congress and presidents in the past to go a different course. I think as a principle, we all four would strongly believe that opening markets and opening countries, especially communist countries, will bring about reform and change.

But there have been certain actions by the Cuban government that have caused the Congress to react, and other administrations to act, that have blocked that principle from being implemented.

Mr. RANGEL. So all of you would agree that the principles of engagement do far more in moving a country toward democratic principles than isolating them? As a general principle, this should apply to Cuba. And if it was not for, lack of a better word, political reasons, these same principles would apply here.

You said acts of Congress, and we acted politically. So. [Laughter.]

Secretary DALEY. We are required to follow the law. We follow the Burton law. And the fact of the matter is, the actions taken that moved Congress to pass that were rather serious actions.

Mr. RANGEL. Yes, but by doing this, we have not moved Cuba toward democracy any further. So it hasn't helped us. We're just, you know, it hasn't helped at all. You're obeying the law, but it hasn't helped us move Cuba toward democracy at all by isolating them.

Secretary DALEY. I think we would agree that Cuba has not moved toward democracy.

Mr. RANGEL. Okay. Let's talk about, I agree that this annual voting and not making permanent normal trade relationship with China, I don't see what positive thing comes out of this. If we're not happy with them, we still are going to vote for trade, and reviewing it annually, I don't see where that gets us any closer to the objectives that we all want in terms of having, moving toward a standard that we can appreciate as it deals with human rights.

But I think we all agree that the timing of this and the Congress, everyone was always concerned not only just with the legislative calendar, but with the political calendar as well. And I don't think we would be honest if we didn't recognize that the closer this gets to the election, the more difficult it is to get an accurate count.

Now, if one were to assume that the Chinese could get into the World Trade Organization without us, and would, and if they would further assume that Ambassador Barshefsky has reached an agreement that both sides believe is beneficial to the United States as well as the People's Republic of China, if we did not make it permanent, which it does not dramatically do, so they why do we assume that Congress would not make it permanent? And why do we assume that if we don't do it now, that we can't do it in April of next year? What do we lose? What happens? China walks away from the WTO?

Ambassador BARSHEFSKY. Mr. Chairman, I can't imagine a worse result than the Congress denying PNTR, either by voting it down or by having the Administration withdraw its bill on the promise that it would vote at some other time. China—

Mr. RANGEL. I'm not saying withdraw it. There was a time we thought that we had to wait until Chinese completed their negotiation with the European Union. And now we understand that even though they have not done it, it's not important, that we're going to do what we have to do.

But suppose we just didn't do anything? Suppose it just didn't come in time? Suppose you didn't have the votes? What would happen? What's the downside?

Ambassador BARSHEFSKY. Well, as you point out, China will join the WTO this year. It would be legally required under international rules to give the benefits of the concessions to all countries that provided PNTR. We are the only country in the world, in the world, that does not now already provide China with PNTR.

Mr. RANGEL. We're the only country that denies normal relationship with Cuba. That doesn't bother us. Why would China retaliate if they believed that they entered into a great agreement with you, and we all agree that it was a good agreement for us, what would they gain by saying that they're going to make us pay politically, for what we've done politically to them? Because I would agree with you that it would be an affront to the dignity of the People's Republic of China.

But what would they benefit by denying us access to their market when they've got a good agreement, when they do have approval by the Congress of trade relationship? What we have not done, in the hypothetical, would be, not to make it permanent.

Ambassador BARSHEFSKY. Why on earth would China in effect reward the United States by giving it the benefits of the deal to

which the U.S. would not be legally entitled on the basis that we did not give them permanent NTR?

Mr. RANGEL. Why would we call it a reward? This is a trade agreement. And even though we have access to their markets, why would they, who really consider themselves a developing country, why would they just say politically, you have denied us permanent tarde relationship, and so therefore, your countries will not have access to our market? Would that be the wise political thing for them to do, when a Congress is going to be around next year?

Ambassador BARSHEFSKY. I believe that is absolutely the likeliest outcome.

Mr. RANGEL. And what damage do you think would happen? I mean, if this would happen, then American businesses, the sky would fall, and then they would come back next year and say, we would have to do this immediately. It would be an international crisis to allow China to go into the U.N. where we didn't normalize trade relationship. And if this is the end of your deal? I mean, if it's not done in May, it's not going to be done at all?

Secretary SUMMERS. Can I add something? I think there are three reasons why it's important to approve PNTR for China. One is, I think we are taking a risk of a very difficult situation that would put U.S. producers at a competitive disadvantage in China. Nobody can say with certainty what would happen. But we're taking an unnecessary risk by not doing it quickly.

Second, we're taking a risk with respect to other countries' capacity and willingness to negotiate with the United States in the future. If we demonstrate to them that agreements that are reached by the Executive Branch, that are seen very widely as very strong and good agreements, take periods of several years to win approval and to go into effect—

Mr. RANGEL. You mean like Fast Track.

Secretary SUMMERS. And third, if we do not move ahead, we are taking a risk, in my judgment of calling into question the American commitment to an open global trading system. I believe that over time that, too, would have very serious consequences for the global economy.

I think that because this is an actual agreement that has been negotiated at the highest level with officials of a major country who in many ways have staked their careers on it, we're looking at a very different kind of situation than the situation with Fast Track.

Secretary DALEY. Congressman, could I just add, just to reiterate what Secretary Summers said, I do strongly believe our business community would be seriously disadvantaged. The opportunities presented for their competitors from Europe and other parts of the world would be enormous. Their credibility would be in question.

And obviously, there would be no guarantee over the next year when their competitors would be moving in very aggressively into that market that Congress would be passing it next year. So I think it would add a certain uncertainty into their opportunities that would be enormous and would be probably a long term negative for them.

Mr. RANGEL. Thank you, Mr. Chairman.

Chairman ARCHER. Mr. Crane.

Mr. CRANE. Thank you, Mr. Chairman. I'll be brief. I want to first of all congratulate the Energizer Bunny, having watched her perform in Singapore, negotiating the information technology agreement, which was like 24 hours a day of hard work. And then watching her performance with Zhu Rongji when he was over here. And again, the endless negotiations and the very significant progress made.

Then her similar type of labor out in Seattle. We cannot pay you tribute enough, Madam Ambassador. You do a superb job and we're very proud of you.

One quick question, and that is an update on Europe's bilateral negotiations with China. What is the status of that?

Ambassador BARSHEFSKY. The Europeans and Chinese will reengage May 15. And I would expect, if they don't conclude, at a minimum they'll make very substantial progress at that meeting.

Mr. CRANE. And then for all of you folks out there, what is your projection as to when the private sector in mainland China will overcome, in terms of the total business volume, overcome the state sector? What would be your projections? I mean, assuming that we get permanent NTR and we move down a positive path?

Secretary SUMMERS. Both trend lines are working in the right direction for that, Mr. Crane. The private sector's going up and frankly the public sector enterprises are having a lot of trouble. I think there are a variety of questions and definitions. But I would expect it to happen some time within the coming decade.

Secretary GLICKMAN. I would just mention that the Chinese have agreed to eliminate the state trading enterprises when the Canadians have not, when in some cases the Australians have not, when in some cases the Europeans have not. So we have "democratic" countries out there, free market economies, that are going to be behind the Chinese effort. Of course, we have to make sure that they're properly enforced.

Mr. CRANE. Bill?

Secretary DALEY. I would just, I don't think we could estimate. But I had the pleasure when I was in Beijing last month of meeting with a number of the heads of the state owned companies. They are number one obviously very concerned about the competition that is coming after they enter the WTO. And they are very committed to making the sort of changes, but cautious, because they know the changes that they need to do, whether it's a power, energy company that has a million employees, but isn't going to be very competitive when other companies come in.

I believe they are committed, I believe this process that we're moving forward with will definitely move this much faster than if they weren't to enter the WTO or we were not to grant them PNTR.

Mr. CRANE. And Charlene, do you have an estimate?

Ambassador BARSHEFSKY. No, I think it's been covered.

Mr. CRANE. Do you agree with them?

Ambassador BARSHEFSKY. Yes.

Mr. CRANE. Well, I commend all of you. Keep the faith, fight the good fight, and we shall prevail. And thank you.

I yield back the balance of my time, Mr. Chairman.

Chairman ARCHER. We are going to have to break for this vote within five minutes. And the Chair would inquire as to whether any of you can come back after, and we'll also break for lunch and will not return until 1:30. Is it possible for any of you to come back at 1:30? If not, we will understand.

[Witnesses reply in the negative.]

Chairman ARCHER. All right, well, we'll try to use the next five minutes as productively as possible. Ms. Johnson.

Mrs. JOHNSON. Thank you. Very briefly, so other people will have a chance, I'd like you to describe, Ambassador Barshefsky, more specifically the benefits of the surge protection that you've negotiated. It is my understanding that NAFTA doesn't have this surge protection, that the old GATT agreements, the WTO, that we have never had the ability that this agreement is going to give us to just manage big changes in imports.

And since it's those big, sudden rises in imports that have cost jobs and imposed hardship on American communities, I'd like you to describe more specifically the surge protection provisions of your agreement.

Ambassador BARSHEFSKY. You're quite right in pointing out that such a provision doesn't exist in any other agreement with respect to any other country. Nor does it exist in U.S. trade law.

This is a provision designed to ensure that if imports from China surge into the U.S. and cause market disruption in the U.S., we can for a period between two and three years, depending on the type of action, move to curb or restrict imports in that product sector.

Mrs. JOHNSON. Now, this is similar to the way the voluntary restraint agreements worked—

Ambassador BARSHEFSKY. It is, indeed.

Mrs. JOHNSON.—in the 1980s, to allow the machine tool industry to get back on its feet.

Ambassador BARSHEFSKY. Correct. It is quite similar in intent. It will be somewhat different procedurally in implementation. But it is quite similar in intent and in design.

Mrs. JOHNSON. I would also like to point out that had we had this protection, the American bearing industry would be much stronger today than it is, because it would have had a more sensitive tool—

Ambassador BARSHEFSKY. That's exactly right.

Mrs. JOHNSON.—as opposed to the anti-dumping laws, to deal with the import of bearings from China.

Ambassador BARSHEFSKY. And had this been in effect during the recent steel upsurge in the fourth quarter of 1997 and during 1998, including from China, our steel industry would have been much better positioned.

Mrs. JOHNSON. Thank you.

Chairman ARCHER. The Chair regrets that our time has run out.

Mr. CARDIN. Mr. Chairman, could I just inquire? I wanted to get onto the record something similar to this as it relates to Section 201, the point that Mrs. Johnson raised. If I could just at least put it on the record, I'd be glad to have the answer in writing.

But it seems to me that the additional protections that are in there in regards to China, as you point out, would have helped us

in China's deal, would have done nothing as regards Venezuela or South Korea or Brazil. My question I guess is, is there anything in the WTO that prevents us from using this standard in our trade laws in regard to dumped steel or dumped products in the United States? Could we modify our law to do this, and therefore we would have had the protections that you so well negotiated for China in regard to these other countries?

Ambassador BARSHEFSKY. No. Under WTO rules, import surge mechanisms can't be country specific. And under WTO rules, the standard of proof is different from this anti-surge mechanism.

Mr. CARDIN. You misunderstood my question. My question is, couldn't we amend our laws generally in this area? I don't mean country specific.

Ambassador BARSHEFSKY. Congress can do anything it wishes.

Mr. CARDIN. The point is, you said that if this was in effect when the steel was imported into the United States—

Ambassador BARSHEFSKY. From China.

Mr. CARDIN.—we would have been protected. But there was more than just China involved in the surge of steel in the United States last year. We had steel coming in from Brazil, Venezuela, from South Korea that the Administration determined was inappropriate.

Chairman ARCHER. Because we do not have adequate time to make this vote, the Chair reluctantly has to terminate this session this morning, and would suggest that members who have questions continue their colloquies personally with either the USTR or any of the other departments that are involved. And I'm very sorry, but we're going to miss this vote if we do not recess the Committee now.

And the Committee will be recessed until 1:30. Thank you very, very much.

[Recess.]

[A question by submitted by Mr. Sam Johnson, and Secretary Daley's response follow:]

Q. Do you have a view on the wisdom of U.S. companies continuing to invest in Chinese infrastructure projects given the recent experience of Panda Energy?

A. Staff from the Departments of Commerce and State in Beijing and Washington, D.C. are very familiar with the Panda Energy International power plant project in Hebei Province, and have provided strong support on Panda's behalf. We have made representations at the central and provincial levels, which helped Panda secure a higher electricity tariff rate than presently enjoyed by many Chinese domestic firms. We also are working diligently to help Panda executives secure a long sought after meeting with senior officials of the Chinese Embassy in Washington. While an appointment has not been confirmed (the Deputy Chief of Mission (DCM) is on home leave until mid-June), Embassy officials seemed certain the DCM would meet with Panda upon his return.

In light of Panda Energy's decision to split its investment into multiple joint ventures that fell below the threshold required for central government approvals, we believe the most effective representations are with provincial officials and will continue to seek resolution through appropriate Hebei authorities. We have contacted Commercial Service staff in Beijing and urged them to redouble their efforts with provincial authorities to see that the Tangshan Panda power plant issues are resolved. In addition, we have strongly urged Panda to initiate immediate legal proceedings open to them under applicable Chinese industrial and electrical law.

Chairman ARCHER. Our next panel will be the former Secretary of the Treasury, the Honorable Robert Rubin, who has now left the Government to go on to other pastures, which I hope are greener. And we're delighted to have you back on this very, very important issue of what we do with trade with China. And I'm sure that we will benefit from your experiences while you were Secretary of the Treasury, and by your experiences since you've left the Secretary of the Treasury.

And welcome to the Committee. You're no stranger to this Committee room, you've been here many times. And so you should be very comfortable, and we're delighted to have you today, and we welcome your testimony, and you may proceed. Without objection, your entire written statement will be included in the record, and you can tell us verbally whatever you wish.

STATEMENT OF HON. ROBERT E. RUBIN, SENIOR OFFICER, CITIGROUP, INC., NEW YORK, NEW YORK, AND MEMBER, BOARD OF DIRECTORS, FORD MOTOR CORPORATION (FORMER SECRETARY, U.S. DEPARTMENT OF THE TREASURY)

Mr. RUBIN. Mr. Chairman, thank you. I thought for a moment you were going to say I could deliver my entire written statement, which would run about an hour or so and I'm sure would be very interesting. [Laughter.]

In any event, thank you very much, and I am delighted to be here, Mr. Chairman. As you said, I've been here many times before. But I think probably never on an issue that struck me as important as I think this issue is. I particularly welcome the opportunity to be here, because I do think that this question is of central importance to our economy.

Let me acknowledge at the outset, Mr. Chairman, that I am an officer of CitiGroup, Inc., and also on the board of the Ford Motor Company, both of which I would guess would benefit, as I think the whole American economy will benefit, from China accession to WTO. But the views that I express are totally and solely my own personal opinions and not on behalf of anybody else.

I think, Mr. Chairman, that trade liberalization has been central to our economic growth over the past seven years. And I do believe that approval of permanent normal trade relations is an enormously important, and I would say critical, next step for Congress to take to keep our country on a successful economic course. And I believe the decision to reject PNTR could be a major reversal for our country's economic future. And that again is why I was very pleased to be asked to come and speak to you today.

Most specifically, I believe that you all should support WTO accession for four reasons. First, as you know, this agreement vastly expands our access to Chinese markets. They're already large. They'll be the largest markets in the world some time in the first half of the next century, I would guess.

Secondly, support for this agreement could be critical in providing momentum for continued movement forward on trade liberalization, and is a particularly important time to move forward in

this area, since there is debate around the world whether trade liberalization should move forward or backward.

Thirdly, this approach offers the best prospect for advancing the broad range of American policy aims with respect to China, human rights, the labor rights, environmental standards, national security. And finally, I spent a fair bit of time in China, Mr. Chairman. I don't think there's any question that the forces for reform and the figures in the political system in China who are advocating reform would be very much reinforced by passage of PNTR and that conversely, the failure to pass PNTR would be a substantial setback to these forces of reform.

Since 1994, about 20 percent of American growth has been linked to the export sector. Exports now support about 12 million jobs. Average pay is about 20 percent above national average. The number of small businesses involved in the export industry has increased by about 100 percent over the last five years.

Moreover, Mr. Chairman, the other side of the trade equation, imports, contribute very substantially to our economic well-being, although it's not politically popular to say that. Imports lower consumer prices, they increase competition, they increase efficiency, increase competitiveness. And in my opinion, our open markets have been very centrally important in the good economic conditions of the past recent years.

Having said that, I do believe that as we proceed with trade liberalization, and as we keep our own markets open, we also have to have programs to deal with those who are dislocated or adversely affected by trade. And I know that's a subject that's been considered in this Committee.

What we should not do is to opt for protectionism or other impediments to change, which would reduce economic progress and, which would reduce the overall economic well-being of the American people, and could even lead to stagnation.

As to access to the Chinese market, imports from China will continue to come into this country without regard to what you do on PNTR. What's at stake here is our ability to export to China. And this agreement, as you know, greatly reduces tariffs and even more importantly in my judgment, increases non-tariff barriers to American exports. Every single market access concession in this agreement was made by China. None were made by the United States.

A vote against this bill would also be a vote, in effect, to reduce the interactions of Americans with Chinese through the medium of trade and in my view would be a vote to reduce the flow of practices, of our ideas and our ideals in Chinese society, and therefore, would cut against promotion of human rights, environmental rights and of labor rights. I know that Congressman Levin has made some proposals with respect to parallel legislation not tied to PNTR. And I think those certainly are worthy of very serious consideration by this Committee.

Finally, Mr. Chairman, I said a moment ago, have known leadership in China, and I think that those who advocate reform would be severely, or could be at least severely undermined in their efforts if our country were to turn its back on China by rejecting PNTR.

In my view, to conclude, this is a vote on a question that is central to our country's economic future. We have benefitted enormously from trade liberalization of the past 20 years. We will benefit enormously if this trade liberalization continues and we will be adversely affected, and I think also very substantially, if the global trading system fails to move forward or even worse, move backwards.

I believe that for years to come, the future of our economy, and to a very large extent, of the global economy, will be affected by what you do here in Congress in the next few weeks. If we do the right thing, the United States will exercise its leadership role in a way that's good for our economy, that is good for China, and it is good with respect to further our national security interests and democratic ideals in China and throughout the world. And that conversely, a setback could have severe negative implications for our economy, the Chinese people and all our interests and concerns with respect to China.

Mr. Chairman, I thank you.

[The prepared statement follows:]

Statement of the Hon. Robert E. Rubin, Senior Officer, Citigroup, Inc., New York, New York, and Member, Board of Directors, Ford Motor Corporation (former Secretary, U.S. Department of the Treasury)

Good morning Mr. Chairman, Congressman Rangel, Subcommittee Chairman Crane, Congressman Levin and members of the Committee, and thank you for inviting me to be here today. This is the first time I have come back to Capitol Hill to testify since I left my position as Secretary of the Treasury, and I chose this opportunity because of my belief that the question before you is of central importance to the future of the U.S. economy.

At the outset, Mr. Chairman, I want to acknowledge that I serve as a senior officer of the Citigroup, Inc., and a member of the Board of Directors of the Ford Motor Corporation, both of which, I suspect, will benefit from China's accession to the World Trade Organization (WTO). I also want to make it clear that my testimony today is on my own behalf, and not on behalf of any other organization or entity with which I may be affiliated. These are my own personal views.

I am here today because I believe that trade liberalization and economic engagement have been central to America's economic growth over the past seven years, and that approval of Permanent Normal Trade Relations (PNTR) is the next major step the Congress should take to keep our country on this successful economic course. Our embrace of technological change and trade liberalization have made the U.S. the most competitive, dynamic economy in the world: supporting PNTR status for China is the best way to continue on that path. By contrast, a decision by Congress to reject PNTR could have substantial adverse impact on our nation's economic prospects in the years and decades ahead, and would reverse trade liberalization and the exercise of American leadership on international economic issues, which have contributed so much to our strong job growth, rising wages, and increased prosperity.

As I will explain in more detail today, I believe that it is in America's interest to support China's accession to the WTO for four reasons. First, this agreement vastly expands our access to China's market, which will soon be the largest economy in the world. Second, support for this agreement would signal continued U.S. commitment to trade liberalization that has been an indispensable element of our nation's success in this era of technological change and globalization. It is especially important—at a time of increasing debate in our nation and around the world about the course of global trade liberalization—for us to take this bold step forward.

Third, this approach offers the best prospect for advancing other U.S. policy aims toward China, such as promoting human rights, labor rights, and environmental standards. Finally, this approach will reinforce the forces of economic reform in China and thereby increase the likelihood that that nation will move toward a market-based economy in the years to come.

To summarize, support for China's membership in the WTO is the right thing for America, the right thing for our economy -and, I should add, the right thing for us

to do as the nation that has done the most to shape -and benefits the most from—a global trading system. Let me explain why I believe this to be so.

I. Global Trade And Open Markets Have Played A Central Role In U.S. Economic Expansion.

Today we are experiencing a time of tremendous strength in the U.S. economy. Unemployment is near a 30-year low at 4.1 percent and has remained under 6 percent for the last six years. The economy has generated more than 22 million new jobs over the last nine years, and inflation has plunged to near-record lows.

I was proud to serve in various capacities in the Clinton-Gore administration during most of this period. Beginning in 1993, we advanced a comprehensive economic strategy which had three key parts: (1) maintaining fiscal discipline, which has reversed decades of deficits, to create the first federal budget surplus in a generation; (2) making critical investments in the American people, in the strategic areas of education, training, research and development, among others, and; (3) the subject I am here to discuss today—expanding trade, with a focus on opening foreign markets for American goods and services.

The third part of this strategy has its roots in policies adopted five decades ago, when the leaders of this country—reeling from the wounds of the Great Depression and World War II—came to realize that we could no longer isolate ourselves from global trade if we hoped to enjoy long-term peace and prosperity. Beginning with the General Agreement on Tariffs and Trade (GATT) and more recently, the World Trade Organization (WTO), they began to tear down the protectionist barriers of the first half century and turn America into a leader of the movement for free and fair trade throughout the world. Since taking these bold steps, we have learned as a nation that opening up the world's markets for goods and services is a key element of our continued productivity and prosperity. As we watched the average tariff on industrial products in developed countries drop precipitously during that time—from 40 percent to under 4 percent—we have also experienced an unparalleled economic boom, thanks in large part to the growth of global trade.

When I tell you that increased trade over the last several years has been critical to our nation's most recent economic success, I risk belaboring the obvious. But the centrality of trade to America's prosperity cannot be overstated. Over the last five years, the volume of U.S. exports has grown by 40 percent, due, in large part, to lower foreign trade barriers, and since 1994, approximately one-fifth of U.S. economic growth has been linked to the dynamic export sector.

The most obvious effect of increased trade on the U.S. economy is that exports create more and higher-wage jobs for Americans. Jobs supported by American exports grew by 1.4 million between 1994 and 1998, with U.S. exports of goods and services now estimated to support 12 million domestic jobs. And when I say 12 million jobs, I am talking, by and large, about 12 million higher-wage, higher-skilled jobs. Export-related jobs are concentrated in high-wage, high skill fields and help raise living standards for American families. Workers in jobs directly supported by goods exports receive wages that are 20 percent higher than the national average.

Exports also support one of the key elements of America's economy: small business. In 1997 (the most recent year for which such data is available), almost 210,000 U.S. companies exported goods, nearly double the 1992 total of 113,000. And ninety-seven percent of these companies were small or medium—sized.

A less widely recognized but equally important fact is that imports also contribute greatly to our well-being as a nation. It may not be politically popular to say this, but imports lead to lower consumer prices, greater productivity through increased competition, lower interest rates, and higher standards of living. According to a calculation based on leading econometric models, if increased imports had not been available to American consumers, U.S. inflation could have been one percentage point higher -and interest rates two percentage points higher—over the past three years. Thus, the benefits of increased imports are as real as the benefits of increased exports -and without those benefits, we would not have enjoyed the outstanding economic conditions of the past seven years.

It is interesting to compare what has happened recently here in the U.S., with what we have seen in other industrialized nations with less open systems. U.S. tariffs are among the world's lowest, averaging only 2.8 percent, and the United States is the world's leading trader, accounting for about 14 percent of world exports and 16 percent of imports. While our economy has prospered—fueled in part by the most open market among the world's major economies—other countries that are far less open have seen their economies stagnate:

- Our nation, with relatively open markets, has seen unemployment drop to 4.1%, while European nations, with considerably less open markets, have suffered unemployment rates more than twice as high.

• In the last six years, the U.S. economy has grown at an average annual rate of just under 4 percent; at the same time, the economies in less open countries like Germany and Japan have grown much more slowly—at an average of 1.7 percent and 1.1 percent respectively.

• In addition, the U.S. has, for the past several years, been rated "Number One" on the World Competitiveness Scoreboard, ahead of France, Germany and Japan.

Trade expansion, like the growth of technology, benefits the vast majority of Americans, but unavoidably has adverse impacts on others. Trade liberalization can increase dislocation, and prompts anxiety even among those who are doing well. The Clinton-Gore administration has advocated combining trade liberalization with an active domestic agenda—including education, training, and expanded health care coverage—a program that is designed to meet the real problems and anxieties created by trade liberalization that is, on balance, so beneficial. The objective of this combined agenda is both to better equip our people to prosper in a rapidly changing global economy, and to increase their confidence in their ability to do so.

Of course, what has been done thus far in this respect—record increases in training, a doubling of the federal education budget, passage of the Kennedy—Kassebaum legislation—is just a start, albeit an impressive one. Among the additional proposals the administration has offered is the creation of a new office that would craft and coordinate responses and recovery efforts for regions adversely affected by trade or economic distress, and a substantial increase to expand trade adjustment assistance for workers who lose their jobs due to imports and shifts in production.

Most fundamentally, it would be a mistake to address the disruptions that trade causes by building protectionist walls around ourselves at the expense of America's future and the expense of countless working families who will see their paychecks cut if open trade is constrained. Moreover, while we have a responsibility as a nation to address concerns about job dislocation, responsible policy-makers must take care not to exaggerate its causes or effects. In fact, most of the dislocation we have experienced in recent years has been totally unrelated to any trade agreements. Between 1995 and 1997 (latest data), for example, three-quarters of displaced workers in the U.S. were in jobs that are not import sensitive.

In the end, the economic results yielded by the trade policies of the past seven years speak for themselves. Many of you sat in this room and listened to doomsday predictions of what would happen to American jobs if you voted for NAFTA. Since passage of NAFTA, however, the unemployment rate has fallen by 1.4 percent and is now hovering at a 30-year-low, and our economy has created 16 million more jobs. Inflation-adjusted median household income has increased by approximately 11.5 percent, reversing substantial declines in the previous four years. In the end, the dire predictions of NAFTA opponents—made during the debate over the agreement—never materialized. Instead, the years since NAFTA was approved have been years of unprecedented prosperity for our nation.

II. The China WTO Accession Agreement Holds Great Economic Promise For The U.S. And For American Workers.

Later this month, you will have the opportunity to vote on legislation granting China PNTR status and thereby ensure that the U.S. can reap the benefits of China's WTO accession. This is the next step we must take as a nation to reap the benefits of open markets and sustain our economic strength into the 21st century. The WTO agreement follows in the tradition of this Administration's prior trade agreements by advancing the cause of global trade while providing safeguards against unfair and illegal trade practices. And like prior trade agreements, it holds great promise for our economic future.

The potential benefits of the U.S.—China agreement to American companies and workers cannot be overstated. China is the largest nation in the world -and its economy is expected to maintain the strongest growth in Asia over the next several years with per capita GDP growth of 7 percent or more a year. Chinese imports will continue to come to America with or without PNTR legislation: what is at stake here is our ability to export to China, and how quickly that promising economic opportunity can be realized.

Already, China is America's fourth largest trading partner. Despite the existence of significant Chinese barriers to trade, U.S. exports to China totaled $13.1 billion in 1999, making China the 12th largest market for U.S. goods. The China—U.S. agreement will slash tariffs and eliminate other non-tariff barriers that have strangled the efforts of American companies to expand their presence in China. All told, China's WTO accession is expected to nearly double U.S. exports to China over the next five years, increasing those exports by $13 billion.

The PNTR bill has been painted by some opponents as harmful economic legislation that will threaten American jobs. But these characterizations could not be far-

ther from the truth. If I were to summarize all of my testimony into one sentence, this would be it: *The WTO agreement offers our country an incredible opportunity because every single market access concession was made by China—not by the United States -and therefore, the U.S. economy, U.S. jobs, and U.S. businesses will all benefit from this agreement, hands down.* Ambassador Barshefsky's talented team of negotiators is truly to be commended for this achievement.

Under the bilateral WTO agreement between the U.S. and China, China will be required to throw open the doors to its lucrative agricultural and high-tech markets. Chinese tariffs in numerous industrial sectors will fall precipitously, and many non-tariff barriers to U.S. investment in China will also be eliminated. Countless U.S. industries stand to benefit from this agreement, and the U.S. economy is protected from the dangers of market disruption under strict anti-dumping and surge-protection controls, based on China's being a non-market economy.

What did the U.S. give up exchange? Virtually nothing. The U.S. will be required to make no market access concessions whatsoever. We are only required to maintain the same market access policies we are currently applying to China. It is a remarkable agreement.

Put another way: those individuals who have expressed concerns about our "trade imbalance" with China—a concern that I believe is somewhat misplaced—should be rallying support for the China WTO Accession Agreement, not opposing it. Nothing in this agreement will increase Chinese imports into our already open U.S. markets—but much in it will help expand our exports to China's highly tariffed, highly regulated economy. Imports from China will continue, with or without Chinese entry into WTO; but passage of this agreement offers the best hope of increasing U.S. exports to China.

In the interest of time, I will list only a few highlights of the WTO agreement that illustrate its vast promise to U.S. businesses. First and foremost, China has agreed to reduce tariff and non-tariff barriers on trade in agriculture, industrial goods and services. Under the agreement:

- China will cut agricultural tariffs in half by 2004, with even deeper cuts on U.S. priority products such as beef and pork.
- Industrial tariffs will similarly fall—from an average of 24.6 percent in 1997, to an average of 9.4 percent by 2005.
- China will eliminate import duties on high technology goods by 2005 and allow foreign investment in the Chinese Internet sector.
- China will offer new market access and enact fair regulatory standards in the area of financial services and will open up the insurance and auto financing markets to U.S. companies.
- China will grant full trading rights to U.S. companies to import and export without going through a local trading company, so that American companies can distribute and service their own products in China, and own and manage their own distribution and service networks and warehouses.
- China will stop requiring U.S. companies to transfer their technology in order to export and invest in China, a concession that will protect U.S. competitiveness by preserving our valuable research and development.

As I noted earlier, among the many U.S. industries that stand to reap huge benefits from this agreement is the agriculture industry. China is home to one-fifth of the world's population, and USDA has estimated that over the next several years, the demand for food will outpace increases in production, causing China to expand agricultural imports. According to USDA, China will consume approximately 26 percent of the value of bulk agricultural commodities and meats by 2003. This agreement will create a level playing field so that American farmers and ranchers—who are the most efficient and competitive in the world—can capitalize on this demand and sell their products in the world's largest agricultural market. On U.S. priority agricultural products, tariffs will drop from an average of 31 percent to 14 percent by January 2004, with sharper drops for beef (45 percent to 12 percent), cheese (50 percent to 12 percent), apples (30 percent to 10 percent), and wine and beer. China will also liberalize its purchases of bulk agricultural commodities such as U.S. corn, cotton, wheat, rice, barley, and soybeans. And for the first time, U.S. producers will also be able to export and distribute agricultural products directly inside China without going through Chinese middlemen.

What does this all mean in dollars and cents? The U.S. Department of Agriculture has estimated that the value of these concessions to American farmers will reach $2 billion a year by 2005.

Another vital sector of the U.S. economy that stands to gain significant new market share in China is the automobile industry. Right now, a combination of sky-high trade barriers and prohibitive industrial policies has made it virtually impossible to export cars to China. Typically, the U.S. exports 400–600 cars a year to China,

many of them used—far less than a typical retail car dealership sells in one year. Under the accession agreement, tariffs on automobiles will plummet by 75 percent—from today's rates of 80–100 percent to 25 percent in 2006, and tariffs on automobile parts will also be reduced significantly—from an average of more than 23 percent to 10 percent. In addition, China will be forbidden from exacting discriminatory value-added taxes and will be required to raise its prohibitive quota on automobile imports to $6 billion and then eliminate it altogether within five years. China has also agreed to open up services that are essential to automobile sales, by allowing U.S. companies to provide financing, set up dealerships, advertise their products, provide repair and maintenance and import parts.

In addition to addressing the tariff and non-tariff barriers that have thwarted American companies trying to do business in China, the U.S. negotiators were also mindful of legitimate concerns expressed by members of Congress and others that any agreement with China must include strong market disruption and enforcement provisions. As a result, this agreement contains the strongest measures included in any WTO agreement to date, to prevent China and Chinese companies from acting in ways that could distort trade or undermine the U.S. economy.

First, China has agreed to a 12-year country specific safeguard mechanism that will allow the U.S. to limit imports on an emergency basis if they threaten to disrupt the U.S. economy. This surge control mechanism applies across-the-board to all industries and will provide more effective relief than is currently available under U.S. law.

Second, China has agreed that current U.S. practice under antidumping laws with respect to non-market economy countries will continue to apply to Chinese imports for 15 years after China's accession. That means we will continue to use the same methodology to determine whether imports from China are being dumped, and Chinese industries will continue to have the burden of proving that market economy conditions prevail in their industry in order to avoid application of the non-market economy methodology.

In addition to these China-specific provisions, WTO accession is itself a better means for enforcing China's trade commitments, because China's promises will now be enforceable through the WTO dispute settlement process. China has never before agreed to subject its decisions to impartial review, and this will be the first time China will face the threat of sanctions if it does not follow the terms of a trade agreement. If China loses a dispute before the WTO, it will have to change its practice, provide compensation, or lose out on opportunities in the U.S. market. We have already seen how effective this process can be. The United States has a strong track record in WTO dispute settlement and has won, or otherwise successfully resolved, most of the complaints it has initiated.

Finally, WTO accession does not mean that the U.S. government would turn a blind eye to any illegal Chinese trade practices. To the contrary, the U.S. plans to monitor and enforce China's compliance with the WTO agreement vigilantly and to ensure that American companies get the fair deal that China has promised to give them in this agreement. President Clinton has already asked Congress for new enforcement and compliance resources for USTR, the Commerce Department, USDA and the State Department, and the Administration has announced plans to increase by 75 percent the number of USTR staff devoted to monitoring and enforcing China's trade commitments.

All of the concessions I have just outlined hold great promise for America's companies, but only if Congress takes the final necessary steps and grants China PNTR status. China has already stated that it plans to accept these terms as part of its effort to join the WTO regardless of whether the U.S. holds up its end of the bargain. And that means a vote against PNTR will leave American workers and businesses behind while our competitors in Asia, Latin America, Canada and Europe reap the benefits of U.S. efforts to open the Chinese market to foreign companies and products.

III. This Agreement Is Our Best Chance To Help Forge Political And Social Change In China.

Opponents of the PNTR legislation have raised concerns that a vote in favor of PNTR would effectively endorse China's poor record in the areas of human rights and environmental and labor standards. The important thing to recognize, however, is that a vote against this bill is not a vote for more human rights, a better environment and better labor standards in China. It is simply a vote to isolate the Chinese economy and its citizens from America's democratic influences and to eliminate the chance that increased interactions with Americans through trade will expand the flow of free ideas -and our ideals—in China.

PNTR opponents are right to say that this vote is not only about the future of our economic relationship with China but is also about the future direction that China will take politically and socially. But they are wrong when they ignore the higher probability that China will move in a constructive direction if it is included in the global community, rather than if it is isolated from the global economic and trading systems.

By helping to open and liberalize China's economy, WTO accession will promote economic freedom and the rule of law in many sectors of the Chinese economy that are now dominated by state power and control. Compliance with WTO provisions will require reform in many areas of the Chinese economy and will require China to implement new laws and procedures that comply with WTO rules. In addition, increased foreign participation in China's telecommunications and Internet sectors will give the Chinese people more access to information and weaken the government's ability to isolate its citizens from democratic influences. In fact, several leading Chinese and Hong Kong advocates of democracy, including Martin Lee, the leader of Hong Kong's Democratic party and Ren Wan Ding, a dissident who spent many years in Chinese prisons, have endorsed China's WTO membership as a foundation for broader reforms in the future.

I continue to believe that the most effective means for furthering the U.S. view on reform in China is increasing that nation's engagement with the international community. Exposure to the outside world will bring the Chinese people increased openness, social mobility and personal liberties. Over time, increased trade relations, people-to-people contacts through trade and over the Internet, and travel will be the most effective ways to loosen China's rigid authoritarian structures. WTO accession will bring all of these opportunities to the Chinese people and will offer additional opportunities for liberalization by opening up China's telecommunications and Internet sectors to foreign investment and involvement.

Engagement with China through increased trade does not mean endorsement of China's political practices. So strong are U.S. convictions on this issue that earlier this year, Secretary Albright traveled to Geneva specifically to lobby for United Nations condemnation of China's human rights violations. Although Secretary Albright's efforts were ultimately unsuccessful, the Administration plans to continue pressing America's human rights agenda at the U.N. and in other forums, in an ongoing effort to bring the Chinese people an open and democratic society that protects their freedom and religious liberty.

The point is this: saying "no" to PNTR will not bring freedom to the Chinese people. What it will do is limit their exposure to our democratic principles and beliefs by reducing the influence of American companies on Chinese society and slowing down Chinese access to liberalizing influences such as increased telecommunications and Internet access.

A "no" vote on PNTR has also been urged by some environmental groups, on the ground that increasing our trade with China will somehow endorse that country's poor environmental practices. Once again, this argument contradicts common sense. Passage of PNTR is not only a chance to open China's markets to U.S. exports but also to facilitate cooperation with China on environmental issues. After the U.S., China is the world's largest energy consumer and largest emitter of greenhouse gases. While China has already begun to take steps to combat environmental degradation, much more needs to be done. This agreement offers another opportunity to promote bilateral environmental engagement with China.

We have already begun to see that more interaction with Western economies does have the potential to heighten environmental concerns. U.S. companies have begun introducing environmental technologies and industrial systems that minimize waste, control emissions and enhance safety. And not surprisingly, the majority of the Chinese cities that have met national air quality standards to date are the coastal cities that opened up to foreign trade and investment in the 1980s. The WTO agreement will provide additional opportunities for environmental protection and cleaner economic development in China by promoting the export of environmentally friendly goods and services to China. Passing this bill will therefore give us one more tool for trying to influence China's behavior on international environmental issues.

Finally, the PNTR bill is also our best chance to improve labor standards for Chinese workers. China's WTO accession will further open China to U.S. labor values and practices, by increasing the presence of U.S. companies that are committed to progressive labor management practices and protecting the safety of their workers. In addition, the U.S. intends to continue pressing China to respect internationally recognized labor rights. The U.S. and China have been engaged in a bilateral labor dialogue since 1998, and through that dialogue, the U.S. has placed a priority on the implementation of internationally recognized labor standards, and an end to the

detention, arrest and imprisonment of persons for labor-related activities that are protected by the International Labor Organization.

Lest we take any step that could be interpreted as even a tacit approval of China's human rights and labor policies, I believe it makes sense for this Committee and Congress to consider other measures to respond to these concerns. Congressman Levin has proposed, for example, the creation of a Congressional/Executive Branch commission that would report annually on China's record in the areas of human rights, religious freedom and labor practices, and on the overall U.S.—China relationship. The Commission would then make recommendations to Congress on whether U.S. policies toward China should be changed in response to China's record in these areas.

While these proposals, or others like them, may help maintain pressure on the Chinese government to comply with basic human rights and environmental standards, I want to emphasize that with or without such a package, the PNTR bill does not change this country's basic policies toward the Chinese government. Instead, it will simply eliminate the annual NTR process in Congress, which has never been an effective leverage point for spurring democratic reforms. Congress has voted to extend normal trade relations with China every year since 1980, and there is no indication that Congress intends suddenly to change course and use that process to raise tariffs on Chinese products. That means passage of PNTR will only send China the same message we have sent for twenty years, while the WTO agreement will send a strong positive message, by speeding up the process of economic reform and strengthening the rule of law in China.

I have heard some PNTR opponents acknowledge as much—that is, that the current annual NTR vote has yielded little in the way of leverage in the relationship with China -and that perhaps Congress should try a different response, such as voting down NTR status for China, and raising tariff and trade barriers against Chinese imports. Such a drastic action would give the annual NTR vote added meaning, no doubt. But the meaning that would be created would be the launching of dangerous new global trade disputes, with serious consequences for the U.S. economy, our jobs, and the world's economic future. If it is not sensible, from my perspective, to see the U.S. to fail to move forward toward further trade liberalization—as I have argued today—then it certainly does not make sense, in my view, to see us move back toward the days of Smoot-Hawley.

As a nation that was founded on basic principles of individual liberty and religious freedom, we have strong concerns about China's human rights abuses and the government's oppression of political and religious dissidents. And I agree with critics of PNTR when they say that we have an obligation not to endorse -or even worse, promote—the suppression of democratic principles and personal liberties in China. Where I differ with them, however, is in their belief that passing this bill would be a human rights setback. Do you really think that China's government will suddenly become more liberal if we attempt to deny its citizens access to the Internet and interaction with foreign companies and governments? Along with this Administration and every other Democratic and Republican administration over the last three decades, I believe that the answer is "no."

Turning our backs on the Chinese market for U.S. goods and services would be, to use a popular expression, biting our nose to spite our face. Not only would American companies lose out on a hugely profitable market for American goods and services, but we would also lose the opportunity to bring change to China through the gradual influence of economic and political engagement.

IV. As The World Leader On Global Trade Issues, America Has The Opportunity and Responsibility To Shape A Global System Of Freer Trade.

During the next few weeks, you will be barraged by numerous contradictory arguments about what is in America's best interests. I urge you to consider this vote as—not just another vote on another trade measure—but a vote on a question that is central to America's economic future. It is that important.

Over the last twenty years, we have experienced an electrifying pace of global liberalization in trade. Through a series of bilateral and multilateral agreements, we have seen tariffs and other protectionist walls crumble in Europe, North America and Asia. These changes have brought economic benefits to our nation and to numerous other nations around the world. But more work remains to be done. The PNTR bill is your opportunity to cast a vote for the single most important item on the U.S. and global trade agenda. A setback could have severe negative implications not only for the U.S. economy and the Chinese people, but to all our interests and concerns with respect to China.

The outstanding performance of the U.S. economy over the past few years is a testament to, and a product of, our approach to dealing with the dynamic factors

of technological change and globalization. While recognizing that these forces of change have costs, we have embraced the benefits of these changes and sought to put in place policies that help maximize these benefits and minimize the adverse consequences. We have opened our markets, increased investment in educating our people, balanced our budget, pursued new trade agreements around the world -and reaped an unprecedented economic prosperity.

Our challenge—our opportunity—is to decide what is the next step. The global trade system, which has played such a large part in U.S. prosperity, is the product, in large part, of U.S. leadership. Will we continue to offer that leadership now -and continue to reap the rewards of that leadership—or will we reverse direction with the consequent result that trade liberalization will slow or even move backwards? Will we build on our record of success—of increased growth, employment, wages, and prosperity -or will we abandon that role? For years to come, that future of our economy, and to a great extent, the world economy, will be very much affected by what you, here in the Congress, do in the next few weeks.

Turning our back on -or trying to turn back—the progress in this global trading system would be bad for countless nations, not the least of which is our own. The other developed market economy countries are looking to the United States to continue to advance policies that contribute to economic strength and prosperity, at a time of great technological change. The developing and emerging market economies are looking to us to help build a path on which they can succeed. And no nation stands to profit and prosper more than the United States if our leadership in these matters meets the needs, hopes, and aspirations of our global trading partners.

By passing PNTR legislation, the Congress can claim credit for opening Chinese markets to U.S. goods, providing exciting opportunities for American businesses and creating more high-wage jobs that will carry our economic expansion far into the 21st century. And at the same time, you will be opening Chinese society to America's democratic ideals, and helping influence that country's future as we sow the seeds of freedom for China's 1.2 billion citizens.

At the end of the day, all of us, together, face a simple but stark choice: We can take a step forward toward engagement of our global partners and the open trade in commerce and ideas, or we can retreat to the failed isolationism that characterized our nation's trade policies in the first half of the 20th century. If we do the right thing and take a step forward, the U.S. will have exercised its leadership role in a way that is good for the American economy, that furthers our national security interests and that promotes our fundamental democratic ideals throughout the world.

Chairman ARCHER. Thank you, Mr. Secretary.

Could we just for a moment discuss between us, what are the arguments on the other side that say no, we shouldn't do this?

Mr. RUBIN. My impression, Mr. Chairman, but you would know better than I, is that they break probably in a broad sense into two pieces. One is a trade related piece, focusing on the very large trade deficit we have with China. And I guess my answer to that would be that there's nothing in this agreement that's going to increase imports into the United States, number one.

Number two, I think that the imports that we have, that imports have contributed very—the openness of our markets and imports have contributed very substantially to our economic well-being. I think had we had not had open markets, I think we would have had substantially less attractive economic conditions over the past seven years than we've had with these open markets. And the WTO accession agreement gives us the opportunity now to export much more readily to China. So it should on balance, I think, contribute to reducing the trade deficit.

And the other is the argument that we are in some fashion or another endorsing China's human rights or labor rights or environmental protection policies. And it seems to me that's just wrong. In many other ways, the Congress and the Administration have acted

to further our views on these subjects. And I don't think there's any lack of clarify about how the United States feels on these issues. I think the only real question, practical question, is, does WTO accession further our concerns and interests with respect to human rights and labor rights, or is it detrimental? In my opinion it clearly, for the reasons I said, furthers our interests.

Chairman ARCHER. Well, you make, I think, two very good points. Number one, the trade deficit with China is a matter of some concern. I'm sure it is to you and it is to me. But if we do not pass this permanent trade relations with China, it can only increase and not decrease. Whereas if we do pass it, we get the benefit of the concessions the Chinese have made for entry into their market, which will give us the opportunity to export more and the opportunity to reduce what otherwise would be the trade deficit. That just seems so logical to me.

And as far as the human rights situation, two sides can disagree. It doesn't mean that either side is less concerned about the human rights situation. But from a logical standpoint, I don't see any way that slamming the door on trade relations with China is going to increase our leverage or our ability to help move them in whatever way we can to better human rights.

While at the same time, recognizing what I think Jesse Ventura was very, very accurate about when he testified before this Committee about a month ago, and he said, in the end, only the Chinese internally will be able to move their human rights standards in the right direction. And I think there's a lot of truth in that.

So I thank you for analyzing those arguments with me and it's nice to have agreement between the two of us.

Mr. RUBIN. Thank you, Mr. Chairman.

Chairman ARCHER. Mr. Rangel.

Mr. RANGEL. Welcome, my friend.

Continuing this line of questioning, slamming the door on China to me doesn't promote any progress in the area of human rights or moving toward democracy. I just don't understand why slamming the door on Cuba, we think that it would. And you know, it's the same people here, the same Administration. And I can't use the word hypocrisy, but I wish I could find one that's more appropriate.

You're dealing with communists, you're dealing with people who have no respect for human rights. And you're saying, opening the doors, engaging it, makes it easier for us to move democracy further. Why not Cuba? Why not put a package together and say, all communist countries, we want to bring it to its knees and we can't do it through disengagement, and standing outside and screaming at them.

So we're going to allow the free market system to work its will and bring them to their knees and respect democracy. What the heck's the difference? Florida? [Laughter.]

Mr. RUBIN. Well, I'm only a private citizen, Mr. Rangel. So I—

Mr. RANGEL. That's where we get the most honest answers.

Mr. RUBIN. Oh, I see. Okay, well, I thought I'd avoid it that way. Let me try another way. [Laughter.]

Mr. RUBIN. I think, Mr. Rangel, the argument that you make is a powerful argument. Having said that, you know, we've had a policy for I guess six or seven administrations consistently in the

other direction. As I say, I think your arguments have a lot of power, but I don't carry a brief one way or the other on Cuba. The concern I have at the moment is China.

But I will say that you arguments have a lot of power to them.

Mr. RANGEL. Well, I guess that means that there are political reasons why we can't deal with Cuba, and that's that.

Now, let me ask you this. Worst case scenario, we don't take up this bill for reasons that are not partisan. But there's a commitment that there will be a bipartisan effort to pass it in April or May. And assuming the Chinese won't accept this because they would be indignant, you know, that once again they've been rebuffed by the imperialists.

But what happens to us? Do they then say, well, since you didn't make permanent the trade relationship, that you don't have access to our markets? And then the Europeans and others just go in and in a few months they cut us out of the greatest agreement that we could possibly have negotiated?

I'm just trying to find, it wasn't too long ago that we were not certain that we were going to take up this bill. And then when they said we were going to take it up, we said, well, it all depends on what China does with the European Union. And then the last word, well, the longer it takes the closer it gets to election, the more difficult it is to pass it.

All of these were not diplomatic or economic reasons. They were all political reasons.

Now, if those things had happened and we didn't pass the bill, and you were there now trying to repair the damages, what damage could possibly be done if the scenario was that it would pass early next year?

Mr. RUBIN. I guess what strikes me, Mr. Rangel, is that there are at least two risks. There may be more that don't occur to me. One of them is that if the EU works out their arrangements with China in the meanwhile, and if China then accedes to the WTO, what China could do is accede and in effect, I have forgotten the technical term, but their accession would not apply to the United States.

So that Europe and Japan and others would all have access to China's markets on the more favorable terms and the WTO agreement. And we would not have access to those more favorable terms, in which case, as the Chairman said before, our trade deficit would increase and we would not get the benefit of—we would actually become less competitive in China than we are today.

I think an even worse other possibility, since I think China accession to WTO is very, very important, exceedingly important to this country, is that time is not your friend in any of these situations. And if you delay something six months, anything can happen. You can have changes, political conditions in this country, in that country. There's no telling what might happen.

And I think it would be a true, a great misfortune if China was not brought into WTO and brought closer to the global community in that way. And I don't think it's a risk that we should take.

Mr. RANGEL. Well, it may not be a risk that we should take. Some members might be risking their seats, which they may have some priority in terms of how they look at this whole picture.

But what I don't understand is how we give so much leeway to these communist rascals in saying that if we don't do it their way, it's the highway. In other words, we're saying this. If we insult them by not making permanent our trade relationship, then will they get even with us by cutting a better deal with the Europeans. One and two, even though I know that when it comes to human rights and workers' rights, everyone says, look in your own back yard, and we're doing pretty good.

The Chinese never seem to give up anything. I mean, they don't even talk about doing better. It's always on our side that we have to engage them, and then automatically they would do—they don't even admit there's a problem there.

It would seem to me that if for whatever reason this was not passed that we would be dealing with at least people who are friendly and would not try to deliberately cut us out of a hard, worked-out agreement that we would benefit from. But just because this political, cantankerous Congress did not agree with our tremendously insighted leadership, the President of the United States, that they would just penalize all of us and say, we're not going to let you take advantage of our markets, but Spain and the Soviets and the rest of them can come right in.

What kind of people are we dealing with anyway?

Mr. RUBIN. Well, I'll give you my view, Mr. Rangel. The rest of the world is prepared to have China accede to the WTO. I guess if I were on their side of this and I saw that the only people in the world that were not prepared to do it were the Americans, I guess I would have a little bit of a feeling that if I wanted to disallow their participation, the benefits of WTO, that was an appropriate thing to do. But I can't speak for the Chinese. I have no idea how they'd react.

I guess I always come back to the same thing. We have an agreement that overwhelmingly, in fact really totally, for practical purposes, totally in our favor. And why take a risk, and I think maybe even a substantial risk, that we won't get the benefits of that if we don't move forward this year?

Mr. RANGEL. If we don't do it this year, we can just forget about it for next year.

Mr. RUBIN. No, I'm just saying if we don't do it this year, conditions may change here, they may change there. They may accede to WTO and disallow our getting the benefit. And it seems to me a set of risks that doesn't have, a set of risks for which there is no reason on our part.

Mr. RANGEL. You know, you and the President read from the same script. But I was among those that supported this great 1994 budget that President Clinton had that brought us this prosperity, when we didn't have one Republican supporting him. And we lost 54 seats. Now, I know in history they'll be heroes and martyrs.

But it just seems to me that you just can't discount it and just say, well, I don't see where we can even consider doing this next year. I thought that after you left the Administration and became a private citizen that you'd be more sensitive to these things. [Laughter.]

Mr. RUBIN. I guess I carried my insensitivity to the private life.

Mr. RANGEL. Thank you very much. We appreciate the contribution you've made.

Mr. RUBIN. Thank you, Mr. Rangel.

Chairman ARCHER. Mr. Crane.

Mr. CRANE. Thank you, Mr. Chairman. And Mr. Secretary, I'm going to read a quote here to you and then ask you a question as to the origin, the source of the quote. "Democracy, including rights for workers, is an evolutionary process. Isolation and containment will not promote improved rights for a people. Rather, working together and from within a society will over time promote improved conditions. The U.S.—China WTO agreement will speed up the evolutionary process in China. American labor should support it, because it is in our interest and in the interest of Chinese workers, too."

Any idea who—

Mr. RUBIN. I don't know who the footnote is, but I would say, Mr. Crane, that there is nothing in there that I would disagree with.

Mr. CRANE. Absolutely. Well, the source of that is Leonard Woodcock, former president of the United Auto Workers for about seven or eight years. And Leonard Woodcock is one of the most fervent supporters of advancing permanent normal trade relations with China, and ironically, he was the ambassador over there that participated in China's accession, I mean getting what we then called most favored nation status and has been normal trade relations in modern times.

So I commend him. He raises a question, a legitimate question as to why some of his colleagues in the labor movement are opposed to this, and he points out that it is a win-win proposition and it's something that not only economically is beneficial for us, but it advances other values that we cherish, too, including free enterprise and democratic institutions.

So I hope that we can get his message disseminated more fully, and I commend you for your comments, too.

Mr. RUBIN. Thank you, Mr. Crane.

Mr. CRANE. I yield back the balance of my time.

Chairman ARCHER. Mr. McCrery.

Mr. MCCRERY. Thank you, Mr. Chairman.

Welcome again, Secretary Rubin.

Mr. RUBIN. Thank you.

Mr. MCCRERY. Mr. Chairman, I don't really have any questions for the Secretary. But I do want to give him a chance to respond to a statement that I'll make. I had hoped to ask Trade Representative Barshefsky to clarify a point that Representative Wolf made in his testimony earlier today. Representative Wolf said that, or at least I heard him say, and I think this is what he said, that if we turn down permanent NTR for China this year that was no bar to implementing the trade agreement that Trade Representative Barshefsky had negotiated with China, that we could do just an annual renewal of NTR, and that would serve juste as well.

I did not think that was the case. And so after the earlier panel had concluded, I went down and spoke with Ms. Barshefsky. And she said no, that is absolutely not the case, that they have had the legal eagles at GAO, Treasury Department, and other places, look

at the agreement and in fact, it is contingent upon United States' granting permanent NTR to China.

So I just wanted to get that cleared up. And Mr. Secretary, maybe you are familiar with that issue and you could expound upon that.

Mr. RUBIN. Yes, what you said is correct. I think it's a technical issue, and let me tell you what the answer is. You can check it, but I think this is right. That the WTO agreement itself, not the U.S.—China agreement, but the basic documents of the WTO require that the trade, that the trade conditions, or the trade provisions not be conditioned on anything, that there be no conditionality to trade concessions. And if our agreement with China is conditioned on an annual NTR, then that would be a violation of that non-conditionality provision in the basic documents of the WTO. I think that's the technical response to your point, I believe. But you can check that.

Mr. MCCRERY. But the effect is that if we do not pass permanent NTR then—

Mr. RUBIN. We are not in compliance.

Mr. MCCRERY.—the agreement that Ms. Barshefsky negotiated is null and void, it has no effect.

Mr. RUBIN. It would not be unconditional, and therefore we would not have effectively acceded to China's accession, and we would not, and if they chose to, then we would not get the benefits of their accession to WTO. That is correct.

Mr. MCCRERY. And therefore, this one-side agreement in our favor would not come to pass, and the very people, and I think Mr. Crane did is a service by reading the statement from Mr. Woodcock, it's beyond me, and I've talked with my UAW guys from Shreveport, and I do not understand their point of view.

When we're going to ratify basically an agreement with China that lowers the tariffs on automobiles, significantly, which gives us greater opportunity to export automobiles to China, which could preserve jobs here in the United States, I just don't understand their point of view. To me, this is a very one-sided agreement in our favor. It gives us an opportunity to build jobs here in the United States.

And organized labor ought to be jumping up and down for us to ratify this and get on with having a more normal trade relationship with China that is more open on China's side.

Mr. RUBIN. I believe if you check, you'll find that we export something like 600 or 700 cars a year to China currently. And this is going to reduce, I think, tariffs by 75 or 80 percent, which presumably would make a very substantial difference in our ability to compete, I would think.

Mr. MCCRERY. Absolutely.

Thank you, Mr. Chairman.

Chairman ARCHER. Mr. Levin.

Mr. LEVIN. Thank you very much, and welcome, Mr. Former Secretary. [Laughter.]

Mr. LEVIN. It's so good to see you again.

If I could follow up on what Mr. McCrery asked regarding this agreement, I think it's true that in terms of the concessions, it's one-sided. Because our tariffs are so low, for example, and their

tariffs would be reduced, though not all the way. I might mention, though, for example, in the automotive sector, I believe it's an accurate statement that the tariffs for China would become lower than the tariffs for any other Asian nation except Japan.

There are higher tariffs within the WTO scheme and would be allocated or stipulated as to the China's market. But with your background in investment, and your present involvement, I think you would acknowledge that one aspect of this, one result of this agreement is that it may well make investment in China more attractive, more secure just because in part, hopefully the rule of law would be more effectively evolved, grown, within China.

So the concern of some, and I think it's a legitimate concern, is that as investment becomes more secure, competition will grow with the United States. That would be one of the results.

And I think you were in on the discussions within the White House more than a year ago, not to pry into those, which were between all of you, but as I understand it, one of the issues that was discussed then was the anti-surge provision, which is a response to the likelihood that investment would be more secure in China and therefore it is feasible and perhaps probable that there would evolve within China the development of, for example, industrial manufacturing capacity, which could over time compete with the U.S. and could involve imports from China into the United States with their different structure.

And as I understand it, as I said, it was for that reason that there was a strong insistence within the Administration, surely on the part of some that there be placed into the negotiations with China an insistence on an anti-surge provision. So I would appreciate your comments on that, as much as you can reflect within the limits of the confidential nature of discussions within the White House. If you could just elaborate on that, your feelings about investment, the anti-surge provision, etc.

Mr. RUBIN. Let me if I may just do it in the opposite direction of the points you raised. I think it is very important that there be a strong anti-surge provision, and there is, in the WTO agreement. Because China is a non-market economy. And the problem we faced was that instead of market forces determining what flowed in the United States, in a non-market economy, you could have directed sales into this country at non-economic prices and things of that sort.

And this WTO agreement has an extraordinarily good provision, as you know, on surge protection. My recollection is it's 15 years.

Mr. LEVIN. Twelve years. And also—

Mr. RUBIN. I apologize, 12 years.

Mr. LEVIN.—the non-market economy provision for anti-dumping that I think you're also—

Mr. RUBIN. And they're both based on precisely what you just said, that this is a non-market economy. So that's the surge protection.

I think the other is a separate, independent point. I think I probably have a somewhat different viewpoint. I think the greater security would rest with greater investment. I actually think it's good for this country. Generally speaking, where we invest more we also, our exports follow our investments. Where we invest, we then tend

to import from, more from the United States than would companies owned by companies in other countries doing the same thing.

And secondly, if China becomes more competitive with us and has higher standards of living and a larger GDP and all the rest, there would be a better market for us. And that's sort of what's happened around the developing world. I think one reason we have had such high growth and low inflation and low unemployment and everything else is that developing countries have become much better markets for us, and it's fed the system. And we import the things that we can buy most cheaply elsewhere, and we export the things we produce most advantageously here. And I think it's been to our benefit.

Mr. LEVIN. Thank you.

Chairman ARCHER. Mrs. Johnson.

Mrs. JOHNSON. Welcome, Mr. Secretary. It's a pleasure to have you before us.

I don't know how familiar you are with the surge provisions in the agreement. But they have impressed me as being a much needed tool to manage the flows, the change in flows in economy as they open up. And particularly the impact that those change flows can have on specific communities.

Do you have any comment on those surge provisions and whether or not they'll require legislation to implement them?

Mr. RUBIN. I guess my view would be as follows. I think that having surge provisions in this agreement was exceedingly important for the reasons we were just discussing. This is a non-market economy, and that creates a whole different situation. So that's that.

I guess on the question of surge provisions more generally, I totally agree on the effects of the surge provisions of the WTO agreement. I think it's a very important protection because of the non-market economy aspect of China. I guess we're dealing with market economies. And my view is, and I think not a very popular view, since I believe that imports are good for this country, and I think that we benefit as we import, I think that it is useful to have surge provisions that deal with extreme conditions. But I am inclined to think that, I would limit them to extreme conditions.

Mrs. JOHNSON. Thank you.

Chairman ARCHER. Mr. English.

Mr. ENGLISH. Thank you, Mr. Chairman.

Welcome back, Mr. Secretary. And I very much appreciate the opportunity to raise with you a number of the issues that I've come across as I've discussed this issue in my district. As you know, I have a district which is oriented toward manufacturing, very heavily, has a substantial domestic steel industry and a lot of local people have had questions about this bilateral agreement.

Can you put something to rest for us right here? Is there anything in this bilateral agreement that provides any additional incentive to take jobs offshore?

Mr. RUBIN. I think that the overwhelming effect of this agreement will be to increase jobs in the United States. Because barriers in China are coming down so very substantially. It seems to me that creates the likelihood of substantially increased exports from the United States to China. And some people have estimated it will

double over the next five years to $26 billion or something like that.

There's nothing in the agreement that I can think of that should result in jobs moving offshore. Not as far as I can think.

Mr. ENGLISH. In other words, any incentive for jobs to move offshore already exist in our policy, and this isn't changing any aspect of that. What we have instead is a one-sided set of concessions from China that provide opportunities for us to export into their market. Is that not your understanding?

Mr. RUBIN. I think that is exactly correct. And if there is anything that would cause a job to move abroad, and I don't think there is anything, but even if there is, it would be overwhelmed in magnitude by the effects that you've just cited.

Mr. ENGLISH. Mr. Secretary, will these market access concessions still be available to U.S. companies and through them, to U.S. workers, if Congress fails to enact permanent NTR? I've heard arguments from some opponents of permanent NTR that suggest that we're going to get all of these goodies anyway, so why bother to respond. What is your understanding of the 1979 treaty versus the concessions that are included in this package?

Mr. RUBIN. I think it's an important question. I think the simple answer to your question is, no, we would not get the benefits. And I break it into two pieces.

On all the non-tariff benefits of this agreement, and I think they are very, very important, I'm on the board of Ford Motor Company, and the notion of being able to have your own export and import capabilities, to be able to service cars and things like that, that's a big, big deal. None of that was in the 1979 agreement. So you only get that with WTO accession. And the same thing is true with respect to services.

On tariff reductions, which were in the 1979 agreement, we might or might get them without this WTO accession. But there is a very strong argument that since we are a member of the WTO, if China joins and we don't accede, then they can disallow our getting the benefits under the WTO agreement, and that would trump the 1979 agreement. That's a legal uncertainty, it would have to be determined.

But even if the tariff reductions were to be received, the benefits with respect to services, imports, exports, exports, distribution repair and all that sort of thing would not be available to American companies.

Mr. ENGLISH. So at very best, if we do not follow through on this agreement, we will get at best only the tariff side of the arrangements, which is probably a minority of the benefits?

Mr. RUBIN. Well, we certainly at best only get that. And that's an uncertainty.

Mr. ENGLISH. It's problematic.

Mr. RUBIN. Yes. It's an uncertainty that I don't know the answer to. Nobody knows the answer to.

Mr. ENGLISH. In your view, will this bilateral agreement be enforceable? After all, I'm hearing a lot of complaints about China's adherence to our agreements over the years. I know while you were Secretary of the Treasury, we had to confront them on a number of occasions on things like the TRIPS agreement.

Are you confident that this bilateral agreement will be enforceable with the mechanisms put into place?

Mr. RUBIN. Well, I guess, Mr. English, my answer to that would be that one can never tell what would happen. But you have now a multilateral, objective enforcement mechanism in the WTO. And if China does not live up to their agreements, then we have the right to impose sanctions.

So while I can't be, nobody can assure you they'll do what they should do, but I think people can assure you there is now a way to impose effective sanctions if they don't. This is the first time China trade law has been subject to that kind of enforcement mechanism.

Mr. ENGLISH. Thank you, Mr. Secretary. As always, your testimony is succinct and powerful and persuasive. And I appreciate your time today.

Mr. RUBIN. Thank you, Mr. English.

Chairman ARCHER. Mr. Kleczka.

Mr. KLECZKA. Thank you, Mr. Chairman.

Mr. Rubin, my questions might be somewhat rhetorical to you, because they were geared for Ambassador Barshefsky, but she could not return after our lunch break. And in response to some of her statements. So at will, respond to the ones you're capable of or you want to, and then I guess as the Chairman suggested, I'll probably have to drop her a line, or meet again with her in the office.

But it's been repeated here many times this morning and now early this afternoon that the Chinese gave nothing. It was all one-sided. We got everything. Well, that type of dialogue and conversation is good for our rec room when the boys and our ladies are sitting around, you know, rehashing how we did. But to say those things in public makes me wonder what the Chinese are saying.

On Beijing television tonight, we're going to get some of the clips from some of the cameras who are here, and they're going to say, good, I'm glad to we got nothing from them. You know, so something's wrong with that picture. And we're all familiar with negotiations, be it labor negotiations, or for yourself, trade negotiations. There's always give and take.

But for the Ambassador to come before us today and say, these folks got nothing and we got everything, I just don't believe it.

Mr. RUBIN. Well, I'll tell you what I think the Chinese got out of this, and I think it's enormously important to China, though I think it's in our interest as well. What I'm about to tell you, you know. But what you had over the last several years in China is an effort to reform a system that has been government run based on these state-owned enterprises, and it is an enormously difficult thing to accomplish. I think what this will do is put tremendous additional pressure on the state owned enterprises to restructure and become competitive. And that is a tremendous benefit.

Mr. KLECZKA. Well, for the reformers, so then China got something. But that's not for those who still don't agree with the agreement that we negotiated.

Mr. RUBIN. Well, China got something. But what they got was not at a cost to us.

Mr. KLECZKA. Right. But there's got to be something else here. We've had some dialogue between yourself and Mr. Levin about the

investment that now can be made in China in a more safe manner, in a more attractive manner. I would assume that's a plus for China. You know, there might be some investment today, but the threat of nationalization of that investment is probably pretty high.

So under this agreement, American companies and American capital can go down to China and there is going to be some guarantee or a better feeling that not only is that investment going to be attractive but also profitable. So would that be a fair analysis?

Mr. RUBIN. I think the correct statement on the balance of gains and losses on this is that with respect to trade concessions, that they were 100 percent on China's part and zero percent on our part. It is—I think that's true.

Mr. KLECZKA. It was a broader statement in my estimation, but maybe I'm wrong.

Mr. RUBIN. Oh, I don't know what the statement was. But I'm just saying, that is true.

Mr. KLECZKA. It's one-sided, they gave nothing. Now, that's pretty broad.

Mr. RUBIN. Well, they give us the opportunity to invest in their country on a more secure basis. I think it's good for us and good for them.

Mr. KLECZKA. Okay, but that's good for them. And it's good for the investors faced with a market economy, or lack of a market economy, but wage rates much, much below the United States. So if I were making widgets, and now I could pour $50 million into China to open up a widget shop, and instead of paying a minimum wage to American workers, I can now pay 13 cents a wage, that's a pretty big concession for me.

Mr. RUBIN. It is, and indeed—

Mr. KLECZKA. And for the Chinese to employ some of the 1.2 billion people.

Mr. RUBIN. It is, indeed. I think the one caveat to my answer to Mr. English was that to the extent that caused an increase in investment in the United States, that may cause—I'm sorry, in China—that may cause some job movement to China. But I think that would be vastly overwhelmed by the job creation here that came as a consequence of the enormous reduction in trade barriers in China, which would increase imports from the United States to China. That's why I answered the question the way that I did.

Mr. KLECZKA. See, but on this very same train of thought, we were told the same thing about free trade with Mexico. And over the years, we've seen that trade deficit just balloon and balloon. Companies like Master Lock in Milwaukee closing up to move the entire operation to Mexico.

And so you can see where some of us, and when people bring the NAFTA thing up to me, I say, we're not talking NAFTA, I try to get them off of it. But as I sit back and have my cup of coffee in the morning, I say, oh, boy, it sure sounds something like that.

Mr. RUBIN. Could I suggest another answer on NAFTA, because I think it's the truth?

Mr. KLECZKA. Please.

Mr. RUBIN. Had it not been for NAFTA, my view is at least, had it not been for NAFTA, I think what probably would have happened when the Mexican peso crisis hit, because that's after what

caused the trade deficit, is I think there was a very strong temptation in Mexico to do what they did in the early 1980s, which is increase tariffs. I think in that case they increased them to 100 percent or something. I don't remember exactly, but increased them vastly.

Our exports would have gone down far more. The trade deficit would have gone up much more, and the job loss in the United States would have been much greater. I think NAFTA actually was enormously in the interest of American workers as things took—even more in the context of the peso crisis than it would have been otherwise.

Mr. KLECZKA. Mr. Chairman, if I could ask one more question, then I won't naturally come back on the second round.

Now, if in fact the Congress would not be supportive of permanent trade status, but would vote for annual trade status, would it be still possible if the Chinese agreed to honor the agreements that they made with our negotiators?

Mr. RUBIN. Well, they can have—

Mr. KLECZKA. They'd have no responsibility or mandate to do so. But if they thought some of the things in this agreement, and I don't think it's all one-sided, are pro-China, if they said, well, they're going to do us on an annual basis, we're going to give them all the rights and benefits of the agreement and next year, hopefully they'll make it permanent, they won't have to lobby the Congress or whatever the rationale is.

Could they on their own motion do that?

Mr. RUBIN. Well, they can do whatever they want under their own laws with respect to tariffs on American exports. But I think the problem, and you can double check me with the USTR, but I think you'll find that the problem is that they're not obligated under WTO.

Mr. KLECZKA. And I think we agree with that.

Mr. RUBIN. And that's the trouble.

Mr. KLECZKA. But if they wanted to, for whatever reason.

Mr. RUBIN. Yes, but see, if they want to, and then they decide, and then they decide to violate whatever agreement they have with us—

Mr. KLECZKA. Tough. We have very little leg to stand on, because they're doing it voluntarily.

Mr. RUBIN. Because they're doing it voluntarily. But if they do it on WTO, then we have sanctions. You've got it exactly.

Mr. KLECZKA. Oh. So that might be the case. Thank you, Mr. Chairman.

Mr. RUBIN. You have it exactly right.

Mr. KLECZKA. Thanks for your latitude, Mr. Chairman.

Chairman ARCHER. If I might just jump in briefly, because it's a good question, what's in it for the Chinese. Clearly, the bilateral negotiations that we have had with the Chinese are totally one-sided. We gave up nothing. I mean, that's a reality. We gave up no tariffs, we gave up no quotas, we gave up no existing barriers to imports coming into the United States.

They made enormous concessions that in some instances, their tariffs were as high as 65 percent, reducing them to 10, 11, 12 per-

cent. And eliminating or expanding quotas, they gave up an enormous amount of access to their country.

But even though this was bilaterally negotiated, that bilateral negotiation is superseded by the ultimate protocol for entry into the WTO. And whatever the concessions are that China gave in our bilateral negotiations actually have got to be worked together with whatever other concessions they negotiated with other nations and ultimately, the WTO panel will determine what the concessions are for entry into the WTO and we're out of it. We're completely out of it.

The advantage to China is that they want to be in the WTO. And our bilateral negotiations with them, which became a framework for the consideration of the WTO panel for accession are a part of what will ultimately benefit them, in their view, because they want to be in the world trading order, they want to be respected as a member of the world trading order. They want to be members of the WTO. That is the benefit they get.

And they believe that is worth a great deal to them. They have wanted to get into the WTO for quite a long number of years, and now they're about to achieve that. And there are innumerable, I think, benefits, and Secretary Rubin can correct me if I'm wrong, innumerable benefits that they believe will accrue to them just by being a member of the WTO.

And I thank you for indulging me to just make that comment.

Next on the list is Mr. Houghton.

Mr. HOUGHTON. No questions, thank you.

Chairman ARCHER. Mr. Portman.

Mr. PORTMAN. Thank you, Mr. Chairman.

I think that's an excellent point, that there are some benefits that may be more intangible, but similar to the benefits that Secretary Rubin mentioned are also in our interest. For us to have the ability to retaliate against China certainly is better than the situation we're in now. We're still going to have some enforcement problems, as we've seen with the Europeans and those countries that are closer to us in many respects. But at least we have them in a rule based organization.

And the other point I'd like to make in response to Sandy's comment, Mr. Levin's comment, and also Mr. Kleczka's comment, is that if we don't engage with China, and this is a point that Chairman Archer made earlier in the dialogue with Ambassador Barshefsky, other countries will. And when you get to the investment issue, I look at my own district and products that we make that perhaps could be shifted over to China. And Mr. Levin talked about China being more competitive as a result of this.

The Japanese, the Europeans and others will have the ability, if we don't move forward with NTR, to establish those same investments over there. And China will get what it wants. It will get the investment. It just won't get it from us. And it will make China, in that low wage rate you talked about, Mr. Kleczka, all the more competitive.

But we won't be getting any benefit from it. So I think there are some answers to some of the concerns that have been raised by the UAW folks in my district and others, as to the investment issue, that go to the fact that we live in a global economy where we're

not going to be able to control what other countries will do. Our lack of engagement doesn't mean that China won't get the investment and the exports that they won't. They will. It just won't be U.S. companies.

And of course, if we aren't engaging, we don't get the benefits that we'd otherwise get, which is our economic benefits, which Secretary Rubin, you spelled out very well in your testimony. And then all the other benefits that are related to leverage on China, whether it's human rights or regional security issues or other matters.

And I do see this as a seminal issue and one where we can really use the benefit of your knowledge and experience, Mr. Secretary. I'm delighted that you were willing to come here today and spend some of your time with us, even though you have moved to greener pastures. And much greener, as Mr. Rangel says. [Laughter.]

Mr. RUBIN. Well, maybe you'll give me stock options.

Mr. PORTMAN. Can I ask you a couple of questions? One is, and this is really a congressional question, I'll state a rhetorical question, I suppose. This whole notion of PNTR, and this is in response in part to Mr. Rangel's colloquy earlier with your successor and other Cabinet members, PNTR I think is a misnomer, just as MFN was. It's not P, it's just until the United States changes its mind based on China's behavior.

And we will always have the ability, it's my understanding we will always have the ability as a Congress to exercise our discretion to determine that China has either conducted itself inappropriately in trade matters or in other matters including human rights matters, and revoke the normal trading relations that we engage with in China. We have the ability to vote on that any time, any year, one member as I understand it, under the WTO rules, would have the responsibility of raising that issue.

But so long as one member does, the P in PNTR is just, as compared to the annual review. And this is not an undemocratic process with an undemocratic result. I just wanted to make that clear and make sure that you, Mr. Secretary, would agree with that.

The second question I have, and it's really based on your background in international negotiations and your dealing with the leadership in China, is what do you think would happen if we were to pull the vote this year?

Mr. RUBIN. If you were not to vote this year?

Mr. PORTMAN. If we just throw up our hands and say, we just can't deal with this issue.

Mr. RUBIN. Oh, I think it has a number, at least in my view, has a number of ramifications, Mr. Portman. I think all of them are exceedingly negative.

One thing, I think that there is a realistic possibility that China would go ahead, get access to the WTO and just exclude us from all the benefits. And as you very correctly pointed out, everyone else will take advantage of benefits and we'll soon be shut out, which is highly disadvantageous to us.

I think the other thing is that you do have these competing forces within China over the question whether to reform or not to reform, whether to move forward or not to move forward. And I think that there would at least be a possibility of a terrible under-

mining of the reformist voices in China, which is exactly the opposite of what we should want to accomplish.

And more broadly, I think that in respect to all of our interests, we have a real opportunity to do something that is of enormous importance. I think in many ways, this is probably about as important as anything that I was exposed to in the six and a half years I was in the Government. And I think it would be a terrible, terrible mistake for us not to move forward and take advantage of this.

Mr. PORTMAN. Not more important than the IRS oversight board, I hope.

Mr. RUBIN. It has its pluses and minuses. [Laughter.]

Mr. PORTMAN. Well, seriously, Mr. Secretary, that's a very powerful statement. And I appreciate again your willingness to engage yourself on this issue.

Thank you, Mr. Chairman.

Chairman ARCHER. Mr. Doggett.

Mr. DOGGETT. Thank you, Mr. Chairman.

Mr. Secretary, thank you. I generally share your perspective on the value of trade to our economy. But I do have some other concerns about the operation of the World Trade Organization and this agreement in particular.

As you know, the President has made comments at Davos, at Seattle and at other places about the importance of greater openness and transparency in the operation of the World Trade Organization. Now that you're very much in the private sector, does the opening up of the decision making process of the World Trade Organization stand to benefit the business community here in the United States and around the world?

Mr. RUBIN. I think the Davos speech was a terrific speech on trade. It was very thoughtful and balanced, at least in my view.

I think that transparency would benefit business. I think it would benefit everybody, because I think any time you have a more open process, as long as it doesn't become inefficient, ineffective, I think you're going to get better results.

So my answer to your question is yes.

Mr. DOGGETT. I know that there are so many multinationals, CitiBank, others, that are interested in seeing this China agreement approved this year. Is the business community taking any leadership role around the world in trying to encourage the WTO to open up its processes?

Mr. RUBIN. You know, that's an interesting question. I don't know the answer to that, but it's not a bad idea. Because I think that your basic point is the correct point. I think that would be in the interests of progress on trade and in the interest of American business.

I don't know the answer but I think it's something that should be considered.

Mr. DOGGETT. And I know at least in her written testimony, Ambassador Barshefsky has emphasized the fact that China would be, for the first time, subject to the WTO dispute resolution process. But to the extent that's all done secretly, it doesn't provide quite the assurance that we would have if we knew it were being done openly.

Mr. RUBIN. I think you've got an interesting point. It's enormously in the American interest that we have open processes. I think it really is enormously in our interest. I think that's something we can pursue. It's a good idea.

Mr. DOGGETT. Last November, the President also issued an executive order, as you're probably familiar, to require environmental reviews with reference to our trade agreements.

Mr. RUBIN. Yes.

Mr. DOGGETT. What role should we have relative to the environment in our trade relationships, whether it's China or beyond?

Mr. RUBIN. My view is that we have a tremendous self-interest in all countries, but the issue comes most to the fore in developing countries, in having strong environmental protection regimes. Because the problems, you know better than I do, the problems that develop in these countries don't only affect those countries. Unfortunately, they affect us as well.

So when a rainforest gets ripped down, it affects the atmosphere, the environment, it affects us. So I think that we should be pursuing environmental protection around the world. Whether or not trade agreements are an effective or appropriate mechanism for doing that is a separate question. But I think we have a tremendously strong self-interest in good environmental protection elsewhere.

Mr. DOGGETT. Should environment be a factor at all in trade policy?

Mr. RUBIN. I guess that my—I don't know the answer to that. I think that's a legitimate question and I think we'll have to work our way through it. I'm not sure I have a view on that.

Mr. DOGGETT. Thank you very much.

Chairman ARCHER. Secretary Rubin, thank you very much. It's a pleasure to have you back here. I hope you will return again in the near future.

Mr. RUBIN. Mr. Chairman, thank you. It's very nice to be with you and with Mr. Rangel and everybody else. Thank you.

Chairman ARCHER. If our next panel will come to the witness table. The Honorable Elliott Abrams, Reverend Daniel Baida Su, John Kamm, Alan Reuther, Kyle Burns and David Laux.

Welcome, gentlemen. And in accordance with the rules of the Committee, your entire printed statements, without objection, will be inserted into the record. And the Chair would encourage you to limit your verbal presentations to five minutes, if at all possible. And we're happy to have all of you with us. And Mr. Abrams, if you'd be good enough to start off.

Let me also ask each of the witnesses to identify yourself for the record before you present your testimony.

Mr. Abrams.

STATEMENT OF HON. ELLIOTT ABRAMS, MEMBER, UNITED STATES COMMISSION ON INTERNATIONAL RELIGIOUS FREEDOM (FORMER ASSISTANT SECRETARY, INTERNATIONAL ORGANIZATION AFFAIRS, FORMER ASSISTANT SECRETARY, HUMAN RIGHTS AND HUMANITARIAN AFFAIRS, AND FORMER ASSISTANT SECRETARY, INTER-AMERICAN AFFAIRS, U.S. DEPARTMENT OF STATE)

Mr. ABRAMS. Thank you, Mr. Chairman.

I'm Elliott Abrams and I'm here on behalf of the United States Commission on International Religious Freedom, of which I have the honor to be a member.

Let me begin by thanking you for the invitation to testify. And I would like to submit the full statement, including the Commission's recommendations, for the record. The Commission, as you know, was established by Congress in 1998 in the International Religious Freedom Act, which charged us with the responsibility of advising the President, Secretary of State and Congress on matters involving international religious freedom. Just two days ago, we issued our first annual report.

The Commission has nine voting members who come from both parties and several religions. And several of us are strong free traders. Yet the vote was a unanimous 9–0 in our report, asking Congress not to grant permanent NTR for China at this moment. Let me read the reasoning that was stated in our report.

The Commission believes that in many countries, including some of China's neighbors, free trade has been the basis for rapid economic growth, which in turn has been central to the development of a more open society and political system. This belief has been a major factor for the annual decision by presidents and congressional majorities of both parties to grant MFN to China over the past two decades.

However, given the sharp deterioration in freedom of religion in China during the last year, the Commission believes that an unconditional grant of PNTR at this moment maybe taken as a signal of American indifference to religious freedom. The Government of China attaches great symbolic importance to steps such as the grant of PNTR, and presents them to the Chinese people as proof of international acceptance and approval.

A grant of PNTR at this juncture could be seen by Chinese people struggling for religious freedom as an abandonment of their cause at a moment of great difficulty. We therefore believe that Congress should grant PNTR to China only after China makes substantial improvements for freedom of religion.

Now, what led us to this unanimous conclusion? Freedom of religion in China is under attack. The situation today is worse than it has been since the cultural revolution. The underlying conditions are very bad. Persecution of Catholics loyal to the Pope and of Protestant groups operating outside of government supervision, the so-called house churches, persecution of Muslims in Xinjiang, all intensified. Churches and religious schools throughout the country were destroyed over the last year. Worshipers continue to be detained, beaten, jailed.

Efforts to tighten control over Chinese Catholics were increased. Bishop Yan Weiping was detained in May 1999 while performing

mass and was found dead on the street shortly after being released from detention. A number of Catholic bishops remain under detention. Scores of Protestant house church leaders and worshipers have been detained.

I think you're all familiar with the situation in Tibet. Within the last year, about 1,000 monks and nuns were expelled from their monasteries. And you're all familiar with the situation of Falun Gong.

So we concluded that the passage of PNTR at this juncture would send a powerful message to Beijing that we don't much care about all of this, unless some additional things are done first. We believe China should be asked to make some substantial steps toward improving respect for freedom of religion, measured in ways like the start of a serious bilateral dialogue with us on freedom of religion.

They have signed the international covenant on civil and political rights, two years ago, but never ratified it, and could be asked to ratify it. We should be getting access, the international community should, to religious leaders under detention. They should be responding to requests for information. Things like this are not extreme proposals.

We've also asked for some steps by the U.S. Government first, before you vote. That you undertake intensive and continuing monitoring of human rights in China. That we continue to press in the U.N. Human Rights Commission each year. That you invite the Dalai Lama, a symbol of religious freedom and non-violence, to speak to a joint session.

That we lead a campaign to seek the release of China's religious leaders imprisoned or under house arrest. That the United States oppose the holding of the Olympic Games in China while these kinds of religious freedom conditions are extent there.

My time is running out, Mr. Chairman, so I would just say one final thought. This vote is not a surprise. The government of China has known it was coming for a long time, as we all have. Yet during this very year when you're voting, they have unleashed a vast campaign of religious repression. What were they thinking, that we didn't care, that none of us cared? That Congress would pay no attention to this? That no matter how many bishops they put in jail, no matter how many churches they bulldozed, there would be no effect on us?

It appears that is what they thought. And we call upon you to prove that they were wrong, and to insist first on progress with respect to religious freedom. We think if the vote is put off until there is some sign of progress that you will be sending a message of strength and principle that will have enormous and beneficial impact on China.

And we thank you again, Mr. Chairman, for this opportunity to testify on behalf of the Commission.

[The prepared statement follows:]

Statement of the Hon. Elliott Abrams, Member, United States Commission on International Religious Freedom (Former Assistant Secretary, International Organization Affairs, Former Assistant Secretary, Human Rights and Humanitarian Affairs, and Former Assistant Secretary, Inter-American Affairs, U.S. Department of State)

Mr. Chairman and Members of the Committee:

On behalf of the United States Commission on International Religious Freedom, of which I have the honor to be a member, I wish to thank the Committee for this invitation to testify about the granting of permanent normal trade relations to China.

The Commission, established by Congress in the International Religious Freedom Act of 1998, is charged with the responsibility of advising the President, the Congress, and the Secretary of State on matters involving international religious freedom. Just two days ago we issued our first annual report. The Commission has nine voting members who come from both political parties and several religions—and several of us are strong free traders. Yet we were unanimous in our Report in asking Congress not to grant PNTR to China at this moment. Our reasoning is stated in our Report:

The Commission believes that in many countries, including some of China's neighbors, free trade has been the basis for rapid economic growth, which in turn has been central to the development of a more open society and political system. This belief has been a major factor for the annual decision, by presidents and congressional majorities of both parties, to grant "most favored nation" (MFN) trade relations with China each year over the past two decades. Moreover, a grant of PNTR and Chinese membership in the World Trade Organization may, by locking China into a network of international obligations, help advance the rule of law there in the economic sector at first, but then more broadly over time.

Nevertheless, given the sharp deterioration in freedom of religion in China during the last year, the Commission believes that an unconditional grant of PNTR at this moment may be taken as a signal of American indifference to religious freedom. The government of China attaches great symbolic importance to steps such as the grant of PNTR, and presents them to the Chinese people as proof of international acceptance and approval. A grant of PNTR at this juncture could be seen by Chinese people struggling for religious freedom as an abandonment of their cause at a moment of great difficulty. The Commission believes that Congress should not approve PNTR for China until China makes substantial improvements in respect for religious freedom.. . ."

What happened in China to lead us to this unanimous conclusion? The very limited religious freedom Chinese enjoyed in the past is under attack. The situation is worse than at any time since the Cultural Revolution.

The underlying conditions are clear. They have been reported by the State Department and by many human rights organizations in detail, and are summarized in the Staff Memorandum for the Chairman that accompanies our own annual report and is posted on the Commission's web site, www.uscirf.gov.

Here are some highlights:

• Religious freedom is denied to the people of China, and the right to educate one's children in one's religion is denied. In January, Premier Zhu Rongji and others gave speeches stressing the importance of controlling all forms of religious activity.

• Using the "anti-cult" provisions of the Criminal Code, thousands of Chinese in Falun Gong and other groups were beaten and arrested this past year because the Chinese regime found their spiritual and religious activity to be a political threat. Some have received long prison terms. Millions of religious books have been burned. It is worth adding that this crackdown clearly violates China's promises to respect internationally-guaranteed rights to freedom of religion.

• The regime continues to forbid freedom of religion in Tibet, and continues its suppression of Tibetan Buddhism and its punishment of any expression of religious loyalty to the Dalai Lama. This past year, another key religious figure, the Karmapa Lama, fled into exile. Over 1,000 monks and nuns were expelled from their monasteries in 1999, and over 11,000 have been expelled since 1996. Monks and nuns who resist re-education are still being jailed and tortured, and last year three monks in their twenties died from injuries suffered in prison.

• Persecution of Catholics loyal to the Pope, and of Protestant groups operating outside government supervision, the so-called "house churches," and of Muslims in Xinjiang, was intensified. Churches and religious schools established without prior approval were destroyed. In 1999 and this year, worshipers continued to be detained, beaten, jailed, and fined. Efforts to tighten control over Chinese Catholics were increased, and many Catholic clergy loyal to the Vatican have been detained

in recent months. Bishop Yan Weiping was detained in May 1999 while performing mass and was found dead on a street shortly after being released from detention. A number of Catholic bishops remain under detention. In January 2000 the government had the official Catholic church ordain five new bishops without the approval of the Vatican or local dioceses; two of them replaced bishops detained by the government in 1999. Scores of Protestant "house church" leaders have been detained.

The Commission concluded that passage of PNTR at this juncture would send a powerful message to the government of Beijing that we don't much care about all of this—and perhaps as tragically, send the same message to millions of Chinese believers struggling to practice their religion.

We therefore believe that the U.S. Congress should not approve Permanent Normal Trade Relations for China until China makes substantial improvements in respect for religious freedom, as measured by the following standards:

• *establishment of a serious dialogue with the United States on religious freedom concerns;*

• *ratification by China of the International Covenant on Civil and Political Rights, which it signed in 1998 but has never ratified;*

• *access to religious leaders, including those under detention, for international human rights organizations, by the Commission itself, and respected international human rights organizations;*

• *detailed responses by the Chinese government to inquiries about individuals known to be imprisoned for reasons of religion or belief;*

• *and the release from prison of all persons incarcerated for religious reasons.*

We also ask the following of our own government:

• *that you in Congress hold annual hearings on human rights in China;*

• *that the United States continue to press resolutions about human rights in China each year in the UN Human Rights Commission, and do it seriously and at the highest level;*

• *that you invite the Dalai Lama, an international symbol of religious freedom and non-violence, to address a joint session;*

• *that the US help lead a campaign to seek the release of Chinese religious leaders imprisoned or under house arrest;*

• *that the United States raise the profile of conditions for Uighur Muslims in Xinjiang, in diplomatic discussions and in Uighur language radio broadcasting;*

• *and finally that until significant progress has been made in religious freedom and human rights in China, the United States should use its influence to ensure that China not be selected as the site for the Olympic Games.*

The full text of the Commission's recommendations on China in its May 1, 2000 Report follows this statement.

Mr. Chairman, the state of religious freedom in China is poor and is deteriorating. To repeat our unanimous conclusion,

"Given the sharp deterioration in freedom of religion in China during the last year, the Commission believes that an unconditional grant of PNTR at this moment may be taken as a signal of American indifference to religious freedom.. . .A grant of PNTR at this juncture could be seen by Chinese people struggling for religious freedom as an abandonment of their cause at a moment of great difficulty. The Commission therefore believes that Congress should not approve PNTR for China until China makes substantial improvements in respect for religious freedom.. . ."

Mr. Chairman, on my own behalf and on behalf of all the members of the U.S. Commission on International Religious Freedom, I thank you for this opportunity to appear here today.

The following is the China section of the Recommendations of the United States Commission on International Religious Freedom in its May 1, 2000 Annual Report

B. The People's Republic of China

1. Background on China

The government of China and the Communist Party of China (CPC) discriminate, harass, incarcerate, and torture people on the basis of their religion and beliefs. Chinese law criminalizes collective religious activity by members of religious groups that are not registered with the state. It registers only those groups that submit to membership in one of the government-controlled associations affiliated with the five officially recognized religions. Members of registered religious groups can only engage in a limited range of what the state deems "normal" religious activities.

The religious and belief communities that resist registration or that have been denied permission to register, including Catholics loyal to the Pope and Protestants who worship in "house churches," have no legal standing in China. Adherents are

often harassed, detained, and fined. Meetings are broken up, unauthorized buildings are destroyed, and leaders are arrested and frequently imprisoned.

Over the past several years, Chinese officials have been employing increasingly strict laws and regulations as instruments to harass religious groups and maintain control over religious activities. Officials responsible for enforcing the strict laws continue to be guided by CPC policy directives on religion. Furthermore, the Chinese legal system does not protect human rights from state interference, nor does it provide effective remedies for those who claim that their rights have been violated. Thus, this Commission finds that even though the Chinese government modified its means of state control by moving to a system of regulation of religion according to law, it has not improved the conditions of religious freedom in China.

The right to freedom of religious belief is explicitly denied to the 60 million members of the CPC, and the 3 million members of the Chinese military, and to hundreds of millions of minors under the age of 18, whose education the government monopolizes.

The new "anti-cult" provision of the Criminal Code is being used to impose long prison sentences on leaders of the Falun Gong and Zhong Gong spiritual movements as well as Protestant house church leaders.

Chinese authorities exercise tight control over Tibetan Buddhist monasteries, select and train important religious figures, and wage an invasive ideological campaign both in religious institutions and now among the Tibetan people generally.

Chinese authorities similarly exercise tight control over the Uighur Muslims in Xinjiang in northwest China. There are credible reports of thousands of arbitrary arrests, the widespread use of torture, and extra-judicial executions.

This Commission concludes that the practices of the Chinese government and the CPC with respect to freedom of religion and belief violate the standards of the Universal Declaration of Human Rights and the International Covenant on Civil and Political Rights (ICCPR). Each of these international instruments prohibits discrimination on the basis of religion or belief, and the Universal Declaration and the ICCPR protect the right to hold and to manifest beliefs. The government of China, however, imposes undue restrictions on the manifestation of beliefs and bans several beliefs altogether.

2. Commission Recommendations on China

In light of the preceding description of the situation in China, the Commission makes the following recommendations:

RECOMMENDATION 2.1: PERMANENT NORMAL TRADE RELATIONS (PNTR) WITH CHINA

As of May 1, 2000, the date on which the Commission is releasing this report, China has applied for entrance into the World Trade Organization (WTO), a multilateral organization including the United States and other industrialized countries. As a part of the admission process, the WTO established a "Working Party on the Accession of China," a task force that oversees the consideration of China's application to join the WTO. The Working Party is responsible for drafting a Protocol for the accession of China and for monitoring a series of bilateral market-access agreement negotiations between China and 37 members of the WTO (including the United States and the European Union). Although conclusion of these bilateral agreements is not strictly necessary for obtaining WTO membership, such agreements establish the terms of the trade relations, on a bilateral basis, between China and the WTO members with whom it enters into the bilateral agreements. China and the United States signed a bilateral accession agreement in 1999, although China is not bound by the agreement unless the United States grants China PNTR status. As of April 28, the European Union and several other members, unlike the United States, have not concluded their bilateral discussions with China. After China agrees to an accession Protocol with the Working Party, China will likely receive a sufficient number of votes from WTO members to permit it to join. The U.S. Congress currently is scheduled to vote on the question of whether to grant PNTR status to China within the next few weeks (currently scheduled for the week of May 22).

The Commission believes that in many countries, including some of China's neighbors, free trade has been the basis for rapid economic growth, which in turn has been central to the development of a more open society and political system. This belief is the basis for the annual decision, by presidents and congressional majorities of both parties, to grant "most favored nation" (MFN) trade relations with China each year over the past two decades. Moreover, a grant of PNTR and Chinese membership in the World Trade Organization may, by locking China into a network of

international obligations, help advance the rule of law there in the economic sector at first, but then more broadly over time.

Nevertheless, given the sharp deterioration in freedom of religion in China during the last year, the Commission believes that an unconditional grant of PNTR at this moment may be taken as a signal of American indifference to religious freedom. The government of China attaches great symbolic importance to steps such as the grant of PNTR, and presents them to the Chinese people as proof of international acceptance and approval. A grant of PNTR at this juncture could be seen by Chinese people struggling for religious freedom as an abandonment of their cause at a moment of great difficulty. The Commission therefore believes that Congress should not approve PNTR for China until China makes substantial improvements in respect for religious freedom, as measured by the following standards:

2.1. The U.S. Congress should grant Permanent Normal Trade Relations status to China only after China makes substantial improvements in respect for freedom of religion, as measured by the following standards;

2.1.a. China agrees to establish a high-level and ongoing dialogue with the U.S. government on religious-freedom issues.

China's policy on treatment of religious exercise and religious groups is dictated by the Chinese Communist Party through its United Front Work Department (UFWD). This policy is implemented by the national and local offices of the Religious Affairs Bureau (RAB).

Since May of 1999, no dialogue on religious freedom or other human rights has taken place between the United States and any level of the Chinese government. The RAB has refused to meet with U.S. embassy personnel or even to receive official communications. Obviously, this closed door policy in Beijing is not conducive to bilateral communication or improvement in religious freedom for the Chinese people.

The Commission recommends that the first condition for granting PNTR be the reestablishment of direct, ongoing, and constructive dialogue between high-level United States and Chinese officials on freedom of religion and belief. The dialogue should include officials within the UFWD.

In addition to official dialogue between governments on religious-liberty issues, the U.S. government should press Beijing to allow contacts, official and unofficial, between and among various religious groups in China and their counterparts in the United States. This communication can only increase understanding in both countries of the similarities and differences in conditions for religious liberty in each country.

2.1.b. China must agree to ratify the International Covenant on Civil and Political Rights.

China is the only member of the UN Security Council that has not ratified the ICCPR. In anticipation of President Clinton's trip to China in 1997, China signed the ICCPR in 1998. Ratification of the ICCPR would demonstrate to the world and the people of China that the government takes seriously its role as a member of the international community.

2.1.c. China must agree to permit unhindered access to religious leaders, including those imprisoned, detained or under house arrest, by the U.S. Commission on International Religious Freedom and respected international human rights organizations.

2.1.d. China must provide a detailed response to inquiries regarding a number of persons who are imprisoned, detained, or under house arrest for reasons of religion or belief, or whose whereabouts are not known but who were last seen in the custody of Chinese authorities. The Department of State, after consultation with human rights and religious groups, should compile a detailed list of such prisoners of conscience and make specific inquiries to the Chinese government.

China has detained thousands of religious practitioners, many in the "reeducation through labor" (laojiao) system. Using its laws against "cults," the government recently prosecuted scores of religious leaders and gave them prison sentences as long as 18 years. At least seven Roman Catholic bishops who have refused to join the relevant governmental association have been arrested and remain imprisoned or have not been seen in public since. In 1997, a delegation to China of three American clerics (including now-Commissioner Archbishop Theodore McCarrick), asked to meet with several leaders (such as James Su Zhimin, Bishop of Hebei), but Chinese authorities refused to permit it.

Shen Yiping and Zheng Suqian were imprisoned for their leadership of large Protestant "house churches" in 1999. Thousands of practitioners of Falun Gong have been detained and more than 300 have been sentenced, including one leader to 18

years. Within the Tibetan Buddhist community, the Dalai Lama's choice for the Panchen Lama—a child named Gendun Choekyi Nyima—has not been seen since 1995, and numerous monks and nuns remain in prison in Lhasa.

2.1.e. China must release from prison all persons incarcerated for religious reasons.

Needless to say, the Commission believes that all prisoners incarcerated for reasons of religion or belief should be released immediately. The very least the government of China should be required to do before PNTR is granted is to free those who are minors and those whose health is poor.

RECOMMENDATION 2.2: STEPS THE U.S. CONGRESS SHOULD TAKE BEFORE GRANTING PNTR

Before granting PNTR to China:

2.2.a. The U.S. Congress should announce that it will hold annual hearings on human rights in China.

The Commission believes that congressional monitoring of human rights conditions in China should be intensive and continuous. If normal trade relations are to be permanent, so should congressional monitoring of human rights conditions in China be permanent. Toward this end, the Commission urges Congress to hold annual hearings for monitoring Chinese human rights performance. Congress should announce this initiative before PNTR is granted, while the issue is still visible and while both proponents and opponents of PNTR are espousing the importance of monitoring and leveraging improvements in human rights in China. The full Senate Committee on Foreign Relations and House Committee on International Relations should plan regular, in-depth hearings (to be held at least annually).

2.2.b. Congress should invite the Dalai Lama to address a Joint Session of Congress.

The Dalai Lama is an international symbol of religious freedom and non-violence. A congressional invitation to address a joint session would honor him and the cause of religious freedom at a moment when that cause is under attack in China. Such an invitation would demonstrate continuing Congressional concern and a firm resolve never to abandon freedom of religion as a central human right. The Commission therefore urges that Congress issue the invitation as soon as possible.

RECOMMENDATION 2.3: UN HUMAN RIGHTS COMMISSION RESOLUTION ON CHINA

The Commission believes that China should be censured annually by the UN Commission on Human Rights (UNCHR) as long as the government's treatment of religious communities falls dramatically short of the standards of the UN Declaration on Human Rights and the ICCPR.

Since 1990, the United States has sponsored a resolution on China in the UNCHR every year except 1998. The UNCHR has voted to take no action on those resolutions every year except in 1995. On only two occasions, in 1995 and 2000 (the only two years that the UNCHR came close to debating the United States' resolution on China) did the Administration make an early and concerted effort to push for the resolution. China, on the other hand, lobbies UNCHR member countries year-round, dispensing aid and favors in return for commitments that the members will support a "no action" motion each year at the UNCHR.

2.3. Until religious freedom significantly improves in China, the U.S. government, led by the personal efforts of the President of the United States, should initiate a resolution to censure China at the annual meeting of the UN Commission on Human Rights and should support a sustained campaign to convince other governments at the highest levels to support it.

The U.S. government should decide by October of each year—six months before the UNCHR vote in April—whether a resolution condemning China's human rights performance is warranted. If so, the Administration should coordinate all appropriate agencies in a sustained campaign to enlist the support of UNCHR member countries.

Even with a six-month lead time, a U.S. resolution will likely continue to fail in Geneva unless the President makes its adoption a high priority of the Administration. At the 2000 meeting of the UNCHR, the Secretary of State and the Assistant Secretary for Democracy, Human Rights and Labor pressed hard for passage of the resolution, but the unsuccessful result shows that presidential involvement is clearly needed. The Commission urges the President personally to solicit support for the resolution from the governmental leaders of UNCHR member countries. Indeed, this

year the Commission urged the President to increase his involvement in the final days leading up to the vote. The importance that the United States places on passage of the resolution would not be lost if the President were to address the UNCHR in Geneva. The success or failure of this referendum on China's standing in the international community is likely to depend on whether the President makes liberal use of the "bully pulpit" and effective diplomacy at every opportunity.

RECOMMENDATION 2.4: INTERNATIONAL CAMPAIGN FOR PRISONER RELEASE

As discussed above, the PRC government routinely arrests and incarcerates religious practitioners of unofficial churches or illegal "sects" in "reeducation through labor" camps for up to three years, and imprisons religious leaders for long sentences. The current victims include Roman Catholic Bishop Su Zhimin, and a number of other bishops and priests, Falun Gong leaders, House Church leaders, Gendun Choekyi Nyima (the Panchen Lama designated by the Dalai Lama), and members of the Muslim Uighur community who have been imprisoned for their religious belief, association or practice.

Multilateral overtures to the Chinese government comprise the most promising means of liberating some of these individuals.

2.4. The United States should lead a multilateral campaign to seek the release of Chinese religious leaders imprisoned or under house arrest.

All diplomatic means should be used to effect the release of those Chinese religious leaders who are imprisoned, who have not been seen in public since their detention, or who are under house arrest.

The means employed should be the full range of diplomatic tools—from private demarches to UN Security Council resolutions to presidential statements. Every meeting of U.S. embassy personnel with the Chinese government should include prominent mention of our government's profound concern for the welfare of these religious leaders and a request that they be released.

RECOMMENDATION 2.5: MEASURES TO ENHANCE FREEDOM OF UIGHUR MUSLIMS

The residents of Xinjiang province are the only Chinese who are subject to capital punishment for political crimes. That apparently is intended to suppress the separatist movement of the Uighur people in that province, a movement that sometimes apparently involves violence. But one reported result of the government's heavy-handed policy toward Xinjiang is the limitation of religious exercise by nonviolent Uighur Muslims.

Because the Chinese government vigorously suppresses the flow of information from Xinjiang, and because the Uighur people are not well-known and lack a large international constituency (in contrast to the Tibetan Buddhists), the Commission recommends that the U.S. government enhance their visibility, in the hope of relieving their religious exercise of current strictures.

2.5. The U.S. government should raise the profile of conditions in Xinjiang by addressing religious-freedom and human rights concerns in bilateral talks, by increasing the number of educational exchange opportunities available to Uighurs, and by increasing radio broadcasts in the Uighur language into Xinjiang.

The Commission recommends that the State Department raise the status of Xinjiang toward the same level presently enjoyed by Tibet. The religious freedom of Uighur Muslims in that province should be made a priority agenda item in discussions with the Chinese government. American diplomats should also raise the plight of the Uighurs on a bilateral basis with other countries, particularly Islamic governments, and urge them to pursue the issue in their own discussions with Beijing.

In addition, the Commission recommends that the U.S. government increase the number of educational and cultural exchange opportunities available to Uighurs.

The Commission further recommends that the U.S. government devote more attention and resources to documentation of the situation in Xinjiang.

Finally, the Commission believes that religious freedom would be promoted in Xinjiang by increasing the flow of information via radio in the Uighur language, through, for example, Radio Free Asia.

RECOMMENDATION 2.6: CHINA'S HOSTING OF OLYMPIC EVENTS

2.6. The U.S. government should use its diplomatic influence with other governments to ensure that China is not selected as a site for the International Olympic Games

until it has made significant and sustained improvement in religious freedom and human rights.

[Attachment is being retained in the Committee files.]

Chairman ARCHER. Thank you, Mr. Abrams.

Our next witness is Reverend Su. Welcome and after you identify yourself, you may proceed.

STATEMENT OF REVEREND DANIEL BAIDA SU, SPECIAL ASSISTANT TO THE PRESIDENT, CHINA OUTREACH MINISTRIES, INC., FAIRFAX, VIRGINIA

Reverend SU. Thank you, Mr. Chairman and members of the Committee, for the opportunity to testify here regarding the PNTR to China. My name is Daniel Su, and I represent China Outreach Ministries, based in Fairfax, Virginia. We are committed to reaching out to graduate students from China. There are about 50,000 of them right here in the United States.

Last Saturday, when the White House called me to ask for my view on the issue, I commended the President on his vision to integrate China into the world community. Despite my honest disagreement with the President on many issues, I do strongly agree with him that granting PNTR to China is the right thing to do for both the American and the Chinese people.

Aside from the obvious economic benefits for both countries, I believe that there are other compelling reasons to support China's PNTR and WTO membership. First, as a clergyman concerned about religious freedom and human rights, I am particularly excited that a WTO agreement would initiate a dynamic process of change in China with far-reaching consequences. It would greatly contribute to creating a conducive environment for promoting international norms, the rule of law and individual rights and freedom.

The WTO agreement obligates China to play by the rules. In the process, China will need to strengthen its legal institutions, train more legal professionals, and educate its people about the concepts of rights, law and international norms. This process in itself is a breakthrough with important philosophical implications for China as a nation.

When a Chinese realizes that he has certain rights as a businessman the government should not violate, then more likely he will also realize that he has other rights as a human being. In following the WTO norms, Beijing government is openly acknowledging the authority and legitimacy of the international norms, rather than accusing the United States of interfering with China's internal affairs.

If China learns to abide by the WTO rules, then you will more likely learn to abide by other international norms in the universal declaration of human rights.

Second, the WTO agreement will accelerate China's economic reform, especially its privatization process. It will set more people free from government intrusion into their lives, and enable them to live as freer men and women. It will speed up the free flow of information and expose the Chinese people to more ideas and values which could be potentially revolutionary.

In its last annual report on human rights, the State Department takes note of the increasing personal freedoms in China. Some China trade critics are quick to argue that increasing freedoms is not intended by Beijing government, and therefore, it shouldn't get a credit. I cannot agree more. Their argument proves exactly the point, the need to do more trade with China. It proves the dynamics of the free market in creating freedoms, even freedoms unintended by the government.

How can the same critics stand in the name of human rights, use the same argument against free trade with China? Why kill the process that already is creating freedoms for people we say we care about?

Finally, to grant PNTR to China is to strengthen the reformists there. Reformists in China have fought hard to commit Beijing to a WTO agreement. China's current reform has its limits and has reached a critical stage where it's confronted with daunting changes such as massive unemployment and native unrest. Besides there are strong forces in China trying to derail the reform process.

To grant PNTR to China and to bring it into WTO is to provide a cover and momentum the reformers need to jump start their reform and to bring it to a complete success. To deny China's PNTR is to abandon China's reformers in this critical battle. To do that is to unwittingly play into the hands of the Hunan communists. That would be a major setback for China's reform and is bad news for America.

Despite my arguments for granting PNTR to China, I want to acknowledge that PNTR is not a magic weapon that will somehow bring China to democracy. There are no such magic weapons, and it will likely take a long process for China to be democratic. However, in considering the PNTR vote, these are some of the good questions to ask. If we grant PNTR to China, does that help it get on the right track toward a rule of law and improvements of human rights? Will the Chinese and American people be better off as a result? Will it help China play a more responsible role in the international community? I believe the answer is yes.

I share the deep frustrations you all feel about China's human rights situation. I personally have friends in China who are in prison now for human rights reasons. Religious people and political dissidents still find their basic rights limited and violated in various ways. With or without PNTR for China, we should always continue to work hard to address these concerns. But it is counterproductive to deny China's PNTR because of its poor human rights record. That would be like denying food to a child because he is too weak and skinny.

I myself feel the urge to want to seize every conceivable opportunity to send China a message. It would make me feel good, but what good does it accomplish for people in China? When we send a message, we also need to ask, at what cost? Is it worth it if it causes a major setback in China's reform process? Is it worth it if it costs us this strategic opportunity to move China in the right direction?

I don't believe it is. Especially when we know there are other existing channels to send a message that's not counterproductive. And we can always create new, effective channels.

Which direction do we want China to go? That's what's at stake in this PNTR vote. There are no guarantees that China will go the direction we desire. But it's my conviction that granting PNTR to China and its WTO membership gives us the best hope that China may become a more humane and responsible country.

I am hopeful and my prayers are with you as you consider this very important vote. Thank you very much.

[The prepared statement follows:]

Statement of Reverend Daniel Baida Su, Special Assistant to the President, China Outreach Ministries, Inc., Fairfax, Virginia

Mr. Chairman and members of the Committee, thank you for the opportunity to testify today regarding granting Permanent Normal Trade Relations (PNTR) to China.

Please allow me to briefly introduce myself first. I was born and raised in China. Despite my Buddhist family background, I chose to become a Christian in China's house church movement, which Beijing government still considers illegal and is therefore subjected to various degree of suppression and even persecution. Currently I work for China Outreach Ministries, an evangelical Christian organization headquartered in Fairfax, Virginia. Our organization is committed to reaching out to the 50,000 Mainland Chinese graduate students, scholars and their families currently on US campuses.

Regarding PNTR for China, when the White House called me last Saturday to ask for my view on the issue, I commended the President for his vision and leadership in trying to integrate China into the world community through PNTR and the WTO agreement. Even though I cannot honestly say I share his views in all issues, I strongly agree with him that granting PNTR to China is the right thing to do for both the American and Chinese people. Aside from the obvious economic benefits for both countries, I believe there are other compelling reasons to support China's PNTR and accession to the WTO.

First, as a clergyman concerned about religious freedom and other human rights issues in China, I am particularly excited that the WTO agreement will initiate a dynamic process of change in China with far reaching consequences. It will greatly contribute to creating a conducive environment for promoting international norms, the rule of law and individual rights and freedom.

The WTO agreement obligates China to play by the rules. In the process, China will need to strengthen its legal institutions, train more legal professionals, learn to follow international legal procedures, and educate its people about the concept of rights, law and international norms. This process alone is a breakthrough with important philosophical implications for China as a nation. When a Chinese realizes that he has rights as an investor that government should not violate, then more likely he will also realize that he has other rights as a human being. In going through this process Beijing government is openly acknowledging the authority and legitimacy of international norms rather than accusing the United States for "interfering with China's internal affairs." If China learns to abide by the WTO rules, then it will more likely learn to abide by other international norms such as the "UN Declaration of Human Rights." This will be a major step forward toward the rule of law.

Second, the WTO agreement will accelerate China's economic reform, especially its privatization process, giving more freedoms to the people. It will set more people free from government intrusion into their lives and enable them to live as freer men and women. It will speed up the free flow of information and expose the Chinese people to more ideas and values, which could be potentially revolutionary.

In its last annual report, the State Department takes note of the increase in personal freedoms in China on one hand and deterioration in human rights on the other. Some China trade critics are quick to argue that the increase in personal freedoms are not intended by Beijing government. I cannot agree more, for that exactly proves the amazing dynamics of the free market—its power to create results even unintended by government. However, when the same critics in the name of freedom use the same argument against trade with China, then I cannot disagree more! Why kill the market process that's creating more freedoms for the people we say we care about?

Finally, to grant PNTR to China is to strengthen the progressive reformers in China, for China's reformers have worked hard to bring Beijing to the WTO agreement. China's current economic reform has its limit and has reached a critical stage.

Among many daunting challenges China is facing are massive unemployment and labor unrest. There are strong forces in China trying to derail the reform process. To grant PNTR to China and to bring it into WTO is to provide the cover and momentum the reformers need to bring their reform to a successful completion. To deny China's PNTR is to abandon China's reformers in this critical battle and unwittingly play into the hands of the hard-line communists. That would be a major setback for China's reform efforts.

Despite my arguments for granting PNTR to China, I want to acknowledge that PNTR is not the magic weapon that will somehow bring democracy to China. There are no such magic weapons, and it will likely take a long process for China to become truly democratic.

However, in considering the PNTR vote, among the relevant questions to ask are: If we grant PNTR to China, does that help it get on the right track toward the rule of law and improvement of human rights? Will the Chinese and American people be better off as a result? Will it help China play a more responsible role in the international community? I believe the answer is a resounding yes.

I understand that there are frustrations about China's human rights record. Unregistered Christians, other religious minorities, and political dissidents still find their basic rights deprived or even violated in different ways. With or without PNTR for China, we should continue to work hard to address these concerns. But to deny PNTR to China because it has poor human rights record is like denying food to a child because he is too skinny. That would be counterproductive.

Which direction would we encourage China to go? That's what's at stake in this PNTR vote. There is no guarantee that China will go the direction we desire, but it's my conviction that granting PNTR to China and its membership into the WTO gives us the best hope that China will move toward greater openness, rule of law, respect for human rights and other international norms. Thank you.

Chairman ARCHER. Thank you, Reverend Su.

Mr. Kamm, we'd be pleased to receive your testimony.

STATEMENT OF JOHN KAMM, EXECUTIVE DIRECTOR, DUI HUA FOUNDATION, SAN FRANCISCO, CALIFORNIA

Mr. KAMM. Mr. Chairman, Mr. Rangel, distinguished members of the Committee. My name is John Kamm. I'm the Executive Director of The Dui Hua Foundation, a San Francisco-based non-profit organization that seeks to narrow differences between the United States and China in the area of human rights. I also direct the Program in Human Rights Diplomacy at Stanford University.

An important part of my foundation's unofficial dialogue with the Chinese government is the Prisoner Information Project, a unique program with China's Ministry of Justice through which we keep track of detainees convicted of national security offenses by Chinese courts. I have been doing this work for 10 years, since I first came before this committee: uncovering names of prisoners, assembling them into lists, submitting the lists to the Chinese government, urging detailed responses and circulating the information.

My foundation, with grant support from Smith Richardson Foundation and the International Republican Institute, is carrying out the first comprehensive survey of Chinese publications to uncover the names of political and religious prisoners. We have thus far found more than 500 names of prisoners unknown outside China. And I have already asked the Chinese government already to account for more than 100 of them. I will travel to Beijing later this month as part of this effort.

We urge greater leniency and encourage transparency, a quality of governance that will be promoted by China's accession to the WTO.

Let me tell you about one of the cases I'm working on. A young worker by the name of Liu Baiqiang was serving a sentence for robbery. He condemned the killings of June 4th, 1989 from his cell, and for this he was resentenced to a term of 17 years. That was in 1989.

In 1994, his case came to light. I began asking the Chinese government questions about him. The following year, he received his first sentence reduction. In 1996, he received another. Then in 1999, Amnesty International spotlighted his case. He received another sentence reduction.

In the five years before his case was known, he received no sentence reductions. In the five years after his case became known, he received three reductions. In my statement, I cite many other examples of leniency extended to prisoners whose situations are brought to light. As many as half of such prisoners are released prior to the completion of their sentences. Far too long for exercising one's right to speech and association. But far shorter than it used to be.

China has become more responsive to the concerns of the international community. It hasn't moved fast enough to respect human rights, and new problems surface every day. But the Chinese government no longer dismisses all expressions of concern as interference in its internal affairs. And it regularly releases prisoners and takes other steps to improve its image or secure its diplomatic goals. Making concessions in the area of human rights arises from the country's effort to become a part of the world community and to take its place in the community of nations. China's acceptance of international standards will gain impetus with its joining the WTO and by Congress granting China permanent normal trade relations.

Some worry that by granting China PNTR, the United States will lose leverage. The annual renewal debate, however, no longer provides us with leverage. I cannot think of a single human rights gesture in the last six years that the Chinese government has made to obtain annual renewal. I go into this further in my statement, but I do believe that the debate has become counterproductive to the goals it once sought to promote.

This doesn't mean we have no leverage. China is a poor but proud country, and it will always want something. China has applied to host the 2008 Olympic Games, and the decision on who will host them will be made next summer. Next year, the United States will have a new president. And the Chinese government will want to make friends with whoever that is. We need to take full advantage of these opportunities.

As China joins the world community, there will be many opportunities to prod its government to improve its human rights record. Do we have the tools to exploit these opportunities? We have some, and we can fashion others. I go into some ideas for human rights initiatives in my statement and I will be happy to discuss those further.

China's accession to the WTO, and this Congress' granting of PNTR in that context, will ultimately be good for human rights in China. And legislation granting PNTR should be voted on as a clean bill.

Milan Kundera once wrote that the struggle of man against power is the struggle of memory against forgetting. The work of remembering China's forgotten prisoners has been made possible by the opening of channels of communication between the United States and China. And the success or failure of this work depends on the overall development of relations between the two countries.

I urge you to pass legislation granting China PNTR, allowing American companies and workers and their counterparts in China to enjoy the benefits of a more open and responsible China. Thank you, Mr. Chairman.

[The prepared statement follows:]

Statement of John Kamm, Executive Director, Dui Hua Foundation, San Francisco, California

Ten years ago, I was Chairman of the American Chamber of Commerce in Hong Kong, and Vice President of a large multinational corporation producing and trading chemicals in the Far East. That year – 1990—was the first year of the national debate over whether or not to renew China's most-favored-nation (MFN) trade status, something we now refer to as "normal trade relations (NTR)." I came to Washington and testified before this committee and before the House Foreign Affairs Committee in favor of renewing MFN. The record will show that I was among the first witnesses to come before Congress to argue against revoking China's tariff status. I haven't changed my position: I still believe that one of the worst things this country could do regarding human rights in China would be to terminate or curtail trade relations.

Today the debate is not about whether to revoke China's NTR. It's about whether or not to grant China permanent NTR in the context of an agreement over China's entry into the World Trade Organization (WTO) negotiated by the United States Trade Representative and signed in Beijing last November. After 10 years of renewing MFN and NTR year after year, no one—not even the leader of the AFL–CIO who recently said that we should keep China "on probation"—believes that Congress will revoke China's NTR. The debate is now between perpetual NTR and permanent NTR; regardless of the outcome of this debate, China will enjoy exactly the same access to the US market as it enjoys today. Its tariffs will not change whether or not Congress votes to give China permanent NTR. I believe the time has come to grant China permanent NTR (hereafter PNTR) not only because China's accession to the WTO and the granting of PNTR will yield human rights benefits for the Chinese people, especially those who are pursuing legal and political reform, but also because it will clearly benefit the people of the United States as well.

When I employed human rights arguments to make the case for MFN 10 years ago, my credentials were challenged. I was a business leader, what did I know of human rights? I felt the challenge was valid, so I publicly and deliberately made a commitment to this chamber to use my relationships in and knowledge of China to lobby the Chinese government on behalf of prisoners of conscience. That commitment has been honored. My work is my testimony. In 10 years I have made more than 50 trips to Beijing to raise the cases of individuals believed to have been detained for the non-violent expression of their political and religious beliefs. I have worked on hundreds of cases with a dozen different Chinese ministries and provincial governments.

In 1995, I established the Prisoner Information Project, a unique program with China's Ministry of Justice for keeping track of Chinese prisoners. Last year I established a foundation whose principal task is to uncover the names of hitherto unknown prisoners and put them on lists that are then submitted to the Chinese government with requests for information on their present status. With the support of Smith Richardson Foundation and the International Republican Institute, the Dui Hua Foundation has already uncovered more than 500 names of detainees previously unknown to foreign governments and non-governmental organizations. The Chinese government has begun responding to these new lists of names, and is continuing the responses to the old lists.

ANNUAL RENEWAL OF NTR AND THE QUESTION OF LEVERAGE

The Chinese government is willing to make concessions to win PNTR, but it is no longer willing to make concessions to obtain annual renewal, or what might be called perpetual NTR. China's leaders stopped making concessions to win annual re-

newal when they concluded that China wouldn't lose MFN and its successor, NTR. Instead of making concessions in the run-up to annual renewal, the Chinese government is more inclined to strike hard at its domestic opponents. This trend began in the summer of 1992, when the Beijing Intermediate People's Court tried and convicted Bao Tong, the highest-ranking Communist Party official accused of June 4 related offenses, and then publicized his conviction, hours before the House voted on MFN. With a few exceptions since then (notably the 1993 release of Xu Wenli, who is now back in prison, and the 1994 releases of Wang Juntao and Chen Ziming), Beijing has used the occasion of the debate and vote on annual renewal to demonstrate to its people that it is not afraid of the United States, that it will not make concessions to keep what it already has. It figures that Congress won't revoke what most Americans who have studied the question see as non-discriminatory tariffs that form the basis of a normal trade relationship.

Some feel that the United States will lose leverage if we grant China PNTR. What leverage? I challenge those who think the annual debate helps dissidents in China to name one prisoner who has been released from prison or one other human rights concession that has been made during the last six years to obtain annual renewal. The game has changed. Prisoners will be released, lists answered, covenants signed, dialogues held and rights delegations hosted for other purposes: to influence an Olympics games bid, to ensure a pleasant visit by a state leader to a foreign country, to ward off resolutions at United Nations meetings and yes, to obtain PNTR, but not to obtain annual renewal. They already have NTR in perpetuity, and they're not going to lose it, so why make concessions for it?

I for one don't have a problem using China's desire to gain something it doesn't have to win concessions in the area of human rights. China, after all, wants so many things. The list is inexhaustible, and changes from day to day. Most of all China wants the respect of the international community. It wants to be seen as a great power, a country with a proud and ancient civilization that seeks to assume its rightful place in the community of nations. It increasingly recognizes that, to accomplish this, it needs to abide by international standards, whether those standards apply to trade, arms control or human rights. For this reason I have long felt that the highest priority of our human rights diplomacy must be to convince China to ratify the two international human rights covenants that, together with the Universal Declaration on Human Rights, make up the international bill of rights. Ratification entails periodic reporting, and more importantly, the onerous task of defending one's record before the international community. I would trade the State Department's sponsorship of a resolution criticizing China at the annual meeting of the United Nations Human Rights Commission, an effort that has failed time and time again, in exchange for China's firm commitment to ratify, by a date certain, the International Covenant on Civil and Political Rights, and to file its first comprehensive report as a state party before the deadline set forth in that document.

Are there things that the United States government could be doing that it is not presently doing to encourage greater respect for human rights in China? The answer is yes, and I will shortly put forward some suggestions. Before doing so, I want to make a few points.

No program initiated by the United States government can, in and of itself, bring greater respect for human rights, democracy and rule of law to China. Achieving those goals is the responsibility of the people of China, to be achieved by means and through sacrifices they deem most appropriate and according to the timetable they think most realistic. The United States can help, but we can determine neither the course nor the timing of change in China. We can help by promoting transparency and accountability, a strengthened legal system that safeguards due process, and humanitarian treatment for those in prison who seek change through non-violent advocacy. And we can trade with and invest in their companies, bringing with us those core American values for which we as a people are respected around the world.

Following from this and from what I said earlier about the absence of leverage arising from the debate on annual renewal, support for PNTR should not be made conditional on the identification and enactment of new tools to promote respect for human rights in China. Members should judge PNTR on its own merits or lack thereof. Is granting China PNTR good for the United States? Will China's accession to the WTO be good for the people of China and will it bring about a China better integrated into the world community? To decide these questions other than by examining them on their own merits is to engage in a dangerous game of self-deception, to falsely entertain the notion that we are giving up something whose worth is proven in exchange for something whose value is not known.

Legislation granting China PNTR should be unencumbered by extraneous conditions and side agreements that might or might not pass the other chamber of Con-

gress. Congress has been debating the issue of China's trade status for more than ten years. The time has come for an up or down vote. If members want to consider new tools to prod China in the directions we want it to move, let those tools be judged on their own, cooly and in the fullness of time, just as both sides have had ample time to examine the question of MFN and NTR.

NEW INITIATIVES ON HUMAN RIGHTS

Let me now turn to some initiatives that the United States can undertake, initiatives that do not necessarily involve trade sanctions and that are not directly related to PNTR but whose success is made more likely by the passage of PNTR.

I come well prepared for this part of my testimony. I've been coming up with ideas for new human rights initiatives for much of the last ten years. In fact, four years ago I circulated a list of ten possible initiatives to members of Congress and the administration. I am attaching a copy of that list, typographical errors and all, to today's statement to this committee (see Attachment One).

Many of you will notice ideas with which you've become familiar. In fact, several of the initiatives have found their way into legislation and been enacted into law, including the establishment and maintenance of a prisoner information registry and the increase in the number of human rights monitors in American diplomatic missions in China. Radio Free Asia (RFA) is up and running. The President has gone to China and lobbied the government to release the old counterrevolutionaries, a proposal I know to be popular with reformers in the country. At least five members of Congress, in separate bills over the past six years, have suggested the creation of commission modeled on the Commission on Security and Cooperation in Europe.[1]. Although the President has apparently abandoned the code of business principles for companies operating in China, a detailed code of conduct has been drafted and agreed to by non-governmental organizations and companies doing business in China (see Attachment Two).

Common to all of these initiatives is the idea that the United States should take steps to encourage transparency in China's legal system, something that the process of WTO accession will help immeasurably. Before making things more transparent in the area of the legal and penal systems, we need to invest in the people and resources to insure effective monitoring, to get at the truth in as much detail as possible. We can then go about acting on and publicizing the truth through such means as diplomatic demarches, Congressional hearings, the annual reports on human rights in China and programs broadcast on VOA and RFA.

THE 1999 STATE DEPARTMENT AUTHORIZATION BILL

Last November, Congress passed and President Clinton signed into law the Consolidated Appropriations Act. This massive piece of legislation included the State Department Authorization Bill, two sections of which are relevant to today's deliberations: Section 872, which provides $2.2 million for additional personnel at our diplomatic missions in China to monitor human rights, and Section 873, which calls on the Secretary of State to establish and maintain a registry to "provide informa-

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[1] The idea of a China human rights commission modeled on the CSCE was first proposed by former Congressman Lee Hamilton in his May 1994 "US—China Policy Act." The commission was to be called "The Commission on Law and Society in the People's Republic of China" and it was to monitor the development of China's legal system, the emergence of civil society and the development of institutions that provide humane and effective government. The Senate did not take up consideration of the act. The following year, former Congressman Jim Lightfoot (R–Iowa) managed to insert report language into the House version of the foreign operations appropriations bill directing the Secretary of State to examine the feasibility of developing a "Commission on Human Rights in the Pacific" whose functions and methods of operation would be modeled on the congressionally established Commission on Security and Cooperation in Europe. There is no evidence that the State Department undertook the feasibility study.

Senator Joseph Lieberman (D–Connecticut), in his "US—China Relations Act of 1997," directed the President to appoint a 12-member Human Relations Commission made up of individuals from the executive branch, the legislative branch and the private sector. The commission would assess the status of human rights and worker rights in China, and in the event that the commission assesses that progress is not being made, make recommendations to strengthen policies towards China. To help assess the status of rights in China, the commission would establish a prisoner information registry.

In the same year, Senator Spencer Abraham (R–Michigan), in his China Policy Act of 1997, called for the President and the Secretary of State to initiate negotiations with the governments of China and other countries in Asia to establish a commission that would be modeled on the Commission on Security and Cooperation in Europe. In January 1999, Senator Tim Hutchinson (R–Arkansas) inserted virtually identical language into the Senate version of Defense Appropriations Bill, but the language was stripped out of the final conference bill.

tion on all political prisoners, prisoners of conscience and prisoners of faith in the People's Republic of China."

Six months have passed since these ideas were translated into law, but I regret to say that little has been done either to enhance monitoring by our missions or to establish the registry. Members might ask themselves why we should consider coming up with new initiatives to address human rights concerns if those that are enacted into law are ignored by the executive branch. It shouldn't be necessary for me to give reasons why greater monitoring and better accounting are desirable, but, given the lack of follow-up, I'm compelled to do so.

Insofar as monitoring by our diplomats is concerned, the number of personnel currently tracking human rights developments in China is woefully inadequate for the tasks expected of them. The State Department's country report on human rights in China has grown in length and detail year by year, and its contents and conclusions are employed extensively by Congress in practically every discussion of policy toward China. In addition to the country report, diplomats with human rights responsibilities are largely responsible for compiling and analysing the information that goes into the religious freedom report and the report on Hong Kong. They are so burdened with report writing that they cannot undertake such tasks as attending meetings with Chinese officials in charge of policies affecting religion and freedom of information, collecting materials on laws and regulations affecting human rights, searching out local legal journals and newspapers that provide the raw material for discovering new names and cases, and meeting with dissidents and their families. If the day comes when China allows international observers at its trials—another goal of our human rights diplomacy in China—we won't have the people in the field to attend them unless Section 872 is implemented.

The country report on human rights is a valuable document, but it can be improved and made more valuable. It is especially important to draw distinctions about human rights conditions in different parts of the country, and by doing so to encourage "human rights competition" among provinces and municipalities. Based on the work I do in China, I am certain that local leaders are aware of the importance of cultivating a more open and humane image. I know of specific prisoner releases and other positive developments that have taken place because of concerns over a locality's image abroad. Identifying those parts of China that are the most tolerant and the most open will also help American businesses decide where to invest.

As for the mundane and often denigrated task of compiling and presenting prisoner lists, let me make it clear that I think this enterprise is the single most important activity American officials, politicians, activists and business leaders can undertake to promote respect for human rights in China.[2] Why? Doing so dem-

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[2] The State Department's attitude towards submitting prisoner lists to China has been ambivalent. In 1998, it declined to endorse the proposal to establish a prisoner information registry (see testimony of Assistant Secretary of State Stanley O. Roth before the Senate Foreign Relations Committee, Subcommittee on Asia and the Pacific, June 8, 1998).

Prisoner lists were submitted to Chinese officials by former Secretary of State James Baker in May 1991 and by Assistant Secretary of State John Shattuck in October 1993. In June 1994, shortly after President Clinton's decision to de-link MFN renewal from human rights imposed the previous year, I was told by a senior official attached to the American Embassy in Beijing that the State Department was "getting out of the prisoner list business," but in January 1995, John Shattuck presented a list to his Chinese counterparts on the occasion of the US-China bilateral dialogue on human rights. The 1995 list had 25 names on it, compared to more than 200 names on the 1993 list.

Shortly after the 1995 bilateral dialogue, Beijing suspended future official dialogues on human rights, citing the State Department's sponsorship of a resolution criticizing China at the meeting of the United Nations Human Rights Commission in Geneva.

In 1998 the United States did not put forward a resolution in Geneva, and in January 1999 another round of bilateral human rights talks were held. A brief list of "illustrative cases" was presented. Soon after the meeting, the State Department decided to once again sponsor a China resolution in Geneva. In May, the bombing of the Chinese Embassy in Belgrade occurred, and Beijing once again suspended the official dialogue. The Chinese government is not presently accepting lists of prisoners or demarches on prisoners prepared by the State Department or the American Embassy in Beijing, but a Chinese spokesman, at a news conference in Beijing on April 20, indicated a willingness to resume the official dialogue on human rights if the United States takes "certain steps."

When submitted, lists prepared by American officials and political leaders are often flawed: names are misspelled, Chinese characters are not provided, individuals who have committed acts of political violence are mixed in with those convicted of non-violent expression, and those who've already been released are listed with those still in prison. The lists sometimes contain phrases like "political prisoners" or statements like "believed to have been tortured" that make it difficult for Chinese officials to accept much less respond. In compiling lists, the State Department and other agencies, as well as members of Congress, tend to rely on recommendations

onstrates in the clearest terms America's respect for the integrity and dignity of the individual. Showing concern for lowly and obscure prisoners, not just the "big names" who for the most part have already been released, tells the Chinese government a lot about our priorities. Most important, as I said above, it is the Chinese people who will ultimately win greater respect for human rights, rule of law and democratic processes. Surely this great enterprise is impeded and delayed if those who are most willing to champion change are locked away in prison. Raising the names of those imprisoned for the non-violent advocacy of their political and religious beliefs hastens the day of their release and return to their local communities to work for change.

This is not conjecture on my part. Prisoner intervention works—not always, and not as quickly as we'd like—but the evidence is clear that prisoners about whom the international community expresses concern are more likely to secure early release and better treatment than those who are forgotten or unknown. Let me share with you results from two efforts to engage the Chinese government in a dialogue on its prisoners.

THE COMPLAINTS PROCEDURE OF THE ILO'S COMMITTEE ON FREEDOM OF ASSOCIATION

The International Labor Organization (ILO), a body to which China and the United States belong, has submitted, through its Committee on Freedom of Association, inquiries into the situations of jailed Chinese labor leaders to the Chinese government. The lists of these prisoners are drawn up by the International Confederation of Free Trade Unions (ICFTU), of which the AFL–CIO is an active member, and the lists are presented as part of complaints alleging violations of the freedom of association by the Chinese government. Six formal complaints covering scores of prisoners have been made since 1990.

I recently visited ILO headquarters in Geneva as part of a study, supported by a grant from Smith Richardson Foundation, of the prisoner accounting efforts of governments and non-governmental organizations. I was told that, by virtue of its membership in the ILO, China is obligated to respond to complaints made by the ICFTU and submitted through the Freedom of Association Committee. In the opinion of the ILO's senior officers, the Chinese government has made a good faith effort to provide information on the prisoners named in the complaints. I was provided with a complete set of the complaints and the Chinese responses.

In example after example, the Chinese government has reduced the sentences of important labor leaders about whom the ICFTU has filed complaints and such groups as Amnesty International have expressed concern. Let me cite a few of the most striking examples: Chen Gang and Guo Yunqiao, leaders of the Worker's Autonomous Federations of Hunan Province, were sentenced to death for their involvement in the June 1989 disturbances. Their death sentences have been commuted and they are serving out 11 year and 13-year sentences, respectively. Peng Shi and Liu Zhihua of the same province were sentenced to life; they are now serving out 10 and 11-year sentences, respectively. Mao Yuejin, another worker's leader from Hunan, was sentenced to 15 years' imprisonment in 1989. He has been released. Tang Yuanjuan and Li Wei of Changchun were released early by court orders that overturned their original sentences of 20 and 13 years, respectively. Labor leaders Li Wenming and Guo Baosheng of Guangdong Province were convicted of subversion by a court in Guangdong Province, a crime that carries a minimum of 10 years' imprisonment. Prompt intervention by the international community, led by the ICFTU and the AFL–CIO, resulted in sentences of three-and-a-half years with credit for time served. Both have been released.

To show that the benefits of intervention are not necessarily restricted to those specifically named in complaints and inquiries, consider the example of Mu Wenbin.

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from one or two non-governmental human rights organizations (NGOs). No NGO has produced a comprehensive listing of Chinese political and religious prisoners in almost five years, and NGO databases are badly in need of updating and rationalization. Virtually no independent research to uncover the names of Chinese prisoners in primary sources has been undertaken by the US government, nor have resources readily available to the State Department, like field reports from consulates, photographs of court notices or even transcripts of interviews with individuals seeking political asylum, been surveyed to identify new cases and names.

When an official Chinese response or some other document containing information on prisoners is obtained by one agency of government it is usually not shared with others. There is currently no central repository of information. Communication of information on Chinese prisoners is particularly bad between and among members of Congress and the administration. The US government has not sought information on Chinese prisoners obtained by other governments through their dialogues with China.

This hitherto unknown prisoner was tried at the same time and by the same court as Li Wenming and Guo Baosheng. He too was convicted of subversion, but the court exercised its discretion and sentenced him to five years. I have been advised that Mu will be released next month.

The experience of the ILO reinforces the belief that, if China can be persuaded to ratify the international human rights covenants, it will honor its reporting obligations, permitting a degree of international scrutiny well beyond what is currently possible.

The Prisoner Information Project

Other evidence of the efficacy of intervention can be obtained from an examination of the results of my foundation's Prisoner Information Project. (For a complete account of this effort see "The Prisoner Information Project: A Status Report," testimony before the Subcommittee on Asia and the Pacific of the Committee on International Relations of the House of Representatives, April 30, 1998.)

In 1995, China's Ministry of Justice agreed to accept from me four lists of 25 names of Chinese citizens believed to have been imprisoned for the non-violent expression of their political and religious beliefs, and to make a good faith effort to provide information, in a standardized format, on their situations. Shortly after providing information on the first list of names, the ministry suspended the project in response to the State Department's decision to grant Lee Teng-hui, then president of Taiwan, a visa to come to the United States. I continued to submit lists of names, however, and by the end of the year the ministry had in its possession three lists totaling 75 names.

The ministry refused to provide the promised information until the eve of President Jiang Zemin's state visit to the United States in October 1997. In the interim between the submission of lists in 1995 and the resumption of the project in 1997, I and friends in Congress, including Congressman Phillip Crane of this committee, pressed the Chinese government to live up to its commitment, resubmitting the "List of 75" over and over again. Within the Chinese government, those 75 people became some of the best-known prisoners in the country.

To date, the Ministry of Justice has provided information on a total of 47 names on the "List of 75." (In April 1999, China's cooperation with the project was suspended for a second time on account of the State Department's sponsorship of the China resolution at the UN Human Rights Commission meeting. The ministry resumed providing information six weeks ago in conjunction with congressional hearings on PNTR.) Subtracting people for whom no records have been found (it is likely that these individuals did not serve sentences in prisons), those sentenced to reeducation camps (all of whom have been released) and those who had already been released at the time I filed the inquiry, we are left with 31 names of prisoners who the Ministry of Justice has confirmed were serving prison terms at the time inquiries were filed in 1995.

I am attaching a table that summarizes what has happened to these 31 prisoners (see Attachment Three). To date, at least 17, have benefited from early release or reduction of sentence. They include well-known and little known prisoners, and they hail from all parts of China.

More evidence that intervention on behalf of prisoners is effective comes from Guangdong, China's most open and progressive province. I have maintained a dialogue on prisoners with local authorities in the province for several years. Since 1995, I have filed inquiries on a quarterly basis on all individuals known or suspected to be in prison. Of 12 people known by me to be in prison during the five-year period that ended in December 1999, all but three have had their sentences reduced or had sentences imposed that were below the minimum sentence prescribed by law. Six of these nine prisoners have been released and another is due for release next month (see Attachment Four).

In most instances where the Chinese government has reduced a prisoner's sentence or released a prisoner on parole in the last five years, the outside world has found out months if not years after the event. Prior to 1995, the State Council Information Office promptly advised me, by fax, when releases were made. As pointed out above, the Chinese government no longer makes human rights concessions to win annual renewal of normal trade relations. Beijing's refusal to publicize what outsiders would consider good news demonstrates its unwillingness to give so much as the impression that concessions are being made.

A Congressional-Executive Branch China Commission

As noted above, a number of members of Congress have made proposals to establish a Congressional-executive branch commission modeled on the Commission on

Security and Cooperation in Europe. The commission would monitor developments in China in the areas of human rights, trade and national security, report on these developments and make recommendations on how to best address problems. Congressman Levin is said to be working on such a proposal. As a long-time supporter of the concept of such a commission, I am eager to learn more about the Congressman's proposal, a proposal which should be examined on its own merits and, as argued above, not as a bill tied to PNTR.

Let me here suggest a job for the commission: It should act as the repository of letters from members of Congress to the Chinese government about prisoners, and letters sent in reply by the Chinese government. At present, Senators and Representatives frequently write letters to the Chinese Embassy expressing concern for and requesting information on Chinese prisoners. Often, these letters are answered, and important information is provided—even hints as to how one might lobby for early release. Even though Beijing has suspended the official dialogue with the United States on human rights, it has not stopped responding to members' letters on prisoners. I have seen one letter from the Chinese Ambassador concerning two imprisoned house church preachers that was written less than two weeks after the tragic bombing of China's Belgrade embassy. I have read others that discuss Tibetan prisoners who rank among China's most sensitive cases.

THE PRISONER INFORMATION REGISTRY

The registry called for in Section 873 of last year's State Department Authorization Bill will draw on many sources as it builds and maintains a comprehensive database. There will be unofficial sources, chiefly information obtained from non-governmental organizations like Human Rights in China, Human Rights Watch Asia, Amnesty International, the Tibet Information Network and the Information Center on Human Rights and Democracy in China. Each of these NGOs maintains its own databases, and each has its own strengths from which the State Department might benefit.

There will be official sources of information, consisting of oral and written replies by the Chinese government to prisoner lists submitted by foreign governments and United Nations bodies[3] , by individuals acting in semi-official capacities like the three religious leaders who visited China in early 1998, and by such groups as The Dui Hua Foundation. Special attention should be paid to the collection of police and court documents, especially detention notices, arrest warrants, bills of prosecution, and verdicts handed down by courts.

Accounts of political cases can be found in officially authorized newspapers, legal journals, yearbooks, collections of cases, provincial records, and county gazetteers. The Dui Hua Foundation, with grants from Smith Richardson Foundation and the International Republican Institute, is conducting the first-ever comprehensive search of such publications held in libraries in Hong Kong. In the space of seven months of research that began in September 1999, 320 cases involving 785 detainees were uncovered, of whom two-thirds are not documented in foreign governmental or non-governmental databases. To date, three collections of cases covering 135 detainees have been published by the foundation, and these compendia form the basis of prisoner lists being submitted to the Chinese government. (I have brought copies of these collections with me today.) Compiling and submitting a prisoner list

[3] The Chinese government is currently engaged in official dialogues on human rights with the European Union, Canada, Australia, the United Kingdom, France, Norway and Sweden. As an integral part of these dialogues, China accepts lists of prisoners and provides information on them. China appears reluctant, however, to respond to lists submitted by countries with whom it does not have a dialogue. The German Chancellor submitted a list of imprisoned journalists to Chinese officials during his November 1999 visit to China, but, six months later, no response had yet been given.

Chinese Premier Zhu Rongji, on two occasions during his visit to the United States in April 1999, quipped that foreign leaders do not think that a visit to China is complete unless they're able to hand over a list of Chinese prisoners.

In 1990, the Chinese representative to the United Nations Human Rights Commission declared that "China has consistently sent factual replies and information, including those concerning the 'June 4th incident,' in a responsible manner, to the relevant UN bodies." It has indeed provided information on its detainees to the mechanisms of the United Nations Commission on Human Rights, including the Working Group on Arbitrary Detention (which visited China in October 1997), the Working Group on Enforced or Involuntary Disappearances, the Special Rapporteur on Extrajudicial, Summary or Arbitrary Execution, the Special Rapporteur on Religious Intolerance (who visited China in November 1994) and the Special Rapporteur on Torture, who is negotiating with the Chinese government on a possible visit to the country. As noted in the statement, the Chinese government has provided a considerable amount of information to the International Labor Office, a UN-affiliated organization

based on information released in China's own officially approved publications has obvious implications for the promotion of transparency.

The State Department's prisoner information registry will be a valuable tool for the conduct of American human rights diplomacy in China. It will enable delegations from Congress to bring with them lists tailor-made for their itinerary and for the government ministries that they will meet. Similarly, the registry can be used to construct lists to be presented to visiting Chinese officials. It will aid in the process of identifying and differentiating conditions in different provinces, enriching our human rights reports and encouraging human rights competition. It will aid those American scholars undertaking rule of law programs in China to identify cases that can serve as precedent (e.g., where speech is dissident but ruled protected,[4] and where their Chinese counterparts might have erred in the application of Chinese and international law (e.g., where individuals are convicted by retroactive application of supplementary regulations.[5] The registry will also be useful to international humanitarian organizations seeking access to Chinese security detainees, and the knowledge contained therein will help push forward the President's suggestion to the Chinese government to review the sentences of people still serving sentences for counterrevolution, a crime struck from China's criminal statutes in October 1997.[6]

The business community in China can help collect information on cases for inclusion in the registry. I have written elsewhere of the monitoring role that companies can play.[7] Encouraging companies to be more proactive in promoting respect for human rights in China has been an on-again, off-again initiative of the administration. In 1994, a voluntary code of principles for businesses in China was promised, but it took two years for it to see the light of day. An award was created to honor companies that uphold these principles, but it has been granted only once—to my company, in June 1997. I'm told that even the website devoted to the award has been dismantled. Companies should be given incentives, including material incentives, to promote respect for human rights in the workplace and in the business environment as a whole. If businesses can lobby for lower taxes, they can and should lobby for freedoms of association, expression and belief. They are acting in their own self-interest when they do so.

This testimony has touched on several initiatives that can be implemented in the area of human rights. We can increase the number of our diplomats doing rights work, and elevate rights concerns on the agenda of all high-level meetings. Our human rights reporting can be expanded and improved by implementing Sections 872 and 873 of last year's State Department Authorization Bill. It is vital that the State Department establish the prisoner information registry without further delay. A CSCE-style commission can be formed to provide a sharper focus and more resources to address human rights violations, and the business community can be encouraged to become more proactive in promoting human rights. New initiatives should be considered on their own merits, and not as ways of "selling" PNTR.

That said, for initiatives in the area of human rights to produce results, the United States must remain engaged with China, and for that to happen, we need to make a success of the bilateral agreement on China's accession to the WTO. I urge you to pass legislation granting China PNTR.

JOHN KAMMM

[Attachments 1 & 2 are being retained in the Committee files.]

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[4] An example of dissident but protected speech is that of Guo Yaotang, who in April 1990 painted anti-government slogans on his father's grave. His father had been executed for political offenses in 1950. Guo was arrested and charged with counterrevolutionary incitement and propaganda, but the Henan courts decided that his slogans were not aimed at overthrowing the government. They ruled that the slogans reflected grief and dissatisfaction with the way his father's case had been handled, and were written during traditional activities to show respect for ancestors.

[5] A case worth raising is that of Wu Shishen, a Chinese journalist detained in October 1992 for the crime of illegally providing state secrets to foreigners. Wu was convicted in August 1993 and sentenced to life imprisonment under supplementary regulations promulgated in April 1993, more than six months after the commission of the offense. The conviction is not only unsafe under Chinese law, but violates Article 15 paragraph one of the International Covenant on Civil and Political Rights.

[6] The Chinese government's position on the proposal for a general review of the sentences of counterrevolutionaries, conveyed to me in a letter from the Ministry of Justice dated April 17, 1998, is that while a general review is not possible under Chinese law, individuals convicted of counterrevolution can have their sentences reviewed "on a case by case basis."

[7] See "The Role of Business in Promoting Respect for Human Rights," statement of John Kamm to "The OSCE at Twenty: Its Relevance to Other Regions," a seminar presented by the Commission on Security and Cooperation in Europe, Washington D.C., November 13–14, 1995.

Attachment Three

Table 1: Status of Prisoners Asked About in 1995

No.	Name	Original Sentence and Date of Sentence Completion	Date Released	Summary: Current Status and Sentence Reductions (SR) on Record
1)	Bai Weiji	10 years; May 2002	Feb. 1999	Released early; SR −3 years and 3 months
2)	Chen Gang	Life in prison;* changed to 18 years in 1992		Due for release Nov. 2007; SR −3 years.
3)	Chen Ziming	13 years; Oct. 2002	May 1994 and Nov. 1996	Released twice on medical parole
4)	Gao Yu	6 years; Oct. 1999	Feb. 1999	Released on parole
5)	Han Gang	12 years; July 2001		Due for release July 2001
6)	Hao Fuyuan	10 years; June 1999	July 1996	Released on parole
7)	Hu Liping	10 years; April 2000		Due for release April 2000
8)	Jampa Ngodrop	13 years; Oct. 2002	Oct. 1999	Released early; SR −3 years
9)	Li Junmin	Death with 2-year reprieve, changed to 17 yrs. in 1994		Due for release in Dec. 2011
10)	Li Wei	13 years, changed to 8 years in 1997	July 1997	Released early due to verdict being overturned in 1997
11)	Meng Qingqin	10 years; June 1999	April 1997	Released on parole
12)	Phuntsog Nyidron	9 years; 8 years added in 1993		Due for release in October 2007**
13)	Ren Wanding	7 years; June 1996	June 1996	Released at end of term
14)	Shi Xuezhi	Life, commuted to 16 yrs. in 1993		Due for release in April 2009
15)	Sun Liyong	7 years; April 1998	April 1998	Released at end of term
16)	Sun Weibang	12 years; June 2002	Feb. 1999	Released on parole
17)	Sun Xiongying	18 years; Sept. 2009		Due for release Sept. 2009
18)	Tang Yuanjun	20 years, changed to 8 yrs.		In 1997 July 1997 Released early due to verdict being overturned in 1997
19)	Ulaan Shovo	5 years; July 1996	July 1996	Released at end of term
20)	Wei Shouzhong	13 years; June 2002		Due for release June 2002
21)	Xi Yang	12 years; Sept. 2005	Jan. 1997	Released on parole
22)	Xu Baiquan	8 years; June 1997	June 1997	Released at end of term
23)	Yang Tongyan	10 years; May 2000		Due for release May 2000
24)	Yu Zhenbin	12 years; June 2001	June 1997	Released early; SR–4 years

Attachment Three—Continued

Table 1: Status of Prisoners Asked About in 1995

No.	Name	Original Sentence and Date of Sentence Completion	Date Released	Summary: Current Status and Sentence Reductions (SR) on Record
25)	Zhang Jingsheng	13 years; June 2002		Due for release June 2000; SR −2 years
26)	Zhang Xiaoxu	15 years; June 2004	Feb. 1998	Released on parole; SR −4 years
27)	Zhang Yunsu	12 years; May 2004		Due for release Nov. 2002; SR −18 months
28)	Zhao Lei	6 years; April 1999	Oct. 1997	Released early; SR −18 months
29)	Zheng Quanli	15 years; June 2004		Due for release June 2001; SR −3 years
30)	Zhou Guokui	15 years; Aug. 2001		Due for release Aug. 2001
31)	Zhu Xiangzhong	7 years; July 1996	July 1996	Released at end of term

*The ILO has been advised that the original sentence was death with a two year reprieve.
** The Chinese Ambassador has informed two members of Congress that she has been released. This report is awaiting confirmation.

Attachment Four

Table 2: Prisoners in Guangdong Province Asked About from 1995 to 1999

No.	Name	Original Sentence and Date of Sentence Completion	Date of Release	Summary: Current Status and Sentence Reductions (SR) on Record
1)	Chen Meng	12 years; March 2007		Due for release March 2007
2)	Chen Zhixiang	10 years; July 1999	Nov. 1995	Released on parole; SR −2 years
3)	Guo Baosheng*	3 years; Dec. 1997	Dec. 1997	Released at end of term
4)	Li Jueming	18 years; Oct. 2007		Due for release June 2005; SR −2 years
5)	Li Wenming*	3.5 years; Nov. 1997	Nov. 1997	Released at end of term
6)	Liu Baiqiang	17 years; June 2006		Due for release June 2002; SR −4 years
7)	Mu Wenbin*	5 years; Oct. 2000		Due for release June 2000; SR −4 months
8)	Qin Hanbiao	Death, changed to life imprisonment. then reduced to 20 years; May 2003	Aug. 1999	Released early; SR −6 years, 8 months
9)	Tang Tao	6 years; Feb. 2001		Due for release Feb. 2001
10)	Wu Jidong	10 years; June 1999	Aug. 1995	Released early; SR −3 years, 8 months
11)	Zhang Yi	13 years; June 2002	May 1998	Released early; SR −3 years, 5 months

Attachment Four—Continued

Table 2: Prisoners in Guangdong Province Asked About from 1995 to 1999

No.	Name	Original Sentence and Date of Sentence Completion	Date of Release	Summary: Current Status and Sentence Reductions (SR) on Record
12)	Zheng Qiuwu	14 years, changed to 13 years; Feb. 1997	Feb. 1997	Released at end of term

* Guo Baosheng, Li Wenming and Mu Wenbin were convicted of attempting to overthrow the government, an offense carrying a minimum sentence of ten years imprisonment. The court invoked Article 59 Paragraph Two of the 1979 Criminal Code to impose lighter sentences, and gave credit for time already served in detention.

Chairman ARCHER. Thank you, Mr. Kamm.

Mr. Reuther, welcome. You may proceed.

STATEMENT OF ALAN REUTHER, LEGISLATIVE DIRECTOR, INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE AND AGRICULTURAL IMPLEMENT WORKERS OF AMERICA (UAW)

Mr. REUTHER. Thank you, Mr. Chairman, Mr. Rangel. My name is Alan Reuther. I am the Legislative Director for the UAW.

In my oral remarks today, I would like to focus on the proposals which have been advanced by Representative Levin, some of which have now been picked up by the Administration and I believe also by the Chairman, to mitigate some of the fundamental problems in the WTO accession agreement.

The UAW flatly rejects this misguided effort. Attached to my testimony is a letter signed by 12 unions, including the UAW, which rejects the Levin proposals and emphasizes that they cannot provide any justification for granting PNTR to China. We agree with Democratic leader Dick Gephardt who concluded that there are no measures available or under consideration that can effectively counteract the deficiencies of the WTO accession agreement.

Representative Levin has proposed the creation of a joint congressional-executive commission on China to conduct an annual review of China's worker and human rights practices. This would simply create a toothless commission that could only monitor and report on abuses in China. In our judgment, this would be a poor substitute for the current annual congressional review of China's NTR trade status, which contains the only real leverage the United States possesses-that is, the threat of restrictions on access to the U.S. market.

Representative Levin has also proposed that the U.S. should pursue the establishment of a working group on labor within the WTO. However, the U.S. is already required by statute to do this. Unfortunately, the prospects for establishing this working group will be undermined if China joins the WTO, since Chinese officials are adamantly opposed to it. Representative Levin's proposal does not require China to change its position as a condition for joining the WTO. Thus, this proposal is simply a diversion from the real problem, which is China's position on this issue.

Representative Levin has further proposed that a special task force should be created to investigate violations of the U.S. law pro-

hibiting the importation of products made by forced or prison labor. However, the U.S. and China have already signed an agreement designed to ensure that China does not export prison-made goods to the United States. Of course, China has violated this agreement. But there's nothing in the WTO rules to stop the U.S. from enforcing its law now by restricting these imports from China. What is needed now is concrete action by the U.S. government, not another toothless task force.

Representative Levin has suggested that the procedures for invoking the product specific safeguard provision in the WTO accession agreement should be incorporated into legislation. But the problem here is that this provision is entirely discretionary. The Chinese government can voluntarily take actions to limit exports, or the U.S. government can exercise its discretion to limit imports from China. But the decision in both cases is up to the governments, not the injured domestic workers and firms. Putting this provision into legislation cannot remedy the fundamental problem that there is no assurance that any action will be taken to stop a surge of imports that could jeopardize the jobs of thousands of American workers.

Representative Levin has further proposed that the U.S. government should issue annual reports on enforcement of China's WTO commitments. But the U.S. government already produces an annual review of compliance by other nations with their international tarde obligations, the National Trade Estimates Report on Foreign Trade Barriers. Unfortunately, the U.S. government has failed to take concrete actions to respond to the wide range of Chinese violations cited in these reports. Representative Levin's proposal unfortunately does not provide any new tools or leverage to encourage greater Chinese compliance.

Lastly, Representative Levin has also proposed that the WTO should conduct an annual review of China's compliance with its obligations through its trade policy review mechanism. But with no mandatory process for changing China's policies, this would simply represent another toothless report.

In conclusion, the UAW submits that the lengthy list of proposals by Representative Levin is inconsequential. Many of these proposals simply reflect policies that are already being pursued or implemented by the U.S. Government. Other proposals simply involve toothless monitoring or reporting requirements. None of the proposals contain meaningful enforcement mechanisms to ensure that concrete steps are taken to stop import surges that threaten the jobs of American workers to address Chinese abuses of worker and human rights, or to ensure compliance by China with its international obligations. Thus, there is nothing in this set of proposals that would fix the basic problems in the WTO accession agreement and justify the elimination of the current annual Congressional review of China's NTR trade status. Thank you.

[The prepared statement follows:]

Statement of Alan Reuther, Legislative Director, International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW)

Mr. Chairman, my name is Alan Reuther. I am the Legislative Director for the International Union, United Automobile, Aerospace and Agricultural Implement

Workers of America (UAW). Accompanying me today is Steve Beckman, the Assistant Director of the UAW's Governmental and International Affairs Department. The UAW represents 1.3 million active and retired workers in the automotive, aerospace, and agricultural implement industries, as well as public sector and other employees. We appreciate the opportunity to testify on the U.S.—China bilateral agreement providing for the accession of China to the World Trade Organization (WTO) and the granting of permanent normal trade relations (PNTR) to China.

The UAW believes the U.S.—China bilateral WTO accession agreement is fatally flawed. In particular, we believe this agreement is deficient because it:

• fails to effectively eliminate China's discriminatory automotive and aerospace industrial policies that are jeopardizing the jobs of American workers, or to guarantee that American workers will be protected against surges of imports from China in these and other sectors;

• fails to require China to recognize fundamental worker and human rights; and

• fails to provide adequate mechanisms to enforce China's various trade commitments.

Because we believe the WTO accession agreement is fundamentally flawed, the UAW strongly opposes the granting of permanent normal trade relations (PNTR) to China. In our judgment, it would be a profound mistake for Congress to grant a "blank check" to China by ending the annual Congressional review of their trade status. This would eliminate our country's leverage to encourage China to eliminate its discriminatory trade policies, to recognize worker and human rights, and to abide by the commercial and agricultural commitments which it has made.

The UAW testified before this Committee's Trade Subcommittee on China's possible accession to the World Trade Organization (WTO) in 1996, indicating the issues that we believed needed to be addressed in the WTO accession negotiations—China's discriminatory auto and aerospace industrial policies, the necessity of import surge protections for American workers, worker rights protections for Chinese workers, and continuation of annual NTR reviews by Congress. Since then we have testified many other times, informed Administration officials of our views and, as you know, sent many letters to Congress on this issue. The UAW has been consistent in its attention to this issue and in its standard for evaluating the U.S.—China trading relationship.

In our testimony today, we will set forth the reasons why the U.S.—China bilateral WTO accession agreement that was negotiated in November, 1999 is deficient. We will then explain why the parallel legislation proposed by Representative Levin fails to fix the fundamental problems with the WTO accession agreement. Lastly, this testimony explains why it is now in the best interests of the United States for Congress to reject PNTR, and instead to continue the annual Congressional reviews of China's trade and other policies.

THREAT TO AMERICAN JOBS

The UAW believes the WTO accession agreement fails to take sufficient steps to protect American workers employed in various manufacturing industries. In particular, we are distressed that the accession agreement does not effectively eliminate China's discriminatory automotive and aerospace policies that are threatening the jobs of UAW members and other American workers. Equally troublesome is the fact that the accession agreement fails to contain adequate protections against huge surges of imports from China that could threaten the jobs of thousands of American workers.

The provisions of the WTO accession agreement that cover automotive products have the same appearance as many other "market opening" agreements that the U.S. government has reached with other countries with closed markets. In each instance, when such an agreement has been negotiated, the U.S. automotive trade deficit has worsened rather than improved. This has been the case for numerous agreements reached with Japan, for the North American Free Trade Agreement's coverage of Mexico and for the recent agreements with Korea. Unfortunately, the UAW believes the provisions in the WTO accession agreement will produce the same result. Despite reductions in tariffs and liberalization of quotas, China's market will remain effectively closed, limiting the increase in U.S. exports of vehicles and parts to that market. At the same time, the assurance of open access to the U.S. market will encourage an even faster pace of investment in China by U.S. assemblers and parts producers. As a result, U.S. imports from China, especially of auto parts, will soar. We have already seen the U.S. automotive trade balance with China shift from a surplus of $0.5 billion in 1993 to a deficit of $1.0 billion last year.

China has accomplished this turnaround in automotive trade with the U.S. by forcing companies that want to sell in China to produce there and to use locally

made parts and materials. General Motors, Ford and DaimlerChrysler all have assembly plants in China, as do many other multinational vehicle assemblers. Because of local content requirements and the attraction of low wages and the absence of worker rights protections, U.S.—based auto parts producers and their foreign competitors have also established production facilities in China. Parts producers, under considerable pressure from assemblers to lower their costs, are particularly prone to shifting production to China, where wages are a tiny fraction of U.S. levels. These companies are already in China and they have an interest in making their Chinese plants as profitable as possible by expanding production. We believe that will lead to significant exports to the U.S., displacing production here and the jobs of thousands of American autoworkers.

Our experience with the 1992 U.S.—China Memorandum of Understanding (MOU) simply reinforces our concerns about the impact of the WTO accession agreement. In the 1992 MOU China agreed not to adopt import substitution industrial policies. But in 1994 China created an auto industrial policy and made it a "pillar industry" for China's economic development. The Administration has recognized that this policy, with its import-restricting, export-promoting measures, is a violation of the 1992 MOU. But to date no action has been taken to remedy China's blatant violation of this agreement, and to require China to dismantle its discriminatory auto industrial policy. Because China has this history of violating the 1992 MOU and numerous other trade agreements, there is every reason to believe that China will violate the WTO accession agreement as well. Since the multinational companies with production facilities in China have already achieved high levels of local content in their products, we believe it is unlikely they will complain about future violations. Instead, they are more likely to relish the benefits of less competition for their Chinese-made products. The net result is that we will be faced with a continuing commitment to auto industry expansion in China that will cause a major surge of auto parts into the U.S., undermining the jobs of thousands of American workers.

The situation in the aerospace industry presents similar dangers for American workers. China has given preferential treatment in aircraft orders to companies that transfer production to China. These "offset" deals have shifted significant production to China in recent years, at the expense of American workers' jobs. Even worse, the companies have succumbed to Chinese pressure to transfer advanced aerospace technologies to China in return for market access. In this way, sensitive technologies, with defense as well as civilian uses, have been transferred and new competitors for U.S. companies have been created.

The WTO accession agreement contains a provision committing the Chinese government not to require technology transfers, offsets or local content requirements as a condition for investment or sales. We believe there are loopholes in this provision that will allow the Chinese government to continue to insist on these kinds of deals for companies that want to do business in China. In addition, the provision applies only to government actions, not to private agreements. Many Chinese state-owned enterprises have been privatized, so arrangements involving these firms and U.S. companies would not be affected by the technology transfer provision in the WTO accession agreement. However, in China's government-controlled economy, these firms are still effectively under the influence and control of government officials. Thus, there are a number of mechanisms available to various levels of government in China to influence the behavior of nominally private firms, rendering the WTO accession agreement's technology transfer provision irrelevant.

Proponents of the WTO accession agreement and PNTR have tried to allay concerns about possible surges of imports from China by pointing to the product-specific safeguard provision in the accession agreement. This provision has been described as an improvement over Section 201 of U.S. trade law, which normally covers such import surges. However, this conveniently overlooks the fact that the ability of the product-specific safeguard provision to protect American workers against import surges is entirely up to the discretion of the U.S. and Chinese governments. This provision allows China to agree to voluntary export restraints and the U.S. to adopt import restrictions that apply only to China. The key word is "allows." The UAW submits that, realistically, there is little chance this product-specific safeguard provision would ever be invoked. Given China's history of violating trade agreements and its aggressive pursuit of auto and aerospace industrial policies that limit imports and promote exports, we believe it is unlikely the Chinese government would ever agree to voluntary limits on their exports. At the same time, in light of the U.S. government's history of failing to take action against discriminatory trade policies by China and other countries, or to initiate safeguard measures in response to import surges, we also believe it is unlikely our government would invoke the product-specific safeguard provision.

During the negotiations leading up to the WTO accession agreement, the UAW urged the Administration to seek protections against import surges that would automatically be triggered whenever their was a significant increase in imports from China in various manufacturing industries. Unfortunately, the product-specific safeguard provision that was ultimately included in the WTO accession agreement does not provide such automatic protection. As a result, we believe this provision does not provide meaningful protection for American workers whose jobs would be threatened by import surges from China.

SILENCE ON WORKER AND HUMAN RIGHTS

The UAW is distressed by the total silence of the WTO accession agreement on issues relating to worker and human rights. We are particularly troubled by the fact that U.S. negotiators did not even raise these issues with China.

The UAW has made clear for years that we would oppose any accession agreement that fails to ensure China's prior compliance with internationally recognized worker rights protections, the ability of workers to enforce compliance through domestic laws and regulations and China's support for including worker rights in the WTO through the creation of a WTO working group on this subject. Unfortunately, the WTO accession agreement that was negotiated last November contains none of these essential points.

The existence of massive abuses of workers' rights in China has been well documented. The U.S. State Department's annual Country Reports on Human Rights and Practices has made clear that the worker rights situation in China has been deteriorating. Child labor, prison labor, repression of independent unions, the lengthy imprisonment of independent union activists are all too common occurrences in China. In our judgment, trade and investment that takes place under these conditions cannot be considered "fair." The fact that many American companies have invested in China to take advantage of these conditions, and that the massive U.S. trade deficit with China is fed by these injustices, makes the exclusion of worker rights issues from the WTO accession agreement all the more abhorrent.

The UAW welcomes the Administration's support for incorporating worker rights into the WTO rules by creating a working group on these issues. But the sad truth is that China's accession to the WTO will almost certainly prevent the WTO from taking this small step so long as China continues to oppose the incorporation of worker rights into the WTO rules. That is why it is so shocking that U.S. negotiators failed to raise these issues, and therefore failed to get a commitment from China in the accession agreement to support the establishment of a WTO working group on worker rights. This effectively dooms any prospect for making progress on worker rights issues through the WTO.

The WTO rules contain protections for the rights of owners of capital, ensuring that broad rights for multinational corporations are enforced by governments. But as long as the WTO rules fail to contain protections for the rights of workers that are at least as strong, workers throughout the world will be justified in seeing the WTO as a body that just advances the interests of corporations and economic elites, not the well being of working men and women.

Under these conditions, the UAW believes Congress should reject PNTR for China and insist on a continuation of our annual reviews of China's human and worker rights practices. This is the only way for the United States to maintain some leverage to encourage China to curb its abuses of worker and human rights, and ultimately to support the inclusion of these issues in the WTO rules.

Enforcement of China's Trade Commitments

China has a long history of violating its trade commitments. In particular, China has violated previous bilateral agreements on prison labor, intellectual property rights, textiles, and market access, thereby undermining the potential benefits of those agreements for the United States. In addition to this bad track record, the statements of many Chinese government officials in recent months also contribute to our skepticism regarding China's compliance with the new commercial and agricultural commitments which it has made in the WTO accession agreement. Specifically, Chinese officials have indicated that the agreements on tariff reductions, quota increases and liberalized foreign ownership are no more than words on paper. They describe what is possible, but will not necessarily determine what will happen. If the past is any guide, there will be far less effective market opening in China than proponents of PNTR expect.

When violations of China's WTO commitments do, indeed, take place, we believe that the bilateral dispute settlement process now in place is preferable to the WTO process that would apply if the U.S. were to establish a WTO relationship with

China by approving PNTR. The WTO dispute resolution procedures, which have been in place since 1995, have been slow to produce final decisions and cumbersome in their operations. Because of the limited scope of the WTO's rules, which are biased in favor of more trade and less government regulations for worker, consumer and environmental protections, several of its decisions have challenged legitimate U.S. laws and regulations. It has also become clear that the ways in which China and other countries with structural and non-market barriers discriminate against foreign products and services cannot be successfully challenged in the WTO. As a result, the WTO puts open, rules-based countries like the U.S. at a disadvantage.

Being bound by the WTO process would also prevent the effective use of U.S. trade laws like Section 301 to address unfair Chinese practices that are not directly covered by WTO rules. Even though U.S. cases on such issues, including worker rights and toleration of restrictive business practices, could be filed and pursued, the WTO rules would not allow the U.S. to raise tariffs or limit access to the U.S. market. Thus, under the WTO rules these Section 301 cases could no longer provide any meaningful remedy against the unfair Chinese practices.

In contrast, if Congress rejects PNTR the United States would be able to maintain the bilateral enforcement tools that are now in place, including Section 301. The UAW submits that there are numerous advantages to this approach. This would allow the United States to make effective use of all of our existing trade laws to respond to discriminatory practices by China. This would also allow the U.S. to respond to violations of bilateral trade agreements in place with China that are not part of our WTO commitments. Significantly, we would not have to worry about obtaining WTO approval for any U.S. actions.

The main benefit of maintaining the current dispute settlement process, though, would be the continuing leverage of the annual Congressional review of China's NTR trade status. This annual review raises the threat that the U.S. could significantly limit access to its market if China continues to blatantly violate its trade commitments, or in response to a major deterioration in human or worker rights or other actions by China. The only way for the U.S. to keep its leverage on these issues intact and continue to pressure the Chinese government to make meaningful improvements in these areas is for Congress to reject PNTR for China at this time, and to insist on a continuation of the annual NTR reviews.

Proponents of PNTR have claimed that U.S. business and farmers will lose the benefits of China's market opening commitments to other countries unless Congress eliminates the annual NTR reviews. We believe they are simply wrong. The bilateral trade agreement negotiated in 1979 and implemented in 1980 sets the framework for the overall U.S.—China trading relationship. It provides broad Most Favored Nation (MFN, the trade status now referred to as NTR in the U.S.) treatment for U.S. products and firms in China, assuring access comparable to that afforded to other countries.

The 1979 agreement covers tariffs, distribution in China, and the treatment of firms operating in China. It is much more expansive than the proponents of PNTR have acknowledged. We believe this agreement addresses substantially all of the areas included in China's WTO commitments and will prevent China from withholding the benefits of any market opening from U.S businesses and farmers.

In addition, the high level of Chinese exports to the U.S. (which exceed U.S. exports to China by a seven to one ratio) makes it unlikely that the Chinese government would discriminate against U.S. businesses and farmers by denying them trade benefits accorded to other nations. In our judgment, China will not risk jeopardizing its nearly $70 billion trade surplus with the U.S. by violating the 1979 agreement and discriminating against U.S. interests. Under the 1979 agreement, access to the U.S. market for China must be equivalent to the access afforded other countries, so discriminatory treatment by China would violate the agreement and invite retaliation by the United States.

THE PROPOSALS ADVANCED BY REPRESENTATIVE LEVIN DO NOT FIX THE FUNDAMENTAL FLAWS IN THE WTO ACCESSION AGREEMENT

Recognizing that there are serious problems in the WTO accession agreement, a number of Representatives have suggested that these issues should be addressed through parallel legislation. In particular, Representative Levin has presented a number of proposals along these lines.

The UAW and the rest of the labor movement flatly reject this misguided effort to craft a unilateral U.S. "side agreement" to mitigate some of the fundamental problems in the WTO accession agreement. Attached to this testimony is a letter dated February 29th signed by twelve unions, including the UAW, which rejects the Levin proposals and emphasizes that these proposals cannot provide any justifica-

tion for granting PNTR to China. We agree with Democratic Leader Dick Gephardt who stated, when announcing his opposition to PNTR, that there are no measures available or under consideration that can effectively counteract the deficiencies of the WTO accession agreement.

In rejecting the proposals put forward by Representative Levin, the UAW is not ignoring international economic reality or falling into isolationism. We simply believe that expanded international trade and investment must improve living standards for working people, in the U.S. and abroad. If a proposed agreement, instead, reinforces pressures to depress workers' incomes and diminishes their rights, then that agreement should be rejected and a different path should be taken. The UAW opposes the WTO accession agreement and the granting of PNTR to China because it fails to meet this simple test. Unfortunately, proposals for "side agreements" like those advanced by Representative Levin do not address in any meaningful way the fundamental deficiencies in the WTO or the U.S.—China bilateral accession agreement.

In his testimony before this Committee in February, Representative Levin proposed the creation of a joint congressional-executive commission on China, to conduct an annual review of China's violations of human rights, labor rights and WTO commitments. The commission would produce recommendations for actions that the U.S. government could take. But these actions would have to be WTO-consistent and not violate any other U.S. international obligations.

The problem with this proposal is that it substitutes an annual review that can only "recommend" certain limited actions for the annual Congressional review we now have, which has the authority to revoke China's NTR trade status. Since the recommendations under Representative Levin's proposal could only encompass actions that the U.S. can take under existing authority, the proposed congressional-executive commission adds no new authority and provides no new leverage to change China's behavior in these critical areas of concern. Instead, by eliminating the current annual Congressional review of China's NTR trade status, this proposal would eliminate the only real leverage which the United States possesses—that is, the threat of restrictions on access to the U.S. market. In our judgment, it would be a profound mistake for Congress to give up this leverage for a toothless commission that can only monitor and report on worker and human rights in China. This can only lead to a further deterioration of conditions in China.

In the area of human rights, the State Department's annual report already provides a wealth of documentation of Chinese abuses. Creating a new staff and budget for a new commission would be unlikely to produce any startlingly new evidence. The same is true for worker rights violations. The State Department report documents these abuses, and the International Labor Organization also has resources for this purpose. If the problem in these areas was a lack of attention and information, creating a commission might make some sense. Unfortunately, that has not been the problem. The real problem has always been the absence of resolve to take effective actions to pressure China to change its practices on worker and human rights. Establishing a new congressional-executive commission to monitor and report on Chinese abuses will not help at all with this problem. What we need are more concrete tools to pressure China on these issues, and a Congress or Administration that are prepared to use these tools. Eliminating the tool we now have—the annual Congressional review of China's NTR trade status—can only represent a step backwards, no matter how many grand commissions are created to monitor and report on the situation in China.

Representative Levin has also proposed that the U.S. should be committed to pursuing the establishment of a working group on labor within the WTO. However, the U.S. is already required by statute to pursue this objective. It will make no contribution to the advancement of worker rights within the WTO or in China to restate this position.

The sad fact is that government officials in China have already stated that, as a WTO member, China will oppose the creation of a working group on labor. Other WTO member countries that are opposed to the working group have made it clear that they welcome China's joining the WTO, so that the forces against the worker rights initiative will be strengthened. The missing element in this equation is not the position of the U.S. government, it is the position of China's government. If Representative Levin's proposal required that China must support the working group on labor, as a condition for their accession to the WTO, we would welcome this proposal. But looking only at the position of the U.S. government is simply a diversion from the real problem.

Representative Levin has further proposed that a special task force should be created to investigate violations of the U.S. prohibition on imports of products made by forced or prison labor. This proposal is ironic for several reasons. The U.S. and

China have already signed an agreement in which China said it would provide the information necessary for the U.S. to ensure that China was not exporting prison-made goods to the United States. China has violated this agreement, as it has violated virtually every agreement it has signed with the United States. Prohibitions on imports of prison-made goods are among the few import restrictions allowed by the WTO, and its predecessor, the General Agreement on Tariffs and Trade (GATT). There is no impediment to the U.S. forcefully enforcing its law, at the expense of imports from China. Allegations of Chinese exports made by forced and prison labor have been made, and verified, for years. We heartily support the enforcement of U.S. law in this area. But this should hardly require the creation of a special task force. What is really needed, once again, is resolve by the U.S. government to use the tools currently at our disposal to take concrete actions against these serious abuses.

To enhance enforcement of China's commitments in the WTO accession agreement, Representative Levin has proposed putting procedures for invoking the product-specific safeguard provision into legislation. He has also proposed strengthening Section 201 of U.S. trade law, which is designed to address this problem, as well as provisions of Section 301, which covers unfair foreign trade practices. This proposal also includes adding resources for monitoring and enforcing China's WTO obligations, including an annual report on China's performance.

In our judgment, none of these proposals is meaningful. The product-specific safeguard provision in the WTO accession agreement needs much more than putting its procedures into legislation to make it effective. As described earlier, this "provision" is entirely discretionary. The Chinese government can voluntarily take actions to limit exports, or the U.S. government can exercise its discretion to limit imports from China. The decision in both cases is up to the government, not the injured domestic workers and firms. Putting this provision into legislation cannot remedy the fundamental problem that there is no assurance that any action will be taken to stop a surge of imports that could jeopardize the jobs of thousands of American workers. And it cannot make this provision more effective in preventing import surges in the first place (by eliminating China's determination to maintain its auto and aerospace industrial policies), or speed up the process for obtaining relief from injurious imports. Thus, this proposal is too little, too late and still too discretionary.

It has been widely known for many years that Section 201 is in need of revision. Unfortunately, Representative Levin's insistence that any changes must be WTO-consistent puts a tight rein on what could be adopted. Reducing the difficulty of meeting the domestic injury test is one change that the UAW has long supported and continues to support. We welcome Representative Levin's support for such a change, but it will not be enough to make utilization of Section 201 much more appealing to American workers losing their jobs to increased imports. When American steelworkers were experiencing such job losses, the Administration refused to exercise its authority to self-initiate a Section 201 case. If the Administration refused to act then, there is little likelihood that it would initiate a case under the revised standard. And businesses and workers that are adversely impacted by imports would still be unlikely to receive effective relief, even under the revised standard.

The proposal to strengthen Section 301 of U.S. trade law is rather curious. It is now generally agreed that the teeth in Section 301 were removed by the Uruguay Round commitment to retaliate against unfair foreign trade practices only when authorized to do so by the WTO. Effectively, all Section 301 cases are referred to the WTO for dispute resolution and the U.S. is stuck with the decision by the WTO dispute resolution panel. Section 301 is just the funnel for transmitting certain U.S. cases to the WTO. Accordingly, strengthening Section 301 by expanding its definition of what kinds of foreign practices are "unfair" would provide little solace under the WTO system. Even if the U.S. were to determine that certain foreign trade practices were "unfair" under this expanded definition, we could not retaliate against these practices in ways that conflict with NTR treatment of the country and general WTO obligations. This limits the benefit of any Section 301 case to remedies that are not subject to WTO discipline. But those remedies are shrinking as WTO jurisdiction expands. As a result, it will be hard to identify any gains from "improvements" to Section 301.

Representative Levin has also proposed that the U.S. government should issue annual reports on the enforcement of China's WTO commitments. This simply covers the same ground as the congressional-executive commission described above. More importantly, it is important to note that the U.S. government already produces an annual review of how other nations have complied with their international trade obligations, the National Trade Estimates Report on Foreign Trade Barriers. In recent years the section of this book covering China has been quite large, describing the wide range of violations by China of its obligations to the United States. Finding

the violations has not been the problem. The problem has always been the failure of the U.S. government to take concrete actions to eliminate the violations Representative Levin is suggesting no new leverage or tools to achieve that goal. Instead, by granting PNTR we would eliminate the leverage we now have through the annual NTR review.

Representative Levin has also proposed that the WTO should conduct another annual review of China's compliance with its obligations, through its Trade Policy Review Mechanism (TPRM). As Representative Levin notes, China's size, the nature of its economy and the limited rule of law warrant frequent reviews. However, even if the WTO were to agree to this unprecedented schedule (the most frequent reviews are now every two years for a small number of countries, including the U.S.), the results of the TPRM process are not binding on anyone. We would, again, have a source of information on China's failure to fulfill its WTO obligations. But with no mandatory process for changing China's policies, this would simply represent another toothless report.

Representative Levin has also suggested the need for certain institutional reforms of the WTO itself, including increased transparency through public release of documents, opening up the meetings of the dispute settlement panels, and accepting amicus briefs in the dispute settlement process. The UAW shares Representative Levin's commitment to these objectives. Indeed, the U.S. government has already endorsed these changes in the WTO and is pressing for their acceptance. These changes are desirable in their own right. But even if adopted, they are unlikely to have any effect on China's behavior in the WTO.

In the end, the lengthy list of proposals made by Representative Levin is inconsequential. Many of these proposals simply reflect policies that are already being pursued or implemented by the U.S. government. Thus, these proposals are simply duplicative window dressing, and do not represent any improvement over the current state of affairs. In addition, many of the proposals simply involve toothless monitoring or reporting requirements. None of the proposals contain meaningful enforcement mechanisms to ensure that concrete steps are taken to stop import surges that threaten the jobs of American workers, to address Chinese abuses of worker and human rights, or to ensure compliance by China with its international obligations. Thus, there is nothing in this set of proposals that would fix the basic problems in the WTO accession agreement and justify the elimination of the current annual Congressional review of China's NTR trade status.

THE UNITED STATES HAS NOTHING TO GAIN, AND MUCH TO LOSE BY GRANTING PNTR TO CHINA AT THIS TIME

In light of the serious deficiencies in the U.S.—China WTO accession agreement, and the failure of the parallel legislation proposed by Representative Levin to address these deficiencies in any meaningful way, the UAW submits that it is in our national interest to reject PNTR at this time, and to retain the current annual Congressional review of China's trade status. Simply stated, our nation has nothing to gain, and much to lose by granting PNTR to China at this time.

If Congress rejects PNTR for China:

- China is still obligated under the 1979 agreement with the U.S. to give our businesses and farmers all of the tariff reductions and other trade benefits that it accords to other nations.
- The U.S. can still use its bilateral enforcement tools, like section 301 and super 301, to take action against discriminatory Chinese practices. These enforcement tools are superior to the cumbersome dispute resolution procedures under the WTO.
- Most importantly, Congress and the United States will retain the leverage of the annual NTR reviews to pressure China to honor the commercial and agricultural commitments which it has made, to make progress on worker and human rights, and to prevent import surges that would jeopardize the jobs of thousands of Americans.

In contrast, if Congress grants PNTR to China:

- We will lose the ability to use our bilateral enforcement mechanisms. Instead, we will be at the mercy of the WTO dispute resolution procedures, which take far too long and which don't apply to the many ways a non-market economy like China can discriminate against products and services made in the U.S.
- We will lose any ability to use the leverage of access to the U.S. market to pressure China to honor its commercial and agricultural commitments, to encourage China to make progress on worker and human rights, or to stop import surges that threaten American jobs.

• Once we have granted PNTR to China, Congress cannot repeal this trade status without subjecting the U.S. to sanctions under the WTO. Thus, Congress and the U.S. will be left without any effective recourse if China continues its past practices of failing to honor its trade commitments and repressing basic worker and human rights.

For all of these reasons, the UAW believes it makes no sense to give China a blank check by granting it PNTR at this time.

Mr. Chairman, Members of Congress face a very important choice on the China PNTR issue. We firmly believe that the WTO accession agreement negotiated with China is deficient in many important ways. Under its terms, the absence of balance in the international trading system will be reinforced rather than corrected. As a large, rapidly growing economy, China will have significant influence in the WTO and the direction that it takes. Unless worker rights and environmental protections are incorporated into the rules of this trading system, trade and international economic integration will continue to contribute to growing economic inequality, within and among nations, downward pressure on workers' incomes and reduced social and environmental standards.

The majority of Americans believe the trading system must do more to promote social justice and equitable economic development. UAW members, their families and their communities are insisting on this. Granting permanent normal trade relations to China and accepting the fatally flawed WTO accession agreement would be a giant step in the wrong direction. It would eliminate the single most significant leverage we have to move China toward fair treatment and democratic rights for its citizens—namely, the current annual Congressional review of China's NTR trade status.

We urge you as strongly as possible to oppose PNTR, thereby leaving the door open to a more balanced, beneficial U.S. trading relationship with China and to an international trading system that can address the concerns of workers for a fair, safe and healthy world.

Thank you.

February 29, 2000

Dear Representative:

During a recent hearing by the Ways and Means Committee on the China WTO trade deal, Representative Sander Levin presented a five point proposal dealing with human rights, import surges, and enforcement of China's commitments. The unions listed below believe this Levin proposal fails to provide any effective improvement on these key issues. Accordingly, we do not believe the Levin proposal provides any justification for granting permanent NTR trade status to China.

In our judgment, the Levin proposal is nothing more than fig leaf. It has absolutely no teeth, and thus would not lead to any concrete progress relating to human rights, import surges, or enforcement of China's commitments

Worker and Human Rights

The Levin proposal calls for the establishment of a special U.S. congressional-executive commission that would monitor and report on China's record relating to worker and human rights. But this commission would have absolutely no power or leverage to influence China's actions in these areas. Unlike the current annual review of NTR trade status, the monitoring and annual reports of this commission would not be linked to any trade status or sanctions. Thus, this amounts to nothing more than a meaningless reporting requirement that China could ignore without fear of any adverse consequences.

The Levin proposal also calls for the U.S. to pursue the establishment of a working group on labor within the WTO. But this is nothing more than a restatement of the existing policy of the Clinton Administration. While the UAW and the rest of the labor movement have supported the establishing of a WTO working group on labor, the sad reality is that China's accession to the WTO completely undermines any realistic possibility of obtaining this objective in the foreseeable future.

Import Surges

The Levin proposal calls for the enactment of legislation spelling out the procedures for invoking the anti-import surge provision in the U.S.—China bilateral accession agreement—the so-called "product specific safeguard" provision. Unfortunately, this anti-import surge provision is completely voluntary on China's part, and completely discretionary on the part of the United States. There is absolutely no guarantee that it would ever be invoked, by either China or the U.S., to halt any surge of imports in textiles, auto parts, steel, aerospace, electronic or other products.

Even if the legislation proposed by Representative Levin allowed Congress to invoke the anti-import surge provision, past history suggests that there is little likelihood that this would ever happen.

The Levin proposal also calls for the strengthening of the general anti-import surge provision in section 201 of U.S. trade law. Although the UAW would welcome this change, it still would not guarantee American workers protection against import surges from China. The unfortunate truth is that section 201 has seldom been invoked to protect American workers from import surges in the past.

Enforcement of China's Commitments

The Levin proposal calls for the WTO's Trade Policy Review Mechanism (TPRM) to conduct an annual review of China's compliance with its WTO commitments. Again, this would simply lead to the issuance of another meaningless report, with absolutely no teeth to address any violations by China of its commercial or agricultural commitments. This proposal does not contain any new enforcement tools or sanctions. The existing WTO enforcement mechanisms are notoriously slow and cumbersome, and do not apply to the myriad ways that non-market economies like China can discriminate against imports of products and services from the U.S. and other countries.

For all of the foregoing reasons, the unions listed below believe that the proposal set forth by Representative Levin would not lead to any significant improvement in the areas of worker and human rights, import surges, or enforcement of China's commitments. Accordingly, we strongly oppose any attempt to use this proposal as a justification for granting permanent NTR trade status to China. In our judgment, the only way to retain meaningful oversight and leverage by Congress on these key issues is to reject permanent NTR trade status for China.

Sincerely,

American Federation of Government Employees (AFGE)
American Federation of Teachers (AFT)
American Federation of State, County and Municipal Employees (AFSCME)
Int'l. Brotherhood of Boilermakers, Iron Shipbuilders, Blacksmiths, Forgers and Helpers (IBB)
International Brotherhood of Teamsters (IBT)
Paper, Allied-Industrial, Chemical & Energy Workers International Union (PACE)
Service Employees International Union (SEIU)
Transport Workers Union of America (TWU)
Union of Needletrades, Industrial and Textile Employees (UNITE)
United Automobile, Aerospace & Agricultural Implement Workers Of America (UAW)
United Mine Workers (UMW)
United Steelworkers of America (USWA)

Chairman ARCHER. Thank you, Mr. Reuther.

Mr. Burns, welcome, and you may proceed.

STATEMENT OF KYLE J. BURNS, DIRECTOR, INTERNATIONAL SALES, COLUMBIA 300, INC., SAN ANTONIO, TEXAS

Mr. BURNS. Thank you. Good afternoon, Chairman Archer and members of the Committee. It is my privilege to testify this afternoon regarding the benefits of China's accession to the World Trade Organization and the necessity of granting permanent normal trade relations status to China.

My name is Kyle Burns, and I'm the Director of International Sales at Columbia 300, Inc. Columbia manufactures high-performance, mid-performance and entry level bowling balls in San Antonio, Texas. We are an active member of the Texas International Trade Alliance, which is affiliated with the Business Roundtable's grass-roots trade education program called goTRADE. The Texas International Trade Alliance is a coalition of local small, medium and large companies, academics and other officials that promote

the benefits of international trade to Texas communities. Columbia and the Texas International Trade Alliance strongly support China's accession to the World Trade Organization and PNTR.

I would like to talk to you today about how China's accession to the WTO will benefit Texas, and more specifically how China's accession will benefit a small Texas company like Columbia.

The Chinese market is very important to Texas. Direct exports from Texas to China totaled almost $1 billion in 1998. If you add indirect exports through Hong Kong, Texas exports to China totaled $1.2 billion. These exports were broadly diversified with almost every major product category registering exports to China in 1998. And these exports are increasing rapidly. Many key Texas export categories more than doubled their sales to China from 1993 to 1998.

Small and medium size companies in Texas are responsible for a growing share of exports to China. In 1997, small and medium size companies accounted for an astounding 71 percent of the 672 companies that exported merchandise from Texas to China. China's accession to the WTO offers Texas companies, employees and farmers the best opportunity to increase their exports to China even further. China's WTO commitments address the principal market access barriers to Texas products and will increase market access beginning on the first day of China's membership in the WTO.

The new opportunities created by this new market access will lead to economic growth in Texas and an improved standard of living for Texas families. It is therefore certainly in Texas' best interest to bring China into the global trading system.

China's accession to the WTO will also benefit my company tremendously. Columbia was founded in 1960 and now employs approximately 200 people. Our modern complex of offices, factory and warehouse space in San Antonio houses the most technologically advanced plant in the bowling industry. And we dedicate millions of dollars to research and development so that we can bring innovative ideas and technology to the sport of bowling.

Although many people view bowling as a uniquely American sport, Columbia has been exporting bowling balls around the world for more than 35 years. We ship bowling balls and accessories from San Antonio to more than 50 countries, in Latin America, Europe, the Middle East, South Africa and Asia. These markets are extremely important for our business. International customers account for 20 percent of our total sales, and the Asian market is the most important, accounting for 80 percent of our international sales.

The Chinese market is particularly important for Columbia. We began exporting bowling balls indirectly to China through Hong Kong approximately seven years ago. We began exporting directly to China approximately four years ago. Our main markets are in the major metropolitan areas along the east coast of China. Recently, China has accounted for as much as 7 percent of our international sales and promises the greatest growth potential for our products. China's accession to the WTO will help Columbia realize its growth potential.

Under the U.S.—China WTO agreement, China has agreed to eliminate its tariffs on all bowling equipment. The tariff reductions

will commence upon accession and be fully implemented by January 1st, 2005. The U.S.—China WTO agreement also alleviates a whole host of current restrictions on doing business in China. For example, China currently imposes severe restrictions on trading rights, the right to import and export, and distribution rights, the right to provide wholesaling, retailing, maintenance and transportation services.

Foreign companies have no right to distribute products other than those they make in China. They cannot own or manage distribution networks, wholesaling outlets or warehouses. Under the WTO agreement, China will for the first time grant U.S. companies like Columbia the right to import without Chinese middlemen. It will also permit full rights to distribution. We will therefore have the freedom to establish our own networks to distribute our products in China. And the application of WTO dispute settlement proceedings and other enforcement mechanisms will ensure that China meets its commitments.

In addition, China's accession to the WTO will spur economic growth and boost demand for our products in China. Since China began introducing market reforms in 1978, it has been growing at the highest rate of any major economy. This economic growth has helped to lift millions of Chinese citizens out of poverty, doubling or even tripling real incomes. Bringing China into the WTO will accelerate China's economic growth and raise disposal incomes even further, thereby increasing wherewithal for ordinary Chinese citizens to purchase our products.

As a direct result of China's accession to the WTO, we expect a 20 percent increase in our sales to China in the short term. In the long term, our sales to China easily could surpass our current worldwide sales. The increased sales will greatly benefit our employees. Their jobs depend on opening new market in China and other countries as the demand for bowling products in the United States diminishes.

The increased sales will also indirectly benefit employees in many other Texas companies. Employees at our urethane supplier in Dallas and our boxing supplier in San Antonio, among others, depend upon our success for their jobs. Our increased sales to China, after its accession to the WTO, therefore will provide benefits to a whole chain of Texas companies and their employees.

In order for Columbia and other Texans to realize the benefits discussed above, Congress must grant PNTR to China. Without PNTR, China could join the WTO and extend those benefits to Columbia's foreign competitors in Japan and South Korea but justifiably withhold them from the United States. Please do not let that happen. We cannot afford to lose the Chinese market to our foreign competitors.

On behalf of Columbia 300, therefore, I urge you to support PNTR for China. Thank you.

[The prepared statement follows:]

Statement of Kyle J. Burns, Director, International Sales, Columbia 300, Inc., San Antonio, Texas

Good morning Chairman Archer and members of the Committee. It is my privilege to testify this morning regarding the benefits of China's accession to the World

Trade Organization (WTO) and the necessity of granting permanent Normal Trade Relations (PNTR) status to China.

My name is Kyle Burns, and I am the Director of International Sales at Columbia 300, Inc. Columbia manufactures high-performance, mid-performance, and entry-level bowling balls in San Antonio, Texas. We are an active member of the Texas International Trade Alliance, which is affiliated with The Business Roundtable's grass-roots trade education program called goTRADE. The Texas International Trade Alliance is a coalition of local small, medium, and large companies, academics, and other officials that promote the benefits of international trade to Texas communities. Columbia and the Texas International Trade Alliance strongly support China's accession to the WTO and PNTR.

I would like to talk to you today about how China's accession to the WTO will benefit Texas, and more specifically about how China's accession will benefit a small Texas company like Columbia.

I. China's Accession to the WTO Will Benefit Texas Tremendously.

The Chinese market is very important to Texas. Direct exports from Texas to China totaled almost $1 billion in 1998. If you add indirect exports through Hong Kong, Texas exports to China totaled $1.2 billion. These exports were broadly diversified, with almost every major product category registering exports to China in 1998. And these exports are increasing rapidly—many key Texas export categories more than doubled their sales to China from 1993 to 1998.

Small and medium-sized companies in Texas are responsible for a growing share of exports to China. In 1997, small and medium-sized companies accounted for an astounding 71 percent of the 672 companies that exported merchandise from Texas to China.

China's accession to the WTO offers Texas companies, employees, and farmers the best opportunity to increase their exports to China even further. China's WTO commitments address the principal market access barriers to Texas products and will increase market access beginning on the first day of China's membership in the WTO. The new opportunities created by this new market access will lead to economic growth in Texas and an improved standard of living for Texas families. It is therefore certainly in Texas's interest to bring China into the global trading system.

II. China's Accession to the WTO Will Also Benefit My Company Tremendously.

Columbia was founded in 1960 and now employs approximately 200 people. Our modern complex of offices, factory, and warehouse space in San Antonio houses the most technologically advanced plant in the bowling industry, and we dedicate millions of dollars to research and development so that we can bring innovative ideas and technology to the sport of bowling.

Although many people view bowling as a uniquely American sport, Columbia has been exporting bowling balls around the world for more than thirty-five years. We ship bowling balls and accessories from San Antonio to more than fifty countries in Latin America, Europe, the Middle East, South Africa, and Asia. These markets are extremely important for our business—international customers account for twenty percent of our total sales. And the Asian market is the most important, accounting for eighty percent of our international sales.

The Chinese market is particularly important for Columbia. We began exporting bowling balls indirectly to China through Hong Kong approximately seven years ago, and we began exporting directly to China approximately four years ago. Our main markets are in the major metropolitan areas along the east coast of China. Recently, China has accounted for as much as seven percent of our international sales, and it promises the greatest growth potential for our products.

China's accession to the WTO will help Columbia realize this growth potential. Under the U.S. China—WTO Agreement, China has agreed to eliminate its tariffs on all bowling equipment. The tariff reductions will commence upon accession and will be fully implemented by January 1, 2005.

The U.S.—China WTO Agreement also alleviates a whole host of current restrictions on doing business in China. For example, China currently imposes severe restrictions on trading rights (the right to import and export) and distribution rights (the right to provide wholesaling, retailing, maintenance, and transportation services). Foreign companies have no right to distribute products other than those they make in China, and they cannot own or manage distribution networks, wholesaling outlets, or warehouses. Under the WTO Agreement, China will for the first time grant U.S. companies like Columbia the right to import without Chinese middlemen, and it will also permit full rights of distribution. We will therefore have the freedom to establish our own networks to distribute our products in China. And the

application of WTO dispute settlement proceedings and other enforcement mechanisms will ensure that China meets its commitments.

In addition, China's accession to the WTO will spur economic growth and boost demand for our products in China. Since China began introducing market reforms in 1978, it has been growing at the highest rate of any major economy. This economic growth has helped to lift millions of Chinese citizens out of poverty, doubling or even tripling real incomes. Bringing China into the WTO will accelerate China's economic growth and raise disposable incomes even further, thereby increasing the wherewithal for ordinary Chinese citizens to purchase our products.

As a direct result of China's accession to the WTO, we expect a twenty percent increase in our sales to China in the short-term. In the long-term, our sales to China easily could surpass our current worldwide sales. The increased sales will greatly benefit our employees. Their jobs depend upon opening new markets in China and other countries as the demand for bowling products in the United States diminishes. The increased sales will also indirectly benefit employees at many other Texas companies. Employees at our urethane supplier in Dallas and at our boxing supplier in San Antonio, among others, depend upon our success for their jobs. Our increased sales to China after its accession to the WTO therefore will provide benefits to a whole chain of Texas companies and their employees.

Conclusion

In order for Columbia and other Texans to realize the benefits discussed above, Congress must grant PNTR to China. Without PNTR, China could join the WTO and extend those benefits to Columbia's foreign competitors in Japan and South Korea but justifiably withhold them from the United States. Please do not let that happen. We cannot afford to lose the Chinese market to our foreign competitors. On behalf of Columbia 300, I therefore urge you to support PNTR for China.

Thank you.

Chairman ARCHER. Thank you, Mr. Burns.

Mr. Laux, welcome, it's good to see you again. We'll be pleased to receive your testimony.

STATEMENT OF DAVID N. LAUX, PRESIDENT, U.S.-TAIWAN BUSINESS FORUM, ARLINGTON, VIRGINIA

Mr. LAUX. Thank you, Mr. Chairman, Congressman Rangel, distinguished members of the Committee. Thank you for including me in this panel of distinguished speakers today.

I am David Laux, the President of the U.S.-Taiwan Business Forum, and until one month ago, for almost 10 years, I was president of the U.S.-ROC-Taiwan Business Council, made up of some 200 U.S. companies and organizations doing business with Taiwan.

Prior to that, I was for almost four years the Chairman of the American Institute in Taiwan, the Instrumentality, which is effect our substitute for an embassy in dealing with the economic, cultural and other relations with the people of Taiwan. And I had a stint for almost five years on the International Security Council staff as director of Asian affairs, and really, my 49 years of working life, I've spent most of it working on improving U.S. relations with the Chinese people, both on the mainland and in Taiwan.

I want to speak for just a moment on the importance of Taiwan to the United States. Because the essential thrust I want to make here is that granting PNTR to China is good for Taiwan and our relationship with Taiwan. And it's going to help increase business with both Taiwan and the United States. And I don't think this is well known, but it is going to, in my view, result in a small explosion of the cross-Strait trade going on between Taiwan and China.

And that in itself is going to help to ameliorate some of the tensions in the straits.

Taiwan, has the world's third largest foreign exchange reserves after Japan and the People's Republic of China, totaling $113 billion at the end of March. And something close to 70 percent of that is invested in U.S. dollar instruments. Taiwan is the world's second largest creditor nation after Japan, because they have virtually no foreign debt as opposed to China, which has a substantial foreign debt.

Their trade with us was $54.3 billion last year, making it our seventh largest partner behind Canada, Japan, Mexico, China, Germany and Great Britain. And ahead of countries like South Korea, France, Singapore and Italy. Taiwan bought one and a half times as much from us last year as China did. In earlier years, it was even greater. And the $20 billion or so per year that they have bought the last three years, let me put that in perspective. That is half as much as all of South and Central America, not counting Mexico, buys from the United States. It's twice as much as all of Africa, and it's five to seven times as much as either India or Russia buys from us. Not bad for 22 million people living in a country a little over the size of Maryland.

Taiwan applied for membership in the GATT, WTO's predecessor organization, in 1990, became an observer in 1992. They have now completed, a little more than a year ago, all of the arrangements with us and their multilateral negotiations. And they are in effect in a holding pattern waiting to get into WTO. And while the U.S. Government's position is that Taiwan's accession is not linked to that of the People's Republic of China, the current reality is that the WTO working party, because of the positions of some of its members who are close to the People's Republic, is not going to reach a consensus agreement approving Taiwan's entry until China is ready, too.

The Administration's objective-shared, I think, by virtually all members of WTO, is that both China and Taiwan accede to the WTO this year. The point I want to make is that we have with Taiwan, just as we do in the agreement with the People's Republic, agreements that are substantial concessions to the United States. But they don't go into effect until Taiwan gets into the WTO.

So I think it's imperative that the U.S. take a strong position in trying to get Taiwan in, at the same time, not with a five minute coffee break or taking it up a day later. And I'm a little bit disturbed by the wording—what is otherwise brilliant testimony by Charlene Barshefsky, the U.S. Trade Representative—where on page 15 she says, "China's entry will facilitate Taiwan's entry into the WTO." To me, that smacks of maybe it isn't going to happen at the same time, and there might be a substantial interval afterwards. I think the U.S. position should be strongly that they get in at the same time.

I'm going to skip, in the interests of time, the benefits as I see them of PNTR for China, and mention Taiwan's trade across the Strait. Taiwan's annual trade with China is now over $25 billion. And Taiwan has invested something like $45 billion into about 40,000 enterprises in the United States, in the mainland. Perma-

nent NTR for China benefits those Taiwan-owned companies in the mainland, and denying PNTR would therefore hurt Taiwan.

When Taiwan and China are both in the WTO, there's going to be an expansion of trade across the Straits. And many U.S. companies have an interest in this. For instance, some of the automobile manufacturers in the United States want to manufacture parts in China that will be sent to Taiwan and put together there.

Now, I'm running out of time, so I want to just sum up here. PNTR and WTO entry for these two important partners works toward the opening up and reform of the system in China. And it's likely to change China in a positive way more than just bringing the benefits of greater trade to the Chinese people.

In short, it's going to help move them towards democracy. This is what happened in Taiwan; it's what's going to happen in China.

Now, I'm getting a little long in the tooth, and at 72, I wonder what I'm going to do with the rest of my life. I have eight children and fifteen grandchildren, and I spend a lot of time thinking about what's right. I think what is right for the United States in this instance is not to use the continuing annual review of Normal Trade Relation status as a tool to bash China with every year in attempting to get concessions in other areas, such as human rights, religious rights and so forth. I think there are other instrumentalities we could use for that, and we should not use NTR at the cost that it would be for the U.S. companies that would not receive the substantial benefits negotiated by the Administration if we deny PNTR and continue to have annual review.

So to sum up, in my view, PNTR is good not only for U.S. companies dealing with China, it's good for assisting U.S. companies dealing with Taiwan. It's good for Taiwan. We should move to see that both countries get into the WTO together.

And my last sentence I guess would be, looking at the list of people that Charlene Barshefsky ended her testimony with, that are in favor of this—every living former Secretary of State, 47 Governors of States and territories, all present and former U.S. trade representatives, Secretaries of Commerce, Agriculture, Treasury and four former Presidents, what else is there to say.

Thank you.

[The prepared statement follows:]

Statement of David N. Laux, President, US-Taiwan Business Forum, Arlington, VA

Mr. Chairman, and distinguished Members of the Committee:

Thank you for inviting me here today to present views on Permanent Normal Trade Relations (PNTR)for the People's Republic of China and accession to the World Trade Organization (WTO) for China and Taiwan.

Background/credentials. First, a word about my background and credentials. Most of my working life over the past 49 years has been spent in some way trying to improve U.S. relations with the Chinese people—on both sides of the Taiwan Strait. For 4 and ½ years (1982–1986) in the Reagan Administration I was Director of Asian Affairs on the National Security Council staff dealing primarily with China and Taiwan; for 3 and ½ years (1987–1990) I was Chairman and Managing Director of the American Institute in Taiwan—the organization which is, in effect, our substitute for an Embassy in conducting the U.S. unofficial, "commercial, cultural and other relations" with Taiwan. On April 1 of this year I stepped down as President of the US–ROC (Taiwan) Business Council after 9 and ½ years to devote my full time to the position of President of the US—Taiwan Business Forum, a 501–c–3 foundation, dedicated to economic research, business educational exchanges, and

educational seminars focused on developing new business opportunities and strengthening U.S. economic and business relations with Taiwan, and through American participation in cross-Strait trade, with China.

Purpose. I believe the purpose of my testimony is to show that the granting of PNTR to China and the accession of China to WTO will be beneficial for the people of Taiwan and will help promote U.S. trade and business with both China and Taiwan.

Economic Importance of Taiwan. I want to begin with a brief description of the economic importance of Taiwan because, while many are aware of their reputation as an "economic miracle" and one of the economic "Tigers" of Asia, not many know the spectacular statistics behind this achievement. The Republic of China on Taiwan has the world's third largest foreign exchange reserves after Japan and the People's Republic of China. They totaled $113 billion at the end of March, and something close to 70% of this is invested in U.S. dollar instruments. Moreover, Taiwan is the world's second largest "creditor nation" after Japan because they have virtually no foreign debt.

Taiwan's two-way trade with the U.S. was $54.3 billion in 1999, making Taiwan the U.S.'s seventh largest trading partner behind Canada, Japan, Mexico, China, Germany and Great Britain, and ahead of countries like South Korea, France, Singapore and Italy. Taiwan is the U.S.'s eighth largest foreign market and second largest in Asia after Japan. Taiwan bought one and a half times as much from the U.S. in 1999 as did China. In earlier years the difference was even greater. In 1997, 1998 and 1999, Taiwan purchased $20.4, $18.2 and $19.1 billion respectively of U.S. goods. Let me put this in perspective; it is enormously important. It is half as much as all of South and Central America (not counting Mexico) buys from the U.S., twice as much as all of Africa, and five to six times as much as either India or Russia buys from the U.S.—not bad for 22 million people in an area one and a half times the size of Maryland.

Taiwan is the world's 18th largest economy, the world's 14th largest trader, and 12th largest exporter. Taiwan is the world's 7th largest foreign investor and is the largest or second largest foreign investor in Vietnam, Thailand, Malaysia, the Philippines and China. Taiwan's economy survived the Asian financial crisis better than almost any other, and recovered quickly from the devastating earthquake of September 1999 to achieve a growth rate of 5.4% in 1999. The economy is accelerating, and the latest forecast is for 6.5% growth this year. In short, Taiwan is one of the major economic, financial, and trading powers in the world today, and it should be in the WTO.

WTO for Taiwan; WTO for China; and PNTR for China.

1. WTO for Taiwan. In 1990 Taiwan applied for membership in the GATT, WTO's predecessor organization, and became an observer in 1992. Since then, it has negotiated with the GATT and the members of the successor WTO "working party" established to consider Taiwan's application. Taiwan will enter as a "developed" economy, which means meeting more rigorous and demanding requirements than those for a "developing " economy. As of this date, Taiwan has completed all bilateral agreements with its major trading partners, and all substantive work on the multilateral negotiations, which is the completion of the working party report and protocol. Taiwan needs to have a final meeting with the working party to get their agreement to forward the report to the full WTO Council. While the U.S. government's position is that Taiwan's accession is not linked to that of the People's Republic of China, the current reality is that the WTO working party, because of the positions of some of its members, is not going to reach a "consensus" agreement approving Taiwan's entry until China is ready too. The Administration's objective, shared I think by virtually all members of the WTO, is that both China and Taiwan accede to the WTO this year.

The US–ROC (Taiwan) Business Council has been on record favoring Taiwan's entry into the WTO since the bilateral agreement was signed between the U.S. and Taiwan (through the American Institute in Taiwan and the Taipei Economic and Cultural Representative's Office) on February 20, 1998. The agreements provide important reductions in tariffs and increased U.S. access for U.S. companies to Taiwan's automobile, medical equipment, financial services, telecommunications, beef, pork and other markets—but these terms do not go into effect until Taiwan is a member of WTO. In short, from a practical point of view, the sooner China is in WTO, the sooner U.S. companies obtain these new advantages, not only the ones negotiated with China, but those negotiated with Taiwan.

The sooner this happens, the sooner the U.S. can make a significant impact on reducing the $16 billion trade deficit with Taiwan and the $ 68 billion trade deficit with China.

Common sense would dictate that Taiwan should enter the WTO now, because it has met the requirements, but if that is not possible, then everything should be done to ensure that Taiwan and China are admitted at the same time—without a "coffee break," or any other pause between the entry of China and the entry of Taiwan.

The WTO is not a political organization. It is a framework of rights and obligations among economies which have, through negotiations, undertaken mutual economic commitments. For decades, the various economies in GATT, WTO's predecessor organization, were legally known as contracting parties, rather than as member governments. Taiwan's application is as "The Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu," not as "Taiwan" or the "Republic of China."

If ever there was an ideal candidate for membership in the WTO, it has to be Taiwan. Few economies are more committed to, and dependent upon, trade for their economic well being. Yet, after a decade of attempting to qualify for membership in the GATT and its successor, the WTO, Taiwan,—despite the fact that it is one of the most active participants in world trade—still sits on the sidelines. WTO membership is important to Taiwan and Taiwan could make significant contributions to the WTO. For Taiwan, its WTO membership will be its most significant participation in an international organization.

2. WTO and PNTR for China. The US–ROC (Taiwan) Business Council has been on record since 1996 in favor of Most Favored Nation trading status for China and for the past two years in favor of China's entry into the WTO. On January 26 of this year the Council put out a press release recommending Permanent Normal Trade Relations for China. The reasons are simple. Most of the US Council's member companies do business with China, as well as with Taiwan, and they believe that permanent NTR for China is good for both China and Taiwan, and is also good for U.S. business relations with both the People's Republic of China and the Republic of China on Taiwan.

As I understand it, the substantial benefits in terms of lower tariffs and increased access to China's markets that were negotiated over 13 years between the U.S. and China in the agreement signed on November 15, 1999, would be seriously limited if the U.S. does not grant PNTR to China. The U.S. would still get the tariff reductions negotiated, but not the market access improvements which were the more significant part of the package. The excellent study done by Gary Clyde Hufbauer and Daniel H. Rosen of the Institute for International Economics in April, 2000, goes into this aspect in some detail.

Taiwan's Trade with and Investment in China. Taiwan's annual trade with China is now over $25 billion and Taiwan companies and individuals have now invested a total of $40 to $45 billion in China in over 40,000 enterprises. Many of these companies manufacture goods for export to the United States. Permanent NTR for China benefits these Taiwan-owned companies, and denying PNTR to China would hurt Taiwan.

Taiwan's View of Normal Trade Relations and WTO for China. Taiwan has been in favor of normal trade relations for China since at least early 1996. On May 7, 1996, the Wall Street Journal published a letter entitled "MFN for China is also good for Taiwan" written by Jeffrey Koo, Chairman and CEO of Chinatrust Commercial Bank, and then Chairman of the Chinese National Association of Industry and Commerce and also then Chairman of the ROC–USA Business Council, the Taiwan counterpart organization to the US–ROC (Taiwan) Business Council. That letter certainly had the tacit endorsement of the ROC government. Since then, officials of the ROC government in Taiwan have been increasingly open in their support of MFN and normal trade relations status for China and for China's entry into the WTO. Both President Lee Teng-hui and President-elect Chen Shui-bian are on record in favor of the People's Republic of China's entry into the WTO. Taiwan sees this as an important step in bringing the PRC into the community of nations and getting them to play by the rules of the game, rather than being kept outside. With respect to the current U.S. debate over "Permanent" Normal Trade Relations for China, Taiwan's officials have remained silent, viewing it as a domestic U.S. issue and a bilateral issue between the U.S. and China on which they should not comment. President-elect Chen Shui-bian has said he would like to see trade relations between the U.S. and the PRC "normalized," but he did not use the word PNTR or permanent normal trade relations. Privately, however, many of the officials I have talked to have expressed the hope that the U.S. will grant PNTR to China because they see it as an important gesture in maintaining and increasing U.S. influence with the PRC.

Why the U.S. Should Grant PNTR to China.

1. The U.S. will gain the full benefits of the substantial agreements it negotiated with China, in the agreement signed November 15, 1999.
2. It would be a psychological boost that might speed the entry of both China and Taiwan into the WTO.
3. The sooner both are in, the sooner the U.S. will benefit from the agreements that it has negotiated with parties.
4. Once both China and Taiwan are in the WTO, there will be an expansion of trade across the Taiwan Strait. Taiwan now has a long list of items which it prohibits from being imported from China. Although this list has been shortened over the years, it is still substantial. It is my understanding that Taiwan could continue to exclude these items from import after both are in the WTO through a little used special exclusion provision which one WTO member can exercise against another, but my private soundings in Taiwan lead me to believe that this almost certainly will not be done because of the adverse psychological impact this would have on the already tense and delicate cross-Strait relations. On the contrary, I would expect Taiwan to abolish this list as a gesture of good will. If this happens, some important benefits will accrue to the U.S. Some U.S. manufacturers are interested in manufacturing parts or components in China and shipping them to Taiwan for assembly into larger components or finished products. In short, a jump in cross-Strait trade after the entry of China and Taiwan into WTO is going to provide new business opportunities to U.S. companies.
5. The increase in economic and business interaction across the Taiwan Strait will contribute to a lowering of tensions. It will create larger constituencies on both sides with a vested interest in peaceful relations and a continuing expansion of economic, financial and other ties.
6. Some confidence-building in the economic aspects of the cross-Strait relationship could help spill over to more confidence in any political talks.
7. Finally, all of this works toward the opening up and reform of the Chinese system. Nothing is likely to change China in a positive way more than bringing the benefits of greater trade to the Chinese people It will bring them foreign goods more cheaply and it will provide jobs and more prosperity to China's workers. It will accelerate the development of a market economy and spur the needed reforms of China's antiquated state enterprises and its weak banking system. The opening of the country and growth in trade and prosperity will also lead to expansion of interest in, and more open communication with, the rest of the world. In short, it will help move the PRC toward democracy. This is what happened in Taiwan.

Notable Endorsements of PNTR for China by Others.

There have been some strong cases made for the granting of PNTR to China by others, notably: the April Study by the Institute for International Economics, cited earlier; a GAO study along similar lines; an OP–ED article in the April 20,2000 Los Angeles Times by Dai Qing, a Chinese environmentalist and human rights activist in Beijing; and the testimony of the Honorable Frank Carlucci, Chairman of the US–ROC (Taiwan) Business Council (and also Chairman of The Carlyle Group, and Nortel Networks), to the Senate Foreign Relations Committee on April 6.

Conversely, Denying PNTR to China will do the following:

1. It will not prevent China's entry into the WTO.
2. It would seriously limit the large gains won at the negotiating table contained in the November 15 agreement. The U.S. would not get the market access aspects of that package and this would put U.S. firms at a serious disadvantage in competing with European and Japanese firms in China.
3. It would not be helpful to Taiwan. It could hurt Taiwan and could delay China's and Taiwan's entry into the WTO. U.S. interests would suffer with both parties.
4. It would do further damage to our already troubled relationship with China.

Conclusion.

Over the past 50 years, continuous trade liberalization has enabled world trade to grow much faster than national production, pulling all economies into sustained, higher growth. The principal way in which trade liberalization has been achieved is through

negotiations within the multilateral trading system—especially the General Agreement on Tariffs and Trade (GATT), and its successor organization, the World Trade Organization (WTO). This expanded trade has helped boost prosperity around the world. However, nearly two billion still remain outside the WTO, including the 22 million people of Taiwan and the 1.2 billion of the People's Republic of China.

One way to remedy that is to get Taiwan and China into the WTO as soon as possible. PNTR for China will help that process.

Let me conclude by quoting part of the final paragraph of Jeffrey Koo's letter to the Wall Street Journal of May 7, 1996, favoring MFN for China, which I mentioned earlier.

"No country has a larger interest than Taiwan in seeing prosperity take hold on the mainland. For prosperity will help push mainland China into becoming a responsible member of the international community, abiding by international laws, including protection of human rights.. . .That's a long-term outcome that would benefit everyone—Taiwan, the U.S., the Asian-Pacific region, and most of all the Chinese people on the mainland."

Thank you for inviting me to appear before you. I will be happy to try to answer any questions.

Chairman ARCHER. Thank you, Mr. Laux.

Earlier today we heard an impassioned plea from our colleague, Frank Wolf, who is genuinely and sensitively interested in both human rights and religious rights in China. And he exhorted us to turn down permanent normal trading relations with China because of their violation of both human and religious rights.

And yet today, Reverend Su, you are here, and Mr. Kamm is here, both directly and vitally involved in these two issues, religious and human rights. And you are encouraging us to pass permanent NTR for China. And you are genuinely interested, as our friend Frank Wolf is genuine interested, in advancing the cause of religious and human rights in China, and as is Elliott Abrams.

I don't understand. And yet as I read your bio, Reverend Su, you were born in China, raised in China. You converted to Christianity while in China, within the in-house church, which has been repressed, which has been persecuted in the ways that our colleague Frank Wolf has mentioned occurred, in the way that Elliott Abrams has mentioned, as a reason not to approve permanent NTR.

And yet you as a human embodiment of what has occurred over there, say we should. Why is that? I listened very carefully to your testimony, but I just, I don't correlate how people who are as genuinely interested in pursuing this as I am personally can disagree.

Reverend SU. Well, I think there's an issue where, you know, good people can genuinely disagree over something that we all feel passionately about. Like I say in my testimony, I also feel the urge to want to send China message through every conceivable means. But I also want to be realistic enough and ask, aside from making me feel good, what good does it accomplish for people there that we try to help. So when I begin to ask the realistic questions, I find myself coming down a little bit.

So in our efforts to try to send any message, we need to ask, what do we cause in the process. It might cost us much more than whatever we try to accomplish. So I really appreciate the passions and the support of many people who feel very strongly about the human rights issue and religious freedom issue in China. But I would just like to encourage us all to look at the whole picture and put ourselves in the shoes of those people in China who are going to be affected by this vote.

With this vote, will it be better off for them, or will it make it even worse for them. So that will be the perspective I think we all should take a look at this issue. Thank you.

Chairman ARCHER. Mr. Kamm, I have not heard of your work before today. I am very impressed with what you're doing and very touched by it. Do you believe that if we turn down permanent NTR for China that it will improve your capability to do your work and to help those who have been imprisoned to get lighter sentences? Will you be in a better position if we turn down permanent NTR, or will that in some way deteriorate your position?

Mr. KAMM. Well, Mr. Chairman, I can't answer entirely that hypothetical question. But in my opinion, my work would be hindered. As I make the case in both my written statement and my oral testimony, I do think that we have certain channels of communication. And on one point, I would say that Congressman Frank Wolf, who I have a great deal of admiration for—

Chairman ARCHER. As I do.

Mr. KAMM.—we don't agree on the means of achieving greater respect for human rights in China. But we do, I think, agree on one thing. And that's the importance of speaking out at every opportunity. When Members of Congress go to China, I don't know if the four members who accompanied Secretary Glickman brought with them lists of religious people in prison, labor leaders in prison. I don't know if they did that or not. If they didn't, they missed an opportunity.

I've been doing this for 10 years. I believe I've intervened on behalf of more than 500 prisoners. I've come up with an additional 500 names through this project, and I'll be going to Beijing in a few days to specifically talk about those prisoners.

If the relationship between the United States were to worsen, certainly my work would be affected. In the past, it has been affected. My program has been suspended in the past because of breakdowns in the relationship.

Chairman ARCHER. Mr. Abrams, you've heard the comments of the two gentlemen to your left there. And I'm curious, how is it going to help to accomplish the desired goals, which I think all of us agree are desirable goals, on a bipartisan basis? How will it help us if we do not approve permanent trade relations with China?

Mr. ABRAMS. Mr. Chairman, our fear is that if Congress and the Executive Branch do nothing more than approve PNTR, the message that might get sent to the government in Beijing is, in reaction to this year of increased religious repression, we have nothing to say and we don't want anything, we don't want to do anything.

So the Commission did not propose that PNTR be junked. What the Commission recommended was that before PNTR be approved, certain steps be taken. Certain steps be at least begun, so as to ensure in part that the right message is being sent.

For example, Mr. Kamm in his written testimony mentions that there is money appropriated by Congress to have the State Department help identify prisoners. Never been spent. That's the kind of thing the Administration can do on its own. We've mentioned a few other steps for the U.S. Government to take that we think in conjunction with the vote would make it much clearer that Congress and the Executive Branch are not indifferent, that they are doing

what has been proposed here, speak out, speak out simultaneously. Don't just do the vote and remain silent on human rights.

Chairman ARCHER. Well, that may have an appeal in its own way. But as I understood your testimony, you said that we should not take this vote up until we have achieved certain things in China.

Mr. ABRAMS. Our list—that's correct, but—

Chairman ARCHER. And that's far different than what you just said.

Mr. ABRAMS. No, I think it isn't, because I think if you look at the list, these are things that can begin to happen awfully fast. For example, the ones that we're proposing for the U.S. Government could actually happen almost instantly. I mean, the Levin proposal is that kind of thing. That is, for monitoring Chinese human rights. An invitation to the Dalai Lama, I guess the Speaker could issue this afternoon.

For the Chinese, we asked for substantial improvement. Take the example of the international covenant on civil and political rights. We're aware that the Chinese government may not be able to vote it instantly. But they could make a commitment to do so, and they could do that tomorrow morning.

So what we're asking for is at least commitments to move in the right direction on the part of the Chinese. And on the part of the United States, there are some things that we think could be done really before the vote is taken, even on the schedule you have now.

Chairman ARCHER. Well, you, to use a word that's been used frequently by both the President and the Vice President and has been used by witnesses today, you are suggesting a very risky approach, which could prolong these deliberations for an interminable period of time. If the conditions that must be complied with by the Chinese, now it's a different thing when you say what our Government could do.

But if you are talking about certain actions by the Chinese or results in China, we could be here for years. And in the meantime, China will be in the WTO. We cannot vote to stop that. China will enter the WTO. That is the realism of where we are today. They not only can, they will enter the WTO, likely before the end of this year. And nothing that we say or do here will change that.

And then, what leverage do we have?

Mr. ABRAMS. Mr. Chairman, several of the people who testified today, and I think you yourself noted that the original schedule was to vote after the Europeans had resolved their disputes with China, which would give an additional window in time.

But the Commission's view was that to go ahead with the WTO vote, after this kind of deterioration in the situation in China, without taking any steps, without asking the Chinese for any steps, would in fact be undercutting many of the things we're trying to achieve. Because many of the people here testified that the purpose is to move China toward respect for law, toward international covenants on law and respect for rights. And the Commission felt that if you vote that way without asking for anything from China, the wrong message will very much be sent.

Chairman ARCHER. Well, but we have asked for a great deal in the rule of law, and establishing a transparent rule of law. And the

Chinese have committed to that in order to enter the WTO. That is already a part of the agreement.

But the opponents of permanent NTR for China, including many labor unions, say, well, delay it, delay it. What they really want to do is stop it. And delay with the ultimate goal of stopping it will not prevent China from entering the WTO. And as you heard, Mr. Kamm and Mr. Su, will reduce our ability to intercede and to do the things that we are doing, perhaps not to the degree and not the success that you would like. But far, far better than the China I saw when I first went there in 1985.

And to look at only perfection and ignore the course that our engagement with China has already brought about, and what Reverend Su says will occur in the future in his opinion of continued improvement, is a very risky thing to do. In seeking some ultimate goal, which we all would like to have, if we regress, we retrogress in our capabilities, it will have been a pyrrhic victory.

Mr. ABRAMS. Mr. Chairman, our view was, or is, that it isn't going to work in terms of human rights progress if we think of this as a machine that we turn on. That is to say, we vote WTO, China enters the WTO, we stand back for 25 years and wait for human rights to develop. It won't work that way.

It will work if along with the WTO entry, we figure out better, more workable ways of bringing pressure for human rights improvements. And that's what we've tried to do in the Commission, to think up some things that the United States could do right now, and that the Chinese could at least agree to do, even if they couldn't carry it out in a short time, that would begin to move us and to move China down the road to real engagement on human rights.

Chairman ARCHER. If we today attempt to go to the Chinese and reopen the negotiations on WTO, which is exactly what you are suggesting that we do, because you are saying that we now go to them and we say, well, the deal that we negotiated is not the full deal, there's another pre-condition that you have got to agree to now, then we have in effect undermined the entire negotiated deal. Because it is not just some parallel track. It is a pre-conditioned linkage that becomes a part of the negotiated deal. That is not realistic.

What my colleague and friend Sander Levin, who was here a minute ago, is trying to do, is realistic and would move in the direction that you're talking about. And yes, we should find every means that we can to continue to help to move China in the right direction. But as I listened to Reverend Su, and I listened to Mr. Kamm, I must say, I think their approach is far more realistic and does not risk retrogression, which would be the worst possible thing that we could do.

But that's just my opinion. I mean, this is a difference of opinion between people who want to reach the same desired goal.

Mr. ABRAMS. Just one more comment, Mr. Chairman. With respect to the things that we've suggested the U.S. can do, like Mr. Levin's suggestion, those are things that could happen very, very fast. On the Chinese side, our hope would be that, you know, the Administration can go to the Chinese government and say, look, we're 20 votes short. You could really help us out if you could think

of doing X or Y or Z, or promising to do X or Y or Z. And that might push us over the top and we'll all benefit.

We are not, in the Commission, trying to kill this treaty. Others may be. We are not. We are trying to figure out ways that the United States can make clear our commitment to progress in human rights in China while the treaty is under consideration.

Chairman ARCHER. Thank you very much.

Mrs. Johnson.

Mrs. JOHNSON. Thank you.

Mr. Abrams, I am disappointed in your testimony. I think you're being very shortsighted. I think the effect of your testimony is to give ammunition to those who would kill the treaty.

And I think you're failing to recognize what an enormous advancement this negotiated agreement is over anything we have ever had. It has highly specific commitments in all areas, clear time tables for implementation and firm end dates for full compliance. This means you can hold parties accountable to this agreement.

If you can hold China accountable for passing intellectual property protection, intellectual property to get that law in a society that doesn't honor individual ownership of concrete property, this is going to have, I think as Reverend Su understands, very systemic, profound effects.

And this is not a one shot agreement. This agreement puts in place processes and a far more intense United States oversight of U.S.—Chinese relations than frankly we have ever had before in economic or human rights areas.

But I really need to devote the little time I have to Mr. Reuther's testimony. Because I'm sorry, Mr. Reuther, my colleagues will tell you I'm very frank and I'm not always very nice. And I can't actually think of any way to describe your testimony except dishonest.

And this is why. You say it fails to implement China's discriminatory automotive and aerospace industrial policies. Now, I have a lot of aerospace and a lot of auto parts in my district. And if there's anything I care about and have a track record on, it's basic manufacturing.

Yet for you to say that about an agreement that drafts, now, remember, China now imports about 600 American cars, that's fewer cars than an ordinary American dealership sells in a single year in America. This agreement will drop tariffs 75 percent. From on average, 80 to 100 percent down to 25 percent.

Tariffs on parts from 23 to 10 percent. True, it doesn't eliminate. But those are drops of enormous proportions.

But listen to the other things it does. Over five years, it will eliminate quotas. It will allow auto companies to set up sales and service organizations. Now, what's going to happen to the UAW auto jobs in America when European auto manufacturers can not only sell into the Chinese market, but can set up maintenance, car repair, all the services that are so important when you make a decision about buying a car?

Do you think under those circumstances Chinese are going to buy American cars or European cars? I can tell you what I'd buy if I were a Chinese consumer. I would buy a car that could be repaired in my home town by the manufacturer who made it.

So what you're doing is endangering the jobs of UAW auto workers five years down the road, ten years down the road. In aerospace, it not only reduces tariffs from an average 14.7 percent to 8 percent, but listen to what else it does. And it also eliminates quotas and licensing requirements. But local content, they agree to eliminate local content requirements and not to enforce provisions in existing contracts that impose those requirements. We are currently in the process of losing jobs in Connecticut because of such requirements.

In technology transfer, they will not condition import or investment approvals on technology transfer or on conducting research and development in China. They will provide better intellectual property protection for technology. I mean, these things really do matter. And if our competitors are able to be in that market without these constraints, and we're not, it will not cost us jobs this year or next.

But those competitors will be far more profitable in the end than we are. Because China will begin to buy in these areas and get great quantities over the next five or ten years. If you're more profitable than I am, you finally have the money for the research and development for the next round of products, for the more sophisticated cars and—

Mr. KLECZKA. Would the gentlelady from Connecticut yield?

Mrs. JOHNSON. Not just—no, let me finish.

Mr. KLECZKA. Well, I do wish you would afford Mr. Reuther some time to respond after that tongue lashing.

Mrs. JOHNSON. I appreciate that. That's the problem with the short times we get. But his testimony, not recognizing the remarkable benefits that this agreement is going to give, and then you go on to say it doesn't provide adequate mechanisms to enforce China's various trade commitments. And yet it's the very first agreement ever to provide product specific safeguards, to provide surge protection, to provide—

Mr. REUTHER. Congresswoman, would you permit me to respond?

Mrs. JOHNSON. I am going to give you a chance to respond, Mr. Reuther. But I am absolutely, I want to be sure to get on the record the depth of my concerns. And I hope that the Chairman will indulge me in a couple of minutes for you to respond.

Yes, you may respond.

Mr. REUTHER. Congresswoman, the arguments you have made are the exact same arguments that were made on behalf of NAFTA. When NAFTA was being debated, we were being told, oh, the U.S. market's open, but the Mexican market is closed. NAFTA is going to get rid of the Mexican tariffs, the Mexican restrictions. This will be great for the U.S. auto industry.

Well, the sad truth is, since NAFTA went into effect, the automotive trade deficit between the United States and Mexico has increased from about $3.5 billion to almost $20 billion. It's been a disaster for the United States and for American workers.

The same thing is going to happen with China, again. The International Trade Commission looked at the China trade deal and their opinion was, it's going to lead to an increase in our automotive trade deficit with China. It's not going to help things, it's going to make them worse.

You referred to the technology transfer provisions and aerospace. The problem there is there's a huge loophole. It doesn't apply to the private firms. They're going to be continuing, the private firms in China will be continuing to say to our companies, if you want to do business here, you have to transfer technology. The accession agreement does nothing to get rid of that.

On autos, it does nothing to get rid of China having designated the automotive sector as a pillar industry expressly designed to beef up their exports and cut off imports. The bottom line is the net effect of this deal is going to be a green light to all of the big auto companies, especially the parts producers, to shift production to China, to use it as a platform to export back here. We're going to see thousands of American jobs being lost as a result.

Mrs. JOHNSON. Well, I think that first of all, I don't think you're correct. But I'll have to check on it, because it is not in the detail. And I think if it were only to the state owned sector and not to the private sector, that would certainly be noted.

But given this kind of opportunity to export and service and distribute, we are far better positioned to sell our parts to producers over there than they're positioned to sell their parts to us, because their parts are not of a quality, unless we are involved.

But for you to say, pin your testimony on the word eliminate, without acknowledging the tremendous reductions in tariffs, the eliminations of quotas, the distribution rights, the service rights, the ability to set up a whole American distribution industry—

Mr. REUTHER. All of that was done under NAFTA, and yet the bottom line is, we've had a disaster in terms of the automotive industry.

Mrs. JOHNSON. But NAFTA was a different matter. NAFTA had, we gave some things and they gave some things. In this case, we have an open market, and all we're doing is getting their market open. Furthermore, they are a much bigger market with a much bigger demand. And you know as well as I know that right after NAFTA was passed, the Mexican market collapsed due to the collapse of its banks.

I will yield to—let's see, I need to recognize Mr. Kleczka.

Mr. KLECZKA. Do we know how much time is left on the vote on the Floor? I don't want to miss that vote.

Mrs. JOHNSON [Presiding]. Ten minutes.

Mr. KLECZKA. Is the Committee going to continue to meet during the vote or recess? Are there three votes after this? Maybe we should just recess and come back, Madam Chair. Would that be nice.

Mrs. JOHNSON. Well, we need to conclude before we go. And Mr. McCrery would like to inquire.

Mr. KLECZKA. Mr. Doggett, are you going to inquire? Okay, that's 20 minutes, we've got 10 minutes left on the vote. Something doesn't add. But I'll take my five minutes.

Mrs. JOHNSON. Two and a half minutes each.

Mr. KLECZKA. Mr. Chairman, in questioning, when Chairman Archer was here, he seemed to indicate that there are those who just want to scrap the current negotiated deal and reopen it. I think, Mr. Abrams, in questioning to you, that was one of the things he mentioned.

However, the people that I talk to have not espoused scrapping the deal. But what they're saying to me, and maybe you can respond to this, and anyone else on the panel, what they're saying to me is, all right, this is something brand new. China's coming into WTO, they're going to be a full member with 135 other countries worldwide. Because of the problems we've had with that country, let's go a little slower than just throwing open the door and giving them permanent status.

No one has come to me and said, Jerry, I want you to vote to scrap the entire deal. But what I'm hearing is, do like you do currently, Congress, give them annual review. Now, is that what you're asking us at this Committee hearing today? Or are you saying scrap the deal, start from scratch?

Mr. ABRAMS. We are certainly not saying scrap the deal. We're saying, there are some human rights, religious freedom measures that our Government should take first before you vote this, and that we should ask the Chinese to do at least.

Mr. KLECZKA. And now, Mr. Reuther.

Mr. REUTHER. Go back and get an effective protection against import surges that isn't conditioned on voluntary action by the Chinese government or totally discretionary action by ours. Give some assurance to American workers that there won't be a surge of imports that's going to wipe out their jobs.

Mr. KLECZKA. And what's going to happen if we do call the annual review and there's no movement? What do we do the next time the review period comes forward?

Mr. REUTHER. We think that because China has such a stake in access to the U.S. market that if our Government takes a strong position we can bring about change in both the area of import surges and improvement in worker and human rights.

Mr. KLECZKA. Mr. Kamm, did you want to respond?

Mr. KAMM. I would only point out, of course, that we have for 10 years, had the annual renewal debate since Tiannamen Square.

Mr. KLECZKA. Have we seen any improvement?

Mr. KAMM. I would say during the period of time that they thought they might lose MFN, in the early 1990s, we did see some concessions. But post-1994, we have seen no concessions.

Mr. KLECZKA. So you're saying, give them permanent because they're not going to change anyway? Sort of like we say in my district, don't kid a kidder, give them permanent?

Mr. KAMM. In a sense, I think they've got perpetual NTR now, and the debate is whether you give the permanent or perpetual. Perpetual is what they get every year, they expect it, they're not willing to make concessions to keep it. And I really do think what Secretary Rubin, basically my understanding of what he said is, if in fact we go forward and continue to renew annually, the principal impact of voting down PNTR will be to signal the government of China that this country has chosen a particular course for future relations.

Mr. KLECZKA. It might also give them the message that we want to keep the pressure on to make sure environmental concerns, religious concerns, labor concerns are on the top of the majority or on the top of their priorities in that country.

Mrs. JOHNSON. Thank you, Mr. Kleczka. Mr. McCrery.

Mr. KLECZKA. In wrapping up, Madam Chair, if I—

Mrs. JOHNSON. Mr. Kleczka, you really have to let Mr. McCrery go on so we can get Mr. Doggett, please.

Mr. McCrery.

Mr. MCCRERY. I'll be brief, I hope. Mr. Reuther, I've talked with your local UAW folks down in Shreveport about this. I think they are genuinely concerned, as you are, about the effects of this trade agreement, as you are about NAFTA. I will concede that on the issue of rights of workers in China, that as Reverend Su says, good people can disagree on the facts about the effect one way or another that this agreement would have on human rights over the long term. I don't think either of us will have convinced the other that we're right or we're wrong on that issue.

But on the issue of jobs in the United States, and I hear what you're saying, but gosh, it just seems like the tremendous weight of testimony and evidence that we have heard is contrary to what you have asserted. And let's take the NAFTA question. In the last five or six years, what has happened to the population of automobile workers here in the United States? My understanding is that it's grown, not shrunk. Is that correct?

Mr. REUTHER. The number of people employed in the auto industry has been holding constant. And the reason for that is that we've had record sales of about 17 million. As everyone knows, sooner or later there's going to be a downturn in sales. Then the question becomes, where do they close the production facilities, here or in Mexico or China? We think the answer is pretty clear. Already the major auto companies are telling their suppliers, put your new facilities in Mexico. And now with this deal, they're going to be saying, put them in China.

Mr. MCCRERY. But the fact is that we have not lost, since NAFTA has gone into effect, we have not lost any auto workers.

Mr. REUTHER. With 17 million in auto sales, we should have seen an enormous increase in auto employment in the United States. And we have not.

Mr. MCCRERY. That begs the question, though. The fact is, we have not lost any jobs because of NAFTA. You state that we have a larger trade deficit with Mexico and that's true. But again, that avoids the central question of jobs. Trade, as you well know, is not a zero sum game. And yes, the deficit can grow. But that could mean that we have grown and they have grown more. And that's in fact what has happened.

So the same thing is going to happen with China. And that's what all the experts have told us, except for the UAW and some other union folks. And I'm really trying to understand your genuine concerns here. But give me something other than the trade deficit with Mexico.

Mr. REUTHER. Mr. Congressman, with all due respect, I don't see how you can sit there and say that if our automotive defict with Mexico has grown from $3.5 billion to almost $20 billion that this doesn't translate into the loss of thousands of jobs that we should have had here in the United States.

Mr. MCCRERY. It doesn't necessarily.

Chairman ARCHER. Mr. Doggett—I'd like Mr. Doggett to be able to get his concerns on the record.

Mr. DOGGETT. Mr. Abrams, do you share Mr. Reuther's analysis of the Levin proposal, or do you think it provides any valid alternative to address the concerns that you've raised?

Mr. ABRAMS. I think it does address the kind of concerns that we've raised. We're looking for some kind of mechanism for constant monitoring, and it does address that.

Mr. DOGGETT. And Mr. Reuther, you've heard and seen repeated frequently the comments of Mr. Woodcock. Is that basically just a difference of opinion?

Mr. REUTHER. Mr. Woodcock retired 23 years ago from the UAW. He's 87 years old now. During the last 23 years, he's devoted his life completely to China, first as ambassador, then as a private citizen. He's been an advocate for China throughout that period, even after Tiannamen Square.

Mr. DOGGETT. I'd like to ask more, but given that the time's up, I understand your point and thank you very much. Thank you for your testimony, all of you.

Mrs. JOHNSON. I thank the panel for their testimony very much. Very interesting morning. The hearing is concluded.

[Whereupon, at 2:15 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

Statement of California-Asia Business Council, Oakland, CA

Position of California-Asia Business Council on the subject of PNTR for China

California-Asia Business Council (formerly California-Southeast Asia Business Council) is a non-profit business organization with some 90 members from throughout the state. Our member companies include some of Californias largest engineering and construction companies, major resource and electronics firms, as well as numerous small and medium-sized enterprises. A common thread among our members is their involvement in Asia, either through project participation, direct investment, trade, or financial linkages. Most of our members have significant business relations with the People's Republic of China, and look to growth in their China business as key to their growth strategies.

Therefore, California-Asia Business Council strongly supports

—China's accession to the World Trade Organization and

—the waiver of China's ineligibility for Normal Trade Relations (NTR).

We believe that improved conditions for commerce brought about by China's accession to the WTO and by the granting of Permanent NTR to China will benefit both California and China.

For example, in 1998, California's exports to the PRC totaled $2.5 billion, which was 2.5% of total California exports. California's 1998 exports to the PRC increased by 9.2% over 1997, whereas California's 1998 exports to the world decreased by 4% in comparison with 1997. California/China two-way trade translates into thousands of jobs and competitive consumer prices. The reductions in tariffs that will result from China's admission to WTO plus new domestic distribution rights throughout China will help American exporters and manufacturers.

Additionally, our council believes that the alterations in business practices that China is undertaking in order to be eligible for WTO accession will bring welcome improvements to China's regulatory infrastructure that will make it easier to sell goods and services to China, and that the WTO will provide a multilateral forum to resolve disputes and achieve compliance.

We also believe that accession to WTO will be beneficial to China's economic development, which is good not only for the Chinese people, but for California businesses that take part in the robust growth of this country of 1.2 billion people.

Statement of Neil H. Offen, President, Direct Selling Association

Mr. Chairman and Members of the Committee:

The Direct Selling Association (DSA) thanks you for the opportunity to present testimony to the Committee today. DSA supports the expeditious approval of Permanent Normal Trade Relations (PNTR) for China. The Direct Selling Association ("DSA") is a national trade association representing approximately 200 companies that sell their products and services by personal presentation and demonstration, primarily in the home. Our association members include some of the nation's most well known commercial names, such as Amway, Avon, Tupperware, Mary Kay, and Shaklee. The direct selling industry attracts individuals who seek job flexibility, with low startup costs and minimal work experience. Direct sellers typically sell to their neighbors, relatives and friends. Many direct sellers participate merely because they like a particular product and want to obtain discounts.

While we refer to "direct selling" as an industry, in reality it is more accurately described as a method of consumer product and service distribution. In 1998, United States direct sales were almost $24 billion through 9.7 million independent salespeople. Estimated global retail sales for 1999 are in excess of $81 billion. The industry operates in more than 130 countries and provides income opportunities to more than 33 million salespeople. Most salespeople are women (approximately 80%) and most work part-time and not year-round. On average, some 90,000 individuals are joining our industry's firms in the United States *every week*. Direct selling is a facet of the United States—China World Trade Organization (WTO) Accession Agreement (the Agreement) that may have escaped your attention and may shed some new light on the current debate.

Direct selling companies provide income opportunities and training that are otherwise unavailable in China. Chinese direct sellers are taught how to run a business and manage people. Avon began doing business in China in 1981. Amway, Mary Kay, Sunrider and Tupperware soon followed reaching over 2 million distributors in 1997 and almost $1 billion in sales. Unfortunately, the Chinese government banned direct selling in 1998 requiring existing direct selling companies to modify their business models in order to secure new licenses and prohibiting the entry of new direct selling companies into the Chinese market. Four U.S. companies were re-licensed under the new regulations.

Having to operate under vastly different circumstances has undoubtedly made business quite difficult for American direct selling companies. In fact, the companies operate differently in China than they do in any other country.

The consummation of the Agreement last November resuscitates the direct selling industry in China. The United States Government went to bat for our direct sellers and hit a home run. The Chinese agreed to re-open their markets to direct selling, granting full market access by 2003. Equally important, China's entry into the World Trade Organization will subject it to a rules-based dispute resolution process, which would afford American companies the opportunity to challenge adverse Chinese governmental actions in a fair and impartial forum. Moreover, the Agreement permits American companies to import American products for sale in the Chinese market. This concession will preserve and, perhaps, encourage the creation of American jobs. There is no stronger argument that resonates with the American public. However, the United States and its direct sellers receive none of these benefits if the Congress does not approve PNTR for China.

There are approximately 23,000 individual direct sellers in each Congressional district. The Agreement would allow any one that wanted to develop a marketing network in China the opportunity to do so, if the particular company permits development in this manner. Thus, approval of PNTR might provide an opportunity for one or more of your constituents to do business in China.

To summarize, Mr. Chairman, if Congress approves PNTR for China, direct selling benefits in the following ways:

- the Agreement lifts the 1998 Chinese ban on direct selling—no later than 2003, U.S. companies will have full access to the Chinese market – 1.2 billion consumers;
- Amway, Avon, Mary Kay, NuSkin, Sunrider and Tupperware, who are already in China, could revert back to traditional direct selling;
- companies that were "frozen" out of the market because of the ban would have a green light to enter China;
- all direct selling companies will be able to export to the Chinese market rather than be required to manufacture in China as is now the case;

• American companies would have legal recourse through the WTO dispute settlement procedures;

• for the first time ever, many American distributors could establish their own sales organizations in China—U.S. distributors benefit through "cross-border sponsoring," earning income on the sale of products by the sales representatives they have recruited in China;

If Congress does not approve PNTR for China, direct selling loses in the following ways:

• a market of 1.2 billion consumers remains closed;

• the direct selling ban remains in effect;

• direct sellers must continue as retailers or enter the market through retailing only;

• some U.S. companies are "frozen" out of the market; and

• American distributors are denied the opportunity to enter the Chinese market.

We hope that the Committee will carefully consider this information as it debates PNTR for China. We respectfully urge the Committee to approve PNTR for China and to recommend to the full House that Congress approve PNTR for China. Thank you, Mr. Chairman for the opportunity to submit this testimony.

Statement of Gary Benanav*, Chairman, Pacific Basin Economic Council

As the House prepares to vote on extending permanent "normal trade relations" status to China, members of this Committee and this body are confronted with an issue that is at once elegantly simple and extremely complex.

Simple, because we are talking about making permanent a "normal" status that China has already had for two decades. Simple, too, because the benefits inherent in China's commitments in joining the WTO are so profoundly in America's economic interests. And at the same time, this question is deeply complicated, because China is itself incredibly complex, and so are the feelings that we Americans have about that country.

For those of us who support PNTR—and the U.S. Committee of the Pacific Basin Economic Council does support it, vigorously—the merits of a "yes" vote are absolutely compelling. Nonetheless, we appreciate the challenges with which many Members of this body will be confronted later this month. We also agree with many of the goals expressed by many of the opponents of PNTR. However, we believe those goals can be achieved more effectively and more quickly by granting China PNTR status, bringing it into the WTO and integrating its economy more deeply with the global economy.

Much as been said and written about this issue. My aim is to provide the Committee with a perspective on why China's integration into global economic institutions is so important to a region—the Pacific Basin—in which the United States has so much at stake, economically and geo-strategically.

PBEC is a multilateral business organization supporting economic growth in the Asia Pacific region through economic cooperation and trade and investment liberalization. The PBEC US Member Committee includes American companies with aggregate sales of over one trillion dollars, and employing more than one million people.

In my capacity as chairman of PBEC/US, I am in regular contact with business leaders from all over the Pacific Rim. We work together to create business-led initiatives that link the region's economies together in dynamic and productive ways. Our meetings involve substantive dialogues about the challenges, opportunities, and trends facing our region. I can assure the Committee that no issue is considered more critical by PBEC members than ensuring China's stable economic evolution and its integration into regional and global economic institutions.

PBEC's members approach the question of China's WTO membership from a variety of angles.

First, of course, businesses throughout the region are intensely interested in expanded access to China's vast marketplace for goods, services and agricultural products. Continued growth and reform in China, coupled with the sluggish pace of growth in Japan, make access to the China market increasingly important for business in the region. PBEC members, in the United States and around the region, recognize that China has committed to a truly stunning series of steps to open its market to foreign goods, services, and investment. The bilateral WTO accession package negotiated by U.S. Trade Representative Barshefsky and her team is remarkable for the depth and breadth of market access improvements it contains. Because China's

final WTO accession package will be based on the best market access offer for any particular product or sector, PBEC members are also closely monitoring China's negotiations with the European Union and other trading partners.

In the product sector with which I am most familiar—life insurance—the commitment contained in China's accession agreements will mark a profound shift in the ability of American life insurers to establish businesses and sell policies throughout China. China's WTO membership will mean that companies like New York Life International can operate in a more certain and less restricted environment. The comprehensive scope of China's WTO commitments means that similar benefits will apply to PBEC members in virtually every economic sector, including telecommunications, food and agriculture, aerospace, and many others.

Beyond the clear market access benefits, the regional business interests represented within PBEC also view China's WTO membership and PNTR as a boost for economic and political stability in the Asia Pacific region. The annual Congressional debate over NTR renewal, and the possibility that this status could be revoked, have been a constant source of concern to businesses in Hong Kong, Taiwan, and other Asia Pacific countries whose trade is increasingly intertwined with that of China.

More broadly, business people in Asia have regarded the annual NTR debate as a sign of basic instability in relations between the United States and China. I cannot stress enough how much attention business people throughout the region devote to the dynamics of U.S.—China relations. It's important to understand that, when relations are rocky between two of the region's strategic powerhouses, ripple effects—in financial markets, trade, and other aspects of economic life—are felt throughout the region.

No one in the region expects that differences between the United States and China would—or even should—disappear altogether as a result of China's WTO membership and approval of PNTR. Nonetheless, these steps would be seen as a positive sign of new stability in U.S.—China relations. And that would be a very good thing indeed for American economic interests throughout the Pacific Basin. A more stable U.S.—Sino relationship, combined with more economic contacts and transactions between companies and people on both sides of the Pacific, will actually increase America's ability to influence China positively on non-economic issues and policies where our two countries differ.

Very much related to this issue of stability is the potential for China's WTO membership to facilitate the integration of this giant economy into global economic systems and institutions. As a growing economic power in Asia, China is an increasingly important player in regional trade and investment flows. By the same token, China represents growing economic and competitive challenges for businesses around the region.

All of us in the Asia Pacific business community have a huge stake in encouraging China to be a cooperative, constructive, and fully integrated player in the region's economic affairs. Nothing is more critical to that objective than China's membership in the World Trade Organization. WTO membership will, by definition, bring China into a framework of rules, and procedures for enforcing those rules.

Business leaders in the Pacific Basin recognize that even when China is in the WTO, there will continue to be bilateral trade conflicts between China and the U.S. and others, including small economies in the region. The WTO, through its dispute resolution processes, provides workable mechanisms for addressing specific trade tensions. Moreover, the WTO's multilateral system of dispute resolution strengthens the position of small countries in the region that might be unwilling to confront China on a strictly bilateral basis.

In closing, PBEC members in the United States and around the region are keenly aware of the importance and implications of Congress' consideration of China's WTO accession in general, and the PNTR issue in particular. We appreciate this Committee's thoughtful leadership on an issue whose implications will be felt so broadly around our increasingly integrated region.

**Mr. Benanav is Chairman and Chief Executive Officer of New York Life International.*

Statement of R. Theodor Kasiolek, President and CEO, Trans Global Network

As you know, I have been working hard to facilitate the peaceful transition from defense production within the U.S., the Former Soviet Union, and the PRC to peaceful commercial endeavors. As President of TGN Associates International, I have

been active in promoting global e-commerce and have been involved in several technology related ventures such as the High Technology City, Digital Town Halls, and fixed GEO space platforms for long distance learning and telemedicine.

I have had the opportunity to work in building three Taiwanese start-ups in the Silicon Valley, attended MonteJade, and was a member of the Asian American Manufacturing Association. I have also worked with the PRC in developing investment opportunities in the area of Internet related technology infrastructures. I will be joining my team in Beijing next week to discuss developing a manufacturing facility for high-speed cable modems.

As an adjunct Professor at Hayward State University, I asked my students what they thought about China being approved as a member of the World Trade Organization and also asked my close friends from the Asian American Community. This is my opinion at this time.

The United States can not ignore the PRC because of the Internet which was incubated here in the Silicon Valley. The future of China's telecommunication is on the rise, but their government controls the Internet access. Internet is changing the way all people think and react as a global community. In 1998, the PRC had 23 million Internet subscribers of which 4% were wireless and this grew to 30 million in 1999 in which 12% were wireless. The Global Internet is no longer a vision but it is a reality. We cannot ignore the power of the Internet for promoting economic growth, as we as the trustees of Democracy can not ignore the political issues such as human rights and the war threats made by the PRC against Taiwan, but we must separate these two elements. Politics and Economics just do not mix. Politically it took the United States over 200 years to evolve into its present state. The PRC(Peoples Republic of China) and the FSU(Former Soviet Union) are both struggling to understand democracy. We must all stand for a clear understanding on this one point; namely, the use of military force to take Taiwan is utterly unacceptable in a Global Internet-eCommerce based economy. However, we must understand that the PRC is reaching out economically for assistance and if the United States does not reach out and grasp their hands of friendships; then truly Europe or Japan will. Can we continue to ignore 25% of the Global population? As in the case of President Johnson's "Great Society," we as a Great Power can not demand political correctness at the price of economic growth that will solidify this Nation's welfare for the next 200 years. As we should have gained wisdom from the Vietnam War, the United States can not continue to play the role as the Police Power for the entire planet. I was in Vietnam with the United States Air Force, and had first hand experiences of what the effort created. Force never works for any Nation. Economic Development does.

I have met with several delegations from the PRC that I introduced to the City Government of Palo Alto, California-the home of Stanford University and Hewlett-Packard. I watched as the Mayor of Tangshan eagerly asked about how the local Governments worked in the United States. The delegation had never seen a free and open exchange of ideas in the City Council Chambers. These business and government leaders from the PRC sat in the Chamber and were truly listening and motivated by the experience. From my perspective, the PRC is twenty years behind our Political and Economic System. However, we must filter out the political from the economic realities, while at the same time maintaining that as a member of the WTO, the PRC can no longer being doing business as usual in threatening war against its global partners.

The WTO already has 135 countries who have been admitted. The WTO is promoting trade among its members through the use of the Internet. The benefits of using the Internet for improving efficiency for both government purchasers and suppliers is too powerful to ignore. The WTO's Internet procurement process has already resulted in competitive pricing and spirit.

This is the age of an Internet global market economy that must include the Peoples Republic of China, but accession must be conditional. Membership must be on a trial basis and can be withdrawn if the conditions are violated. This transition period should be 12 to 24 months and will allow Taiwan and the PRC to begin to work together. Taiwan has the state of the art in chipset technology, aircraft technology, and computer technology. Taiwan can be like an older brother who lifts up his younger brother to mentor and to improve the knowledge of the younger sibling. We cannot expect this to happen overnight. Some memories, as we have seen in the Balkans, do not fade away with the advent of a new generation. By promoting economic advancement and accession into the WTO, the political wounds will heal. The PRC is quickly becoming the Hub of the New Internet Economy in the Pacific Rim. Already U.S. companies have heavily invested in the PRC; namely, Motorola, Lucent,Compaq, Cisco, 3COM, Hewlett Packard, Qualcom, Citibank, Federal Express, and Sybase.

In conclusion, I would recommend the PRC's conditional accession to the WTO, but it should be made provisional in light of the Political and Economic challenges that the PRC is struggling with. The United States should be the key partner in assisting the development of the Internet infrastructure from a Governmental political assistance level, but the day to day economics should be left to the business community. We should not ignore Taiwan, our partner for over 50 years, but we should not reject the opportunity to recommend the PRC to be part of World Trade Organization's Global Economic promise that can only benefit the people of the Fourth Wave Economy.

Statement of Robert A. Kapp, President, United States—China Business Council

Mr. Chairman, members of the Committee:

The Ways and Means Committee continues its important service to the Congress and the public by this latest in an extensive series of Committee hearings exploring all aspects of the Congress's upcoming decision on "PNTR"—i.e., the extension to the People's Republic of China of *full WTO-member treatment* upon China's accession to the World Trade Organization. Congress's approval of PNTR will bring home to American farmers, workers, companies, exporters, and consumers the equal opportunity to develop beneficial economic activities with China on the basis of the massive list of Chinese commitments to open its markets and abide by world trading standards that US negotiators won at the negotiating table after thirteen years last fall. Denial of PNTR would mean that all other WTO members, including the tough European and Asian competitors we face in China, would receive those opportunities to operate on new and more favorable terms in China, while the United States denied itself those opportunities. I am confident that the House will recognize the fundamental importance of this most essential issue in the PNTR debate, and approve PNTR solidly on these fundamental merits.

The United States has, with the November 15 US—China Agreement on WTO accession, done more to bring about a far-reaching shift in China's management of its own economy, in the direction of openness and reliance on the market, than any other US gesture or "message" has done since the establishment of diplomatic relations in 1979. With the approval of PNTR, the United States will place itself firmly on the side of market-driven reforms within China and on the side of China's enhanced commitment to abiding by the world's standards of behavior, on pain of multilateral sanction under WTO. For this reason as well, I am confident that the House will solidly support PNTR.

Opposition to PNTR has, in fact, not centered on the economic content of the US—China Agreement, whose signing last November made good once and for all on the long-standing U.S. pledge to accept nothing short of a "commercially viable agreement." It is worth noting, in fact, that many of those who now oppose PNTR were claiming as recently as last spring that US negotiators were prepared to "cut a political deal," selling out American economic interests, for other non-economic or crudely political reasons. Now, with a splendid commercial agreement in hand, PNTR's opponents have launched a furious campaign to turn America's back on the nation's own economic victory.

This Committee, and a long list of witnesses over several hearings, has explored in detail the terms of the US—China Agreement on WTO Accession, and I will not do so here.

I wish, instead, to place into the record a number of statements that Members of Congress should read for themselves as they consider their individual votes on the PNTR question.

I. The views of Dai Qing.

Dai Qing, a courageous and outspoken Chinese environmentalist, investigative journalist, and political critic, is winner of the 1993 Goldman Environment Award and the 1992 Golden Pen for Freedom Given by the Paris-based International Federation of Newspaper Publishers. She was imprisoned in China for ten months in 1989 and 1990. Dai is best known in the United States for her eloquent campaign against the mammoth Three Gorges Dam Project on the Yangtze River in China. Recently, from Beijing, Ms. Dai wrote the following brief article, which appeared as an Op-Ed essay in the Los Angeles Times of April 20.

Dai Qing's article is extremely important, for the following reasons:

1. It was written in Beijing, and provides the up-to-the-minute, first-hand perspective of a world-renowned independent thinker who has suffered politically for expressing herself boldly;

2. It takes clear exception to the approach to the PNTR issue by American labor organizations and the prominent Chinese political exile Wei Jingsheng;

3. It is unsparing of the failings, as Dai perceives them, of the Chinese regime in both the human rights and the environmental arena.

Los Angeles Times, April 20, 2000
OP–ED Article

Thursday, April 20, 2000

Keep the Doors to China Wide Open

Solidifying trade status would keep pressure on Beijing to improve on rights and the environment.

By DAI QING

BEIJING—I have heard on the news that two of the groups I admire most in the United States—the AFL–CIO and the Sierra Club—are against granting permanent normal trade relations status with China. They both organized large-scale activities, including mass demonstrations, to make their statements to American policymakers and to the public.

As a Chinese environmentalist and human rights activist, I disagree with their position, although I am fully sympathetic with their causes.

It is public knowledge that China is among the worst violators of labor rights and basic environmental standards. Walking on almost any street in almost any city, one can easily spot such violations: unemployed workers selling their old stuff, hoping to put some food on their family dinner tables; migrant workers sleeping under bridges and in construction sites, willing to take any job for a roof over their heads; water resources highly polluted by industrial waste; suffocating industrial pollution. Most government officials at all levels are so corrupt that they have become part of the pollution.

The disagreement between me, together with many of my fellow human rights activists and environmentalists in China, and our counterparts in the U.S. is not over the principles of environmental protection and labor rights. Rather, the disagreement is with the means of improving human rights, including labor rights, implementing environmental protection and promoting democracy and freedom.

I believe that permanent normal trade status, with its implication of openness and fairness, is among the most powerful means of promoting freedom in China.

Wei Jingsheng, a prominent dissident now residing in the U.S., argues that in order to improve human rights conditions in China, the international community must constantly put pressure on the Chinese government. Wei is absolutely right about the international pressure, but he is wrong when he suggests that annual renewal of normal trade relations should be taken as an opportunity to provide such pressure.

How does international pressure work in promoting human rights and environmental protection in China? I would like to argue that such pressure works only when doors are kept open, when pressure presents positive solutions and, above all, when engagement is involved.

After the communist takeover in 1949, China was cut off from the rest of the world until it began to open up in the late 1970s. Millions of people starved to death or were persecuted, executed or otherwise deprived of the most basic human rights. International pressure either did not exist or did not work because the outside world had little information about what was happening. China had no need to respond to the international community.

Starting in 1978, the open-door policy completely changed the way China responded to the world. Today, permanent normal trade relations is a powerful means to keep China's doors as open as possible.

International pressure works better by providing positive solutions. Poverty promotes ignorance and negligence among the public to environmental issues and human rights abuses. With prevalent poverty in today's China, the government runs a successful propaganda campaign that argues that the right of economic survival overrides other human rights. The Chinese people are looking for positive support from the international community, especially the industrialized world. Permanent normal trade relations would send the Chinese people a powerful and positive message: The most powerful industrialized nation today will work with the Chinese people to build a new world order. This would put enormous pressure on both the government and the general public to meet the international standard not only on trade, but also on other issues, including human rights and environmental protection.

International pressure works best when engagement is implemented. An American congressman once made the point that because China was not a normal state, it made no sense to treat it normally. Yet if the international community does not treat China normally, China will remain abnormal.

Wei compares the annual renewal of trade status to the periodic renewal of a driver's license, which keeps China anxious to a certain level. This is exactly the most destructive way of thinking. The U.S. should never take the role of traffic police in world trade because China, or any nation, should not be subject to the naked authority of another nation. Instead, the U.S. should engage China in the process of becoming a full member of the international community. Permanent normal trade status would be an important part of the engagement plan.

(End)

II. Letter on PRC Labor Standards by US Experts on China's Economy and Society.

The following letter by twelve American research scholars whose work has illuminated the complex realities of China's changing economic and social environment speaks, in its brevity and simplicity, to basic truths about China that the overheated rhetoric and doomsday claims of PNTR's organized opponents intentionally overlook. Members of the Committee and of the Congress can learn much from this statement.

PNTR, WTO and Chinese Labor Standards

AN OPEN LETTER FROM AMERICAN ACADEMIC SPECIALISTS ON CHINA'S ECONOMY AND SOCIETY

China's workers need higher labor standards, but opposing Permanent Normal Trade Relations for China is not going to help. To the contrary, China's participation in the WTO and the implementation of full WTO-member relations between the United States and China through the passage of Permanent Normal Trade Relations (PNTR) offer greater, more dependable prospects for progress on this long-term challenge.

Normal trade relations in the context of China's membership in the World Trade Organization (WTO) are an important way for China to raise the standard of living of its people. WTO membership will also contribute to the development of a law based system in economic relations.

China's low wages and often poor working conditions are mostly the result of China's poverty. Child labor similarly is more the product of families so poor that the small extra income these children bring in is important to family survival. China's failure to regularly and vigorously enforce its existing laws against child labor and poor labor standards reflects a system of law that is only slowly being reestablished after decades of neglect.

With China on the brink of entry into the WTO, what is needed is an energetic effort to help China enforce its own laws and to strengthen its legal system in general. Efforts of this sort have been underway for some time through bilateral and multilateral public and private bodies and have already born modest fruit.

Attempts to enforce labor laws by means of trade sanctions are by contrast a weak and blunt instrument for enforcing China's labor standards. Opposing PNTR and WTO membership for China would undermine the very forces that are contributing to rising standards for Chinese labor and enforcement of its existing labor laws. Denial of normal trading relations and resort to sanctions are also easily prey to abuse by special interests desirous of disguising their true protectionist purpose.

Whoever may benefit from a sanctions approach to trade with China, it will certainly not be Chinese workers or their children.

March 30, 2000

SIGNERS (LISTED ALPHABETICALLY):

Loren Brandt
Professor of Economics
University of Toronto

Author, "Redistribution in a Decentralizing Economy: Growth and Inflation in China," Journal of Political Economy, April 2000; " Markets, Human Capital and Income Inequality in China," forthcoming.

Thomas R. Gottschang
Associate Professor and Chair
Department of Economics, College of the Holy Cross

Research Associate, Fairbank Center for East Asian Research, Harvard University

Editor: Du Runsheng, Reform and Development in Rural China (New York: St. Martin's Press, 1995); Co-author: "Institutional Change in Transitional Economies: The Case of Accounting in China," Comparative Economic Studies (Winter 1998).

Doug Guthrie
Associate Professor of Sociology

New York University Author, Dragon in a Three-Piece Suit: The Emergence of Capitalism in China (Princeton, 1999); "The Evidence is Clear: Foreign Investment Spurs Workplace Reform in China" (Chronicle of Higher Education, March 2000).

Gary H. Jefferson Carl
Marks Professor of International Trade and Finance
Graduate School of International Economics and Finance
Brandeis University

Co-editor, Enterprise Reform in China: Ownership, Transition, and Performance, 1999.

Lawrence J. Lau
Kwoh-Ting Li Professor of Economic Development
Department of Economics
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Co-author, "China's Foreign Economic Relations," China Review 1997; "The China-United States Bilateral Trade Balance: How Big Is It Really?," Pacific Economic Review, Vol. 3, No. 1, February 1998; "New Estimates of the United States-China Bilateral Balances,", March, 1999.

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Author: Growing Out of the Plan: Chinese Economic Reform, 1978–1993 (Cambridge University Press, 1995); The China Circle: Economics and Technology in the PRC, Taiwan, and Hong Kong (Brookings Institution Press, 1997).

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Author, "How China's Economic Transformation Shapes Its Future," in Ezra Vogel, editor, Living With China: U.S.—China Relations in the Twenty-First Century, WW Norton, 1997; China: Asia's Next Economic Giant, (Henry M. Jackson Lectures) University of Washington Press, 1986, 1989.

Thomas G. Rawski
Professor of Economics and History
University of Pittsburgh

Author, Economic Growth and Employment in China. N.Y.: Oxford University Press (for the World Bank), 1979; "China: Prospects for Full Employment." Employment and Training Papers, no. 47. International Labour Office, Geneva. 1999.

Bruce L. Reynolds
Professor of Economics
Union College

Author, Chinese Economic Reform: How Far, How Fast? (Harcourt,1988); "China's Integration into World Capital Markets" (forthcoming); Editor, China Economic Review, Cornell University

Scott Rozelle
Associate Professor
Department of Agricultural and Resource Economics, University of California, Davis Chair, Committee of Professional Relations with the People's Republic of China, American Agricultural Economics Association

Co-author, "China's Food Economy to the 21st Century: Supply, Demand, and Trade," Economic Development and Cultural Change, July 1999; Co-author, "How China Will NOT Starve the World," Choice, First Quarter 1996; Co-author, "Liberalization and Rural Market Integration in China," American Journal of Agricultural Economics (May 1997).

Ezra F. Vogel

Henry Ford II Professor of Social Sciences
Harvard University

Author: One Step Ahead in China: Guangdong Under Reform (1989); Editor, Living With China: U.S.—China Relations in the Twenty-First Century (1997)

Martin King Whyte
Professor of Sociology and International Affairs
The George Washington University

Author, "The Changing Role of Workers," in The Paradox of China's Post-Mao Reforms, ed. R. MacFarquhar and M. Goldman (1999); "Human Rights Trends and Coercive Family Planning in the People's Republic of China," Issues and Studies, August, 1998.

III. Statement by the American "Creative Industry" associations.

The signers of this document are the very U.S. associations that led the battle with China over intellectual property protection in 1995 and 1996. While PNTR's critics point to continuing imperfections in China's intellectual property regime (as evidence that China does not abide by agreements) and demand that the US walk away from WTO-based trade relations with China, those whose interests are most directly affected call for the US to achieve WTO-based relations with the PRC, and they tell us why:

FEBRUARY 23, 2000

AN OPEN LETTER IN SUPPORT OF CHINA PNTR FROM AMERICA'S CREATIVE INDUSTRIES

America's creative industries strongly support Congressional approval of Permanent Normal Trade Relations (PNTR) for China.

We are writing in response to suggestions that China's alleged failure to live up to its commitments under the 1995 U.S.—China Intellectual Property Rights Agreement should disqualify it from membership in the World Trade Organization and from the benefits of full WTO membership treatment, embodied in PNTR.

In the 1990s, America's copyright industries took the lead in pressing the case against China's serious violations of U.S. intellectual property rights; in particular, the massive export of pirate and counterfeit optical media and other pirated products throughout the world. Widespread abuse of intellectual property rights was causing billions of dollars in losses each year to American creative industries and to the U.S. economy. Working with the U.S. Government, we spared no effort to bring about the 1995 bilateral intellectual property rights agreement, and to ensure that China abided by those commitments, which resulted in the 1996 China enforcement "Action Plan."

Having worked so hard in the last decade to force the issue of intellectual property rights protection upon a reluctant China, why do we stand united in support of PNTR for China today?

• Because we are convinced from our own experience that inclusion of China within the framework of multilateral rules and obligations embodied in the WTO is the single best instrument we have to ensure continuing improvement in China's protection of intellectual property;

• Because we know, first hand, that multilateral enforcement through the WTO offers a far more promising method of ensuring continued progress in China's intellectual property environment than does the threat of unilateral retaliation against China;

• Because China committed in the WTO negotiating process to bring its copyright (and other IPR sectors') regime into compliance with its substantive and enforcement obligations under the WTO Agreement on Trade-Related Intellectual Property Rights (TRIPS), and to do so immediately upon accession. We believe China has commenced its efforts to meet this commitment.

• While piracy remains very high within the domestic Chinese market, China met its principal commitment under the 1996 Action Plan—to stem the flow of exports that were disrupting other developed markets on a global basis;

• Because the US copyright sector, so critical to America's economic strength today, will cede to our global competitors the massive opportunities America has won at the negotiating table if the United States does not establish full WTO member treatment for China in the form of PNTR.

In spite of real progress on intellectual property protection since the 1996 agreement, problems in China remain, as they do in many countries with which the U.S. trades. Chinese companies themselves, an increasing number of which likewise de-

pend upon intellectual property protection, are recognizing the importance of Chinese adherence to international standards of protection, as embodied in the TRIPS Agreement. This trend will only accelerate through PNTR and Chinese accession to the WTO. Looking ahead, America's ability to address China within the framework of the WTO is a vital tool for the preservation of our economic rights and the advancement of our national interests.

We are encouraged by the concern expressed about China's record on IPR enforcement and submit that the best way to drive improvements in Chinese performance is to approve PNTR, and to hold regular hearings to ensure that China is meeting its various obligations, including, in particular, the enforcement obligations that it will undertake pursuant to the TRIPS Agreement by which it will become bound.

The companies and associations most vigorous in insisting on improvement of China's intellectual property rights regime over the past decade are united in support of PNTR in the year 2000. We do not accept the suggestion that China's intellectual property track record since the signing of the 1996 bilateral agreement constitutes a justification for Congressional rejection of PNTR in the year 2000. Indeed, we believe that PNTR and the entry of China into the WTO will serve to advance the cause of intellectual property protection in China, a matter of considerable importance to America's creative workforce.

We strongly urge Congress to support China PNTR in 2000.

Sincerely,

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Patricia Schroeder
President and CEO
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Douglas Lowenstein
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Edward Murphy
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I. A letter from China.

The US—China Business Council recently urged member companies to invite their Chinese employees to write, in their own words, to the Council around the general questions of working for a US firm in China and the differences in their lives before and since joining their American company. We have received many letters. They are informative, sometimes very moving, and above all very encouraging. I offer members of the committee just two here, but will be happy to make many more letters available upon request to interested Members.

(1st letter)

I've been working in a US multinational for more than 4 years. Like many of my peers and friends, I share a same feeling that we have benefited so much in terms of living standards, career, personal capability and common beliefs and many more from its unique culture. We would gain more if we're more open up and receptive to the outside world.

The most striking thing about the experience of working for a US multinational is that you would has an ever broad and new prospective to approach problems and look at things around.

A key attitude shift took place when I entered, for it is where I realized the efficiency and effectiveness of a modern corporate system; where human resources and personal performance and initiatives are considered the most valuable assets; where mutual and equal respect and smooth communication is prevailing; where you will never be overlooked or judged simply by your title or position.

No exception would there be that staff of a multinational would be impressed with the ample learning and self-challenging opportunities. It is no exaggeration to say a multinational company is a social university for personal maturity and aptitude growth, so to speak. Being exposed to a vastly adequate working resources and competent human talents keeps you being constantly motivated to enhance, learn and surpass.

What is equally amazing is the harmony of different cultures. No matter what your skin color is, white, black or yellow, you would see friendship and hospitality overwhelming. Despite the vast difference of belief and cultures, staff in channel and contribute all their talents and efforts towards a unanimous goal of building business success and contribute to our kernel value —to be the most preferred supplier and most innovative enterprise.

We may well believe this world would definitely be a better one through more communication and cooperation. People from every corner of the world could enjoy the sun light of peace, respect, and friendship as much as we have here within, a US multinational.

JASON WEI

(2nd letter)

To Whom may be concern:

Hello! My name is Valerie Tang. I am an employee of a US based company in Shanghai. As a native Chinese, I am very concerned with the US Congress vote for the PNTR towards China. Here I just want to tell you how many things have changed in my life due to Chinese open door policy and working experience in US company.

I was born in Xi'an. In 1992 I was assigned a job in a local radio factory in Shanghai after graduated from college. At that time, the factory's management was backward, the job was poorly paid, tedious and not intersting. My life was not easy. After trying several different jobs, finally I began to work for Shanghai Representative Office in 1998.

The company provides me with comfort working environment. It also gives me exposure to professional HR /human resource/ practices. Meanwhile, it allows me to have access to foreign media including: magazines, newspapers and particularly Internet to get different perspecives of information. All this gives me a broader view and more balanced judgment of the outside world. Thanks to this I reached a deeper understanding of the mechanism of western democracies.

Now, I have a sweet home, a meaningful career and a competitive professional profile. I enjoy the orchestras from Cleveland or Philadelphia on weekend. A simply Chinese lady like me could not realize any of these without the opening door policy as well as the US companies' investment in China.

Dear Sir/Madam, my life is becoming better and better. My friends, my family and many people around me hope they have the same opportunity as I do. Considering the mutual benefits of both American and Chinese people, I sincerely wish you vote in favor of PNTR towards China. Thank you!

VALERIE TANG

II. A word about "Leverage."

Mr. Chairman, one by one, the claims of the forces arrayed against PNTR in this endless campaign have dribbled away. The distracting argument that our 1979 bilateral trade agreement with China would bring the U.S. all the benefits that we won last November after 13 years of negotiations when China joins the WTO, even if Congress refused to approve full WTO-member treatment for China, has been discredited not only by the scholarly community but by the GAO and the Congressional Research Service. Flamboyant claims of 600,000, then 800,000, and now exactly 817,000 jobs to be lost if PNTR passes (i.e., if Congress ensures the same tariffs on Chinese imports in the future that it has maintained annually for the past twenty years) do not stand serious scrutiny, as the recent Institute of International Economics Paper (April 2000) by Dr. Gary Hufbauer makes clear.

What is left is the "leverage" argument, i.e., that the United States can't afford to establish full WTO-member relations with China when the PRC enters the WTO, and thus open the doors to equal economic opportunities for Americans in China, because we would somehow lose "leverage" over China's domestic behavior if we passed PNTR.

To be blunt, the "leverage" issue is an issue of convenience. Because it can never be conclusively shown to exist, it can live forever in some minds, and it can be used forever to pursue certain policy goals or agendas.

It reminds me of the notion that if you stare at the sky long enough you will see flying horses. If you don't see them, it only means you haven't stared at the sky long enough. Keep staring.

Let me put it simply: If China after twenty years of annual MFN/NTR review is as terrible a place, as full of iniquity and as offensive to our sensibilities as PNTR's organized opponents say it is, why would anyone in his right mind consign China to more of the very same American treatment that has in his view so totally failed to force China to change its behavior in the first place?

In fact, there is more "leverage" in this WTO package than the United States has ever achieved with China before. China's agreement to open its economy to unprecedented levels of foreign participation; to abide by WTO prescriptions that strike to the heart of the way its economy will function and the way its regime will deal with its own citizens; to eliminate discriminatory conduct and develop transparency of procedure; to axe such offensive habits as the requirement that foreign companies transfer technology in order to do business in China or that they export their products from China—this commitment, backed by WTO provisions for dispute resolution and multilaterally-imposed sanctions represents a degree of real "leverage" far more significant than the mythical power with which some PNTR opponents endow the current annual renewal exercise.

Mr. Chairman, thanks to the work of this Committee, any Member of the House who wishes can have abundant access to the facts and the forceful arguments that the Committee's witnesses from government and private life have presented on the PNTR question. I appreciate the opportunity to offer the above ideas, and introduce their authors, to you, the Committee, and the House.

Thank you.

Statement of Wei Jingsheng, Wei Jingshen Foundation, New York, NY

The basic principles are simple.

1. The U.S. should recognize that after the fall of the Soviet Union, Communist China is democracy's most formidable adversary.

2. The remaining tyrannies in the world have no problems understanding that democracy is their enemy. Yet, the U.S. is unwilling to see tyranny clearly, and therefore fails in its leadership to build an effective coalition to contest democracy's greatest enemy. In contrast, Communist China has been very effective in splintering the Western democracies, and dividing American society.

3. If the United States will not fight the world's largest tyranny politically, then inevitably, it will have to fight it economically, and eventually, militarily. Therefore, the only way to preserve peace and freedom begins by comprehending democracy's greatest enemy, and countering it effectively.

Framing the debate on WTO and PNTR as "keeping the door open" is misleading. The truth is that the door to China is already half-open. The Chinese people are still deprived of information, but they have learned enough to know that they lack the rights other people enjoy. They have seen the vast differences between democratic societies and tyrannical societies. If this were not so, the enormous uprising in hundreds of Chinese cities known as the 1989 Tiananmen movement would never have happened. The truth is that the door to China remains half-closed, for the Chinese Communist government is afraid that the people will receive even more information. If we give China PNTR now, it will legitimize this half-open and half-closed status as the way things are and should be. If Communist China were to be certified as "normal" in its currently abnormal state, why would the government make further reforms?

At this point, what the Chinese people need most is help from foreign friends in pressuring the Chinese government to provide better protection of human rights and the environment. Many say such "open pressure" does not work. This claim is fraudulent. South Africa, Taiwan, South Korea, and the former USSR are but a few examples of what open pressures can achieve. If we were to dissipate the pressure inherent within WTO and PNTR, then both the US and China, and other WTO coun-

tries will not have the free market they desire, but a "chaotic market," from which few, beside the Chinese Communist tyranny, would reap any benefits.

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