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**GIVING THE PEOPLE'S REPUBLIC OF CHINA  
PERMANENT MFN: IMPLICATIONS FOR U.S. POLICY**

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**HEARING**  
BEFORE THE  
**COMMITTEE ON FOREIGN RELATIONS**  
**UNITED STATES SENATE**  
ONE HUNDRED SIXTH CONGRESS  
SECOND SESSION

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## **GIVING THE PEOPLE'S REPUBLIC OF CHINA PERMANENT MFN: IMPLICATIONS FOR U.S. POLICY**

**TUESDAY, APRIL 11, 2000**

U.S. SENATE,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, DC.*

The committee met, pursuant to notice, at 2:45 p.m. in room SD-106, Dirksen Senate Office Building, Hon. Jesse Helms (chairman of the committee) presiding.

Present: Senators Helms, Thomas, Feingold, and Wellstone.

The CHAIRMAN. The committee will come to order, and the absence of other Senators is due to all the lights you see over the clock. We have a vote in progress. I voted early so I could get here reasonably on time.

Today's hearing by the Foreign Relations Committee will focus on the foreign policy implications of granting permanent most favored nation [MFN] trade status to Communist China. As the Senate prepares to vote on this issue, the ultimate question has got to be, will granting permanent most favored nation status to Communist China advance the foreign policy interest of the United States?

Now, there is no question that giving permanent most favored nation trade status to China will perhaps advance the business interests of certain sectors of the U.S. corporate community, but care must be taken that we do not confuse their interest with the national interest, and they are not necessarily the same, and our principal national interest vis-a-vis mainland China is seeking a democratizing China that conducts its foreign relations in a civilized fashion rather than one that behaves in a rogue fashion, as the Communist Chinese have done for the past 50 years.

So we must ask ourselves, for example, will granting permanent most favored nation trade status to Communist China persuade its rulers, its Communist rulers, to walk back from their threats to invade Taiwan if Taiwan does not negotiate reunification with the Communist mainland? Will China cease its relentless military buildup in the Taiwan Strait? Will granting permanent most favored nation trade status serve to halt China's brazen land grabs in the Spratly Islands? Will it cause China to stop its reckless proliferation of weapons to its fellow criminal regimes around the world?

Well, the historical evidence dictates a resounding "no." The fact is, the United States has had normal trade relations with Com-

munist China for the past 20 years, and yet Communist China's behavior on every one of these foreign policy fronts has worsened dramatically during these two decades.

Indeed, Communist China has become more, not less threatening to Taiwan over the past 20 years, and 20 years ago Communist China was not making incursions across the maritime boundaries of the Philippines, but today it is, and according to information delivered to Congress by the CIA just 90 days ago, China's weapons proliferation continues apace in flat contradiction to testimony before this committee by the Clinton State Department in 1999.

So, in sum, Communist China's foreign policy behavior has become increasingly antithetical to the United States' national interest during the past 20 years of so-called normal relations in trade. It is difficult to see how making the status quo permanent will cause any improvement whatsoever.

Now then, the direction of China's foreign policy will hinge largely on whether China democratizes and begins to treat its own people better than under the existing Communist control, but here again, the Clinton administration's record of appeasement has yielded miserable results. In fact, China was demonstrably more reformist 15 years ago than it is today.

In the mid and late 1980's, China's leadership expressed at least some sympathy for reform, and for the students and others who were demanding it. Now, these reformers were ousted, replaced by hard-line Stalinists who massacred the students and began a decade of brutal repression.

The U.S. State Department's 1999 human rights report oddly enough says it all: "The Chinese Government's poor human rights record deteriorated markedly throughout the year as the government intensified efforts to suppress dissent."

Now, some insist that the way to improve this miserable situation is to reward Communist China with permanent most favored nation trade status. Now, I see no justification for such an assertion. Now, perhaps our witnesses today can advise us as to how we can reverse the deteriorating circumstances.

Now, on a related matter, many will recall that in February the administration refused to attend a hearing this committee had scheduled on Taiwan's annual defense request. Since that time, the administration has also failed to comply with last year's defense authorization bill, which required a report on Chinese military power by March 1. Meanwhile, China has issued its infamous white paper and continues to make provocative military deployments along its coast.

So I am therefore announcing today that shortly after the upcoming recess this committee will hold a hearing on Taiwan's security, including the administration's compliance with, or shall we say noncompliance with the Taiwan Relations Act and other laws affecting Taiwan's security, and I trust that this time the administration will see fit to show up.

Senator Biden is on his way, I am sure, so we will just stand at ease until he gets here.

[Pause]

The CHAIRMAN. I have had it whispered in my ear that Senator Biden has another meeting that he had scheduled. He will be fur-

ther delayed in coming here, at which time he will make his statement, and he has suggested that we proceed.

On our first panel, we welcome Mr. Wei Jingsheng, with whom I have just shaken hands. Mr. Wei is China's most prominent dissident, having spent a total of 19 years of his life in Chinese prisons and forced labor camps. Mr. Wei's prison letters were published in 1997 in his book, "The Courage to Stand Alone: Letters from Prison and Other Writings."

Mr. Wei's exceptional courage, sir—in the face of a brutal and immoral regime is bound to humble anyone who takes for granted the freedoms enjoyed by the American people, and we are glad to hear from you and welcome you, and you may proceed.

**STATEMENT OF WEI JINGSHENG, COLUMBIA UNIVERSITY,  
NEW YORK, NY**

Mr. WEI [as translated by Dimon Liu]. Thank you, Mr. Chairman. Thank you, all Senators.

It is often said that if China receives normal trading status they will become more moderate. Let's just say, if they receive such a status and see what they would be at.

The last 2 years, since the demonstration has become more moderate toward China, the Chinese Government's attitude toward human rights has become more severe. This is the message I return just now from Geneva.

If you give now China the permanent NTR, then this will be even fewer restraint on the Chinese Government, and human rights situation would deteriorate further.

The Chinese enterprises have not become accustomed to the world market, and if you give China WTO then there will be a large number of Chinese enterprise that would go bankrupt.

This is widely acknowledged by the Chinese Government, including Lee Pung. He does not dispute this conclusion. The economic situation in China now is very bad, and with a large, even a larger number of unemployment, then the Chinese economy may well become—may well collapse.

The people's complaints are increasing, and most tyrants, they solve this political problem by waging an external war. Every day you hear that the Chinese Government are screaming wars against Taiwan. It happens under this political situation.

There are people with conscience in the Chinese Communist Party. They do not want to wage a war against Taiwan, but in such a—in the current atmosphere, they can only say that the Chinese economy is very bad. They cannot afford to wage a war.

The Chinese have been creating their own military technology. They also have stolen many military technology to mass production. All they need is capital. If you give them permanent NTR and allow them to enter into WTO, then you would give them credibility with which they can raise funds directly from the financial markets of New York and London.

This thing has no advantage whatsoever for the Chinese people. Now, are there any advantages for the American people? Many Americans believe that if they give China WTO then they can enter the Chinese market. This is illusionary. China would not open their market to the West, and last year in Seattle you can see clearly

that the Chinese Government will lead the Third World countries in amending the WTO regulations.

If there is a war waged on the Taiwan Strait, then the question becomes, will the United States be dragged into this war? This has no advantage for America.

If you look at it from the point of view of human rights, of democracy for China, from the interests, national interests of America, all economic interests of the United States, you can see there is no advantage whatsoever. This is my opinion.

He wants to conclude his remarks now, and he awaits your questions.

[The prepared statement of Mr. Wei follows:]

PREPARED STATEMENT OF WEI JINGSHENG

STATEMENT ON THE OCCASION OF THE U.S. SENATE COMMITTEE ON FOREIGN  
RELATIONS HEARING ON THE PNTR & WTO

The basic principle is simple. You do not reward children, adults, employees, business partners, enterprises, or *countries* for bad behavior. In the past two years, China has not become more lenient in the treatment of its citizens but rather more cruel. Giving the PRC PNTR now is removing the only effective restraint on bad behavior.

Although many people are eager to separate business from foreign policy or human rights, as large and influential country as the United States is obligated not to view trade in isolation from other issues. Whenever the United States relaxes its stance on China, the Beijing regime seizes the opportunity to crackdown on dissent domestically. While in prison, I could myself measure the situation between the West and China based upon the treatment I received. Better treatment meant MFN was in question, that the USA was taking a more solid, critical stance, worse treatment meant exactly the opposite. In recent months the most salient example has been the repression of Falun Gong practitioners, however the Communist regime's cleanup campaign has certainly not been limited to this group alone. While the number of political and religious dissidents arrested rises, unemployment increases, and large numbers of the "floating population" are violently repatriated to their registered area of residence, the United States remains silent.

U.S. negotiators might also have used their time in Beijing to address labor abuses in China. The most basic human rights of workers in China are not protected. Workers are not permitted to form independent Labor Unions. They toil like slaves, utterly unable to fight for better conditions and reasonable compensation. They might have obtained a guarantee that China will allow its workers to form unions, or to protect child laborers, or to terminate its laogai system. Instead, they are relying on the mechanisms within the WTO to retroactively reprimand China *should* the country violate WTO regulations. That China will violate regulations is certain, how well equipped the WTO is to react is less so.

One argument we will hear today is that in addition to the benefits the USA can attain from WTO entry, the ordinary people of China will as well. It is true that a small number of Chinese do stand to benefit from WTO entry—why else would these batch of leaders be pushing so hard for WTO entry and WTO entry NOW? Should China enter the WTO, it would become easier for this small group to divert and embezzle the country's money and betray China's own interests. However, the corrupt elite don't represent ordinary people. China is notoriously rife with corruption. WTO lacks teeth to enforce compliance. WTO entry will simply export that corruption into the international marketplace. China will be able to set its own very poor precedent of non-compliance to WTO regulations, and export further corruption into the WTO itself.

Domestically, ordinary Chinese businessmen, whether in state-run or private companies, would face competition from deep-pocketed and experienced businesses, and there will be an increased number of failures and bankruptcies. Even more Chinese workers will be laid off, and even more peasants will flood into the cities. The people of China know that their country's economy is already quite precarious. Many areas stand on the brink of collapse. How can it possibly withstand the shock of entering the WTO? Nearly everyone in China should be able to foresee this outcome. It's incredibly simple. Even those in power cannot deny it, and yet they do.



## SHORT BIO OF WEI JINGSHENG—THE COURAGE TO STAND ALONE:

Wei was born in Beijing, in 1950. His father was a top general of the PLA, (PLA military intelligence, PLA Airforce, Civil Aviation Administration of China) As a child, he lived in the same compound as Mao, and made the rounds with his father when he visited top leaders, for Wei was bright and endearing to the elders. Wei was able to learn military strategies and insider politics at an early age, and from master practitioners. Most newspaper accounts of him as an electrician from the Beijing Zoo is true, and he is very proud of his status as a working man, for that was by choice. Remarkably, Wei is a rebel from the core of Chinese Communism, and that is why he was regarded with such alarm.

At 16, Wei left Beijing at the height of the Cultural Revolution, and traveled widely in the North and Northeast country sides of China. For the first time, he saw with his own eyes how badly the people were treated, and how horribly they were living. It was during this time that he began to formulate his own opinions of the Chinese Communist Party and the future of China. By the time the Cultural Revolution had ended, he had finished his stint in the PLA, and several more years at his ancestral village in Anhui Province. The 10 years of chaos had left indelible marks.

In 1976, after moving back to Beijing, Wei took a job at the Beijing Zoo. In 1978, many Cultural Revolution era youth began posting their writings on a remnant of an ancient city wall, which became known as the Democracy Wall. Wei posted his essay, "The Fifth Modernization" which critiqued that Deng Xiaopeng's four modernizations—agriculture, science, industry, national defense—were for naught without a fifth one—democracy. The essay caused a sensation, not only because its open assault on Communism, but also because the author dared to sign his name and put down his address. Wei joined a few friends in publishing an underground magazine called "Explorations." In its last issue before it was shut down, Wei wrote an article titled "Democracy or a New Dictatorship?" which identified Deng as the new dictator. Wei was arrested.

In 1979, Wei was tried, convicted of "counterrevolutionary crimes," and sentenced to death. During eight months on death row, Wei did not know if he was going to live through another day, until his sentence was commuted to 15 years. Deng offered to release him, if he would recant. Wei refused, explaining that he was right, and Deng was wrong. Most people were broken after one year in solitary confinement. Wei's lasted fully five years, but his spirit remained unbroken. He was then kept in two different forced labor camps, with guards closely watching him, and fellow prisoners instructed to beat him up. In 1993, he was released a few months short of his 15-year sentence for political effect as Beijing tried to secure the Olympics. Within six months, he was re-arrested. In November 1997, after a total of 19 years in prison, Wei was forced into exile. Wei maintains that he is not free, but that his exile is further punishment.

Wei wears his prison years lightly, saying simply that it was his choice and he has no regrets. Wei's prison letters were published in 1997 as "The Courage to Stand Alone."

The CHAIRMAN. I think you are going to be embarrassed at what I am going to say, but please tell him that you did a great job.

Ms. LIU. I did? Thank you very much.

The CHAIRMAN. Seriously, Mr. Wei, I think it is fair to say that you have laid your life on the line for freedom in China. Of course, many thousands of us admire you for having done so, but the proponents of permanent most favored nation trade status are claiming that trade will bring freedom to the Chinese people. We hear it all the time. If you would just let them have permanent most favored nation trade status, then all is going to be hunky-dory. Can you translate hunky-dory?

Mr. WEI. Trade can bring advantage to a country's economy, but trade and politics are two different matters.

You can watch many countries that are very wealthy, but they do not necessarily have freedom. America, when it was founded, it was one of the poorer countries in the world, but it was founded in freedom.

The reality is that it is freedom that will bring wealth to the people, and this is a truth which traders and businessmen ought to study history to learn its popular lessons.

The CHAIRMAN. All right. I agree with you. I agree with you absolutely.

But what do you think is the best way to bring freedom to China and the Chinese people?

Mr. WEI. If you view a country based on the protection of human rights, as only under such condition can you bring freedom to the people.

I want to add something, to say that wealth do not necessarily bring freedom to the people. For instance, in ancient Rome there are many slaves who live in very wealthy style. They have no freedom.

American people do not want to become slaves. It is the same for the Chinese people. They like freedom. They do not want to live in unfree society.

The CHAIRMAN. I agree with that.

Now, the proponents of engagement—you always hear that word, engagement with China—have always claimed that engagement will bring positive changes to China, but it is widely acknowledged that the human rights situation is deteriorating in China. Is that correct?

Mr. WEI. The only way that the human rights situation can improve is because the people fight for their rights.

International community can help by helping those people who fight for their rights instead of—and not helping the tyrants to oppress the rights of the people.

In the last 2 years, the Western governments, including the United States and European governments, have been backing off in their demands on the Chinese Government, and that is why the situation, human rights situation is deteriorating in China, especially when the help given to the people who fight for their rights are decreasing.

The CHAIRMAN. Now, when our President, Mr. Clinton, tore up his own Executive order back in 1994 and delinked trade from political and religious freedoms in China, the President said he was going to be sure to pursue the censure of China's repression at the United Nations Human Rights Commission in Geneva. Then in 1998 he stopped doing even that, and last year the Communist dictatorship's appalling repression forced the President back to introducing a censure resolution at the Geneva commission.

Now, you have just returned from monitoring this year's debate with China in Geneva. Can you assess how well criticism of China at the United Nations, which has not even passed, have worked as a substitute for using our economic leverage to press for freedom in China?

Mr. WEI. Most people consider that being censored by the U.N. Human Rights Commission would give the tyrants a certain amount of pressure. To only rely on criticism alone cannot solve—cannot improve human rights conditions.

Both last year and this year I have watched that the Chinese Government working very hard to lobby against censure. It is because they are concerned that there would be economic sanction.

The only reason they are afraid of censure is because they are afraid criticism would follow by critical action, and if you tell them to begin with that there would not be economic sanction, why should they be afraid of your criticism?

My conclusion is that censure at the United Nations Commission of Human Rights is important, but it must be followed by actions in economic arenas as well as in diplomatic arenas.

The CHAIRMAN. Senator Wellstone.

Senator WELLSTONE. Thank you, Mr. Chairman. Let me first of all—6 minutes? Let me thank Wei Jingsheng for being here. I am very proud to consider him a good friend.

Before asking questions, Mr. Chairman, I thought I would just try to provide one clarification on this vote as I see it that is coming up, perhaps first in the House, and then depending on what happens in the House, in the Senate.

The matter before us is whether or not we in the Congress still will reserve for ourselves the right to annually review most favored nation status with China. That is the vote. I am from an agricultural State, and you are as well, Mr. Chairman, and I think this has become deliberately confused by some.

This is not about an embargo. We do not have an embargo. It is not about trade. We trade with China. It is not about tariff reductions. We have tariff reductions. The administration admits to that. The General Accounting Office has made that clear, on the basis of the 1979 bilateral agreement. We have all that.

The question is whether or not we want to hold on to what leverage we have left dealing with human rights, and the question is whether or not we also want to hold on to leverage to make sure that China lives up to trade agreements.

The first question for Wei, now, I gather in your testimony what you have said is that from the point of view of human rights, it is important that we maintain our annual review to keep some leverage and some pressure on the Chinese Government. Is that correct? Is that the first part of your testimony?

Mr. WEI. I know that the annual review has caused many people impatience. The usual question is that as soon as we give them trading status every year, why should we review it every year? My question is that if we do not continue with the annual review, then what would the Chinese Government do?

I use an analogy of the driver's license. You know, every year you get your license renewed, but the license itself acts as a restraint on your actions. If you had a driver who is a really lousy driver, and you say that we are not going to review your driver's license every year, we will just give you a permanent one, what would this driver do on the road? When we are facing a tyrant, we must act with most patience.

In your own country, every year you watch your own President very closely. If he is not—he behave badly you can like him to leave.

Senator WELLSTONE. Mr. Chairman, I am going to run out of time. I want to let Wei Jingsheng know that tomorrow there will be a really major gathering, in part led by labor, but also human rights community, and from the point of view of the citizens in our country, we see now where Wal-Mart is now in China.

I think they are paying about 14 cents an hour, and you know, wage-earners in our country worry that companies can go there, and if people in China should stand up for their own rights and say, we deserve to make more for our families, they will wind up in prison, so you do see a connection between human rights in China, or lack of human rights, and also the conditions of working people in our country.

On the United Nations Commission, I wanted to let Wei know, Mr. Chairman, that I think tomorrow there will be an effort, perhaps successful, to table the resolution at the Human Rights Commission in Geneva, which would be on human rights in China, but there will be yet another vote coming up I think on the 18th.

And Mr. Chairman, in part because of your support, I have a resolution with many Senators that I think I am going to be able to introduce to our committee meeting on Thursday which basically will be very strong in its condemnation of human rights violations and make it clear that the administration and the representatives of the European Union and other governments should aggressively enlist support.

That means the President, our President making calls to some of these other governments. If we are serious about human rights, this is the right forum, and our own President ought to be making calls to other governments. This should not be symbolic, and I think we are going to have a strong statement, Mr. Chairman, Thursday in the Foreign Relations Committee.

Mr. WEI. Thank you. American people are serious about human rights, but American politicians are not necessarily serious about human rights, and that is the same for the European politicians as well.

The CHAIRMAN. Senator Feingold.

Senator FEINGOLD. Thank you, Mr. Chairman. I would like to thank you for holding this important hearing today, and I of course would like to thank all the witnesses, and especially thank Wei Jingsheng for being one of the most committed and powerful voices for human rights in China and for appearing before the committee today.

I am especially pleased to be attending this hearing because I am also of the school of thought that believes there is value in debating the U.S.-China relationship, that there is value of periodically taking stock of just what sort of trading partner China represents, and that there is value in raising human rights issues each and every time the United States weighs its foreign policy choices, and so, Mr. Chairman, for these very reasons, I oppose granting permanent normal trade relations, what we used to call most favored nation status to the People's Republic of China.

I do not want the Congress to relinquish our annual opportunity for debate, and for linking these important issues. I know that many people, including some in my own State, disagree. Some believe that increased trade and economic openness will gradually spill over into the spheres of civil and political liberty. Others simply fear missing out on the business opportunities to be seized in the vast Chinese market.

But China, as you have said, sir, has benefited from a great deal of international trade and investment yet, according to the State

Department, over the past year the country's human rights record has clearly deteriorated and, while I recognize the economic significance of China, I believe that U.S. policy can and should be a force for good, not just a force for profit.

The question, many supporters of granting permanent normal trade relations [PNTR] to China believe that if China is drawn into a rule-governed regime like the WTO, China's Government will increasingly find that respect for the law is in its own interest. How would you evaluate the merits of that argument?

Mr. WEI. If the Chinese Government recognize that obeying the law would be good for itself, then the Chinese Government would have long ago become a law-abiding Government. The Chinese Communist Government's attitude toward the rule of law is this: what is useful for them, they will use it. What is not useful for them, or not in their interests, they will disregard.

Several days ago I was in a friend's house in Paris. I pick up casually a magazine published by the Chinese Government. The first, front page articles was how the Chinese Government would become the leader of the Third World countries in the WTO in changing the rules of the WTO that is to the advantage of the Third World countries.

We would like the Chinese Communist Party, Communist Government entering into the WTO would have their action be restrained by the laws of WTO, but they wish to use this occasion to change the regulation of WTO in controlling other countries.

My advice to businessmen is that they should listen more to the politicians on this issue, and do less rosy prediction. That is not based on reality.

Senator FEINGOLD. Thank you for that answer. I would be interested in knowing how you think a vote for PNTR in the U.S. Congress would be viewed by the Chinese people, particularly those Chinese people who are engaged in the struggle for greater freedom and basic human rights. Would they interpret the vote as an abandonment of U.S. efforts to keep pushing human rights in our relationship with China?

Mr. WEI. For those people who are fighting for human rights, especially the friends who are fighting for human rights inside China, they do not—none of them want the U.S. Congress to give the permanent MFN to China so easily.

We, including myself, all understand that we will live under the condition of doing the annual review of MFN, and currently there are tens of thousands of brothers and sisters in spirit are still languishing in jail. If you protect annual review of PNTR, is very, very important, even though it is never enough.

Senator FEINGOLD. Well, let me just thank you. The clarity of your answers is very helpful in countering the enormous lobbying push behind this effort, and I appreciate it.

The CHAIRMAN. Thank you, Senator. I am going to let you go in just a minute, but is my impression correct that your father was a top General in the People's Liberation Army, and that you have been brought up on military strategies and politics—and policies?

I understand that his father was a top General of the People's Liberation Army. Is that correct?

Mr. WEI. [in English] Yes.

The CHAIRMAN. And you were brought up on military strategies and internal politics and that sort of thing?

Mr. WEI. It is true. Many of my schoolmates are now the strategists, military strategists for the Chinese Government.

The CHAIRMAN. I see. Now, I want you to spend 2 or 3 minutes, if you will, recounting the story of your life as you have dedicated it to struggling for democracy in your country, the treatment you have received, the imprisonment that you have suffered, et cetera. If you would do that for just 2 or 3 minutes, I think it would be very useful for the record.

Mr. WEI. My struggle for democracy did not start with myself. The fight for democracy in China has been going on for several generations.

When I was 17, it is the same year when the Chinese Communist Party has been in power for 18 years, and many people had started to question why we have been fighting for so long for democracy, and yet the life of the Chinese people have not improved.

At that time, when you talk about politics, you have to pay with your life. A friend of mine who is now helping me in Washington was almost executed. Even despite of the danger, many people still insist on trying to find a better way for China. The conclusion is that the Chinese has to adopt the imperfect system of democracy.

Many people have different theory about how to achieve democracy for China. My own viewpoint is that the only way to achieve a democracy for China is for more Chinese people to understand what democracy is about, that they can choose for themselves.

In 1978, I found an opportunity to express my views on democracy for more people to understand, and there was many friends of mine who worked with me in my struggle for democracy, and many of them went to jail. The rest you know about my situation in the United States.

The CHAIRMAN. One final question. Do you think the PRC is going to wage war against Taiwan?

Mr. WEI. When a war occur on miscalculation, this kind of war there are ways of preventing, but if this war is fought based on intention, this kind of war is very difficult to prevent.

The fever for war for China has reached a high pitch. Many people have drawn analogy with Nazi era in the 1930's for war. I still believe there are ways to prevent this war, but we must work together.

The CHAIRMAN. I agree, and thank you very much. It is a pleasure having you here, and I have enjoyed your testimony. Thank you very much.

We will call the next panel. The second panel will consist of distinguished Americans, Dr. Arthur Waldron, director of Asian Studies at the American Enterprise Institute in Washington, Dr. Greg Mastel, director of Global Economic Policy Project at New America Foundation in Washington, and last and certainly not least, Mr. Robert Kapp, president of U.S.-China Business Council, Washington, DC.

Senator WELLSTONE. Mr. Chairman, with your indulgence, might I just say to the panelists that I apologize, in about 5 minutes I have to go for a conference call back home in Minnesota with some

press, and so I apologize for leaving early, and I will read your testimony. Thank you for being here.

Thank you, Mr. Chairman.

The CHAIRMAN. Very well. We will miss you, and we thank you for coming.

Dr. Waldron, it has been suggested that maybe it would be good if you led off, and if you will do that, I will appreciate it.

**STATEMENT OF DR. ARTHUR WALDRON, DIRECTOR, ASIAN STUDIES, AMERICAN ENTERPRISE INSTITUTE, WASHINGTON, DC**

Dr. WALDRON. Thank you, Mr. Chairman, Senators, ladies and gentlemen.

Let me start with thanks and an observation about our fellow witness, Mr. Wei Jingsheng. I want to thank you for giving me an opportunity to explain why at present and in the form and context in which it is presented, I oppose the grant of permanent normal trade relations for the People's Republic of China, and to begin that explanation, let me say something about Mr. Wei. He, perhaps more than any other of the Chinese pro-democracy community, speaks clearly of the need for human rights and democracy, and is widely respected and admired in the West.

But as we approach this vote, I hear more and more of a line which praises Wei but also undermines him a little bit. Yes, perhaps he is a man of great personal courage and idealism, but isn't he just a little bit extreme? Aren't the measures that he's counseling really counsels of perfection? Isn't he really an idealist, and isn't it essential that we people, practical people, recognize that paying serious attention to what he says will, in fact, undermine some of America's best interests?

In other words, I think there is an attempt to smother Chinese dissent under a mound of fragrant bouquets, so the first thing I would say is, Wei Jingsheng is not some sort of starry-eyed idealist, but a practical man, and what he is telling us is pretty much the unvarnished truth.

Now, what is the reality in China today? Well, of course, it is very complex. Some aspects are encouraging, some are worrying, and two aspects in particular worry me. One is the Government's increasing unwillingness to listen to its own people and its growing reliance on the use of force to maintain power, and the second, which flows from the first, is the current military buildup and the steady drumbeat of military threats against its neighbors, Taiwan most obviously, but not exclusively.

In the last 12 months, we have seen numerous arrests of political and religious dissidents. We have seen the closures of journals and newspapers. We have seen Websites blocked at China's Internet portals, all of which are Government-controlled, and in the past few days we have seen news of the miner's protest in the northeast, and also of the purge of the Academy of Sciences and other intellectual leaders. We have also had a statement from President Jiang Zemin, quote, "we absolutely cannot implement the West's model of bourgeois democracy."

And finally, I would remind you of the 11 years of illegal house arrest for Zhao Ziyang, Jiang's predecessor as Chinese President,

who has been confined to his house for the entire period since the Tiananmen massacre because at that time he favored compromise.

Now, I think all of us will agree that these actions are morally contemptible, but is there anything more than that? Do we continue business as usual, or even better than usual, or do such facts have consequences? Well, the first point I would make is that stable governments, confident governments, governments whose mandates and legitimacy are clear, do not behave like this, so the first thing that this rising tide of protest suggests to me is that change is coming in China, and it is very important to us what form that change takes.

Nor, I think, should we be surprised, as Mr. Wei mentioned, that a divided and oppressive government should attempt to divert popular attention away from the real and pressing issues by waving the flag. History is full of examples of such regimes. Most of them have failed to consolidate their political control, but a large number of them have managed to start wars.

Now, how do we Americans deal with it? What we need is an integrated, all-around, and coherent policy in which all aspects of China, positive and negative, are brought together and dealt with in a consistent way, and the question I would ask is: Do we have such a policy today?

Let me answer with an analogy. I think we have all had the experience of seeing a pretty picture in a catalogue and sending off for something from mail order, and to be fair, in most cases I think what we get is, in fact, what we ordered, but not always. Now, in this case I think you could say that the administration is showing us a picture of a very pretty, peaceable, profitable, and constructive relationship with China, and we are in effect sending away for it.

We get the package, and we open it. We have all had this experience. Several odd bits of metal, fittings, nuts and bolts, incomprehensible directions and so forth, fall out of it. I have labored over this sort of thing, and sometimes you conclude that there is just no way you can put it together. I recently sent back something that was described as a bathroom scale to Ohio. It was absolutely impossible to make anything with it.

Well, the China policy is very similar. The administration is promising that the steps they are taking are going to make things better, but no matter what the blurb, and no matter what the salesman, and no matter what the directions say, and no matter how you put it together, the current policy will not deliver the kind of China, or the kind of relationship with China that we want, and let me just briefly explain why.

To prevent this militaristic approach that China is taking, this course, from plunging Asia into war, we need to integrate the different pieces of our policy, but the most significant effect of the PNTR measure is permanently to insulate trade relations with China from congressional scrutiny. In other words, far from unifying our policy and aggregating our concerns, we are pretending that economic issues exist in a vacuum and have nothing to do with anything else.

Now, the administration argues that doing this, and encouraging trade, is going to contribute to more responsible behavior from China, but in fact the lesson has been the opposite. As China has



increased its belligerency, this administration has responded with unprecedented concessions—the one China policy, the “three noes,” the fast track on trade, the Presidential visit and so forth.

Now, I do not doubt that any of those three things would have been done without the threat, so what is the lesson that we are teaching China, whether we intend to or not? We are teaching them, do bad things, and good things will happen.

Now, PNTR is going to increase—it is going to create even stronger incentives for misbehavior, because if you remove the possibility that external aggression is going to have economic consequences, the aggressor has one less thing to worry about, and the chance of aggression is increased.

Now, as a convinced free trader, and as an old-style economic liberal, I believe that from an economic point of view PNTR is very much in our and in China’s economic interest, and I would support granting it if the security and human rights situation were improving, or even if the administration was taking coherent and persuasive steps to deal with those issues, but that is not the case right now and, that being the case, I believe that granting PNTR absent the security and human rights conditions will actually make things worse rather than making things better.

Ambassador Jack Matlock in his memoir of service in Moscow noted that a key to Washington’s policy in the eighties was that no economic concessions would be made to the USSR until satisfaction was achieved on a range of security issues. This was a sound and realistic policy, and it worked well.

What would it take now to create a package in which PNTR would be acceptable? Let me make a few points. First, we need some signals from China. I would like to see a definitive repudiation of the use of force, coupled with the withdrawal of the missiles which are currently targeting Taiwan, something that would be verifiable with our satellites and so forth. I think that sort of a measure is indispensable if the current tension is to be reduced.

I would also like to see signature, ratification, and enforcement of the chief international human rights conventions. Now, we Americans cannot deliver those things, but we can stress their indispensability. In their absence, though, we certainly need transparency and bipartisanship in China and Asia policy. Right now we have exclusive executive management of China policy, without consultation with Congress or explanation to the American people, and this is not acceptable.

We need close scrutiny of existing trade and investment with China so as to exclude the People’s Liberation Army military and security-run enterprises from the United States and from our capital markets.

We need strong and credible reaffirmations by the President of American commitments to democracy in Asia, to political reform in China, and to the security of Taiwan, and here I mean deeds and not words. We must make it clear by our actions that Beijing’s military threats and her military buildup lead only to a brick wall.

Voting PNTR now, even as more missiles are being emplaced across from Taiwan—it is going on right now. I mean, whatever time it is over in China. They are pouring cement for these things. That sends the opposite message. It sends a message of complai-

sance and acquiescence, and that is a very, very dangerous message to send.

Now, here the role of the Congress is critical. The prospect of an annual review of China's trading status will serve as a brake on Beijing, and brakes are very much needed, and the process itself provides an opportunity to discuss the crucial issues, even if the executive would prefer not to.

One of our most eminent China hands, a career Foreign Service officer now retired, with long ambassadorial experience, recently stated—and I heartily agree with what he said—that the basic problem in our current China relationship was that Beijing did not understand and was not being forced to understand just how catastrophic would be any use by them of military force. This is a signal failure of the administration, its diplomatic personnel, and its policies.

Beijing instead seems to imagine that a few missiles might be fired, say, at Taiwan, without much by way of U.S. reaction, without costs to China's numerous economic and political interests, and be successful in forcing Taipei to yield. Now, nothing, I would add, could be more dangerously far from the truth.

PNTR, as part of a robust package that conveys that message loud and clear, is something that we should all support, but only in that form. Otherwise, whatever its intention, it will be read as a concession. It will make our problems worse, and it will increase the danger of war.

Thank you.

[The prepared statement of Dr. Waldron follows:]

PREPARED STATEMENT OF DR. ARTHUR WALDRON

Mr. Chairman, Senators, Ladies and Gentlemen:

Let me start with thanks, and with an observation about my fellow witness, Mr. Wei Jingsheng.

I would like to thank you for giving me the opportunity today to explain why at present and the form and context in which it is presented I oppose the grant of Permanent Normal Trade Relations (PNTR) to the People's Republic of China.

To begin that explanation, let me say also what an honor it is to share a witness table with the man who perhaps more than any other speaks clearly of the need for human rights and democracy in China, and for the United States to support its friends and allies in Asia. On human rights, the report this morning of the death in prison of a Chinese democracy activist, should serve as a reminder that the situation in China today is bad, and getting worse. And in a recent opinion column ["Strategic reasons for denying China entry to the WTO" in the Washington Times National Weekly Edition March 27-April 2, 2000, p. 33] Wei has explained how pressing it is for the United States to counter China's increasingly bold threats to use force.

Now for his advocacy of human rights and democracy, and the nineteen years of his life served in the Chinese Gulag for that advocacy, Wei is by and large praised around the world. Why do I say "by and large?" The reason is that as we approach the vote on PNTR, we hear more and more a line that seems to praise Wei but actually undermines him. To be sure, exponents of this approach say, Wei is a noble figure, of great personal courage and idealism. But isn't he just a tiny bit extreme? Aren't his views a little unrealistic, really counsels of perfection and not guides to action? In fact, isn't it the case that in the real world we practical people have to recognize that paying serious attention to what Wei says will in fact undermine America's best interests?

The attempt is to smother Chinese dissident voices under a mound of fragrant bouquets, and Wei's is by no means the only voice thus being stifled, but his is perhaps the most authoritative and compelling, so let me start by saying: Wei Jingsheng is not some sort of starry-eyed idealist but rather a very practical man, and what he is telling us about China is not some moralizing fantasy, but rather

pretty much the unvarnished truth. The issues he raises are in fact the most important ones currently facing China, and the United States, not only morally but also practically. We need to face them, but from the President on down, neither Washington nor Beijing is doing so.

Instead of assessing the facts as accurately as we can and then tailoring policies and strategies accordingly, our policy makers are building on hopes.

What is the reality of China today? It is of course complex. Some aspects are encouraging, some are worrying. Two aspects in particular worry me.

The first is the Beijing government's increasing unwillingness to listen to its own people and its growing reliance on the use of force to maintain itself in power. The second, which flows from the first, is China's current military buildup and the steady drumbeat of military threats against its neighbors—Taiwan most obviously, but not exclusively.

We have seen, over the past twelve months, the mass arrests of peaceful and law-abiding members of the China Democratic Party and the Falungong teaching; we have seen closures of hundreds of journals and newspapers; we have seen more and more websites blocked at China's internet portals, all of which are government controlled, and in the past few days we have learned of the February protest against corruption and unemployment by the miners at Yangjiagangzi in Liaoning, and the purge currently under way of such highly respected pro-reform Chinese intellectuals as Liu Junning, Wang Yan, and others. This purge comes on the heels of yet another statement by President Jiang Zemin that "We absolutely cannot implement the West's model of bourgeois democracy." And of course the eleven years of illegal house arrest continue for Zhao Ziyang, Jiang's predecessor as Chinese president, ousted for favoring compromise at the time of the Tiananmen protests.

Now all of us will agree that these actions are morally contemptible. But is there anything more to it than that? Do we continue business as usual or better, or do such facts have consequences?

What all this repression means is that change is closer than ever in China. Stable, confident governments, whose mandate and legitimacy are clear, do not behave like this. The question for us is the form the coming change will take: whether it will be peaceful and in the direction of greater participation and rights for China's people, or a lurch into deeper repression and more instability, or just a decline into disorder. All that remains to be seen. But make no mistake about it, things are going to change.

Nor should it surprise us at all that China's current divided and repressive government should attempt to divert popular attention from the real and pressing issues by waving the flag. History is full of examples of such regimes and teaches us a lesson as well. Those regimes have rarely succeeded in pacifying their own people. But they have regularly managed to start wars. Over the past twelve months the threat of war from Beijing has become all too familiar, even routine. And it is backed up by an alarming increase in military budgets and procurement, much of which directly targets American forces.

To deal with this we Americans require an integrated, all round, and coherent policy in which all aspects of China, positive and negative, are brought together and dealt with in a consistent way. Do we have such a policy today?

Let me answer that with an analogy. I think we have all had the experience of finding a pretty picture in a mail order catalogue and sending off our order with high hopes. In this case the pretty picture is of a relationship with China that is peaceful, profitable, and mutually beneficial. Now to be fair to our friends in the mail order business, usually we are satisfied. But sometimes the following happens. A package arrives. Out of it tumbles say several precut pieces of metal, some fittings, several nuts and bolts in different sizes, a puzzling diagram and directions that resist every effort at decipherment. This is the image I would use to evoke the actual policy that our administration is currently pursuing ostensibly to deliver the pretty relationship in the catalogue picture.

I've labored over such mail order kits and been derived to conclude that they simply did not provide what was needed—recently I sent what purported to be a bathroom scale back to Ohio in disgust—and that is what I would say about the China policy of which immediate PNTR is so conspicuous a component. No matter what the blurb and the salesmen and the directions say, or how you put it together, it will not deliver the kind of China or relationship with China that we all want. Here is why:

If we are to prevent China's current increasingly militaristic course from plunging Asia into war, we need an integrated, indeed a seamless approach. But the whole point of the Administration's approach is to isolate PNTR and insulate it from every other aspect of the China relationship. The Administration pushed it forward even as Beijing issued its menacing White Paper on Taiwan and it has sought an early

vote to prevent the measure from being entangled in the sorts of issues that Mr. Wei regularly mentions.

The most significant effect of the measure, moreover, will be PERMANENTLY to insulate trade relations with China from Congressional scrutiny. In other words, far from unifying our policy and aggregating our concerns, we are pretending that economic issues exist in a vacuum and have nothing to do with anything else.

The administration argues that this approach will contribute to more responsible behavior by China, but logic—and the evidence of the last several years—suggests that in fact the Administration policy is increasing the dangers in Asia.

The Administration should be using all the tools at its disposal to persuade Beijing that the use and threat of force are gravely counterproductive; that they undermine China's economic and political interests, jeopardize ties with Washington, and will elicit firm responses.

But in fact the lesson has been the opposite. As China has increased its belligerency, this Administration has responded with unprecedented concessions—the “one China” policy, the “three noes”, the fast track on trade, the presidential visit, and so forth. I doubt any of those things would have been done absent Beijing's threat. So what is the lesson we are teaching: “Do bad things and good things will happen.”

PNTR will create even stronger incentives for Chinese misbehavior. For if you remove the possibility that external aggression will have economic consequences, then the aggressor will have one less thing to worry about—and the chance of aggression will be increased.

I respect the good faith of the Clinton policy makers and as an American I am glad that our first response to threats is usually the attempt to conciliate. I would not want to change that. But our attempted conciliation of China under the rubric of “engagement” has had an effect precisely opposite to that intended.

First, as we should all recognize clearly based on experience with Iran, Indonesia, and other such states, flows of foreign investment do not always lead to political liberalization. Instead, they can stabilize repressive regimes in the short to medium term making reform less pressing.

But there is an even more immediate danger. The unlinking of economic and security concerns by the Clinton administration has served to convince the Chinese that we fear them and that we depend so much on their market and are so eager to invest that we will sacrifice our security interests in order to do so. And I can't really blame them for thinking that. But such a reading of the United States argues, in Beijing, that threats and aggression pay off.

Lately Beijing has been raising the temperature even more and I worry that voting PNTR now might be read there as the final green light for some actual use of force, and thus lead to disaster.

Now as a convinced free trader and old style economic liberal, I believe that from an economic point of view PNTR is very much in both our and China's economic interest and I would strongly support granting it IF the security and human rights situation were improving. That is not the case now, however. What is more, I believe, for the reasons explained above, that granting PNTR absent those conditions will make things worse and not better.

Ambassador Jack Matlock, in his memoirs of service in Moscow, notes that a key to Washington's policy in the 1980s was that no economic concessions were to be made to the USSR until satisfaction was achieved on a range of security issues. This was a sound and realistic strategy and it worked very well.

What would it take now to create a package in which PNTR would be acceptable? Let me make a few points:

First, we need some signals from China. I would like to see a definitive repudiation of the use of force coupled with a withdrawal of the missiles currently targeting Taiwan. I would also like to see signature and ratification of the chief international human rights conventions.

We Americans can't deliver those though we can stress their indispensability. In their absence, though, we need:

Transparency and bipartisanship in Asia and China policy. The exclusive Executive management of China policy, without consultation with Congress or explanation to the American people, is not acceptable.

Close scrutiny of existing trade and investment with China, to exclude PLA and military and security run enterprises from the United States and from capital markets.

Strong and credible reaffirmations by the President of American commitments to democracy in Asia, political reform in China, and the security of Taiwan—and here I mean deeds and not words.

We must make clear by our actions that Beijing's military threats and her military buildup lead only to a brick wall. Voting PNTR now, even as more missiles are being emplaced across from Taiwan is to send the opposite message—one of complaisance and acquiescence, and that is very dangerous indeed.

The role of the Congress is critical. The prospect of an annual review of China's trading status will serve as a brake on Beijing—and brakes are very much needed right now—and the process itself provide an opportunity to discuss the crucial issues, even if the Executive would prefer not to.

I started by saying that Wei Jingsheng is a practical man, in the sense that he does not fantasize about China but instead tells the truth, both about the situation and what needs to be done. China's current military buildup and the threat it poses to American friends and interests is not a fantasy. Nor is a Chinese regime that listens to its people and acts as a good neighbor some impossible dream.

The fantasy is to imagine that economic issues can somehow be insulated from the other parts of the picture. The fantasy is to imagine that removing the threat of consequences for oppression at home or military action abroad will improve Chinese behavior. Quite the opposite. Passing PNTR in a vacuum, without strong and unmistakable actions to address security and human rights concerns—and I mean actions, not just talk—sends a dangerous message, one that I fear, if heeded in Beijing, could provide the margin for a decision in favor of war, and disaster.

One of our most eminent China hands, a career foreign service officer now retired, with long ambassadorial experience, recently stated, and I heartily agree with what he said, that the basic problem in our current China relationship was that Beijing did not understand, and was not being forced to understand, just how catastrophic would be any use by them of military force. This is a signal failure of the administration, its diplomatic personnel, and its policies. Beijing instead seems to imagine that a few missiles might be fired say at Taiwan without much by way of U.S. reaction, without costs to China's numerous economic and political interests, and be successful in forcing Taipei to yield. Nothing of course could be more dangerously far from the truth.

PNTR as part of a robust package that conveys that message loud and clear is something we should all support, but only in that form. Otherwise it will be read as a concession, make our problems worse, and increase the danger of war.

The CHAIRMAN. Thank you, sir.  
Mr. Mastel.

**STATEMENT OF DR. GREG MASTEL, DIRECTOR, GLOBAL ECONOMIC POLICY PROJECT, NEW AMERICA FOUNDATION, WASHINGTON, DC**

Dr. MASTEL. Thank you, Mr. Chairman. I appreciate the opportunity to testify today regarding the prospect of granting permanent normal trade relations status to China and China's membership in the World Trade Organization to which it is linked.

Given time limitations today, I plan to focus my remarks on the WTO accession agreement with China and, more specifically, the enormous problems the United States and the WTO are likely to face in enforcing the agreement.

On paper, the WTO accession agreement negotiated between the United States and China has many positive features, but the question is, will China make good on those promises? Ultimately, WTO is a trade agreement. It has a detailed process for enforcing compliance, but, as the ongoing conflict between the United States and Europe on several agricultural issues demonstrates, the process has a number of flaws and implementation of promises and dispute settlement panel findings is far from automatic.

The best indicator of China's willingness and ability to implement the promises it has made in a WTO context and its record in implementing other trade agreements. In the last decade, the United States and China have concluded a number of major trade agreements covering topics such as intellectual property and textile

imports. In my written testimony for the record, I have included a detailed breakdown of China's record in implementing these agreements.

My conclusion, that can immediately be drawn from the record, is that China has a poor record of keeping its trade promises. Every major trade agreement with the United States and China has been dogged by repeated incidences of Chinese noncompliance, sometimes open violation of the terms of the trade agreement.

China's supporters often point to several understandings struck on intellectual property as evidence of China's willingness to keep its trade commitments. Without question, the United States has invested a much greater effort on enforcing agreements on this topic than on any other. In most other areas, the United States has not seriously challenged China's agreement violations. With regard to intellectual property piracy, however, the United States has formally threatened to impose trade sanctions on China on at least two occasions.

As a result of this pressure, there is evidence that China has made an effort to curb piracy. As any informed observer would concede, however, piracy of intellectual property is often linked to Chinese Government ministries, the People's Liberation Army, and the relatives of Chinese leaders, remains a widespread problem.

In fact, industry estimates of total losses resulting from piracy in China are higher today than they were when the Clinton administration first took action in 1995. Moreover, the progress that has been made is a direct result of repeated threats of sanctions by the United States. Without these threats, China is likely to have made little progress fulfilling its negotiated promises.

Often, observers seem to assume that the WTO will automatically be able to improve China's compliance with trade agreements. There is no basis for this assumption. The WTO has potential strings over bilateral understandings of obligating China to meet a wide array of commitments and bringing some multilateral pressure on China to reform its trade policies.

Unquestionably, these are positive features, but the WTO is not well-suited to policing China. The WTO is the ultimate rules-based market-oriented organization. The fundamental problem is that China is neither a rules-based country, nor a fully market-oriented economy.

Given the arbitrary and nontransparent nature of the manner in which Chinese ministries often make trade policy, it may be difficult to even determine exactly what Chinese trade policy is in some areas, let alone actually to win a WTO dispute settlement panel finding against China. As a result, the WTO is likely to suffer from exactly the same type of compliance problems with China that have plagued the bilateral trade agreements with China, and the United States is likely to have given up one option, that of opposing trade sanctions, to enforce China's compliance.

At some point, China should become a WTO member. In a perfect world, it would be wise, I think, to wait until—keep China outside the WTO for a few years to allow its legal system to mature and its economic reform progress to advance further, but policy is not made in a perfect world. Given the failure of bilateral negotiations to achieve U.S. trade objectives with China, I am cautiously

willing to support China's WTO membership provided the United States invests the time and effort to enforce the agreement.

Congress could play an important and critical role in ensuring that necessary time and energy is devoted to enforcement. In general, the Congress has taken much more interest in enforcing trade agreements than various administrations.

In the case of the Clinton administration, much of the critical work has taken place in the last days of the administration, at a time when many administration officials seem eager, perhaps too eager, to complete China's WTO accession and convince Congress to vote for PNTR.

PNTR is the Congress' major point of leverage vis-a-vis the administration in China. It would be wise for the Congress to withhold the vote on PNTR until the WTO accession process is complete. At the very least, the Congress should insist that the final WTO accession protocol pay particular attention to the enforcement issue, and pass legislation to ensure regular U.S. efforts to police enforcement.

In closing, I would like to make one brief point regarding Taiwan's WTO accession. As they argue in an article in this week's Weekly Standard, which I ask to be included in the record, China has succeeded in holding up Taiwan's WTO accession as it negotiates the terms for its own accession. In my opinion, WTO members have been far too sensitive to China on this matter. What is more, there is good reason to fear further Chinese chicanery with regard to Taiwan's application.

Whatever one's opinion about China's WTO application, there can be little argument that Taiwan should be in the WTO. It is incumbent on the U.S. Congress and the administration to ensure that Taiwan's membership is secured this year.

Thank you, Mr. Chairman.

[The prepared statement of Dr. Mastel follows:]

#### PREPARED STATEMENT OF DR. GREG MASTEL

Mr. Chairman and Members of the Committee, my name is Greg Mastel and I am Director of the Global Economic Policy Project at the New America Foundation.

I appreciate the opportunity to testify today before the Committee regarding the prospect of granting Permanent Normal Trade Relations status to China and China's membership in the World Trade Organization (WTO).

Over the last ten years, I have worked and written extensively on a number of topics related to U.S. trade policy toward China. I have thoughts on a number of issues raised here today, including the large and growing U.S. bilateral trade deficit with China.

I plan, however, to focus my remarks on the WTO accession agreement with China and, more specifically, the enormous problems that the United States and the WTO are likely to face in enforcing that agreement.

#### THE WTO ACCESSION AGREEMENT

Trade agreements are by their nature compromises. As a result, they are normally not "perfect" from any individual perspective. The agreement with China is no exception. Unquestionably, a number of provisions could be improved. Chinese tariffs could be lowered beyond the 17 percent China has agreed to. Foreign telecommunications firms and banks could be granted more leeway to operate in China. It is possible that subsequent negotiations between China and other WTO members may improve the terms on these or other issues.

On paper, however, the "deal" negotiated between Washington and Beijing has a good deal to commend it. China does agree to substantial tariff cuts. China does commit to substantial new market access for agricultural products. U.S. banks and insurance firms are promised substantially increased access to Chinese consumers.

Unfortunately, the problem in negotiating trade agreements with China in recent years has not been convincing China to promise improvements, it has been getting China to fulfill its promises. Already, Chinese press reports indicate that China does not plan to rigorously fulfill the agricultural provisions in the WTO accession agreement.

A careful examination of the four recent major trade agreements the United States has struck with China strongly suggests that compliance problems have been serious.

#### INTELLECTUAL PROPERTY—1992

One of the best-known agreements between the United States and China involves protection of intellectual property—patented, copyrighted, and trademarked material. The United States has sought improved protection of intellectual property from China for many years.

After the threat of sanctions, the Bush administration convinced China to undertake a sweeping update of its laws protecting intellectual property. China brought its intellectual property protection regime largely into compliance with accepted western norms.

Unfortunately, these legal changes had little discernible impact on the ground. Chinese piracy of music recording, computer programs, and films grew at an alarming rate at least through the mid-1990s. Movies and computer programs made by Chinese pirates turned up as far away as Canada and Eastern Europe.

After trying to address matters through quiet consultations, the Clinton administration threatened to impose trade sanctions in 1995 unless the situation improved. As the deadline for sanctions approached, China agreed to step up enforcement efforts.

A year later, however, it was apparent that China's promises had resulted in little improvement. Once again, the Clinton administration threatened sanctions. After much complaint, the Chinese agreed to a much more specific enforcement regime.

With consistent pressure from the United States, China has regularly produced records of pirate operations shut down and held press demonstrations with steamrollers crushing pirated CDs. Although these demonstrations do show at least some ongoing effort to attack the problem of piracy, they also demonstrate that piracy continues at a high level. Although it is difficult to precisely measure, U.S. pressure has won some results, but *the U.S. industry estimates that losses to piracy today are greater than they were when the topic of enforcement was raised in 1995.*

Two points warrant further attention in the context of enforcement.

From the outset, it has been clear that provincial leaders, the families of leading Chinese officials, and even the Chinese military have been directly involved in intellectual property piracy. Pirates reportedly set up facilities to make illegal CDs on People's Liberation Army bases. Apparently, basing operations on PLA bases was a particularly effective method to avoid internal security police that aimed to shut down pirate facilities. In short, piracy of intellectual property has not been solely the province of street level criminals, elements of the Chinese government also appear to be involved in piracy.

Second, one intellectual property problem directly involves the government. One item that Chinese officials explicitly promised to address in 1995, 1996, and again in March of 1999 is that of government Ministries using illegally copied computer software. According to first hand reports, government ministries routinely illegally copy computer software for their use. Such an ongoing problem within the government calls into question the sincerity of China's commitment to fulfill its agreement with the United States on intellectual property protection.

In many ways, the efforts made to enforce the agreement on piracy of intellectual property are unique. Both the private sector and the Clinton administration have made enforcement of this agreement a priority for the better part of a decade. Still, glaring enforcement problems remain. If it had not been for the ongoing, high-level enforcement effort by the United States, there is no reason to believe that China would have made a serious effort to fulfill the promises made in 1992.

#### MARKET ACCESS—1992

Unfortunately, the high level commitment made to enforce the intellectual property agreement has not been repeated on other agreements. A sweeping agreement struck with China in 1992 on market access issues is a case in point.

Through the early 1990s, China followed an unabashedly protectionist trade policy excluding many foreign products with a number of trade barriers. Under threat of sanctions similar to those used on intellectual property, the Bush administration



successfully negotiated a sweeping market access agreement with China aimed at lowering trade barriers and creating new opportunities for U.S. exports.

In its latest reports on the subject, the Clinton administration states that China has “generally” fulfilled its commitments. On some of the easily verifiable matters covered by the agreement, like elimination of formal barriers and lowering tariffs, China does seem to have implemented the agreement. In a number of other areas, however, there have been glaring and obvious problems. Due to space limitations, only three—all acknowledged by the Clinton administration—will be discussed here.

First, China agreed in 1992 to eliminate all import substitution policies—policies that aim to substitute domestic production for imports. In formal state plans on automobiles and pharmaceuticals approved by Chinese economic policy makers at the highest levels, import substitution requirements were specifically included. Similar policies are included in lower level Ministry directives on a number of products, including power generation equipment and electronics products.

Import substitution is perhaps the most direct form of protectionism possible and it was officially renounced in 1992. Still, time and time again the Chinese government has ignored this commitment.

China also agreed to phase out an entire class of barriers, import licenses, and not raise new barriers. Shortly, after import licenses were phased out, however, China announced a suspiciously similar set of import registration requirements for many of the products previously covered by import licenses. A number of new trade barriers on products ranging from electricity generating equipment to pharmaceuticals have also sprung up.

Finally, China agreed to make all laws and regulations relevant to foreign trade public—a major change in a country where many regulations and policies are not made part of the public record. Many such directives are now publicly available. Yet, this seemingly elementary provision has also not been implemented in a number of areas, including government procurement regulations.

Taken separately, it is difficult to estimate the economic importance of each of these violations. It is clear, however, that they are clear, unambiguous examples of the Chinese government directly violating the terms of the 1992 market access agreement. These charges have been officially made for a number of years, and the Chinese government has offered no denial or explanation.

In their defense, Clinton administration officials argue that it is difficult to pursue these matters because other U.S. government agencies have other priorities and many private sector companies do not support action. It is certainly true that many U.S. companies are not anxious to have the United States threaten trade sanctions that may compromise their business in China to address trade issues that do not directly concern them. For instance, some companies also expressed concern over sanctions to stop intellectual property piracy. If, however, agency indifference and private sector grumbling are sufficient to halt enforcement of trade agreements, it is doubtful that any trade agreements, particularly with countries that are willing to intimidate U.S. companies, will ever be enforced.

#### TEXTILE TRANSHIPMENT

For decades, trade in textile and apparel has been governed by a special trading arrangement known as the Multi Fiber Agreement (MFA). Under the MFA, importers and exporters of textiles negotiate what amount to specific quotas on textile imports on a bilateral basis. As the world’s largest textile exporter and the world’s largest importer, China and the United States, respectively, both participate in the MFA and concluded a parallel bilateral agreement in 1994.

For some years, there have been persistent reports of transshipment of textiles and apparel by Chinese entities to avoid MFA limits. In essence, transshipment involves Chinese companies labeling textiles made in China as having originated elsewhere, usually Hong Kong or Macao, to avoid MFA limits. Given the illegal nature of transshipment, accurate figures are not available on the scope of the problem. A past U.S. Customs Commissioner estimated that transshipment from China into the U.S. market amounted to about \$2 billion worth of imports annually. A more recent Customs study noted that as much as \$10 billion in Chinese textile exports were not officially accounted for—much of this undoubtedly found its way into the U.S. market.

This issue deserves particular attention in connection with any discussion on the size of the U.S. trade deficit with China. A number of individuals, I believe incorrectly, argue that the size of the U.S. trade deficit with China is greatly exaggerated. Invariably, the analysts that take this position simply ignore the issue of textile transshipment. If the findings of the U.S. Customs Service are correct with regard to transshipment, it means that official U.S. statistics on the trade deficit with

China actually *underestimate* the deficit by several billion dollars per year because they overlook Chinese textile exports illegally transshipped through Hong Kong and Macao.

The Customs Service has undertaken a number of enforcement efforts to address transshipment over the years, including reducing China's official MFA quotas as a penalty for transshipment. In 1997, China and the U.S. reached a four-year Textile Trade Agreement that, among other things, reduced quotas in fourteen apparel and fabric categories where there were repeated instances of transshipment and strengthened penalties for transshipment. Nevertheless, in May 1998, USTR and Customs brought action against China for violation of the agreement, imposing \$5 million in charges on textiles illegally transshipped.

Each year, a list of Chinese, Macao and Hong Kong companies involved in transshipment is also released. On the most recent list, 23 of the 26 companies assessed penalties for illegal transshipment were from China, Hong Kong or Macao, and 27 of the 32 companies under investigation were from China, Hong Kong or Macao. Despite these efforts, the problem of transshipment unquestionably continues.

Whatever one's views on the desirability of the MFA, China's record of tolerating massive transshipment of textiles and apparel to avoid MFA quotas is hardly an encouraging example of China's record of trade agreement compliance.

#### PRISON LABOR

Similar problems have been identified with regard to China's exports of goods made with prison labor. China has an extensive system of prison work camps that produce products ranging from apparel to tools and machinery. Often, prison work forces are leased to private sector firms to assemble or manufacture various products. Under a 1930s U.S. law, it is illegal to import into the United States products made with prison or forced labor.

Over the years, there have been persistent allegations that a number of imports from China violated this law. In 1992, the Bush administration concluded a bilateral agreement to halt the export of forced labor goods to the United States and to hold periodic consultations between Customs officials from both countries.

Despite the agreement, advocacy groups interested in the topic of prison labor have produced evidence that various Chinese companies exporting to the United States are involved in prison labor commerce, found evidence that various products made with prison labor have been imported into the United States, and done hidden camera investigations in China indicating that Chinese companies are prepared to export prison labor products to the United States.

Because it is very hard to distinguish prison labor goods from other goods in commerce, it is impossible to make a credible estimate of the size of the problem. However, the State Department's 1998 report on Human Rights Practices in China found that Chinese cooperation under the 1992 agreement had been "inadequate" and that when complaints were brought by the U.S., "the Ministry of Justice refused the request, ignored it, or simply denied the allegations made without further elaboration." The report also notes that Chinese officials have attempted to unilaterally define Chinese work camps as not covered by the 1992 agreement—an interpretation that renders the agreement virtually meaningless.

#### CAN CHINA BE TRUSTED?

After reviewing the available evidence, it is clear that there have been serious enforcement/compliance issues involving every recent trade agreement concluded with China. In some cases, it can be credibly argued that the agreement still resulted in an on-balance improvement in the relevant Chinese trade practices. That said, China's implementation fell far short of fulfilling the letter and spirit of all trade agreements. Without an extensive U.S. enforcement effort on intellectual property, most of the progress that has been made would likely never have come about.

China's defenders often claim that China's record is no worse than that of other countries. Without question, it is true that a number of U.S. trading partners appear to have cheated on trade agreements over the years. Japan is most often cited as an example.

It is difficult, however, to find another example of a trading partner with which there have been serious compliance problems with every significant trade agreement negotiated. Further, it can certainly be said that—regardless of problems with other trading partners—the problem with China is serious enough to raise questions about the wisdom of U.S. trade policy toward China. The United States can correctly be faulted for generally placing too much emphasis on negotiating new trade agreements and too little on enforcing the agreements negotiated. That weakness

in U.S. trade policy, however, is hardly a reason to ignore trade cheating or negotiate agreements without consideration of enforcement.

The problem of poor enforcement/implementation of trade agreements in China appears to go beyond a simple matter of countries ignoring provisions of trade agreements so as not to offend important domestic constituencies. As many Chinese leaders have conceded China lacks a reliable rule of law. In the trade arena, this means that it is difficult or impossible for any entity in the Beijing government to direct policy changes that bind China's diverse collection of Ministries, State Owned Enterprises, and provincial governments.

Unfortunately, although international pressure may at times be helpful, the WTO is not a magical solution to this problem. The WTO is the ultimate in an international, rule-of-law based institution. It is unclear that it will be able to police a country that operates without a rule-of-law. Trade policies in China are often made in secret without a paper trail. It may well be impossible to even document the existence of objectionable Chinese trade practices much less win a WTO dispute settlement panel against them.

To some, problems of enforcement may seem to be a rather trivial concern. These critics should keep in mind that none of the benefits ascribed to a WTO agreement with China will be achieved without enforcement. In fact, if China simply ignores the terms of the WTO as it has other agreements the benefits could be quite limited; the damage done to the credibility of the WTO under this scenario, however, could be lasting and serious.

Critics would also do well to keep in mind that there is no guarantee that the current relatively reform minded leaders in Beijing will prevail. Given the uncertainties of Chinese politics, it is certainly possible to imagine a much less reform oriented regime, perhaps one led by the military or hard line elements, emerging in China. Instead of using the WTO as a springboard for domestic reform, such a regime could use the WTO as a shield to block foreign sanctions against their policies. Such a regime would pose enormous WTO enforcement problems as well as challenges on many other fronts.

In fact, membership in the WTO will only help Chinese reformers, like Zhu Rongji, reform China's economy if it is enforced. Viewed from this perspective, a vigorous, ongoing effort to enforce the WTO in China may be the best thing the United States could do to further the cause of reform in China.

Unfortunately, as the above examples demonstrate, the record of the United States in carrying out such enforcement efforts is far from reassuring. Historically, efforts to enforce trade agreements have been transient and unpredictable, often blocked by other government priorities or concerns of some U.S. companies that tough enforcement actions might compromise their specific interests.

In light of this record on enforcement and China's weak compliance record, the Congress would do the United States and, ultimately, Chinese reformers a favor by creating vigorous enforcement procedures as a quid pro quo for approving permanent MFN for China. This could take the form of annual reviews, in which the Congress has a direct role, backed up by the promise of trade action to ensure that enforcement of the WTO remains a priority of the United States.

Given the highly politicized context in which this issue will be considered, it is easy to imagine the discussion being dominated by partisan politics. This would be truly unfortunate and likely result in a poor outcome. All sides would do well to remember that the trade arrangement will last well beyond the election year. China's membership in the WTO seems likely this year, but the task of bringing China into compliance with the WTO's provisions will likely take decades. A successful effort will take the ongoing effort of Congresses and administrations that will not be elected for years to come. If Congress and this administration can build an ongoing framework to ensure attention to these important issues, they will do future Congressmen, future Presidents, the cause of reform in China, and America as a whole a great service.

Thank you for the opportunity to testify.

The CHAIRMAN. Thank you, sir. Very well.

Bob, Mr. Kapp, glad to see you again.

**STATEMENT OF MR. ROBERT KAPP, PRESIDENT, U.S.-CHINA  
BUSINESS COUNCIL, WASHINGTON, DC**

Mr. KAPP. Thank you, Senator. It is good to be back. As usual, I wait until the last minute to think about what to say in oral testimony and, as a result, I am going to race quickly through a mix-

ture of points, some of which are reflected in my written work and in the attachments that went with that, and others of which reflect my thinking about our discussions today.

The CHAIRMAN. By the way, all the prepared testimony of each of you will be printed in full in the report that will be given to every Senator.

Mr. KAPP. Thank you very much.

So here are a series of rapidly delivered ideas.

I would suggest that those who object most strongly to conditions which they find offensive or troubling or morally problematic in China ought to be at the forefront of the effort to establish PNTR for China.

The fact is that the WTO agreement that the United States signed with China last November is the single most positive and impressive example of favorable American influence over China's domestic behavior that we have seen since the establishment of diplomatic relations.

The range of commitments that China has undertaken, at great pain and after great political struggle within the regime, to changing the way in which this regime relates to the citizens of its country in the area of economic affairs, and the commitments to eliminate the cronyism and the favoritism and the secrecy of the economic process which has so stymied American and other foreign economic participants in China over the years, are in fact extraordinarily positive developments with greater implications for the future improvement of China's domestic behavior by our standards than anything the United States has done in the previous 20 years.

I might move on to say, and I know that Mr. Mastel knows this very well; we all do, that the issue before us is not whether China gets into the WTO. If China settles with the Europeans and the six or seven other trade partners, China will enter the WTO. The Congress is not voting on that. The Congress is voting on whether the United States shall provide full WTO member treatment to China when China enters and, by doing so, receive from China the full WTO member treatment whose advantages that we secured at the negotiating table last November.

If the United States says no to PNTR, the Germans and the French and the Dutch and the Australians and the British and the Japanese and everybody else in the WTO will receive, delivered on a silver platter, the economic opportunities that China granted in negotiations with the United States last November, and we will say, after 13 years of bitter negotiations with the Chinese, "Sorry, we do not want it after all."

The issue of the PNTR vote is this: Does the United States choose to realize for its own citizens the economic opportunities embodied in the agreement we signed with China last November after 13 years—advantages which will be delivered to every other WTO member upon accession, whether we avail ourselves of those opportunities or not. At the risk of sounding dramatic, I would say that to turn down PNTR under those circumstances would be a form of unilateral economic disarmament.

Moving on. PNTR is not a favor to China. We do not have to spend a lot of time on that today. The United States did not make concessions in this agreement that we signed with the Chinese last

November. The Chinese did. Tariff reductions, market openings, all the things that make this an extraordinarily powerful trade agreement—and no question about it, it is a trade agreement—do not represent a favor to China. They represent an opportunity for the United States which it is up to the Congress to grasp or to reject.

Now, on a couple of other points that have dominated the discussion today, let me mention to you a conversation I had not 45 minutes before coming over here with a figure of considerable reputation in the Chinese human rights community. I called and said, “The silence of the organized Chinese human rights community in this country is perplexing to me. Are there no voices, pro or con, on PNTR?”

The answer was in essence, “We have decided, after great debate, to remain mute on the subject. The differences of opinion are very, very great.” Said the person to me, “Take the situation in China. The liberal intellectuals, the people in the forefront of the move to the market economy and in the move to a more open civil society, they want PNTR, they want full U.S. participation in this economy as a WTO member.

“On the other hand, those whose loved ones are in jail and under the crushing hand of the State, understandably”—and I personally understand this, of course—“are seeking for any lever that can be found with which to compel the Chinese regime to release and to treat humanely their loved ones.”

That brings me, since we are already at the yellow light time, to the issue of leverage. I do not understand, Mr. Chairman, how we can say that we should consign China to yet more of the same American treatment which we have accorded or imposed upon China over the last 20 years if that very treatment by definition has been a failure.

That is to say, as I say in my written testimony, if China is as iniquitous and as full of horror and malfeasance as the anti-NPTR forces maintain so stoutly that it is, why would anyone consign China to more of the same old treatment? The same old treatment has been a failure.

If somebody wanted to come out of it and say, “All right, let’s cancel MFN, or NTR, let’s cancel normal trade with China, let’s hit ’em where it hurts,” at least to me it seems it would be more honest, or at least a more logically consistent argument.

But to say that we should not bring China, in our own treatment of China, within the structures of international obligation backed by international sanction, under a set of rules and obligations defined by the entire world community, with the United States as perhaps the most important single drafter of those WTO codes; but instead should consign China to more of the failed treatment of annual review, which over 20 years has in fact by the anti-PNTR forces’ own standards done nothing to improve the situation there, simply defies my understanding. I would welcome a chance to discuss it with our fellow witnesses and with members of the committee now or later.

Thank you very much for your courtesy in receiving me today.  
[The prepared statement of Mr. Kapp follows:]

## PREPARED STATEMENT OF ROBERT A. KAPP

Mr. Chairman, members of the Committee:

I am grateful for the opportunity to speak to you today.

I am Robert Kapp, president of the United States-China Business Council. The Council, established in 1973, serves more than 250 leading U.S. companies from its Washington headquarters and its field offices in Beijing, Shanghai and Hong Kong with a combination of direct business advisory assistance, publications including *The China Business Review*, meetings and conferences, and public policy research and advocacy.

I have attached a number of additional documents for the Committee's review, and hope that they will be of interest to Members. A number of my comments in this testimony are keyed to the attached materials.

I. *China's multiple image in the United States and the problem of perspective. (Busy Readers Proceed Directly to II. below)*

Mr. Chairman, I must tell you that I hope I am in the right room, at the right hearing.

When I accepted the Committee's invitation to testify, I received a confirming note indicating that the hearing was entitled, "Permanent Normal Trade Status: Implications for U.S. Policy Toward China." Four days later, as I prepared to write my thoughts, I checked the Foreign Relations Committee website to confirm details of the hearing, and was surprised to discover that the hearing was now called, "Rewarding the People's Republic of China with Permanent MFN: Implications for U.S. Policy."

That curious difference in naming this hearing, small and yet heavily laden with interpretive intent, is a metaphor for much of our nation's habit in perceiving China. Since the U.S.-China encounter began in the mid-nineteenth century, it has been difficult for Americans to separate what they see in China from *what* they want to see in China or what they *want* to believe about China. "Wishful thinking" has vied with "demonization" for far longer than the oldest of us in this room can personally remember. That's true for people in business, in politics, in religion, in the media, and in much of American society.

A century ago, the United States Congress was knee-deep in high-intensity debate over China. The issue then was closing American borders to immigrants from China, a policy first enacted into law in the Geary Act of 1892 and impelled both by demands from labor organizations and by widespread hostility in American life toward the Chinese and their alien ways.

The leader of the American Federation of Labor published a pamphlet on the subject in 1902: "Some Reasons for Chinese Exclusion, Meat vs. Rice, American Manhood Against Asiatic Coolieism: Which Shall Survive?"

The U.S. Commissioner-General of Immigration and former head of the Knights of Labor, Terence Powderly, said in 1901, "No graver danger has ever menaced the working men of America than that which faces them when the possibility of lowering the bars at our seaports and border-lines to the Chinese is presented."

Senator Teller of Colorado weighed in: "If I knew the passage of a proper exclusion bill would destroy every dollar's worth of trade between us and China, I should vote for the exclusion bill. I know that the trade between here and China is not worth the admission of Chinese hordes into this country, and if I had to choose between the two I should take the exclusion."

A hundred years later, passions still swirl. Members of this Committee know well that analysis of things Chinese is now an industry in Washington. Armies of analysts ponder and project China's behavior, usually along eye-glazingly familiar lines.

Rather than attempt to swim in that stream today, I have chosen to append to my testimony two thoughtful essays, neither by a so-called "China expert," on the ways in which we have been debating about China in the U.S. at the end of the twentieth century. One essay, from the conservative *National Review*, is by the editor of *The National Interest*, Owen Harries. The other is by a member of the Baker Institute at Rice University. I believe both perspectives are worthy of the Committee's attention.

II. *The key point on why PNTR should be approved is that the economic merits are compelling. The terms of China's WTO accession, as brilliantly concluded after negotiations that have spanned the Reagan, Bush and Clinton presidencies, are very, very good.* No amount of politicking and strategizing and spinning and horse trading and looking for cover can obscure the breadth of the economic breakthroughs embodied in our WTO agreement with China. Senators by now have plenty of access to the content of the agreement; it is available publicly, at the U.S.-China Business Council website, [www.uschina.org](http://www.uschina.org).

With its decision on PNTR, Congress will either bring home to the American people the genuine equality of economic market opportunity in China for American farmers, American workers, and American companies that we won on paper at the bargaining table last fall, or it will cede that equality of opportunity to our competitors in Japan, Europe, and elsewhere while the U.S. walks away. If we treat WTO member China differently than we treat the remaining 133 WTO members, we don't receive China's WTO terms in return. That, above all, is why Congress should pass PNTR.

This point is further developed in the attached article, entitled "In Full and on Time." Since that article was penned, I am pleased to note how much more fully Members of the House and Senate have come to appreciate that essential starting point. Let me, therefore, move on.

III. *PNTR is not a "favor" to China. It is not a "reward" for Chinese behavior, "bad" or "good." It is not a "blank check" for China.* These anti-PNTR rhetorical devices are just that: rhetorical devices. Their authors know full well that the real issue in PNTR is whether the U.S. gains the benefits of China's commitments—made at our insistence—to wide-ranging reductions of trade barriers and to improvements in the ways that the Chinese economy will engage with the world economy. The "reward" to be reaped or rejected is a reward to the United States.

Much of the silliness about "rewarding" China stems from a long-running and long-stoked confusion about what Congress is deciding in the PNTR vote. This PNTR vote is not, as Members are coming more and more to understand, about whether to "let China in" to the WTO. Congress doesn't vote on that. We arm-wrestled China to a strong WTO agreement last fall; we got what we demanded, much of it very, very painful to China and bitterly opposed by many powerful groups within China. We signed because we were legitimately satisfied with what China agreed to. Period. Congress does not legislate the content of that agreement, and it does not vote on whether China enters the WTO; the WTO's members decide that, and the U.S. will support entry.

IV. *Dealing with the mythic problem of "leverage."* One can understand the reluctance of the Congress to relinquish roles it has exercised in the past. That, I think, is partly the origin of the notion that it is necessary to retain the current Jackson-Vanik system of annual review of U.S. tariff policy toward China, even at the price of unilateral economic disarmament in the post-accession Chinese economic environment.

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 or her right mind consign China to more of the very same American treatment that has in his or her view so totally failed to change China for the better?

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 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.

If this is painful to admit, so be it. The nagging disconnection between influence, is an uncomfortable one that approving PNTR will not entirely erase.

V. *Other key arguments thrown against Congressional approval of PNTR have proven gossamer as this debate has unfolded. I deal with them mostly in the attached article, "Cutting Through the Smoke."* That article speaks to the "Great Sucking Sound" prediction of catastrophic loss of U.S. employment if PNTR passes. The fact is that whether the Chinese economy grows at 10 percent a year or shrinks at 10 percent a year is going to have far more to do with the impact of U.S.-China trade on U.S. employment than anything in China's WTO accession package. And the fact is that whether the U.S. economy continues to move ahead in the manner of its current long-running advance or encounters tougher sledding in the future will have

far more to do with overall U.S. employment levels than will developments in U.S.-China trade.

“Cutting Through the Smoke” also takes up the claim that our 1979 bilateral trade agreement with China automatically ensures that the U.S. will reap the full benefits of China’s WTO commitments without treating China as a full WTO member. (Two publications not attached here, GAO report 00-94, March 2000 and the new Institute of International Economics Policy Brief Number 00-3, “American Access to China’s Market: The Congressional Vote on PNTR,” issued April 10, provide an authoritative decent burial for this mistaken assertion.)

VI. *On the demand that Congress turn PNTR down out of solicitous concern for the welfare of China’s laboring population, I commend to Members’ attention the attached open letter from twelve distinguished American academic specialists on China’s economy and society, entitled “PNTR, WTO and Chinese Labor Standards.”* With regard to the towering environmental challenges which a rapidly modernizing China faces, I simply ask whether denying to Americans the access to China’s market for many of the services that buttress economic efficiency, waste reduction, pollution control, and more sophisticated assessment of the costs of economic and social development will make a positive difference to these enormous problems. Does tilting China’s market away from American corporations that apply advanced environmental standards to their operations worldwide, while other countries’ enterprises with less stringent standards remain free to operate, advance China’s environmental progress? Could anyone maintain with a straight face that the long-term policy goal of drawing China into international commitments on the environment will be made easier if the U.S. turns its back at the last moment on the results of 13 years of negotiation with the PRC over the WTO issue?

VII. *On the notion that China cannot and will not live up to its commitments under international agreements, in which the intellectual property issue is commonly alluded to, I refer Members to the attached open letter from the full range of associations of U.S. firms in the “creative industries,” calling for China’s WTO inclusion and for passage of PNTR in full recognition of the current inadequacies of intellectual property protection in China.* These associations are the ones that prosecuted America’s case against China over IPR in 1995 and 1996. They address the “China doesn’t abide by its commitments” challenge well, and I hope Members will take the time to consider their views.

VIII. *Conclusion.* Mr. Chairman, the overheated debate over PNTR for China, with the spectre of an election year hanging overhead, threatens to drown the core issues of the PNTR decision in an ocean of hyperbole. We need to resist those distractions. I believe the national interest will be better served by a decision to approve PNTR on its humbler merits.

Loading down the PNTR issue with all the baggage of America’s dilemmas over China’s modernization will not resolve those dilemmas.

Framing the PNTR decision as part of a strategic U.S. effort to bring about what is sometimes called “regime change” in China is an exercise in futility.

Mobilizing thousands of constituents against a pending decision not to change U.S. tariffs on imports from one nation, on the spurious grounds that the decision is a “favor” to Chinese malefactors, is certainly the right and the privilege of PNTR’s opponents in our free society, but it is not the foundation of effective policy.

On the other hand, attributing to PNTR miraculous powers to rout the forces of evil and bring about the Millennium is not a wise choice either.

Approving PNTR is not going to bring peace or war between the PRC and Taiwan. It is not going to create a multi-party electoral democracy in Beijing. It is not going to establish habeas corpus or judicial review in China. It is not going to get people out of jail—or put people in jail.

It is not going to validate the assertions of the legions of “China Threat” advocates. Nor will it transform China into an earnest ally of the United States against enemies seen or unseen.

If the PNTR issue does have significance beyond the absolutely critical economic merits that I have touched on above, I would suggest the implications are twofold.

First, we should expect that progress with China on the many other issues of contention that we face will be more difficult to achieve if the United States turns away at the very last moment from a signed agreement thirteen years in the making, in which China painfully agreed to a vast laundry list of U.S. demands that strike to the heart of China’s economic system and even touch on the PRC’s political future.

Passing PNTR does not guarantee the successful resolution of our differences on many other troubling issues. I am confident, however, that killing PNTR will have a long-lasting and negative impact on prospects for management of those conflicts.

Second, and most important, whether we like it or not the humble PNTR vote has become a defining moment in the determination of America’s response to China’s



gigantic and perplexing post-Mao effort at rapid modernization based on expansion of market economics and integration with the world economy.

China will enter the WTO, on terms we have largely framed. It will accommodate itself to the requirements the WTO imposes on all members, or pay a heavy price if it fails to do so.

Will the U.S. welcome China's inclusion under the standards the world imposes upon it, helping to ensure China's evolution along paths that Americans hope it will travel while at the same time maximizing the resulting domestic economic advantages?

Or will the U.S. tread, at the beginning of the 21st century, a path all too similar to that advocated by Senator Teller of Colorado at the start of the last century, as quoted at the beginning of this testimony? I have every confidence that the Congress will take the right path. Thank you.

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#### CUTTING THROUGH THE SMOKE ON CHINA PNTR

(By Robert A. Kapp, President, The US-China Business Council)

We are now far enough into the national debate about Congress's vote on Permanent Normal Trade Relations (PNTR) for China to be able to see the dimensions, the main arguments, of the discussion. Whether by intent or out of ignorance, a number of confusions remain—in the media, in the Congress, and perhaps in the public mind—about what PNTR is, what Congress's decision is, and what the implications of the outcome in the Congress will be. Let me try to address the main confusions.

1. Congress's vote on PNTR is not a vote on whether China becomes a member of the world Trade Organization or not. The 133 member countries and territories of the WTO decide that. Having concluded the impressive US-China agreement of last November, the United States will support China's access when China finishes its remaining bilateral WTO deals and the WTO accession process kicks in. Since the vote is not on whether we "permit" China to enter the WTO or not, the vote is not a "gift to China."

2. Establishing a different NTR for China than we provide to all other WTO members is discriminatory. WTO members may not discriminate in their treatment of one another. The United States treasures that core WTO requirement, because it prevents other countries from discriminating against our goods, services, and investments. But if we discriminate against another WTO member, that member is entitled to discriminate against us. All members of the WTO extend permanent unconditional NTR to all other members, and receive that treatment in return. US treatment of China in a different manner from the treatment of other WTO members will punish our workers, our producers, our farmers, our exporters, and even our consumers.

3. Failure to provide PNTR—full WTO member treatment—to China as it enters the WTO is unilateral American economic disarmament in favor of our global competitors. If the United States discriminates against China by establishing a different, non-permanent form of NTR for this one country, the US forfeits its right to avail itself of the massive economic and commercial concessions that China has agreed to—in our negotiation with the PRC—as conditions of China's entry into the WTO. China's commitments to open its markets, end discrimination against foreign goods and businesses, open hitherto closed sectors to international participation, and so on—plus its obligation to submit to WTO disciplines and binding WTO dispute resolution—will be available to every WTO member except the United States if we walk away from our one obligation—to treat China like a WTO member when China enters the WTO.

4. The claim that we can deny PNTR to China and still enjoy all the economic and commercial advantages that the other 133 WTO members will enjoy when China joins, thanks to our 1979 trade agreement with China that calls for reciprocal MFN, is false. The 1979 US-China trade agreement, signed at the moment diplomatic relations began and before there was a significant US-China trade or investment relationship, is a couple of pages long. Its MFN provision deals only with reciprocal exchange of lowest standard tariffs, on goods. In China's upcoming WTO accession, lower tariffs are only one of many factors: the great bulk of the benefits China has agreed to provide to the world as it enters WTO are non-tariff related, and none of those, including WTO dispute-resolution processes, is available to the United States through the 1979 three-pager. By this point in this debate, it is sim-

ply inconceivable that those who continue to peddle this “We get it all anyway” line don’t know better.

That line is also demeaning to the United States: “Let the Europeans and the Asians level the playing field for all of us by establishing PNTR with China themselves; we’ll get the goods through the back door.” Wrong on the merits, and wrong on what it implies about the United States in world affairs. Even if the statement were true, which it isn’t, the United States should lead, not hide in the pleats of somebody else’s skirts on issues involving global economic stability.

5. China’s WTO accession does not spell automatic loss of US jobs, as PNTR’s opponents say it does, any more than it automatically spells a gigantic expansion of US employment. Evocations of the “Great Sucking Sound” debate over NAFTA a few years ago will not wash. Leave aside the fact that China’s WTO accession involves no US economic concessions at all, and leave aside the fact that NAFTA has bolstered employment in some US sectors. Even five minutes’ consideration will tell the youngest novice that the situation with China is not as simple as the “Sucking Sound” forces continue to suggest. Consider:

- Massive lowering of Chinese tariffs is likely to diminish the pressure to invest in-country that some foreign companies now face, simply to get their products into the Chinese market. If your product is no longer hit with tariffs that price you out of China’s market, you may decide to ship into China from the United States, or from another production facility already operating somewhere else.
- The percentage of total production costs accounted for by labor varies from product to product. Most US investment abroad is rooted in calculations other than labor cost. If companies really consider low labor costs to be the sole factor in their decisions, they will move to many countries before they go to China. In fact, for the most part, US exports to the world do not consist of labor-intensive products, but rather of products of US technological strength, design and marketing skill, and production efficiency.
- Yes, China’s investment climate for foreign firms is going to improve with WTO entry. For example, at US insistence, China has agreed to prohibit existing practices that require foreign firms to transfer advanced production technology or export a portion of their PRC-produced goods simply in order to be allowed to operate in China at all. But these very concessions that China has now made were until recently the cherished aims of the same US political forces that now insist on denying them to our own people. Would they rather, as will be the case if PNTR is not approved, that US firms continue to be forced to transfer technology and export their products from China? What does that do for US employment?
- As one astute Congressman noted in a PNTR hearing in mid-February, every trade agreement, like every technological innovation or product invention or change in market conditions, brings gains and losses. This is the real truth, but perhaps because it’s a balanced view it gets short shrift in the assault on PNTR. No attempt to assess the implications of China’s presence in the WTO should count the presumed negatives without taking account of the presumed positives stemming from enormous expansion of US market access in China.

6. The PNTR vote is simply not about US approval or disapproval of elements of China’s internal behavior that some Americans find repellent. Saying that it is doesn’t make it so. This notion that enacting a US policy to reap the benefits of a splendid trade agreement is somehow the same as stamping the seal of approval on objectionable political or government practices in China is just hopelessly wrong-headed. It is hard, sometimes, to believe that those making this case really fail to understand that PNTR is not a gift to China—it’s a reward to the United States.

This argument seems to be particularly seductive in Congress, whose members must meet the aroused concerns of voters on a thousand issues and who are presumed to be able to do something about each of them. The fact is that neither China’s WTO admission, in which Congress has no say, nor the establishment of full WTO-member trade relations between the US and China, in which Congress has the say, is likely to make a direct and short-term difference to the long menu of “hot button” US-China issues. Again, those who continue to argue that PNTR is some sort of US “approval” of injustice—and that denial of PNTR would be a fruitful way for the US to combat evil—ought to know better and, in my experience, in most cases usually do know better.

#### THE MEANING FOR CHINA

On the other hand, let’s look ahead a little, beyond this spring, beyond this November. The long-term implications for positive social and institutional change in

China embedded in China's WTO agreement with the US are incalculably great, and have been ignored by both sides in the American debate—a debate which, as usual, paints China in fantasies of black and white.

Simply put, what China has agreed to at our insistence is the greatest single step in the direction of a market economy—with all the institutional reforms that this will demand—in the history of the People's Republic of China. Listen to the words of Pieter Botteier, who, as the World Bank's Chief of Mission in China through much of the 1990s, came face to face every day with the immensity of China's challenges in shedding the burden of Soviet-style economics and reaching toward the market economy:

The bilateral US-China WTO accession agreement of November 1999 is a historic breakthrough in China's economic modernization drive. It marks the first time since the start of market reforms under Deng Xiaoping in 1978 (and probably the first time in Chinese history) that a comprehensive set of domestic reform targets became the subject of a formal international agreement with, when WTO membership kicks in, powerful multilateral legal sanction.

The Americans who are the most dissatisfied with aspects of China's internal situation should be the most vigorous of all of us in insisting on full US involvement in the WTO-assisted evolution of China's economic and social systems.

#### THE CURRENT DEBATE IN PERSPECTIVE

A century ago, the United States Congress was knee-deep in high-intensity debate over China. The issue then was closing American borders to immigrants from China, a policy first enacted into law in the Geary Act of 1892 and impelled both by demands from labor organizations and by widespread hostility in American life toward the Chinese and their alien ways.

The leader of the American Federation of Labor published a pamphlet on the subject in 1902: "Some Reasons for Chinese Exclusion, Meat vs. Rice, American Manhood Against Asiatic Coolieism: Which Shall Survive?" The US Commissioner-General of Immigration and former head of the Knights of Labor, Terence Powderly, said in 1901, "No graver danger has ever menaced the workingmen of America than that which faces them when the possibility of lowering the bars at our seaports and border-lines to the Chinese is presented." Senator Teller of Colorado weighed in: "If I knew the passage of a proper exclusion bill would destroy every dollar's worth of trade between us and China, I should vote for the exclusion bill. I know that the trade between here and China is not worth the admission of Chinese hordes into this country, and if I had to choose between the two I should take the exclusion."

The PNTR Debate of the year 2000 is not about "Oriental exclusion," as the Americans of 100 years ago called it. But it is nonetheless eerily similar in the degree of emotionalism, the intensity of the antagonism, and the complexity of the multiple domestic agendas again surrounding a China policy issue within our country. Our ambivalence toward China is unchanging, reflected again in the booming assaults now under way against the humble decision facing the Congress: to continue without threat of revocation a standard, non-discriminatory tariff regime for Chinese products entering the United States.

On the merits, PNTR brings equality of commercial and economic opportunity to the United States; without it we forego those chances. Both sides in this debate know that. This simple truth, and the facts discussed above, will ultimately prevail over the carefully crafted misstatements and diversions of PNTR's well-armed opponents. But it is dear from the escalating conflict over PNTR that now confronts us that this truth and these facts cannot be restated often enough.

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#### IN FULL AND ON TIME

(By Robert A. Kapp, President, The US-China Business Council)

After ten years of furious but sporadic activity on the periphery of the US-China relationship, the US Congress has arrived at its moment in the sun. It, and only it, will decide in the year 2000 a critical issue of American international economic and foreign policy, an issue with powerful implications for American national security as well. This decision entails more than the enjoyment of critical economic opportunities for Americans in the international economy. Much, much larger questions about the future of the US-China relationship and China's role in world af-

fairs—and about China’s evolution along paths that all Americans hope China will choose—revolve around this fateful legislative decision.

The decision is, of course, whether to accord to the People’s Republic of China Full WTO Member Treatment, in the form of PNTR—permanent Normal Trade Relations treatment for imports from China.

#### THE US-CHINA WTO AGREEMENT OF NOVEMBER 15, 1999

The US-China agreement on the terms of China’s WTO accession reached in November 1999 is the single most significant example of positive US influence on China’s behavior since the establishment of diplomatic relations in 1979. It demonstrates the power of effective negotiation, and the value of real, hard-nosed, and professional engagement with China on issues of substance and detail. “Sending messages to China” has never brought about the level of commitment to internal change that this carefully wrought and wide-ranging agreement has accomplished.

With the remarkable US-China bilateral agreement in hand, China’s full-fledged participation in the global rules-based trading system is a very big step closer. The United States will now support China’s WTO entry when the WTO makes its final decision, since Uncle Sam secured from China the concessions and commitments necessary to defend and advance the interests of US producers, farmers, exporters, service providers, investors, and consumers.

The market-opening commitments secured by American negotiators in November will be included in the final documents defining China’s WTO accession, and cannot be weakened.

With China’s accession to the WTO now in view, the rest of the WTO’s 135 members are ready to enjoy the broad array of opportunities opening to them. From Day One of China’s WTO membership, they will automatically provide to China and receive from China Full WTO Member Treatment in all areas defined by the WTO’s own codes and by China’s specific commitments.

Will the United States now grasp the opportunities our own negotiators have wrought, or will the United States choose to turn away from key elements of that package of opportunities, even as our competitors enjoy them?—That is the question before Congress.

#### THE WTO: THE RULE OF LAW IN INTERNATIONAL TRADE

The WTO, like its predecessor the General Agreement on Tariffs and Trade (GATT), is the world’s common defense against international trade anarchy and economic chaos, which helped drive the world to totalitarianism and war in the 1930s. WTO rules and commitments liberate market forces and open markets, while providing safeguards against predatory trade practices that violate agreed-upon norms of openness and reciprocity.

At the core of the WTO compact are the common extension of WTO rights to, and the common acceptance of WTO obligations by, all members.

This is PNTR—Permanent Normal Trade Relations, as we call it in the United States. The first lines of the first provision of WTO rules require each WTO member to extend to all other WTO members the best trade treatment it offers to any of them—in other words, Permanent NTR. Giving and receiving PNTR is the cornerstone of the WTO relationship among members, a relationship that in its turn extends far, far beyond tariffs.

To fail to extend PNTR to another WTO member is to refuse to extend Full WTO Member Treatment—and to forfeit, in turn, the member-to-member WTO relationship.

For other countries, this is a non-problem; Full WTO Member Treatment is automatic for any new WTO member.

For the United States, it’s different. In 1974, seeking to compel the now-defunct Soviet Union to permit the emigration of certain Soviet citizens, the United States enacted into law the Jackson-Vanik Amendment to that year’s Trade Act. Jackson-Vanik mandates one-year-at-a-time extension by the White House of plain-vanilla NTR tariffs on goods from non-market economies, with the presidential extension vulnerable in any year to congressional overturn on any grounds.

After the United States and China opened diplomatic relations and signed a bilateral trade agreement in 1979, US-China relations developed in a Cold War environment of common concern over Soviet intentions. Jackson-Vanik’s provisions for possible cancellation of standard American tariffs lay dormant for ten years.

Since 1990, following the televised tragedy of Tiananmen, the nation has witnessed a decade of annual summer fireworks over an inevitable legislative proposal to kill NTR, close American markets to Chinese imports, and push US-China relations onto the rocks.

Each year, however, those who have led the fight to kill US-China trade have failed. In recent years the strong margin of victory in the United States for advocates of continued non-preferential trade relations with China has reflected the broad bipartisan consensus that stable economic engagement with China offered a more promising avenue for the pursuit of American material and ethical interests with the PRC than did a unilateral declaration of economic war.

#### A CRITICAL CHOICE

With the US and Chinese governments now agreed in writing on China's remarkable commitments to market-opening and internal economic reform as conditions of WTO accession, however, Congress faces new issues.

Now, Congress must decide not whether to destroy existing economic relations with China, but whether to sustain Normal Trade Relations over the long term, and whether to support the building of a more secure and durable US economic relationship with a China now bound by its obligations to WTO rules and standards.

As China approaches WTO accession, heavily on American terms, the US Congress has the choice:

Do we bring home to American exporters, farmers, workers, and consumers the benefits of China's massive commitments to open its markets, permit foreign participation in formerly closed economic sectors, reduce tariff and non-tariff barriers, reform its standards of economic conduct, and submit to the binding obligations of WTO rules and regulations that the United States has done so much to design?

Or do we say to China, "Thanks for the concessions; we don't want them after all."

"Thanks for the detailed commitments rapidly to open your markets and dismantle the apparatus of discrimination against us, rooted in ancient history and Leninist secrecy and Maoist dreams of self-sufficiency. We don't want those commitments, either."

"Thanks for the historic decisions you have made—at our insistence—to drive the Chinese economy rapidly away from Stalin-Mao economics and toward market economics, whose principles lie at the core of Americans' conceptions of social and economic justice. Those decisions, on second thought, don't merit our endorsement."

"And, by the way, about all those iniquities we've objected to for so long: the partiality of your legal and judicial system, the intolerable bureaucratic obstacles to economic cooperation, the opacity of your decisionmaking processes—we prefer to live with them after all. We know you're going to improve your behavior toward the rest of the WTO's members, including our toughest competitors. But don't worry about us: we'll stick to the old system, arm wrestling alone with you to the brink of trade war instead of turning to the world's dispute-resolution mechanisms when we've got a gripe."

That is America's choice as we approach the PNTR decision.

The choice is about delivering to Americans the fruits of what we have ourselves achieved at the negotiating table.

It is about realizing American opportunities in the global economy, instead of "sending messages" abroad while handing hard-won, real opportunities to our competitors.

It is about encouraging the evolutionary changes within China that American critics of the PRC have long demanded, instead of providing aid and comfort to the defenders of a beleaguered status quo inside China that congressional critics have denounced unremittingly for more than a decade.

It is time to approve PNTR, end the numbing annual NTR exercise, and bring home to American producers, farmers, exporters, investors, and consumers the benefits our negotiators have finally won—IN FULL AND ON TIME.

China and Long-Range Asia Energy Security: An Analysis of the Political, Economic and Technological Factors Shaping Asian Energy Markets

SLAYING THE CHINA DRAGON: THE NEW CHINA THREAT SCHOOL

(By Joe Barnes, Research Fellow, James A. Baker Institute for Public Policy, Rice University)

“. . . China, rapidly becoming the globe’s second most powerful nation, will be a predominant force as the world takes shape in the new millennium. As such, it is bound to be no strategic friend of the United States, but a long term adversary.”

—Richard Bernstein and Ross H. Munro, *Foreign Affairs*.

“The United States and China are not on a collision course. They have already collided.”

—Jacob Heilbrunn, *The New Republic*.

“We must contain China.”

—Charles Krauthammer, *Time*.

1989: THE YEAR THE TROUBLE BEGAN

Since the end of the Cold War, no issue in foreign affairs has so agitated the American political class and policy elite as China. From Democratic candidate Bill Clinton’s excoriation of then-President George Bush for “coddling dictators” in 1992 to Republican accusations today that the Clinton Administration has all but betrayed our national security for the sake of campaign contributions, China has emerged as our most politically divisive foreign policy issue. The yearly Congressional review of China’s Most Favored Nation (MFN) trading status ensures that Sino-American relations remain the near-constant subject of partisan contention, much of it vociferous. The debate within the foreign affairs establishment—never short of ambitious young intellectuals eager to make their mark or superannuated policy-makers quick to find fault with their successors—has been perhaps higher in tone but no less heated. Leading foreign affairs journals and more general interest magazines have poured forth a literal avalanche of work on China, embracing all shades of opinion. Not since the late 1940s and early 1950s, when the question of “who lost China?” gave rise to furious recrimination, have our relations with Beijing been the subject of so sharp a domestic debate.

China, of course, loomed large in the American mind long before Mao Tse Tung’s seizure of power in 1949. By then China had been the object of American missionary zeal and commercial ambition for the better part of the century. Our views of the Chinese themselves were admittedly complex, even schizophrenic: Pearl S. Buck’s long-suffering heroine O-Lan vied in the American imagination with Sax Rohmer’s sinister Fu-Manchu. But much more was at work than cultural fascination. With the Spanish-American War, the United States had become a full-fledged Pacific power. Strategic considerations—often of the highest order—began to play an important role in our policy towards China. Japan’s invasion of China, for instance, was the leading cause of deteriorating US-Japanese relations during the 1930s and, eventually, of the 1941-45 Pacific War.

Clearly, however, the Sino-American relationship assumed a new importance and intensity after the Communist takeover. In Korea, after all, Chinese troops fought our own. A decade later, fear of such direct conflict with Beijing constrained the Johnson Administration’s freedom of action in Vietnam. President Nixon’s approach to China in the early 1970s was surely one of the most stunning coups in American diplomatic history. The strategic partnership he forged with Beijing remained a linchpin in American foreign policy throughout the Ford, Carter and Reagan Administrations. But the periods of enmity and entente, dramatically different as they were, shared in fact a powerful common element: each was driven in large part by our efforts to counter Soviet expansion. When we perceived Beijing as Moscow’s partner or surrogate, our policies towards Beijing took on a confrontational guise. When we saw an opportunity, as a result of the falling out between the Soviet Union and China, to make common cause with Beijing against Moscow, we seized it. There was, therefore, a fundamental consistency in American foreign policy towards China, one that found equal expression in exchanges of gunfire on the Korean peninsula and of toasts in the Great Hall of the People alike. This consistency, in turn, drew on a broad intellectual and political consensus in support of containment of communism and in general and of the Soviet Union in particular.

1989 marked another watershed in Sino-American relations. The Tianenman Square incident of that year was, by any standard, an unmitigated public relations disaster of the first order for Beijing in the United States, not least because of the savage contrast it struck with the peaceful revolutions that swept Central and Eastern Europe in succeeding months.

But 1989 was more than just the year of Tianenman Square and the image of a lone protester confronting a tank etched indelibly on the American mind. It was also the year of other famous images, not least those of Germans celebrating the fall of the Berlin Wall—in short, as good a date as any for the end of the Cold War. With or without Tianenman, the 1990s would have witnessed a review of the Sino-American relationship in both Beijing and Washington, if only because that relationship was based in large part on a strategic fact—the immediate Soviet threat to both countries—that had passed irretrievably into history. The opposite also holds true. Had the Cold War not been coming to an end, our response to Tianenman would almost certainly have been less severe or, at least, less protracted. Whatever our moral outrage, we would still have required Beijing's support against our prime enemy, Moscow.

Relations between the United States and China since 1989 can be described, charitably, as troubled. George Bush—former American envoy to Beijing and, as the quip went, our “desk officer for China”—struggled manfully to maintain the strength of the Beijing-Washington relationship. Given the public and congressional outcry over Tianenman, he enjoyed only mixed success. Bush's decision, for instance, to send a secret mission to Beijing just weeks after the incident caused a storm of protest when it was made public. But there were limits, too, even to Bush's personal commitment to maintaining Sino-American relations on an even keel. In 1992, in the midst of his ultimately unsuccessful reelection campaign, Bush went so far as to authorize the sale of 150 F-16 fighter aircraft to Taiwan, a step that infuriated Beijing.

During Bill Clinton's first term, Washington's relations with Beijing went from bad to worse. The new Administration's effort to make good on its campaign promises by linking human rights to trade led to new heights of acrimony on both sides of the Pacific. Combined with fierce disputes over trade and proliferation, the result was a relationship very nearly in free fall. The nadir was reached in 1995-1996, when China held a number of exercises in the Taiwan Straits with the clear intent of influencing the Taiwanese presidential election. At the height of the crisis, the United States dispatched two aircraft carrier groups to within striking distance of the Straits in a naked display of American military might.

The years since 1996 have seen a slow if marked improvement in Sino-American relations, the result, in part, of a concerted effort by the Clinton Administration to avoid, in its policies towards Beijing, the pitfalls—some would say pratfalls—of its first term. Whether this improvement—symbolized by much-expanded high-level contacts between Beijing and Washington, including reciprocal state visits by Clinton and Chinese leader Jiang Zemin—can weather the latest storm prompted by accusations of Chinese nuclear espionage against the United States is, however, far from clear.

There are signs, for instance, that Republicans may see the issue of American policy towards China as a potent one politically. This creates the strong possibility that 2000 will see a bizarre inversion of 1992, with a GOP candidate lashing likely Democratic nominee Al Gore for being “soft” on Beijing. There are limits to the extent to a Republican President can pursue harshly anti-Beijing policies. Big business, long a major constituency of and lavish contributor to the GOP, would surely oppose measures that endanger its commercial links to China. But a successful Republican Presidential candidate might well, like Clinton eight years earlier, find himself saddled in office by campaign promises impossible to fulfil without doing severe and perhaps irreparable damage to Sino-American relations.

Looking ahead, one thing is certain: our policy towards Beijing will remain, for the foreseeable future, the object both of intellectual dispute and political wrangling.

#### POLICY NOBODY LIKES

As Edward Luttwak wryly notes, our China policy since 1989, and especially since Clinton's assumption of the Presidency, displays one remarkably abiding characteristic: nobody much likes it. American businessmen with interests in China detest the tensions caused by our stress on human rights—a stress which human rights activists, in turn, deride as hollow. Christian fundamentalists bewail our unwillingness to punish China for persecuting their co-religionists on the other side of the Pacific. Trade unions leaders rail against unfair Chinese trade practices, particularly the use of so-called “slave labor.” And foreign policy experts of all stripes

are harsh on what they call the intellectual incoherence and day-to-day inconsistency of our overall approach towards Beijing.

That approach, certainly, appears to be a sort of policy-by-default. “Engagement,” as it is most commonly called, reduces to a disaggregation of American policy towards China into its component parts. Human rights, export promotion, weapons proliferation, trade disputes, regional conflicts: all have important parts in our bilateral agenda with Beijing. But none—at least since President Clinton publicly jettisoned human rights as the cornerstone of our policy towards China in 1994—has clear precedent over the others. The objective appears to be to keep dialogue open and to avoid an irreparable break between Beijing and Washington. By these not inconsiderable standards, the policy may be judged a qualified success. And, insofar as it manages, however fitfully and imperfectly, to balance the demands of important domestic interests groups, our policy has, at least until now, prevented the formation of a political coalition sufficiently strong and durable to shift American policy towards China onto a decidedly confrontational course.

But our China policy is not pretty. It seems to careen between high-minded homilies about human rights and crass pressure to secure major contracts for American firms; between vague talk of a “strategic partnership” with Beijing and blunt gunboat diplomacy. The result has been private unease and public irritability in Beijing and Washington alike. Our policy appears to be poised, intellectually, between an acceptance of China’s rise as a great power and an attempt to limit that rise. There is more than a little truth, then, to the critics’ accusations of incoherence and inconsistency.

#### THE NEW CASSANDRAS

Recently, perhaps the most vocal and certainly the most controversial of those critics have been members of what could be called the New China Threat School. Munro and Bernstein’s *The Coming Conflict with China* is perhaps the best-known popular expression of this view. Their work and others like it fall into a traditional genre: the polemic, falling somewhere between alarmist and apocalyptic in tone, warning of an emerging threat to American power. Difficult as it is to imagine today, just over a decade ago the rise of Japan was being similarly described as an inevitable adversary of the United States. Less than a decade before that, other commentators were bewailing the inability of Western democracies to counter the Soviet threat. Japan, of course, has now been enfeebled by ten years of economic stagnation and political paralysis; last seen, the Western democracies were still thriving while the Soviet Union had slipped into oblivion. But each alarmist theory had its moment at the center of conversation among the sort of experts, small in number but influential in foreign policy, who talk about such things. Whatever their other merits, tracts like Munro and Bernstein’s are impressive examples of intellectual entrepreneurship at its most provocative and timely.

Warnings of China’s emergence as a great power have, moreover, occurred at a time of immense excitement among observers and theoreticians of international affairs. The decade since the collapse of the Soviet empire has seen the emergence, in fact, of an entire intellectual cottage industry dedicated to describing the post-Cold War system and the United States’ role in it. Fukuyama’s “end of history,” Krauthammer’s “unipolar moment,” Huntington’s “clash of civilizations”: these are just a few of entries in what could be called an ongoing contest for what could be called the George F. Kennan Award for Historical Memorability. The “China Threat” school is merely part of a larger field.

But there is more—much more—to the calls, implicit or explicit, to “contain” the Chinese threat. Some of the impetus clearly arises from residual Cold War attitudes. With the fall of the Soviet Union, China remains the only important state in the world still adhering, however tenuously, to Marxist-Leninism as a doctrine. Communism was, for over forty years, the avatar of anti-Americanism. Old mind-sets die no easier among politicians or pundits than they do among the general public.

There is, in addition, a suggestion of opportunism to demands for a more confrontational approach to China. An enemy, after all, can be a very useful thing to have from a political point of view, particularly when contrasted with something as conceptually muddled and rhetorically mushy as “engagement.” There are those on the American Right who have not forgotten the role that anti-communism played in giving conservatism not just high purpose but electoral success. The nostalgia for Ronald Reagan’s steadfast—and popular—opposition to the “evil empire” is palpable in American conservative circles.

This is as true among conservative intellectuals as it is among their ideological soul-mates in the political arena. One of the most extraordinary developments of the



last 25 years in the realm of public policy in general and of foreign policy in particular has been the intellectual ascendancy of the Right. The late 1970s and 1980s saw the creation of an apparatus of well-financed think-tanks, provocative journals, impressive scholars and influential pundits. In the foreign policy arena, at least, the end of the Cold War has left much of this apparatus adrift. The Soviet threat gave the intellectual Right not just much of its *raison d'être* but also real access to political power. One need not be conspiratorial or even cynical to grasp the appeal of the China threat theory among those for whom the collapse of the Soviet Union has not just removed a cause, but also influence.

#### THEORY, ANYONE?

But the critique of our current policy of engagement and calls for a tougher line toward Beijing clearly go beyond nostalgia or opportunism. It possesses undeniable intellectual weight—a strength deriving from its close association with a particular view of international relations, realism, that enjoys great prestige among policymakers and academics alike. This is no place to discuss so sophisticated a theory as realism in detail. Its literature, reaching from Thucydides through Morgenthau to Waltz, is rich and varied. Suffice it to say, at great oversimplification, that realism posits both a view of human nature—pessimistic—and a view of interstate relations—adversarial—that places the struggle for power at the center of international relations. It stands in stark contrast to its chief theoretical alternative, liberalism, which is no less distinguished in its heritage, tracing its lineage back at least to Kant. Liberalism—again at gross simplification—holds a more sanguine view of human nature and a conception of interstate relations that stresses the role of domestic regimes and international institutions in creating common interests and encouraging joint action.

For realists, the logic of eventual American conflict with China is implacable. With the demise of the Soviet Union, the grounds for Sino-American cooperation have been swept away. China's huge population, growing economic power, geographic position and imperial tradition have poised it for claim to great power status. And that claim, realists argue, will inevitably bring it into conflict with the United States, first in the Far East, and then globally. Liberalism, in contrast, suggests a different outcome for China's emergence as a great power. Pointing to China's ongoing economic reforms, its moves, however fitful, towards contested elections at the local level and its increasing integration into international institutions, liberals see growing grounds for Sino-American cooperation.

The issue of China's growing dependency on imported oil highlights the divergence of these theoretical views. Realists focus on that dependency as a potential cause for future Sino-American conflict, as China seeks to project power into vital sea-lanes and create relationships with exporters of the Persian Gulf. From a liberal point of view, in contrast, China's growing dependency on imported oil may actually increase Sino-American cooperation because the two countries will share a common interest in secure sea-lanes and a stable Persian Gulf. The facts are identical; the interpretations are polar opposites.

The purpose of this essay is not to resolve the theoretical conflicts between liberalism and realism, already worried to death by generations of experts. We may rest assured that the dispute will continue to fuel intellectual fires for years, even decades to come, with much heat if scant illumination. But from a purely pragmatic point of view, we should remember that the evidence for either view is at best mixed.

Realists are right, at the end of a century which has seen two world wars that left tens of millions dead and a third global conflict, the Cold War, that brought mankind to the brink of a thermonuclear exchange, to bring a certain pessimistic cast of mind to international affairs. They are also correct to point out that the record of the last century in terms of accommodating new great powers—Germany and Japan—is cautionary. And they are no less right to dismiss the grander claims of liberals as, on more than rare occasion, as naive, premature, or both. Conflict, as witness the Balkans, Persian Gulf, and Central Africa, remains a staple of international affairs. The democratic revolution that seemed to be sweeping the world in the early 1990s has stalled in places like Russia and hardly touched vast realms in Africa and Asia. And the Far Eastern financial crisis has directed a severe and unexpected blow at the breathless assumptions about the benefits of economic integration. Even if there is a universal and irresistible historical trend towards the acknowledgment of individual autonomy as embodied by liberal democracy and free markets, there is no way of knowing how long this vast process will take to unfold or what particular path it will follow. In the meantime, of course, there is American foreign policy to make.

But, as Owen Harries has pointed out, for all its strengths, realism risks falling into a rigid, mechanistic view of human affairs at variance with the facts of history. In particular, it underestimates the importance of regime type and national leadership in international affairs. Surely the nature and personalities of Nazi Germany and Stalinist Russia played some role—and perhaps a decisive one—in the tragic course of 20th century history. Moreover, the post-Cold War era has evolved in ways difficult to square with a strict realist view of international affairs. Germany, freed in large part from its dependency on the United States, has not attempted to rearm and reassert its dominance in Europe; indeed, Germany has actually cut defense expenditures, elected a leftist government, and moved to surrender additional sovereignty to the European Union. Japan, a more ambiguous case given its concerns about China, has also failed to move decisively away from the United States, as would be predicted by realist theory. Indeed, in 1996, Tokyo further deepened its military alliance with Washington.

As a practical matter, the conduct of American foreign policy has rarely approached the theoretical purity of either realism or liberalism. From Roosevelt's declaration of the Four Freedoms as part of the Anglo-American effort to defeat Hitler's bid to rule Europe to George Bush's invocation of rule of international law in support of a similar effort to block Saddam in the Persian Gulf, American foreign policy has blended both views. This has caused strains at times. In some cases—notably during the Vietnam War, when our claims to be fighting in defense of democracy proved increasingly unconvincing—those strains rose to the level of crisis. But, however uneasy, the mix of liberalism and realism has been an abiding characteristic of American foreign throughout much of our history.

This holds true our policy towards China today. Realists are certainly right in identifying a strong liberal strain in Clinton foreign policy. The emphasis on Sino-American commerce, for instance, is not merely an attempt to please business interests; it also reflects a deeper belief that freer trade serves both as a strong disincentive to military conflict but also, more profoundly, as a solvent of authoritarian rule. The emphasis on human rights is similarly only in part an effort to placate vocal domestic constituencies; it also embodies yet another belief—that the day of China's ultimate democratization will be hurried by tendering support, however rhetorical, to political reform in Beijing. Finally, our policy towards China is part of a broader Clinton approach—rather clumsily called “democratic enlargement”—that unabashedly partakes of the liberal tradition.

Yet even the Clinton Administration's liberalism is hardly absolute. Whether from conviction or expediency, the Administration has supported defense budgets that put American military expenditures at a level equal to next five or six largest in the world combined. The Administration has, in fact, sought an increase in Pentagon spending of \$110 billion over the next 6 years. It has also agreed to the development, in the face of fierce criticism by both Moscow and Beijing, of an anti-ballistic missile system that has long been a pet cause of the political Right. When it comes to China, the Clinton Administration has actually increased American military cooperation with Japan and, when the Taiwan Straits incident arose in 1996, indulged in a display of old-fashioned gunboat diplomacy. The liberal glove contains a realist fist—even in the hand of Bill Clinton.

#### THE (NON) CASE FOR CONTAINMENT

Advocates of the China threat school, then, make much of their case on contested theoretical and ambiguous historical grounds. Their criticism, moreover, of current American policy towards Beijing surely exaggerates the role that a liberal view of international affairs plays in it. But what of their more specific claims of a Chinese threat to American interests in East Asia and more broadly?

One thing must be admitted at the outset: there is much to dislike about the regime in Beijing. China's apologists in the United States—businessmen and academics alike—would be wise to admit as much, if only to bolster their own credibility. The facts are undeniable. China's government remains very much a dictatorship, if communist only in name Beijing's human rights record is, in a word, execrable. And its hypersensitivity on matters of territorial integrity, however understandable from a historical perspective, represents a constant source of potential conflict over Taiwan. There is, in addition, certainly no shortage of statements, official and semi-official, stressing China's adamant opposition to American dominance in the Far East.

But some perspective is useful. Beijing may indeed be authoritarian, but so too are American allies like Saudi Arabia and Egypt. Its human rights record, bad as it has been, should be compared to that of two democracies, Turkey and India, whose respective actions against Kurd and Kashmiri separatists have been marked

at times by extraordinary brutality. The Taiwan question is, of course, a contentious one. But is also one where the United States has formally accepted China's basic position—that there is only one China, with Beijing as its capital—for close to 30 years. Finally, Chinese observers too would have no problem finding any number of statements by American political leaders and foreign policy experts that are inflammatory by any reasonable standard. Calls for the maintenance of America dominance, not just in East Asia, but globally, represent a respectable and indeed influential position in our ongoing foreign policy debate. At a minimum, American observers who insist on the importance of containing China's emerging power should not be surprised if the Chinese, in turn, object. This is not an exercise in "moral equivalency" but a matter of simple common sense.

Those warning of the Chinese threat also exaggerate its current and future economic strength. Though it managed to avoid the worst effects of the East Asian financial crisis that began in 1997, China has seen her growth rate sharply reduced. As Nicholas Lardy points out, China's economic reforms are woefully incomplete. Property rights are unclear. Rule of law is rudimentary. Prices are not yet fully decontrolled. The fiscal regime is primitive. Inefficient state-owned enterprises remain a drag on the economy in general and the banking system in particular. The latter is, by any reasonable accounting standard, insolvent. Recapitalization of China's banking system will require the dedication of immense resources over the next decade.

Future Chinese economic growth depends, critically, upon moving forward on a broad front of reform. Yet any number of those reforms can cause short-term economic dislocations and, at least potentially, public unrest. The energy sector is a case in point: full liberalization might mean shutting down a part of domestic oil production and discharging several hundred thousand workers. For the government in Beijing, navigating the transition to a more open economy, in the energy sector and elsewhere, is full of immense risk and excruciating choice. The regime has clearly staked much of its claim for legitimacy on its ability to generate jobs and raise living standards in a country that remains, we must never forget, one of immense poverty. China may, indeed, surpass the United States in GDP over the course of the next twenty, thirty or forty years. But such a bald statement obscures both the difficulties confronting China today and the uncertainties facing it in the future.

There has also been undue alarm over China's current and future military capabilities. The subject of her defense expenditures has generated a sub-literature of its own, with estimates of total military spending ranging from \$9 to \$90 billion in 1996. Even at the higher, almost certainly inflated figure, Beijing's defense expenditures are perhaps a third of our own. More moderate estimates put China's expenditures below Japan's. To speak, as some do, of a Chinese massive military build-up is to overstate the case; defense expenditures as a percentage of the total budget may actually have declined from the early 1980s through the mid-1990s. Nonetheless, recent spending is indeed up, modernization is underway, and a clear emphasis on upgrading China's naval and air forces in particular is apparent. But Beijing is far from dedicating—at least yet—the resources necessary to represent a plausible military rival to the United States. She is certainly not even approaching the massive commitment undertaken by the Soviet Union to stay abreast of the United States in the Cold War. Much of her military materiel is obsolete; many of her personnel are poorly trained. She is at least a decade away from an aircraft carrier, much less the complex and integrated array of vessels, aircraft and communications systems that are the modern carrier group. Despite the purchase, in the 1990s, of advanced fighter aircraft from Russia, her effective air power remains inferior to that of both the United States and Japan. Even a Chinese invasion of a Taiwan undefended by the United States would be an extremely risky proposition, stretching Beijing's capabilities to their limits.

#### A CASE OF FALSE HISTORIC ANALOGY: LET ME COUNT THE WAYS

Not all who warn of a looming Chinese threat also call for a policy of containment, at least explicitly. Bernstein and Munro, for instance, eschew the term. But, as Charles Maynes points out, there is a curious inconsistency in their arguments and others like them. If conflict with China, as they say, is inevitable, then surely we should act now to contain her, while she is still relatively poor and weak. Bernstein and Munro, in other words, lack the policy courage of their theoretical convictions. Containment is an obvious—perhaps even necessary—logical consequence of any theory positing an inevitable conflict between the United States and China.

"Containment," of course, immediately conjures up our Cold War struggle with the Soviet Union. But the analogy could not be more inaccurate or, for that matter, in-

sidious. Even a cursory comparison of the two cases reveals precisely how dramatically the Chinese “threat” of today differs from that of the Soviet Union during the Cold War.

The first key difference is one already briefly discussed: military capability. The Soviet Union ended World War II with an institution—the Red Army—that could lay highly plausible claim to being the most powerful land force in the world. While technologically inferior to United States even in the late 1940s, the Soviet Union was able, by dint of immense human and financial sacrifice, to field conventional forces, especially in Europe, that represented a direct challenge to the United States. This was certainly the view of American defense planners of the 1950s and 60s who opted for a massive nuclear deterrent at least in part out of fear that the Soviet Union could win a ground war in Europe. China, for all the talk of its military build-up, possesses no such rough parity with the United States. It is years, perhaps even decades, away from being able to challenge American military supremacy even in East Asia.

A second key difference between the Soviet Union in the late 1940s and China today is the question of expansionist intent. The Soviet Union was, in the late 1940s, a truly imperial power. It had just created by force of arms a series of subject states around its borders. Any challenge to Moscow’s imperial authority—whether in East Germany in 1953, Hungary in 1956 or Czechoslovakia in 1968—met with a prompt and ruthless Soviet response. China, in contrast, possesses no such empire. While it has a number of territorial disputes that put it at odds with its neighbors—the Spratly Islands are a case in point—Beijing has, since the early 1980s, adopted a conscious policy of conciliation with bordering states. Taiwan, as always, is an exception and a very dangerous one. Even there, Beijing’s claim to sovereignty is both qualitatively and quantitatively different from Moscow’s efforts after World War II to carve out an empire from formerly independent states in Central and Eastern Europe.

A third important difference is the lack today of any institutional rivalry between the United States and China. The Soviet Union not only challenged the United States directly by virtue of its military force and imperial ambition. It also created a series of institutions—the Warsaw Pact and COMECON chief among them—that attempted to create an alternate international architecture to the one forged by the United States in such bodies as NATO, the World Bank, and IMF. China has made no such attempt. The one institutional forum in which it laid claim with some success to leadership—the Non-Aligned Movement—has fallen into irrelevancy with the end of the Cold War. Indeed, over recent years China has sought membership in institutions, like the IMF, the WTO and APEC where the United States wields considerable and often decisive influence. Given our influence in such organizations, the idea that the Chinese might attempt, say, to take over the IMF is simply ludicrous. Put crudely, these institutions may be run as a partnerships—but in each the United States remains very much the first among equals.

A fourth critical difference between the Soviet Union of the late 1940s and the China today is the absence of any substantive ideological conflict. The Soviet Union embodied a coherent and, for many around the world, attractive alternative to consumer capitalism and liberal democracy. Communist parties found widespread support not just in the Third World but in Western Europe; even intellectuals in the United States were not immune to Marxist-Leninism’s ideological appeal. Today, China offers no such ideological alternative. Beijing’s nominal communism is, even at home, widely perceived to be a mere facade. It certainly possesses no appeal outside its borders. Indeed, insofar there is an ideological component to Sino-American relations, it is the extent to which American ideology represents a threat to the Beijing regime. The occasional Chinese campaigns against “Western values,” for instance, are symptoms not of ideological strength but weakness. However slowly and unevenly, Chinese society is in fact acquiring characteristics—above all, a taste for consumer goods and a stress on individuality—that have long been hallmarks of the West and, especially, the United States.

In sum, the Soviet Union represented a systemic threat to the United States—an alternative, centered in and supported by Moscow, which provided the intellectual framework, institutional underpinnings, and military means to challenge us. Today, no such alternative exists. China, certainly, offers none. This reflects a truth identified by John Ikenberry, who argues that the end of the Cold War can best be described as a collapse by the Soviet Union and its satellites into the liberal international system developed by the United States and our allies after World War II. That system is, of course, neither universal nor perfect. Certain countries—failed states in Africa, for instance, or rogue regimes like Iraq—fall largely outside it. And others—China and Russia being important cases in point—have only been partially

integrated into it. But that system today faces no real challenge. There is, quite simply, nowhere else to go.

This has important—and painful—consequences for China. Both the political legitimacy of its regime and the potential ability of its military to challenge the United States depend on sustained long-term economic growth. But the domestic liberalization and global integration required to achieve growth threaten both that legitimacy and that ability. The difficulties of domestic liberalization, already discussed, pose acute challenges to the regime in Beijing. But integration into the global economy also presents its own challenges. One—the ability of economic developments outside China to seriously affect domestic performance—has been driven home by the East Asian financial crisis. But there is another: the constraint integration imposes on any Chinese effort to challenge the United States. One need not be a liberal true believer to realize that China's dependence on international trade and investment flows raises incalculably the costs of any direct challenge to the United States. Armed conflict in the Taiwan Straits or the South China Sea could exact simply huge economic costs—costs which the Soviet Union, committed to a policy of autarky within its own bloc, did not have to consider in its policies toward the United States. Unlike the Soviet Union, China must compete with the United States within a system that we largely created and that we continue to dominate.

Energy is an important and emblematic case in point.

Economic growth, domestic liberalization and international integration will, by all counts, lead to an immense increase in China's oil imports. Barring an ability to challenge the U.S. navy decades away by any estimate, China will find her strategic options limited; in particular, her vulnerability to American maritime power will increase, not decrease, with the passage of time. Any threat to East Asian sea-lanes would affect not just delivery of oil to Japan or Taiwan but to China herself. Any effort to challenge American preeminence in the Persian Gulf, similarly, would risk a disruption of supply and a sharp rise in her import bills. The latter point again shows the difference between the China of today and the Soviet Union during the Cold War. Moscow, a major oil exporter, actually stood to gain from a certain amount of instability in the Persian Gulf the precise opposite holds true of China, an oil importer.

#### CONCLUSION

China in 1999, therefore, is far from being the threat represented by the Soviet Union of the late 1940s. Policies that pretend as much risk causing great and unnecessary mischief in Sino-American relations. To embark on a containment policy against China now—even on a rhetorical level—would prompt a sharp and negative response from Beijing, creating precisely the atmosphere of resentment and mistrust most likely to lead to conflict. If we go in search of an enemy, we shall surely find one.

But what of the future? Will the China of 2010 or 2020 represent the real threat to the United States that she does not today? Much, clearly, will depend on the precise course that China takes in the years and decades ahead. And here we move into the realm of speculation. Will China evolve into a more democratic polity and open society? Will its regime settle into a centralized dictatorship, shed of residual Marxist-Leninist trappings perhaps, but rich and ambitious enough to flex its regional muscles? Will it, unable to meet the political and, especially, economic aspirations of its people, slip into bellicose nationalism in order to provide governmental legitimacy and national cohesion? Or will it slide further, into fractious regionalism or even civil war? Any of these scenarios is plausible; each has important ramifications for Sino-American relations; each has its supporters among experts. Which and who are right? The honest, if uncomfortable, answer is that we simply do not know.

A comparison with the United States is illuminating. Our constitutional structure dates to 1787. Our legal system, based on English common law, reaches back centuries before. We were last invaded by a foreign power during the War of 1812. Our only civil war ended in 1865. The younger of our two major political parties was founded in 1854. And our economic system, though the subject of some welfarist tinkering at the margins, has been resolutely capitalist from our very beginnings and unabashedly consumerist since at least the 1920s. For all our national fixation on trends, both mega and minor, Americans can be fairly confident that, in 25 years, our constitutional, legal, political and economic systems will be much the same as they are today.

Nothing of the sort can be said about China, past or future. This century alone, it has seen the overthrow of a centuries' old imperial dynasty; endured a twenty-year long civil war between Communist and Nationalist parties; suffered invasion

by Japan; experienced imposition of a Marxist-Leninist dictatorship; survived the chaos of Mao's cultural revolution; and, under Deng Xiaoping, witnessed the reversal of 30 years of collectivist economic policy. Given the extraordinary challenges today confronting China and the painful decisions facing her government, any predictions about China's future are, at very best, tentative.

That is the bad news. The good is news is that the United States can afford the luxury of waiting. The contrast with the aftermath of World War II could not be sharper. The containment policy developed then was the creation, we would be wise to recall, not of a theoretical meditation on the nature of international relations but of stark necessity. Huge Soviet armies in Central Europe, a totalitarian regime of proven aggressive intent in Moscow, civil war in Greece, major communist movements in Italy and France, impoverished allies and devastated former enemies alike dependent on our largesse: these were just some of the facts facing the Truman Administration as what is now known as containment took shape. No such challenge, no such necessity, exists when it comes to China today. Our political stability, economic might, military dominance and far-flung web of formal alliances and informal relationships not only give us immense power; they give us, when it comes to China, time.

This is not to suggest that we should take a passive attitude towards China; nor, for that matter, that we may expect our relations with Beijing to be unruffled. Key issues—the “usual suspects” of post-Cold War China policy: proliferation, human rights, trade—will remain the cause of dispute, often bitter, between the two countries. Indeed, one issue—Taiwan—could, if mismanaged, bring about direct military conflict between the United States and China.

On balance, we have more to gain than to lose by further integrating China into the world economic system. At a minimum, such integration raises the costs of direct conflict with the United States. At a maximum, it may help move China's internal dynamic in directions congruent with our values and consistent with our interests. WTO accession, once the necessary assurances on continued economic reform are obtained, is an important next step in the direction of China's economic integration. So is possible eventual membership in, say, the G-7, when China makes additional steps towards economic and political liberalization. But even as we ease China's full integration into the international economic system, we must also maintain the military establishment and strategic alliances necessary to counter a Chinese threat if and when it should arise.

In other words, our policy towards China will remain in many ways unsatisfactory—an uneasy mix of liberal hope and realist fear, an unhappy blend of professed friendship and potential rivalry. But, as Luttwak points out, the inconsistency of such a policy may in point of fact be its strength. It accurately reflects the imponderables associated with China's future. Above all, it keeps our options open.

One thing is certain: the current alarm being sounded about China in Washington is surely exaggerated. A gunboat or two in the Spratly Islands do not represent a challenge to U.S. Naval dominance. A few dozen Chinese missile targeted at the United States do not alter the world's strategic balance. And the idea that a country might seek to steal our military secrets is neither particularly new nor especially shocking.

The calls, implicit or explicit, for a containment policy against China are nothing less than folly. We should recall precisely, exactly, how much our earlier containment policy cost us: a hundred thousand dead Americans in places like Korea and Vietnam, trillions in defense expenditures, constant fear of a nuclear exchange, and the erosion of civil liberties here at home. To embark on a similar policy towards China would surely require more than the beefed-up pacific alliances and bolstered military capabilities that its supporters seem to suggest. Indeed, it would require a well-nigh complete revision of American foreign policy as we know it today.

If, in fact, China's inevitable challenge to the United States is being fueled by access to international markets, we would presumably be wise to constrain that access in any way we can, a step that would require a full reversal of our long-standing support for liberalization of trade and investment. This would mean not just denying China access to American markets but also urging the Europeans and the Japanese to close their own. Any containment policy against China would also dictate a search for powerful allies in an anti-Beijing coalition. India and Russia would clearly be two obvious candidates. Both would undoubtedly demand concessions for their cooperation. In the case of India, we would likely be asked to accept Delhi's membership in the world's “nuclear club.” Any alliance with Russia would similarly entail concessions to Moscow—commitments, say, to cease NATO expansion and give a green light to a freer Russian hand in Central Asia.

And for what? To counter a threat which has not yet emerged, may not arise, and, even should it occur, will do so slowly. Constant comparisons of Chinese and Amer-

ican military capabilities ten or twenty years hence, for instance, seem to suggest that we will stand idly by during the interim, unable to increase military spending, accelerate development of new weapons, or adjust our strategic doctrines. The call for containment, at one level, is not just based on a conspicuous underestimation of American power. It also derives from what appears to be a near-contempt for our ability, as a nation, to respond flexibly and effectively when and if challenges to that power arise.

Those promoting a hard-line towards China should reread the words of then-Secretary of State John Quincy Adams in 1821: "Wherever the standard of freedom or independence has been or shall be unfurled, there will her (America's) heart, her benedictions, and her prayers be. But she goes not abroad in search of monsters to slay." Adams' statement, made in large part to counter Henry Clay's accusations that he lacked sympathy with the ongoing struggle against Spanish colonial rule in Latin America, can be read as a critique of precisely the sort of idealism that realists by and large repudiate. But it can be read more generally, too, as a call for prudence and modesty—in short, conservatism—in the conduct of our international affairs, qualities sorely lacking among those, ironically on the Right, calling for the containment of China. The monster they would have us slay is a Chinese dragon they have created from dubious theory and selective evidence—one that bears little relationship to the creature, complex in its current circumstances and uncertain in its future prospects, still emerging on the other side of the Pacific.

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*The Anti-China Syndrome*

HOW NOT TO HANDLE CHINA

(By Owen Harries)

*As China grows in economic and military power, Americans are asking whether it is our competitor or our enemy.*

Since the end of the Cold War, many Americans have been suffering from an enemy-deprivation syndrome. This is not surprising. After all, for fifty years they had experienced a clearly identified, formidable, and generally agreed upon enemy. That enemy provided a simply grasped organizing principle for thinking about foreign policy, and its sudden disappearance threatened disorientation and discord. It imbued foreign policy with a sense of heroic moral purpose, and without it things seemed likely to become mundane and boring.

Whatever the mixture of motives, as soon as the initial euphoria over the Soviet Union's collapse had passed, most of the American foreign policy cognoscenti—and especially a large section of its conservative component—began to search for a substitute enemy. For a short while, Japan was favored. Scores of authoritative books and hundreds of closely argued articles were written about the impending "clash" between it and the United States. But then a Japan that had been presented as an irresistible juggernaut suddenly faltered. Its economy lost momentum, its politics became a shambles, and it was no longer a credible enemy.

Temporarily at a loss, some then tried to fill the gap by a process of aggregation. If a single powerful and convincing enemy was not available then perhaps several small ones added together might do—North Korea, Iran, Iraq, Libya, Serbia, and so on. But it soon became clear that a lizard, a hyena, and a couple of skunks did not add up to a dragon. Nor did Islamic fundamentalism really work, for, again, its multiple, divided agents lacked the heft and presence to be convincing rivals.

At this point some turned back to Russia as a dependable candidate for the role of principal enemy. True, its economy was in a pitiful state, its military performance in Chechnya was abysmal, and its whole social fabric was in tatters; but it certainly resonated, and if one was prepared to take the long view it still had adversarial potential. That at least, seemed to be the assumption of those who took up the cause of the eastward expansion of NATO with enthusiasm. As one of the most honest of them—Peter Rodman" put it, "The only potential great-power security problem in Central Europe is the lengthening shadow of Russian strength. . . . Russia is a force of nature; all this is inevitable."

But although Russia is potentially dangerous and needs careful handling, in the way that a wounded animal does, a declining ex-superpower making a serious stab at becoming a democracy is not really well suited to play the role of a principal enemy. Certainly it does not capture a combative imagination with the same conviction as a coming superpower that is performing spectacularly economically, that is

still governed by an obnoxious regime, that frequently says nasty things about the United States, and that encompasses over one-fifth of the earth's population—which is to say, China.

It is not surprising, then, that there is now widespread support for the view that China is America's main enemy, that the two countries are on a collision course, and that the only sensible policy for the United States to follow is a tough and hostile one. In the words of *The New Republic's* editors, we "must engage China adversarially." Anything else will amount to appeasement or "coddling."

Things may indeed turn out that way. Perhaps China really is evil, hostile, and aggressive. But there is another possibility, and it is that asserting these things will be selffulfilling. If you insist on treating another country as an enemy, it is likely to become one. All the more reason, then, to look carefully at the arguments advanced for treating China in this way, and to consider what can be said against them.

1. China as Aspiring Global Hegemon. "Most experts agree," the editors of *The Weekly Standard* assure us, "that China aims . . . in the long term to challenge America's position as the dominant power in the world."

China's supposed appetite for global power is based on no empirical evidence whatsoever. China has been singularly unambitious beyond its region. Its most conspicuous venture in this respect was a half-hearted and incompetent effort to establish a presence in Africa more than three decades ago. True, in recent years China has sold arms to a number of countries outside the region, but if that is to be taken as evidence of hegemonic ambitions, then a number of Western powers—even Israel and Sweden—would qualify.

The global-hegemony claim is based essentially not on empirical evidence but on a "logic of the system" argument, which maintains that rivalry is inevitable between the dominant power and the next strongest state, especially if the latter is an ascendant power. In their new book, *The Coming Conflict with China*, Richard Bernstein and Ross H. Munro set this out explicitly: "China, soon to be the globe's second most powerful nation, will be a predominating force as the world takes shape in the new millennium, and, as such, it is bound to be no longer a strategic friend of the United States but a long-term adversary." The words "as such, it is bound to be" assume an ineluctable logic of cause amid effect. Sometimes (though not by Bernstein and Munro) this claim is bolstered by reference to the notorious Anglo-German rivalry at the beginning of this century, when England as the dominant power was challenged by the German *arriviste*.

What is to be said about this systemic argument? First, it is true that a certain amount of friction between a hegemon in being and a rapidly rising state is virtually inevitable. Indeed, a certain amount of friction between any two powerful states that have regular intercourse is inevitable. But that by no means implies an unavoidable and continuing adversarial relationship. At the time of the Anglo-German rivalry there existed another—and, in the long run, more formidable—challenger to British supremacy, namely the United States. Yet Britain and the United States did not become deadly enemies; on the contrary, they got on rather well and ultimately became allies. That relationship alone refutes the "inevitable" argument—and serves as a reminder that the Anglo-German rivalry required an exceptionally vain and foolish Kaiser Wilhelm in order to flourish.

One further point: Americans, more than any other people, should be wary of arguing that being or aspiring to be a global hegemon is necessarily evidence of sin and sufficient cause for enmity. For were that so, every state in the world would have cause to regard the United States as its enemy.

2. China as Aspiring Regional Hegemon. The charge that China is set on becoming a regional hegemon is based on empirical evidence: on an alleged pattern of assertive, intimidatory, and acquisitive behavior, particularly toward Taiwan, Japan, and certain islands in the South China Sea. What can be said about this evidence?

First, to the extent that China is assertive in its region, there is nothing peculiar or pathological in its behavior. This is the way ascending powers—democratic as well as authoritarian—normally behave. If their efforts become egregious, they have to be checked; if they are reasonably modest and restrained, it is wise to cut them some slack.

Second, by historical standards, China's recent and current assertiveness is modest. Taiwan apart (of which more below), it has mainly manifested itself with respect to uninhabited or sparsely inhabited islands whose ownership is in dispute: the Senkaku Islands (claimed by China, Japan, and Taiwan), the Paracel Islands (claimed by China and Vietnam), and Mischief Reef in the Spratly Islands (claimed by China and the Philippines).

Even if Chinese restraint does not necessarily reflect modest ambition, it does represent a rational and healthy sense of the power realities that will continue to exist



well into the next century. We are, after all, talking about a country that, as Robert S. Ross pointed out in the March/April issue of *Foreign Affairs*, does not possess a single aircraft carrier, and will not possess one for a decade or so. The South China Sea is strategically important, and should the Chinese attempt to dominate it, they would have to be reminded of their very limited capacity to project power. But, in the meantime, vigilance rather than enmity is what is required.

Third, Taiwan is a special case. Handling the issue has involved an implicit bargain: Peking will leave the island alone to enjoy de facto autonomy as long as Washington and Taipei do not force the issue of its ultimate status.

When China mounted a major show of force against Taiwan in March 1996, it was not in an effort to upset the balance represented by that bargain but as a reaction to its having been already upset by Taipei and Washington—by President Lee's campaign to have Taiwan readmitted to the United Nations (which would have been tantamount to recognizing its independence), by the Clinton Administration's allowing President Lee to visit the United States and so burnish Taiwan's independent image, and by a \$6 million sale of F-16 fighter planes to Taiwan. Ill-judged, ugly, and dangerous as was the Chinese intimidation, it was a *reaction*. It was not evidence of a determination to change the status quo. While the United States has a political, moral, and economic interest in safeguarding the de facto autonomy of Taiwan, there is ground for thinking long and hard—about the costs that would be involved and what American interests would be served—before assuming any obligation to support its formal independence.

One further point about Taiwan: While Americans tend to think of the issue primarily as a political question involving legal status and freedom from outside interference—and it is certainly that—for the Chinese it is also, and unavoidably, a major strategic issue. For, as Ross reminds us, the island is indeed the equivalent of an “unsinkable aircraft carrier,” only ninety or so miles off China's coast. To the extent that Americans are sensitive about Castro's Cuba (which is badly armed compared to Taiwan, and which has had no superpower patron for the last six years), they should be able to appreciate China's apprehension about Taiwan.

3. The Chinese Arms Buildup. Much is made of what *The New Republic* calls China's “program of massive militarization,” a program that it is alleged to be implementing “frantically.” *The Weekly Standard* emphasizes that “China is the only major world power increasing rather than decreasing its defense spending.” Arthur Waldron, writing in *Commentary*, sees this as “part and parcel of the regime's major shift . . . toward repression and irredentism.”

China certainly has increased its defense budget, though how much of that increase reflects inflation and the need to keep the military content through increased pay is in dispute among specialists. Certainly, too, there have been serious and successful efforts to acquire modern weaponry from Russia and Europe: SU-27 fighter aircraft, quiet submarines, destroyers equipped with cruise missiles, and so on.

That said, these points are relevant: 1) The increases have been made to a defense budget that had been severely depressed by the prolonged economic calamity of the Cultural Revolution. 2) The modernization was to replace an arsenal that was antiquated. Just how far behind the Chinese were became fully and shockingly evident to them through America's swift and militarily crushing victory in the Gulf War. 3) The buildup also reflects the unusual conjunction of the availability of greatly increased funds on the Chinese side and the ready availability of modern weapons for sale on the Russian side. 4) However “massive” the Chinese program is, the U.S. defense budget is still as large as the next five or six largest defense budgets in the world combined. 5) Given the backwardness of Chinese technology and the limitation of what can be achieved by purchases abroad, it will take a long time for China to acquire a defense force that is fully modernized, even in today's sense of that term. *The New Republic* editorializes that “It is only a matter of decades before China becomes the other military superpower on earth.” But as Harold Wilson so nearly said, a “matter of decades” is a long time in politics. By the time those decades have passed, the United States itself will have made further vast technological advances.

4. China as Human Rights Violator. One justification for hostility toward China, and perhaps the one with the greatest popular appeal, is that its regime is oppressive and shows little respect for human rights.

How concern for human rights translates into foreign policy is a complicated matter. While individuals or single-issue organizations are free to take an absolute position on the question, governments are not. Governments have to balance the claims of human rights against other concerns which also have a moral content (peace, security, order, prosperity). Their place in the hierarchy of interests will vary—sometimes it will be high, sometimes it will have to give way to other compelling interests. To the moral absolutist the result will seem cynical, and governments regularly

invite such a response because they persist in speaking of human rights in absolutist terms that they cannot, in the nature of things, honor.

True, there will be some terrible occasions when the violation of human rights will be so horrendous that the absolutist moral approach becomes—or should become—compelling. Such was the case with the murderous regimes of Hitler and Stalin. But mercifully they are the exceptions, not the rule. China today does not constitute such an exception. According to Bernstein and Munro, the best estimate of the number of political prisoners in China currently is 3,000. In a population of 1.3 billion, this amounts to 0.00023 per cent, which is hardly the equivalent of the Gulag or the Nazi concentration camps. Ironically, back in the early 1970s, when most Americans, liberals and realists alike, were enthusiastically applauding the U.S. opening to China, the Maoist regime was in the same league as the Hitlerite and Stalinist regimes.

China today can more reasonably be compared to Indonesia or Saudi Arabia—or India. Of the latter, a recent Council on Foreign Relations report states: “Thousands of Kashmiris have been killed by the security forces. On occasion Indian units have used lethal force against peaceful demonstrators and burned down entire neighborhoods.” It is perhaps worth noting that, far from suggesting that the United States should condemn and penalize India, this report recommends that we develop a “closer strategic relationship” with that country. While one would certainly not want to make a similar proposal in the case of China, it would seem sensible to stop short of ostracism.

One last point: While China’s human-rights performance continues to be poor, in important respects the trend is positive. There have been significant improvements in terms of the rule of law, grass-roots democracy, and media freedom. Already it is absurd to apply the term “totalitarian” to the regime, as *The New Republic* does. While nothing is certain, and while there is no established direct causal relationship between economic advance and political liberalization, there is certainly a strong correlation between the two. There are therefore real grounds for being optimistic about the likelihood that freedom and respect for human rights in China will increase steadily—perhaps dramatically—over the next decade.

5. The Hostility of China’s Political Elite. Bernstein and Munro place a great deal of emphasis on the character of the Chinese ruling elite in explaining the hostility that exists between China and the United States. That elite has become strongly anti-American. It shows a pattern of “irritability, defensiveness, harshness, and defiance of American opinion.” It uses words like “hegemonism,” “subversion,” and “interference” with regard to the United States. This elderly elite is characterized as secretive, intolerant, reflexively defensive, and chauvinistic.

During the second half of the Cold War, these characteristics and the anti-Americanism that flowed from them were held in check by the need for American support against a threatening Russia. But now, with that threat removed and with China’s power rapidly increasing, the elite feels no need to keep its true feelings secret. Indeed, they can be turned to advantage. For with Communism dead, there is need for a substitute ideology to mobilize support and legitimize the power of the elite. What better substitute than the true and tried formula of emotional, chauvinistic nationalism, directed against an alien superpower?

This analysis deserves at least three comments. First, it may well contain significant elements of truth. But, second, with a closed and secretive elite it is difficult to be certain what those elements are. We knew, or thought we knew, much more about the Soviet elite (all those years of dedicated Kremlinology!) than we know about the Chinese elite—and yet almost all of us were utterly surprised by its supine behavior in the final crisis of the Soviet system. That experience alone should counsel caution in basing policy on one’s supposed understanding of the psychology and motivation of a closed and secretive elite.

A third point also suggests caution. The charges that the Chinese elite directs against the United States are in many respects strikingly similar to the charges that Bernstein and Munro (and other Americans) make against the Chinese. Each accuses the other of hegemonistic designs, interference, threatening behavior, military buildup, and the like. This raises the question of what, in each case, is cause and what is effect. Americans quote Chinese statements to establish that the United States must reconcile itself to the enmity of Peking; but it is very likely that analysts in China are simultaneously quoting Bernstein and Munro to establish that American enmity must be taken as a given. Is there not the real danger of a vicious circle here?

6. China’s Interference in American Domestic Politics. The inclination to treat China as an enemy has been significantly strengthened by the current charges of Chinese government interference in America’s domestic political process. There is no reason to doubt that these charges are true. That said, however, outrage should be

tempered by the recognition that if such interference justifies condemnation, then many, many countries have grounds for condemning the United States. For Over fifty years the United States has itself interfered in the domestic affairs of other countries on a more or less regular basis—not only Third World countries and not only dictatorships, but developed Western countries, including democracies. The Christian Democratic Party of Italy, for example, was massively supported by the CIA in its early days, and there has been much intervention in the domestic affairs of countries as varied as Greece, Chile, and the Philippines.

I am aware that pointing this out is likely to draw the charge that one is assuming a “moral equivalence.” But if it is not to become an intimidatory device inhibiting free discussion, this is a charge that has to be resorted to with great care. If the United States is always treated as a special case, if what is condemned in others is condoned in America’s case because its superior ends justify means that would otherwise be unacceptable, it becomes difficult to discuss issues sensibly. What may have been appropriate in the exceptional circumstances of coping with the “evil empire” of yesterday is not appropriate in the more mundane world of today.

In their article “Toward a Neo-Reaganite Foreign Policy” (*Foreign Affairs*, July/August 1996), William Kristol and Robert Kagan maintained that “it is hard to imagine conservatives achieving a lasting political realignment in this country without . . . a coherent set of foreign-policy principles that at least bear some resemblance to those proposed by Reagan. The remoralization of America at home ultimately requires the remoralization of American foreign policy.” Again, they argue that “Deprived of the support of an elevated patriotism, bereft of the ability to appeal to national honor, conservatives will ultimately fail in their effort to govern America.”

This represents an interesting approach to foreign policy, one that seems to start with the political needs of conservatives rather than the national interest of the United States. Given the tide of the Kristol-Kagan article, it should be pointed out that this was not Ronald Reagan’s approach to foreign policy. His priority was defeating the evil empire, an enemy in being, not finding a foreign policy that would serve conservative interests.

More to the point, the kind of priority represented by Kristol and Kagan—the need to find a stirring cause that will “remoralize” America—is almost certain to produce an enemy and identify an inspiring conflict between good and evil. As Walter Lippmann once observed, “For the most part we do not first see and then define, we define first and then we see.” It is difficult to escape the conclusion that something of this sort typifies much current American thinking about China. It is a dangerous approach to foreign policy.

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AN OPEN LETTER IN SUPPORT OF CHINA PNTR FROM AMERICA’S CREATIVE  
INDUSTRIES—FEBRUARY 23, 2000

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 U.S. 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 depend 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,

ROBERT HOLLEYMAN, II, President and CEO, Business Software Alliance.

KATHY MORGAN, Chairman, AFMA.

HILARY ROSEN, President and CEO, Recording Industry Association of America.

PATRICIA SCHROEDER, President and CEO, Association of American Publishers.

KEN WASCH, President, Software and Information Industry Association.

DOUGLAS LOWENSTEIN, President, Interactive Digital Software Association.

EDWARD MURPHY, President and CEO, National Music Publishers' Association.

ERIC SMITH, President, International Intellectual Property Alliance.

JACK VALENTI, President and CEO, Motion Picture Association of America.

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#### 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.

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 I. Lau, Kwoh-Ting Li Professor of Economic Development, Department of Economics, Stanford University

*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.*

Barry Naughton, Professor, Graduate School of International Relations & Pacific Studies, University of California, San Diego

*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).*

Dwight Perkins, H.H. Burbank Professor of Political Economy, Harvard University

*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. 4Z 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.*

The CHAIRMAN. Thank you, sir. I hear what you are saying, but I am not sure I agree with it. I myself have participated in many, many messages directly to the leaders of China.

I have done it through ambassadors and so forth and so on. And there are many of us who have said, look, let them know that if they will ease up on the human rights problems, and if they do this and do that, then they come back and say, well, you know, that's a good idea, or something like that, and we will get to it. The check is in the mail, in other words. And nothing happens.

But are you saying that if we, the United States, let them in, that that is going to be different, or that leadership will be different, or will they continue to be the abusive people that they are, putting in jail good men like this one, Mr. Wei.

Mr. KAPP. Senator, I respectfully point out that we do not vote on whether to let them in. They are going to get in. The vote is on NPTR—

The CHAIRMAN. Oh, of course.

Mr. KAPP. OK. Well, but it is a serious difference, because the whole argument behind the idea that this is a favor to China all too often revolves around the mistaken assertion that we have it within our power to let them in or not.

But leaving that aside, you know, I gave a talk last April just before the Premier came to Washington, when we all thought the WTO deal was about to close, and I said over breakfast that it was inevitable, and in the nature of the process here in Washington, that this issue is going to be inflated and inflated and inflated with more and more hyperbolic claims on the pro side and the anti side, and that it was almost unavoidable in the nature of the process.

And a journalist came up to me right afterwards and she said, "in other words, Mr. Kapp, you are saying business is going to lie and cheat and deceive in order to get what it wants," and I said, no, that is not what I am saying. What I am saying is that there is a self-inflationary process in the rhetoric that surrounds an issue like this when you are trying to get it through the Congress.

What I tried to say in the end of my testimony is that it is better not to load the WTO-PNTR issue down with all the dilemmas of the American engagement of a modernizing and rapidly changing China, because the PNTR vehicle is not the one to bear that load,

and if you expect all those things to be either made better or made worse, it is creating a false illusion.

The CHAIRMAN. It seems to me everything has been done by the Chinese people themselves, and by people who want China to do right, and they pay no damn attention to the abuses. They just go right on throwing people in jail and even worse than that.

Let me see. Dr. Waldron, I want to turn to you for just a minute. We all want there to be a—how to say it, a change in the direction of reform and democracy, hoping, parenthetically, there is going to be some change and reform and democracy.

The conventional wisdom is that we can encourage Chinese reformers through trade and appeasement. I gather from what you said you do not agree with that.

Dr. WALDRON. Well, Mr. Chairman, I think there is a very simple fact that we sometimes lose track of, and that is, imagine that there is a debate going on in China, and one person is a general, or a sort of hot-shot civilian, military type, and he says, look, we can get what we want, we can fix Taiwan, all the rest, just do what I say. Fire some missiles.

And the other one is somebody who is in favor of opening up the system, privatizing, increasing participation and so forth, and he says no, don't do that. That is going to cause trouble with the United States.

But the military guy wins, and he fires missiles, and the United States then responds by engagement, by making concessions to China. Now, whose hand do we strengthen in the internal debate by doing that? We strengthen the person who advocated the military steps, and we weaken the person who is saying no, this is going to cause trouble.

The best thing that we can do, one of the things that we can do and that we should try to do—I was thinking this the other day. I was looking at a highway out the window from a hotel in Hartford, Connecticut, and there were hundreds of cars going onto Route 84, and I thought, well, China is speeding right along on the entrance ramp to military modernization and getting what it wants through threats. What have we got to do if we are going to help the people who are on the right side?

We have got to basically jack-knife a tractor trailer right on that entrance ramp and make it clear, make it clear that that does not lead anywhere, that if you use threats against the United States and against our friends, and you buildup missiles and you emplace missiles which are clearly intended to threaten Taiwan and other U.S. friends, that is going to lead to nothing but trouble. That is going to get you nothing.

If we do that, then the people with cooler heads will be able to say, now look, why don't we take—why don't we look for that exit there that says peace and cooperation. Let's take that one.

The people in the West who argue that at a time when China is ramping up the military threats, that we should respond with unconditional economic engagement are unwittingly strengthening the hands of the very people that we want to weaken. We have got to get that straight. The way you help the good guys is by hurting the bad guys. If you yield to the bad guys, that hurts the good guys.

The CHAIRMAN. You also call for a unified and coherent policy toward China. Tell me how to do that.

Dr. WALDRON. Well, this—I was interested in what Dr. Kapp was saying, because he makes a really legitimate point, which is that in many ways economics is not the vehicle for dealing with all of these things. If you have got a military problem, you ought to deal with it militarily.

But I think it is fair to say that the administration is treating economic policy really as a substitute for security policy. At a time when you have just had the white paper threatening Taiwan, they said, look, we have got to have a vote on NPTR, and we have got to have it before all of this other extraneous stuff starts clouding the waters. Well, that is a completely inappropriate reaction.

If the administration would show that they had a consistent approach which dealt with—and Bob used this word—hyperbolic claims, well, the claim that China is spending an awful lot on warfare and emplacing missiles and so forth, that is not a hyperbolic claim. That is a fact. We have got to deal with that.

And as this unnamed ambassador that I am quoting, who is a senior and a very nonpartisan figure, it should be said, as he pointed out, that message about the futility of force is not getting through, and to pass PNTR now, saying, well, look, put the blinders on, don't look at the missiles, don't look at the threats, don't look at the arrests, just put the blinders on and go for PNTR, that tells China—that sends exactly the wrong message to China.

Because then they start saying, look, those Americans are so eager to have trade with us, those big businesses are so powerful in America, they need our markets so much, they want to invest so much that, hell, we can probably do some stuff and we will get away with it, because we have now rendered them so dependent on us economically. It is absolutely the wrong message.

The CHAIRMAN. All right. Dr. Mastel, beyond Beijing's promises in its trade agreements with the United States last fall, what specific steps must we insist China take to make it live by the rules of the WTO?

Dr. MASTEL. Well, that is no small task. We have not been able to get China to live by the rules of any agreement we have struck so far, and the WTO—I think it is very important to understand this. People tend to act as though the WTO somehow will magically transform China into a law-abiding country. In fact, that is simply not the case.

The WTO is a law-abiding institution that is built by countries that have a strong rule of law, like the U.S. and Europe, so it is actually assumed as a precondition. I think it will be very difficult for the WTO to kind of digest China, if you will, that their system is so different from that conceived by the WTO it will be very, very difficult for the WTO to bring a rule of law to China. It would work much better, I think, if the rule of law already existed.

I mean, I think it is a very questionable case that the WTO can somehow import a rule of law into China. I suspect the only way to make real progress with China is committing oneself, the country, to a very long, extensive campaign.

Many people think that WTO membership for China will somehow put trade issues behind us. In fact, my guess is in 10 years



trade issues will be more important with the U.S. and China than they are today, just because the WTO will provide a new forum, but it will not solve the problems, and the fact is that unless you are committed to taking a hard campaign that will last probably 10, 20 years, to try to implement the WTO on the ground in China, it will not make much difference at all.

And my concern is, I am not sure that we are committed to that kind of a campaign. You know, we have a tendency in this country to sign an agreement, have a fresh lease, have a party, and that is it, and come back in 10 years, not much has happened. That should not be a surprise, but it always is, and it seems to me that this is a surprise we should not let ourselves make, we should not let ourselves make this time.

One last thing. We have talked a lot about reform in China. Keep in mind, if the WTO is going to make any difference for reformers in China, if it is to advance the cause of economic reform, it will do so because it is enforced. An unenforced agreement makes no difference at all. If you want to help Zhu Rongji advance the cause in China, you should pay close attention to the details of enforcement, because otherwise—that is the only way it will make any difference at all.

The CHAIRMAN. Would free elections do anything to help the situation in China, from our standpoint?

Dr. MASTEL. I think free elections in China would be an enormous step forward. They would make China into more of a rule-of-law based country, I think, but I think it is a very long ways away, and in fact, you know, free elections in Taiwan seem to have actually set things back a ways, so I see it as a very distant prospect in China, unfortunately.

The CHAIRMAN. Well, I very often tell the distinguished witnesses that very often when I go to make a speech, the best speech I never made I make driving home. Why didn't I say so-and-so? I am going to give each of you a couple of minutes to say anything that is on your mind that you did not say the first time.

Mr. Kapp, you go first.

Mr. KAPP. Senator, I want to read you a letter. We told our companies in China to ask anybody working for them if they would like to drop us a note about their lives as related to working for a U.S. company in China, so let me just read you one. I have got a stack here, but this is a nice one.

I have been working in the *x* company 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.

The most striking thing about the experience of working for a U.S. multinational is that your world has an ever broad and new perspective to approach problems and look at things around. A key attitude took place when I entered *x* company, 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 asset, 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 *x* company would be impressed with the ample learning and self-challenging opportunities.

It is no exaggeration to say that *x* company is a social university for personal maturity and aptitude growth, so to speak. Being exposed to vastly adequate working

resources and competent human talents keeps you being constantly motivated to enhance learning 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 differences in belief and cultures, staff in *x* company channel and contribute all their talents and efforts toward the 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 sunlight of peace, respect, and friendship as much as we have here with *x* company, a U.S. multinational.

Mr. KAPP. This is the end of this employee's letter.

That is just an example of the ways in which the presence of American business working in China makes a positive difference in individual lives and, I believe, in a modest way, in the process of China's gigantic transformation, which is far from over.

Thank you.

The CHAIRMAN. Dr. Mastel.

Dr. MASTEL. I am glad for the chance to do this, actually, because ironically the thing I feel most strongly about right now was not in my testimony, or barely was, and that is Taiwan's WTO application.

We talked about the "one China" policy a bit today. It seems to me one of the perhaps most ridiculous outcomes of that policy is the situation with Taiwan and the WTO. Taiwan is universally regarded as a great candidate for WTO membership. It is a market economy. It is rule-of-law based. It would make an excellent WTO member. We all agree on that, and Taiwan has studiously negotiated with all of its trading partners to resolve any outstanding issues over a number of years. There is only one reason why Taiwan is not in the WTO now. That is because China does not want it in the WTO, at least not before it is a member.

We have for many years taken China's word that once they get in the WTO they will let Taiwan in. We have taken that as kind of a resolution to this problem. Now it appears more and more likely that in fact China will still say no, or will still try to stop Taiwan's admission to the WTO, even if it gets membership.

I think that is an outrage that we should not tolerate. It is another example of China breaking its word on trade, and it is in a case where literally, as I say, it makes no sense to allow this kind of injustice to go forward. Taiwan should be in the WTO. There is no good reason for it not to be. It is something the U.S. should care about and should commit itself to achieving.

The CHAIRMAN. Well, last but not least.

Dr. WALDRON. Well, thank you. I would second—actually, second what both of them have said, because I think that yes, American business, working for an American company is good, but one reason American companies are good is that they come from a society in which abiding by law and taking people seriously as having innate rights is deeply imbued, and I think that we really have to look out for the interests of Taiwan.

But the chief issue that is facing us right now with China—really, it has two pieces. One piece is that there are real domestic problems there. The leadership is not very good, and they are coming really to the limit of what they can do easily. I think there is real

potential for kind of seismic shifts there, and this is translating into security threats, and they are not just directed at Taiwan. They are directed at other countries, Southeast Asia, the South China Sea, Japan, so forth and so on.

And I was interested that Mr. Wei views an analogy with the way the Nazi Government stirred up a kind of war fever, and actually a very, very great China specialist, Professor Yu Ying-shin, now at Princeton, perhaps the most respected of Chinese intellectuals, has used the same analogy. He has talked about Chinese fascism, and the fact that a kind of xenophobic nationalism can be very, very dangerous, and that really in a way is the thing that we are not dealing with.

We are telling ourselves that economic relations are somehow going to solve this, but they are not. The only thing that is going to solve it is going to be a change of regime type in China, just as European security really became possible only when—it really became possible only when the Soviet Union went down, only when communism was gotten rid of. Then you began to have real peace in Europe. The same is true for China.

Now, you asked about free elections. I would like to just—I did not quite understand Dr. Mastel's answer to that. I think the time is long past when there should be free elections in China. This is a country that is richly endowed with enormously talented people who are full of public spirit and are eager to serve their country. Think of these people who have just been purged from the Academy of Sciences, leading political thinkers, leading economists and so forth, not to mention people like Wei Jingsheng, many of whom are still in jail, the leaders of the democracy movement.

Would it not make a lot more sense to bring them in and say, how can we improve our system? Let us plan a transition so that the kind of democracy that many of us Communists actually believed was coming in 1950 and 1949, that that can happen.

Now, people say China is somehow not ready. Next week, I am going to Mongolia, where parliamentary elections are coming. Are you going to tell me that Mongolia is more ready for democracy than China? Are you going to tell me that Nigeria is more ready, that South Africa is more ready, that Chile is more ready, Iran?

I mean, China is one of a very small handful of countries that have not yet embraced the democratic process, and as far as I am concerned, and I believe that if you had pluralization in China and you had genuine liberalization and democratic opening, that pressure within the society would be reduced, and the result would be a better life for the Chinese and fewer threats abroad.

If all those Chinese farmers voted, you can believe that in the parliament there would be a lot of discussion of whether what China needed was a space station, or whether maybe you needed rural schools, rural hospitals, something about the environmental crisis.

Think of the money. Fifty-plus billion are being spent on military acquisitions in China, and you have people who are supposed to live on \$20 and \$30 a month. This is the basic root of the problem.

And as for America, well, of course, we cannot remake China, but we must not do harm, and to look at the thing as if somehow economics was the sort of panacea, and the only dimension, is wrong.

We have to build a structure which deals with political issues, the security issues, the human rights issues, as well as the economic issues, and if I see that, then I think we can push forward with this PNTR.

The CHAIRMAN. I want to know if this lady was translating—were you translating this for him? I saw him nodding. Does he agree?

Ms. LIU. Most everything.

The CHAIRMAN. Most definitely, she said.

Well, I have—Dot Helms and I have—Dot being my best friend for the past 57 years, we have a great friend in North Carolina. Her name is Ruth Graham. Her husband's name is Billy, and you know who I am talking about. Ruth was born in China, and every time we have a hearing I hear from her, because she loves the Chinese people. She was born there and she grew up there, partially.

Well, I also love the Chinese people. I have worked with Chinese students in the United States ever since I came to the Senate, and I once took George Bush to North Carolina State University to look at some technological instruction going on there, and I expected to see people from Rocky Mount and Wilmington and Raleigh and Durham, and all but one of them were from China, which tells you something about the Chinese people.

But in any case, I am glad we had this dialog today, and I am enormously grateful to all three of you for coming and, of course, I am enormously, enormously grateful to you, Mr. Wei, and to the lady who translated for you.

I appreciate you coming, and—oh, by the way, we are going to leave the record open for a couple of days for Senators who are in other committee meetings and could not get here, who may file a few questions with you, and I hope you will respond to them.

If there be no further business to come before the committee, we stand in recess.

[Whereupon, at 4:13 p.m., the committee adjourned.]

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#### ADDITIONAL STATEMENTS SUBMITTED FOR THE RECORD

##### PREPARED STATEMENT OF THE AMERICAN FOREST AND PAPER ASSOCIATION

###### CHINA'S ACCESSION TO THE WTO

The U.S. forest products industry strongly supports China's accession to the World Trade Organization (WTO), and urges timely Congressional approval of Permanent Normal Trade Relations (PNTR) for China.

China holds great promise as a major export market for U.S. wood and paper products. However, Chinese tariffs in our sector are among the highest in the world. Those high tariffs—coupled with a broad range of nontariff barriers—currently inhibit our industry's ability to take advantage of the potential that is inherent in China's huge population, relatively low per capita consumption of wood and paper products, shortage of quality housing, economic growth and burgeoning middle class.

Bringing China into the WTO rules-based trading system, under the market access conditions that were agreed bilaterally in November 1999, should significantly enhance export prospects for U.S. producers of wood and paper products. At the same time, China's integration into the global trading system will strengthen the economic and political forces which are changing Chinese society, and thereby advance important American security, social and human rights interests.

###### *U.S.-China Bilateral Market Access Agreement*

- The bilateral WTO accession agreement concluded last November between the U.S. and China will reduce most Chinese paper and wood tariffs to the 5-7.5%

level, with some tariffs as low as 1-2%. Most of these rates will be achieved by 2003. This is well below current levels of 12-18% on wood and 15-25% on paper products.

- China agreed that if an Accelerated Tariff Liberalization (ATL) agreement is reached in the WTO, China will join the forest products initiative upon accession. While an ATL agreement was not reached in Seattle, this suggests that China is not opposed to elimination of wood and paper tariffs not later than 2005. It is therefore critical that this opportunity for tariff elimination in a huge market not be lost.
- U.S. companies' ability to do business in China is currently limited by restrictions on trading rights (importing and exporting) and distribution of imported products. Within three years, any entity will be able to import forest products into any part of China and engage in the full range of distribution services.
- The agreement requires that China extend to U.S. forest products suppliers any preferential treatment it provides to other countries.

*Permanent Normal Trade Relations for China*

- The U.S. forest products industry has long supported the normalization of U.S. commercial relations with China. As China prepares to join the WTO, it is essential that Congress grant permanent, unconditional trade status to ensure that U.S. exporters and investors get the full benefits of the very favorable bilateral market access agreement and the other commitments China makes as a condition of its accession.

*The Importance of China's Paper and Wood Market to U.S. Suppliers*

- China's membership in the WTO, with its system of rules and obligations, will give U.S. exporters a means for addressing inconsistent, discriminatory and trade-distorting practices that have made doing business in China very difficult.
- China already has access to our market, since U.S. tariffs on forest product imports are at zero or very low. WTO accession on the terms of the U.S.-China bilateral market access agreement will ensure a more level playing field on tariffs.
- The removal of tariff and nontariff barriers to China's market is expected to provide significant export opportunities for U.S. producers of paper and wood products. Because China is deficient in forest resources, with limited potential for extending its own fiber supply, its need to import paper and wood products is expected to increase substantially as it pursues economic and industrial expansion.
- *Pulp and Paper Products:* U.S. pulp, paper, paperboard and converted products exported to China totaled more than 800,000 metric tons in 1998, with a value of \$430 million (there is also significant trans-shipment through Hong Kong). In 1998, China was the only Far East market which saw an increase in U.S. exports despite the effects of the Asian financial crisis (U.S. exports to all other markets in the region dropped sharply).
- Over the past decade, China has experienced the world's fastest paper and paperboard consumption growth. However, production capacity has not kept up with this growth. Projections by the Food and Agricultural Organization (FAO) show that China's paper and paperboard consumption will continue to grow strongly over the next decade and that the gap between supply and demand will continue to widen and be filled by imports.
- *Wood Products:* Exports of solid wood to China will approach \$60 million in 1999, up from \$41 million in 1998. Most products are imported in the form of logs or lumber and re-manufactured in China for use in interior applications such as furniture, flooring, doors and windows. These markets should continue to grow as more Chinese can afford to upgrade their current dwellings or purchase new housing.
- Almost no U.S. wood is used in housing construction, but this could change as the Chinese government has launched an ambitious, market-oriented housing reform plan to privatize and increase the quality of Chinese housing. AF&PA is participating in the revision of the Chinese design standard for timber frame construction with the Chinese Ministry of Construction, and using our membership in the U.S.-China Residential Building Council to increase pressure on China to allow greater use and importation of U.S. wood building products.
- In order for U.S. products to compete in both interior and housing construction areas, high Chinese tariffs must be eliminated. U.S. value-added interior products such as flooring, veneer, molding and millwork, windows and doors cannot

compete in local markets when facing an 18% tariff on top of the Chinese VAT tax.

- Price competitiveness in building materials is foremost in Chinese purchasing decisions, and U.S. wood products are competing against locally produced materials such as steel and concrete. Without tariff elimination and major building code changes, it will remain difficult for U.S. manufacturers to compete effectively in this growing and increasingly prosperous market.

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PREPARED STATEMENT OF MIKE JENDRZEJCZYK, WASHINGTON DIRECTOR, HUMAN RIGHTS WATCH

CHINA'S ACCESSION TO THE WTO AND HUMAN RIGHTS

Human Rights Watch does not take a position on trade agreements per se, and does not endorse any particular trade agreement, including the one signed by the U.S. and China last November. However, we believe that the WTO process should be used to push for human rights improvements. Broader trade with China can be consistent with advancing human rights, but only if it is combined with effective, sustained pressure on China to respect basic civil and political rights.

In my testimony today, I would like to describe the recent deterioration of human rights conditions in China, assess the possible long-term impact of WTO membership on China's human rights performance, and present our recommendations to Congress as you consider the question of extending permanent Normal Trade Relations to China and the broader policy implications of this important decision.

THE WTO AND CHINA

As a WTO member, China will commit itself to respecting global trading rules. This is a step towards China's integration into the international system regulating not only trade relations but also governments' treatment of their own citizens. Restructuring China's economy to fit WTO standards will give a boost to those within China arguing that it must further open up both politically and economically if it is to be a respected member of the international community.

But WTO membership will not itself lead to political changes. It could be an important catalyst for change over the long run *if* combined with consistent pressure from outside China. For instance, greater transparency in economic matters could increase demands and expectations from within China for more openness in other areas.

China is a long way from having a legal and court system that functions independently of the Party and the State. Demands to modernize China's legal system to handle commercial disputes, protect contracts and combat corruption could help lay the groundwork for an independent judiciary and the rule of law that might extend to the political and security realms. As the World Bank has pointed out, "economic reforms have made legal rules matter" in China.

The closing of thousands of state-run enterprises—there are currently about 300,000, nearly half of them industrial—could push workers to insist on greater collective decision-making on workplace issues and the need for a social safety net. They may increasingly insist on exercising the worker rights guaranteed in the U.N. International Covenant on Economic, Social and Cultural Rights. (China signed this treaty in October 1997, but has not yet ratified it.) The official national employment rate is about eight percent, and in some rural areas it's much higher. A rise in the unemployment rate may create more instability in the short run, with the authorities clamping down on attempts by workers to organize. But eventually the government may be forced to create channels for workers to negotiate over their grievances. The alternative to allowing greater freedom of association is to risk disaffected workers turning against the state.

But I must emphasize that WTO membership in itself will not guarantee the rule of law, respect for worker rights, or meaningful political reform. Economic openness could be accompanied by tight restrictions on basic freedoms and a lack of governmental accountability. The Chinese government might seek to build the rule of law in the economic sphere while simultaneously continuing to pervert and undermine the rule of law elsewhere. For example, Chinese authorities claim to be upholding the "rule of law" by arresting and throwing in jail pro-democracy activists, and the nationwide crackdown on the Falun Gong movement has been cloaked in rhetoric about the "rule of law."

We believe the U.S. and China's other major trading partners *must* increase pressure on Beijing for significant improvements in human rights. It makes little sense

to bring China into the WTO and expect it to abide by global trading rules when Beijing flaunts international rules of human rights with impunity. China must be moved to go beyond opening its markets to opening its jails, easing restrictions on the press and the Internet, and protecting the rights of workers.

#### HUMAN RIGHTS DEVELOPMENTS IN CHINA

There has been a clear deterioration of human rights conditions in China. A tightening of controls on basic freedoms began in late 1998, escalated throughout 1999, and has continued into the new year. The range of the crackdown suggests that a nationally coordinated campaign is underway to shut down all peaceful opposition in the name of maintaining "social stability."

Among the elements of the crackdown are:

- an intensified attack on all organizations that the Chinese Communist Party perceives as a threat to its rule;
- a series of regulations that constrain free association, assembly and religious expression;
- the ongoing arrest of Tibet "splittists" and tightened secular control of Tibetan Buddhism;
- the stepped up pace of arrests and executions of activists in Xinjiang. Even a prominent Uighur businesswoman, Ms. Rebiya Kadeer, was detained last August and given an eight year prison sentence by the Urumqi Intermediate Court on March 10, 2000. Her case has been highlighted by the Congressional Human Rights Committee, and by Rep. Nethercutt and Rep. Porter in their concurrent resolution calling for her immediate release;
- ongoing attempts to interfere with the free flow of information at home and abroad, through new restrictions on the Internet and threats against academic research in open sources. We welcomed the release of the respected scholar, Song Yongyi, but his arbitrary arrest and detention are a clear reminder of the capriciousness of the "rule of law" in China and the dangers of conducting research into sensitive subjects.

I would like to provide the Committee with a few examples to illustrate the depth and breadth of the current crackdown.

On November 23, 1998, former premier Li Peng issued a statement that effectively banned opposition political parties. The following month, the courts gave heavy sentences to three leading members of the China Democracy Party (CDP), an open, peaceful opposition party that had announced its formation prior to President Clinton's visit to China in June 1998. Veteran dissident Xu Wenli in Beijing, Qin Yongmin in Hubei province, and Wang Youcai in Zhejiang were sentenced to thirteen, twelve and eleven years respectively for "conspiring to subvert state power." The government's largely successful attempts to destroy the CDP have resulted in long prison sentences for its members in Beijing, Shanghai, and at least eight other provinces. In all, some twenty-five China Democracy Party members have been sentenced since December 1998 after trials lacking adequate procedural safeguards and closed in all but name. Others have been tried but not yet sentenced; at least a dozen more are still in detention.

Other attempts to organize groups outside official control have also been stifled. In November 1999, Aun Jun, an attorney who formed an organization called "Corruption Watch" to expose local corruption, was put on trial. The verdict has yet to be announced. He had attempted to legally register the organization with the Ministry of Civil Affairs, but it was banned. The China Development Union, set up to promote political and environmental reform, was quashed and its leader, Peng Ming, was sentenced last February to an eighteen-month term for allegedly soliciting prostitution.

Throughout China, leaders of worker and peasant protests calling for workers rights have been detained. Also, those trying to organize workers, or protesting against exorbitant fees and taxes, corruption, or fixed local elections have been arrested and given sentences of up to ten years. It's worth noting that China has not ratified key ILO (International Labor Organization) conventions protecting the rights of free association (87), the right to organize and bargain collectively (98), or on the abolition of forced labor (105). Of these, I might add that the U.S. has only ratified the ILO convention on forced labor.

Restrictions on religious freedom have increased. The crackdown on Falun Gong clearly violates China's commitments to respect internationally-guaranteed rights of freedom of belief, expression, association and assembly. Members of Falun Gong were briefly detained by the thousands for "reeducation" after the group was officially banned on July 22, 1999, though most have since been released. Millions of

Falun Gong books were confiscated and destroyed. At least 111 Falun Gong members, according to China's State Council, have been formally arrested though few details are known at this time. Sentences officially confirmed have ranged from three to eighteen years. President Jiang has made it clear that the suppression of the Falun Gong remains a high priority as part of the government's broader effort to control all organizations. The number of Falun Gong members—between two and seventy million in China—their ability to organize, and their use of modern tools of communication have made the Falun Gong movement especially threatening.

In early January 2000, Premier Zhu Rongji and State Councillor Ismail Amat gave speeches stressing the importance of control of religion to the stability of the state, and resistance to "hostile foreign forces" which they say use religion to undermine China's solidarity. Throughout the past year, there have been sporadic reports of arrests and detentions of Catholics and Protestants. Campaigns to register Catholic congregations in Hebei and Zhejiang provinces forced many worshipers into hiding. In an attempt to reaffirm the independence from the papacy of the official Catholic Church in China, the government's Religious Affairs Bureau and the Bishops' Conference of the Catholic Church in China arranged the ordination of five bishops last month, without seeking papal approval. At least ninety-five Protestant house church leaders were detained early in 1999.

Those released from prison still risk official harassment and intimidation. On March 29, 2000 Bao Tong, the former Chinese Central Committee member and senior aide to Zhao Ziyang, released a letter to the Chinese authorities protesting increased monitoring and harassment since the beginning of this year. Bao was released from prison in 1996, after being imprisoned during the student protests in 1989, and was then kept under house arrest for one year. When his political rights were finally restored in May 1998, Bao Tong began speaking out against government and Communist Party policies. In his recent letter, he declares: "My personal freedom has been limited and violated. Day and night, whenever I step out of my home, there are always six people closely following me." He also complains that reporters interviewing him have been warned they would be punished, and that his phone service has been cut at the time of important political anniversaries. His treatment violates guarantees of free expression contained in the Chinese constitution.

#### CONTROLS ON THE INTERNET

The government's attempts to control the Internet have ominous implications for U.S. businesses seeking to expand operations in China under the terms of the new U.S.-China trade agreement. In January 1999, new regulations were issued requiring bars and cafes with Internet access to register and inform the police about their customers. By May, the Ministry of State Security was able to track individual E-mail accounts through monitoring devices on Internet Service Providers. Internet bulletin boards were subject to round-the-clock monitoring; several were closed for hosting political discussions or postings critical of government policies.

Last month, the government of Shanghai took the lead requiring corporate Internet users to register with the police, or face a fine. On January 26, 2000 new regulations retroactive to January 1 prohibited the transmittal of state secrets on the Web or through E-mail. The restrictions make both users and Website owners liable for infractions. The broad language of the state secrets law invites selective application against anyone out of favor with the government. In addition, new regulations prohibit websites from independently compiling news or interviewing reporters; instead, they can only carry news already compiled by domestic newspapers.

I should add that the publishing and print media have also been more tightly supervised. Last fall, local newspapers and magazines were put under Communist Party control. And the State Press and Publications Administration banned foreign investment in wholesale book publication and distribution, and limited the right to distribute textbooks, political documents, and the writing of China's leaders to a handful of enterprises.

#### RECOMMENDATIONS TO CONGRESS AND THE ADMINISTRATION

We urge the Congress and the Administration to couple efforts to make China a more reliable trading partner with serious parallel pressure on China to comply with its international human rights obligations. The WTO process itself can be a useful source of leverage, along with other channels of pressure.

##### (1) *Permanent NTR*

China has lobbied for several years for an end to the annual review of its trade status under the Jackson-Vanik amendment of the Trade Act of 1974, and as part



of the WTO deal President Clinton has pledged to give China permanent Normal Trade Relations status. We believe that in exchange for PNTR, Congress should insist on reciprocal concrete steps on human rights by China.

Congress should set concrete, meaningful and realistic human rights conditions that China must meet before receiving permanent NTR. The president should be required to certify that these conditions have been met, and this could happen any time following China's accession to the WTO. For example, China should be required to:

- ratify the two United Nations human rights treaties it has signed: the International Covenant on Civil and Political Rights, signed in October 1998, and the International Covenant on Economic, Social and Cultural Rights;
- take steps to begin dismantling the huge system of "reeducation through labor," which allows officials to sentence thousands of citizens to labor camps each year for up to three years without judicial review. A commission could be established for this purpose, and the U.S. and the U.N. could offer to provide support with technical assistance and rule of law programs;
- open up Tibet and Xinjiang to regular, unhindered access by U.N. human rights and humanitarian agencies, foreign journalists, and independent monitors;
- review the sentences of more than 2,000 "counter-revolutionaries" convicted under provisions of the Chinese law repealed in March 1997, with a view towards releasing most of them.

Getting China to meet these conditions is possible, if the Administration engages in the kind of intensive, high level negotiations with Beijing it conducted to finalize the trade agreement last November.

To replace the annual trade status review, we would strongly support creation of a new mechanism, such as a special commission appointed either by both houses of Congress or jointly by Congress and the executive branch, to report annually on China's compliance with human rights and labor rights norms. This should be more than a pro forma process. An annual report should trigger, at a minimum, debate and recommendations for U.S. bilateral and multilateral policy initiatives.

#### (2) *U.N. Commission on Human Rights*

We applauded the Administration's decision in January to sponsor a critical resolution on China at the annual meeting of the United Nations Commission on Human Rights in Geneva, which is now underway. In announcing this decision, the State Department correctly noted that "China's human rights record has continued to deteriorate . . . Our goal in sponsoring a China resolution is to foster increased respect for human rights in China."

Indeed, when confronted with a credible threat of a debate and vote in Geneva in the past, China has taken limited but important positive steps on human rights. It has also expended major effort worldwide to keep any critical resolution off the Commission's agenda—including by threatening to cut off trade deals or investment opportunities to governments that might support action. This effort has been stepped up since 1995, when a China resolution came within only one vote of being adopted. Last year, the Administration put forward a resolution, under Congressional pressure, only at the very last minute. The European Union (EU) refused to sponsor the measure, and China succeeded in squelching any debate by getting the Commission to adopt a "no action" motion (twenty two to seventeen, with fourteen abstentions.)

In order to have any chance at getting a debate and vote this year, the Administration will have to engage in serious, high level lobbying of other Commission members and potential cosponsors, such as Canada, Australia, Japan, and governments in Central and Latin America. The European Parliament recently adopted a strong resolution calling on the EU to cosponsor action in Geneva. But the European Union has thus far not announced its decision on cosponsorship. We urge President Clinton to match his commitment to WTO with a similar commitment to wage an effective campaign in Geneva.

At a speech on WTO and China at the Wilson Center on February 2, Sandy Berger, the president's national security advisor, said that Mr. Clinton will be "actively and deeply engaged" in the WTO fight. We urge the president to be just as actively and personally engaged in lobbying other governments at the highest levels on behalf of the U.N. Geneva resolution. This is vitally needed to counter a diplomatic and media campaign that China has already begun in order to defeat the resolution.

Members of Congress can also play a key role by contacting officials in other governments to urge their support at the Commission. A draft of the U.S. text being circulated in Geneva is attached, for your information.

*(3) Code of Conduct for Companies*

China's entry into the WTO, and the implementation of the new bilateral agreement with the U.S., will lead to greater American private investment in China. We urge Congress to enact legislation originally introduced as early as 1991, and most recently in the House in 1995, outlining principles for a "code of conduct" for U.S. companies operating in China.

The legislation should express the sense of Congress that U.S. companies should, among other things, prohibit the use of forced labor in their factories or by their subcontractors in China, prohibit a police or military presence in the workplace, protect workers' rights of free association, assembly and religion, discourage compulsory political indoctrination, and promote freedom of expression by workers including their freedom to seek and receive information of all kinds through any media—in writing, orally, or through the Internet. The "code of conduct" bill should contain a registration and reporting procedure, and require an annual report to Congress and the Organization for Economic Cooperation and Development (OECD) on the level of adherence to the principles by U.S. companies.

*(4) Labor Secretary to China*

U.S. Secretary of Labor Alexis Herman was invited to visit China by her counterpart, the Chinese labor minister, when he came to Washington, D.C., last March. We hope the Committee will urge her to travel to China this spring in order to conduct a high-level dialogue on China's labor practices, including protection of key worker rights, the cases of detained workers and labor organizers, and the creation of social safety nets. She would be the first U.S. labor secretary ever to visit China. Members of the Committee might also offer to accompany Secretary Herman on the trip.

DRAFT TEXT OF U.S. RESOLUTION ON CHINA TO BE PRESENTED AT THE UN  
COMMISSION ON HUMAN RIGHTS

SITUATION OF HUMAN RIGHTS IN CHINA

The Commission on Human rights,

Reaffirming that all member states have an obligation to promote and protect human rights and fundamental freedoms as stated in the Charter of the United Nations and as elaborated in the Universal Declaration of Human Rights, the International Covenants on Human Rights and other applicable human rights instruments, (c/cn.4/1999/1.22, pp 1)

Mindful that China is a party to the International Convention on the Elimination of all Forms of Racial Discrimination, the Convention on the Elimination of all Forms of Discrimination Against Women, the Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment, the Convention on the Rights of the Child, and the Convention Relating to the Status of Refugees and its Protocol of 1967 (1/22, pp 2, amended)

Noting that China has reaffirmed its support for the Universal Declaration of Human Rights and, in the past three years, signed both the International Covenant on Economic, Social, and Cultural Rights and the International Covenant on Civil and Political Rights, although it has yet to ratify either, (1.22, pp 3, updated)

Recognizing the significant transformation Chinese society has undergone since the introduction of the reform policies, including the reduction of government interference in the everyday lives of most citizens and the successful efforts of the Government of China in economic development and in reducing the numbers of Chinese living in extreme poverty, thus enhancing the enjoyment of economic and social rights, (1.22, pp 5, amended)

Taking note of the reports of the Special Rapporteurs on the Question of Torture and other Cruel, Inhuman or Degrading Treatment or Punishment (c/cn.4/xxxx/x), on Freedom of Opinion and Expression (c/cn.4/xxxx/xx), on the Independence of Judges and Lawyers (c/cn.4/xxxx/xx), on Violence Against Women (c/cn.4/xxxx/xx), on Extra-Judicial, Summary or Arbitrary Executions (c/cn.4/xxxx/xx) and on all Forms of Intolerance and of Discrimination Based on Religion or Belief (c/cn.4/xxxx/xx) as well as the reports of the Working group on Arbitrary Detention (c/cn.4/xxxx/xx and add. 1 ??) And the Working Group on Enforced or Involuntary Disappearances (c/cn.4/xxxx/xx), (to be updated as appropriate)

*Welcomes:*

(A) The readiness of the Government of China to exchange information on human rights issues;

(B) Progress on the codification of China's legal practice, including changes to China's criminal procedure law;

(C) China's continued expressed interest/intent to proceed promptly with ratification of the International Covenant on Civil and Political rights and the International Covenant on Economic, Social and Cultural Rights; (1/22, op 1, updated);

(D) Continuing efforts at poverty alleviation and economic development that have improved economic and social rights for many Chinese citizens; (new)

## 2. *Expresses its concern*

(A) At continuing reports of violations of human rights and fundamental freedoms in China and severe restrictions on the rights of citizens to the freedoms of non-violent assembly, association, expression, conscience and religion as well as to due legal process and to a fair trial, including harsh sentences for some seeking to exercise their rights; (1.22, op 2a, updated)

(B) At increased restriction on the exercise of cultural, religious and other freedoms of Tibetans; (1.22, op 2b)

(C) At the harsh crackdown during the past year on members of the China Democracy Party and others who sought to exercise their internationally recognized rights of association, expression and participation on political life (new);

(D) At the severe measures taken to restrict the peaceful activities of Buddhists, Muslims, Christians and others, including Falun Gong adherents who, in pursuing non-violent spiritual interests, sought to exercise their internationally recognized rights of belief and peaceful assembly, (new);

## 3. *Calls upon the government of China*

(A) To enhance the observance of all human rights, including worker rights and rights of refugees, in accordance with its obligations under the human rights conventions to which it is a party, and as a member of the ILO, and to ratify in the near future the International Covenant on Civil and Political Rights and the International Covenant on economic, social and cultural rights; (1.22, op 3a, amended)

(B) To take further measures to improve the impartial administration of justice and the rule of law; (1.22, op 3b)

(C) To release political prisoners, including persons imprisoned for non-violent counter-revolutionary activity; (1.22, op 3c)

(D) To permit the peaceful activities of Buddhists, Muslims, Christians and others who seek to exercise their internationally recognized rights of belief and peaceful assembly; (new)

(E) To preserve and protect the distinct cultural, ethnic, linguistic and religious identity of Tibetans and others; (1.22, op 3d)

(F) To develop meaningful bilateral dialogues with countries or regional groupings which seek them with a view to reaching further positive developments before the next session of the Commission on Human Rights; (1.22, op 3f amended)

## 4. *Decides to continue its consideration of the situation of Human Rights in China at its fifty-seventh session. (1.22, op 4, updated)*

