

S. HRG. 106-744

**GIVING PERMANENT NORMAL TRADE  
RELATIONS STATUS TO COMMUNIST CHINA:  
NATIONAL SECURITY AND DIPLOMATIC,  
HUMAN RIGHTS, LABOR, TRADE, AND  
ECONOMIC IMPLICATIONS**

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**HEARINGS**

BEFORE THE

**COMMITTEE ON FOREIGN RELATIONS**

**UNITED STATES SENATE**

**ONE HUNDRED SIXTH CONGRESS**

SECOND SESSION

—————  
JULY 18 AND 19, 2000  
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Printed for the use of the Committee on Foreign Relations



Available via the World Wide Web: <http://www.access.gpo.gov/congress/senate>

U.S. GOVERNMENT PRINTING OFFICE

67-840 CC

WASHINGTON : 2001

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**Tuesday, July 18, 2000**

U.S. SENATE,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, D.C.*

The committee met, pursuant to notice, at 2:47 p.m., in Room SD-419, Dirksen Senate Office Building, the Hon. Jesse Helms, chairman of the committee, presiding.

Present: Senators Helms, Grams, Chafee, Biden and Feingold

The CHAIRMAN. The meeting will come to order.

Those who are familiar with the lights on the clock or understand why there has been nobody here for awhile, we just had an important vote doing final passage in the Senate.

Senator Biden will be here in just ten seconds. And the other members of the Committee will be here quickly as well.

This is the first of two consecutive days of hearings by the Foreign Relations Committee, and we will address proposed legislation to bestow permanent normal trade relations, as they describe it, upon Communist China.

This afternoon's hearing will be based on a discussion of the foreign policy and the national security implications of China PNTR. Tomorrow, we will examine the human rights, labor, trade and economic implications.

And we have excellent panels, this one in particular. And we welcome you, gentlemen. And I have a few observations to offer in my opening remarks. And I hope Senator Biden will, as well.

The national security implications of giving permanent normal trade relations to China, whatever that turns out to be, directs us forthwith to the nub of the matter.

As members of the United States Senate, we have no higher responsibility than the protection of the security interests of America, and we will be remiss if we stand idly by as this legislation is enacted amidst a dream of increased imports and exports.

Now, whether a permanent normal trade relations with Communist China will lead to a boom in exports for America is an open question. I happen to believe it will not.

But what we are obliged to consider is whether granting permanent normal trade relations to China will or will not serve the national interests of the United States and the American people. There is convincing evidence, I think, that it will not.

Will PNTR lead to a moderation of China's dangerous proliferation of weapons to its fellow criminal regimes around the world? According to the intelligence community, despite years of normal trade relations with China, Beijing's proliferation of these weapons continues unbridled.

Will PNTR induce China to back off from its increasingly belligerent threats toward Taiwan? Will China pull back its missiles aimed at Taiwan's throat? Despite years of normal trade with China, Beijing's belligerence toward Taiwan has grown worse and worse.

Will permanent normal trade relations cause China to work with its neighbors toward a constructive solution to the Spratley Islands problem, rather than continue its current policy of unilateral land grabs? Again, despite years of normal trade with China, Beijing's behavior in this area has not improved one iota.

Now, ladies and gentlemen, these are questions that matter. And given that China's behavior on all of these fronts has worsened over the past 20 years of normal trade relations, are not the answers to these questions a cacophony of, "No. No. No. No"?

It seems to me to be regrettable that many in this town have deluded themselves into believing that a trade deal with China will somehow transform that Communist dictatorship into a normal government that behaves itself.

But most disturbing are those who want to prevent Congress from even addressing these national security questions during the PNTR debate for fear that it might complicate what amounts to a single-minded dollar-driven crusade to make certain that this trade deal is approved by the United States Senate. And I am—for one, I am going to do my best to keep that from happening.

These questions will be addressed before the Senate casts its final votes on whether or not to continue to grant Communist China's dictators permanent normal trade relations.

So first I turn to my distinguished colleague, Senator Biden.

Senator BIDEN. Thank you, Mr. Chairman.

Today's hearing on the national security implications of granting China PNTR is incredibly worthwhile, and I hope that the Majority leader will eventually permit the Senate to debate the granting of China PNTR. We ought to schedule that debate before the session ends in August.

But in the meantime, while we all wait on the Majority leader, I applaud the Chairman for going ahead with today's hearing and another one that is scheduled for tomorrow.

I, for one, am quite ready to adjoin this issue. And I am frustrated that we are not doing that on the floor of the Senate.

Looked at one way, granting permanent normal trade relations to China has little to do with our national security. PNTR for China does not lift any sanctions on China. It does not increase their access to controlled U.S. technology. It does not increase their access to our markets. And that is because the U.S. already grants China normal trade status on an annual basis. And we have done that every year since 1979.

Granting permanent normal trade relations to China is all about opening their markets to U.S. goods and investment from my perspective. And trade concessions are all one-way in this deal.

They drop tariffs. They drop non-market barriers. They agree to increased protection of our intellectual property laws, which they are not doing now.

We agree only to forego an annual vote on China's trade status. An annual threat to deny China normal trade relations has never offered us an effective leverage to encourage greater Chinese compliance with international norms in the areas of human rights, international security, and trade.

And I might add, we can pass this tomorrow. I came here the exact same year the Chairman came. We came together. And the interesting fact is when we want to end trade relations with a country, we have no problem doing that, by a vote in the United States Congress, the United States Senate.

This is not like making a fundamental shift in our policy toward—like the Supreme Court, putting five new people on the Supreme Court. It has changed. We can't go back and say, "Whoa, whoa. Wait. We don't like the way"—the Chairman might say, "Yes. They're too liberal. We want to change our mind" or I might say, "They are too conservative."

This, you can change literally overnight if you want to do it.

But we talk about normal permanent relations as if it means something—permanent means something. All it means is unless we vote otherwise, they maintain the status, as opposed to having to do it every year.

The annual vote was a trigger we never pulled. It was a gun loaded with blanks. And it had no silver bullets in it either.

So on balance, the nuts and bolts of getting China in the World Trade Organization and opening their markets would appear to have little to do with our national security.

But looked at in another way, granting permanent normal trade relations has everything to do with national security, in my view. And why is that?

First, granting China permanent normal trade status would put our relationship on a more firm foundation and begin to build trust, and determine whether or not international norms are prepared to be kept by the Chinese and determine whether or not they are ready to move into a family of nations and understand there are certain basic, basic elements that one has to sign onto in order to be in the game.

China attaches great significance to getting permanent normal trade relations and membership in the World Trade Organization. They want to be a member of the club.

Our support for their membership demonstrates that we do not intend to keep them weak or to blackball them or to keep them out. It says, "You are in, but you've got to keep the standards. You have got to keep the standards," that they are not keeping now in many cases.

Denying China permanent normal trade status, however, could have the opposite effect. It will convince China's leaders that we want to keep them weak and backward; and that we hope to contain them through our economic coercion.

Second, getting China into the World Trade Organization, a rules-based organization, will subject China to multilateral pres-

tures on trade and, over time, enhance their respect for the rule of law, or they will not be in.

Change will come slowly. China will always be governed by its self interest, as all countries are; and as long as this geritocracy dictatorship that exists in China today is in place, fundamental change is not likely to take place.

But one thing does move on—time. I say to the panelists, I ran for the United States Senate when I was 28 years of age. I got elected when I was 29. I wasn't legally, constitutionally, eligible to take office.

I could not do what southern and border states used to do, and that is have the reigning Senator step down for me to be sworn in ahead of others, so we would have seniority, because I did not turn 30 until three weeks later. And I had to be 30 to be sworn in.

And I said during that—at the end of that campaign, Mr. Chairman, they listed all the promises those who won election, who won that year for any office, had made. And there was one sentence in the promise I made. "I promise I will get older." That is the only one.

Well, I want to tell you the only thing I know for certain is that geritocracy cannot last much longer. The actuarial tables are not working their way.

And so, getting China in the World Trade Organization, a rules-based organization, is going to subject them to multi-national pressures on trade; and over the time, they will either become a member of the group of nations that are considered to have a basic system in place, or they will not.

China will come slowly. And China will always be governed, as I said, by self interest. But we want China to recognize the ways in which it benefits by coming in contact with those international norms.

Over time, it seems to me, that is the best way to get China to clean up its act.

The third point I will make is a reason why this relates to our national security. Granting China permanent normal trade status will help promote stability across the Taiwan Straits, in my view.

The Chairman and I are good friends, and we truly are. We have—we look at the same glass, and we are seeing it—I will not suggest who looks at it full or empty, but we are seeing the same glass. There is no argument, that it is three-quarters full or one-quarter empty. And that is the difference in our perspective.

I happen to think that the effect on Taiwan will be positive, not negative. That is because China's entry into the World Trade Organization will facilitate Taiwan's entry into the WTO. And this will encourage investment and trade, reducing the likelihood that either side will act in ways which would endanger peace and security.

And as the old saying goes, it will diminish the likelihood of the Chinese, mainland China, deciding to kill the goose that lays the golden egg. They have had two golden eggs. They have got one now, and there is only one left.

It will also provide a venue for Chinese and Taiwanese officials to meet and resolve economic differences through peaceful negotiations, setting a good precedent for solving tougher political issues.



That is why Taiwan's president, along with all our Asian allies, supports China's entry into WTO.

So, Mr. Chairman, I look forward to hearing our distinguished witnesses, and I hope they will focus their remarks on granting or withholding permanent normal trade relations as it will affect our national security.

I, obviously, am interested in anything else they have to say, as well. But we all know that we have a serious issue with China in the areas of nonproliferation, human rights and trade.

It seems to me that is not the question. The question is whether denying permanent trade relations, thereby denying the United States the commercial benefits to China's accession to the World Trade Organization will enhance or decrease our national security.

I am of the view, at least going into this hearing, that it will enhance it, not diminish it. And I thank the Chairman for his time. I took a little longer than I usually do. But it is important issue for both our perspectives.

The CHAIRMAN. Well, Joe and I kept his promise together. Did we not?

Senator BIDEN. Yes, we did.

The CHAIRMAN. That one promise. We could not help ourselves. [Laughter.]

The CHAIRMAN. This afternoon, we welcome first a long-time friend. And we worked together many times on many issues, the Honorable Elliott Abrams, president of the Ethics and Public Policy Center.

And we are also joined by Joseph Bosco, an adjunct professor at Georgetown University, and senior fellow at the Atlantic Council; and Dr. Bates Gill, director of Northeast Asian Studies at the Brookings Institution.

We welcome all three of you gentlemen and appreciate your patience. This hearing was first scheduled this morning, but the people decided differently about where the committees could meet.

Anyway, Elliott, we will be glad to hear from you first.

**STATEMENT OF ELLIOTT ABRAMS, PRESIDENT, ETHICS AND  
PUBLIC POLICY CENTER**

Mr. ABRAMS. Mr. Chairman, thank you very much for inviting me here today.

I want to make one argument to the Committee today, and it is this: That the national security threat posed by China and the human rights situation in China are two sides of the same coin.

As President Reagan reminded the students at Moscow State University in his famous speech there in 1988, "People do not make wars. Governments do."

Our concern in China is not with the people or with the nation. It is with the regime. And until that regime changes, the threat posed by China will not change fundamentally.

Now, this is a pretty simple point, but I think we often do ignore it. We sometimes call forgetting about human rights a kind of realism. We view a concern with human rights as a luxury sometimes that we can least afford when facing a powerful dictatorship. But that is just the occasion when human rights most deserves our attention.

Donald Kagan of Yale University in his book, *On the Origins of War and the Preservation of Peace*, explained why.

In states where there is direct or representative democracy, it is not possible to exclude issues of morality from consideration, for that is how the ordinary citizen thinks about affairs, both foreign and domestic, and the politicians cannot afford to ignore their feelings.

Democracy is itself a kind of safeguard against aggression. And conversely, the dictatorial regime is always illegitimate, and any system that has no peaceful means to legitimize its leaders is inherently unstable. Those leaders will always be tempted to use foreign adventures as a means of boosting nationalism and their own popularity.

I was Assistant Secretary of State for Human Rights under President Reagan; and in his speech to the General Assembly in 1986 at the U.N., he said:

Respect for human rights is not social work. It is not merely an act of compassion. It is the first obligation of government and the source of its legitimacy. It is also the foundation stone in any structure of world peace. All through history, it has been the dictatorships and the tyrannies that have surrendered first to the cult of militarism and the pursuit of war. Countries based on the consent of the governed, countries that recognize the unalienable rights of the individual do not make war on each other.

Now, that last claim about democracies and war has been subjected to analysis by political scientists, and no doubt they have been able to find some partial exceptions. But the insight, I think, stands; and it is really centuries old. There is a powerful link between a country's internal arrangements and its external affairs. And we ignore that link at our peril.

China is not an exception to that rule. The regime in Beijing is today ideologically bankrupt. I doubt that there are ten convinced Communists remaining in the ranks of the Chinese Communist Party. The regime tries to legitimize its power through economic progress; progress, which in turn further undercuts its own ideological legitimacy, and tries to legitimize its power through an assertive foreign policy as the Soviet Union did. It tries by demonstrating its might and its growing power on the world scene, both to stoke nationalistic feelings at home and to deter any potential domestic opposition. Shows of force, massive increases in spending on military power, threats against Taiwan are examples, intended for a domestic, I think, as much as a foreign audience. A democratic government in Beijing, trying to win the next elections, would be forced to show the people that it will not undertake risky foreign adventures and will not waste money on excessive military spending. The present regime, reeling from its own sense of illegitimacy, instead uses military matters to shore up its hold on power. Threats against Taiwan are the foreign side of the crackdown on Falun Gong, two sides of the same coin again. Force as a substitute for consent, legitimacy, respect for human rights.

I therefore hope that the Committee will keep human rights very much in mind when thinking about the security challenge posed by China. There is a strong link between that regime's domestic and its foreign policies. Trade deals that enhance the regime's power without furthering the cause of human rights increase the danger to us. Political reform in China ultimately lessens the danger to us. Our security problem arises from the fact that political reform is likely to be a slow and lengthy process, so that in the short run the regime gets richer and more powerful and may divert those resources toward its military.

Put another way, if more trade leads to economic change and wealth, and undercuts the legitimacy of the regime while increasing the resources available to it, is it not logical to think they will use those resources in a desperate effort to stay in power?

As the gap grows between China's freer and freer economy and its Communist political arrangements, the possibility of a real confrontation grows with it. And that is why I believe we must, as a national security matter, promote political reform and respect for human rights in China just as strongly as, and at the same time as, we promote trade and economic reform.

As President Reagan put it, this is not social work. It is a critical national security issue.

I thank you again, Mr. Chairman, for the honor of appearing here today.

The CHAIRMAN. Thank you, and well said.

Mr. Bosco.

**STATEMENT OF JOSEPH BOSCO, PROFESSIONAL LECTURER,  
ASIAN STUDIES PROGRAM, GEORGETOWN UNIVERSITY  
SCHOOL OF FOREIGN SERVICE; AND SENIOR FELLOW AND  
INDEPENDENT RESEARCH SCHOLAR, THE ATLANTIC COUNCIL  
FOR THE UNITED STATES**

Mr. BOSCO. Mr. Chairman and members of the Committee, I appreciate the opportunity to appear before you today.

A few weeks ago, Georgetown University's Asian Studies Program—

The CHAIRMAN. Mr. Bosco, if you would, pull your mike a little closer.

Mr. BOSCO. Yes.

The CHAIRMAN. Thank you, sir.

Mr. BOSCO. A few weeks ago, Georgetown University's Asian Studies Program commemorated the 50th anniversary of the outbreak of the Korean War, the forgotten war.

The most important of the many painful lessons of that conflict was the need to convey clearly to potential adversaries America's commitment to our own security interests and those of our friends and allies.

Historians blame Secretary of State Acheson's speech in January 1950 for triggering the war, because he did not include South Korea within the West's security perimeter. That was seen as a green light for North Korea to invade the South with impunity and carry on its "One Korea" reunification policy.

Acheson argued in his memoir that he had not explicitly said that we would not defend South Korea or Taiwan and that he had

invoked the United Nations Charter as their protection against outside aggression. That was the term he used, “outside aggression.” We might retroactively describe that policy as one of “strategic ambiguity.”

But the principle of international law he declared for Korea and Taiwan was and is important. Military attack by one established self-governing part of a divided nation against the other self-governing part constitutes “outside aggression.” And that is precisely how the United Nations judged North Korea’s invasion of the South, and Communist China’s participation in the war.

For too long, that critical lesson of the Korean War has been forgotten or ignored. The international community has been silent as Beijing proclaims its presumed right to incorporate Taiwan by force, which it repeated again during Secretary Cohen’s visit a few days ago.

When North Korea crossed the 38th Parallel, it transgressed what was intended as an interim line on a map drawn only five years earlier, and yet the world rightly condemned it as a violation of South Korea’s sovereignty.

How much more serious would be a Chinese attack across the Taiwan Strait, 100 miles of open seas between Taiwan and the Mainland, a vital international waterway, after a half-century of separate governmental coexistence?

In 1995 and 1996, we saw a small hint of the international repercussions if China were to reignite the civil war that ended 51 years ago. When Beijing launched its missiles, they closed not only Taiwan’s ports, but the entire Taiwan Strait, as international flights and ocean shipping were halted or diverted, trade was disrupted, and insurance rates and other costs soared.

That was a clear violation of the United Nations Law of the Sea Convention, which prohibits non-peaceful uses of international straits, as well as of the U.N. Charter, which outlaws both the use and the threat of force.

What, then, of current American policy on Taiwan? China wants to bring Taiwan under its control by force, if necessary. But it does not want war with the United States.

In December 1995, Chinese officials directly asked their American counterparts how Washington would react if China attacked Taiwan. Instead of a clear and direct deterrent response that would have put the matter to rest, the answer they got from the world’s only superpower was, “We don’t know, and you don’t know. It would depend on the circumstances.”

So naturally Beijing keeps probing to find the right circumstances that will free it to attack Taiwan. Its list of pretexts for a military action continues to grow, including not only Taiwan’s declaring its independence, but also simply taking too long to accept Beijing’s rule under its “one China principle.”

Washington should give Beijing the same bottom line message North Korea has today. Force is not just frowned upon. It is unacceptable. That, after all, was the original basis for switching recognition from the Republic of China to the People’s Republic of China, and for admitting the P.R.C. to the United Nations as a peace-loving state.

What does all this have to do with PNTR? The key words are “permanent” and “normal.” The prospect of normal trade relations defers rash action by Beijing, and that leverage will obviously be lost when the bill becomes law unless appropriate conditions are attached in some form or another.

As for the normality of our relations with China, the prospect of war over Taiwan and China’s proliferation of nuclear and missile technology to Pakistan, North Korea, Iran, Libya and other rogue states speaks for itself.

In its military doctrine and strategic planning, China considers America its primary potential enemy. On the very day Secretary Cohen arrived in Beijing, the headline in China’s official press read, “U.S. Threat to World Peace.”

The Secretary, himself, noted a pattern of confrontational Chinese rhetoric and warned of a danger of serious miscalculation.

Clearly, Chinese and American perceptions of international reality diverge dramatically, despite 20 years of engagement. Is it realistic then to expect normal trade relations with a country with which we have such abnormal security relations?

Whatever the fate of PNTR, the United States needs to avoid another war by miscalculation. Only strategic clarity will ensure peace and—regional peace and stability.

The House vote demonstrated that for this administration and for this Congress trade trumps human rights. The question the Senate will decide, given China’s reckless proliferation, its aggression toward Taiwan and its threats to the United States, is whether trade also trumps America’s national security.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Dr. Gill, we welcome you.

**STATEMENT OF DR. BATES GILL, SENIOR FELLOW IN FOREIGN POLICY STUDIES; AND DIRECTOR, NORTHEAST ASIAN STUDIES, BROOKINGS INSTITUTION**

Dr. GILL. Thank you very much, Mr. Chairman and members of the Committee, for allowing me this opportunity to present these remarks to you on our future security relationship with China.

I want to focus most of my remarks on questions of nonproliferation and arms control. My remarks will consist of three parts.

Let me begin by considering where I think our relationship is going with China. I am very pleased that we have this chance to critically review this question because, from my view, we have devoted too few resources in the past to understanding the many challenges and opportunities which China places before us. And I do not think this can continue.

We are at the threshold of a very new and fundamentally different relationship with China, especially with regard to our security relations. These will be more complex and difficult in many ways than ever before, presenting both new challenges, but also, I believe, new opportunities to us, to shape external and internal policies.

Assuming the PNTR status and World Trade Organization membership will occur for Beijing, China will be more compelled than ever before to accept global norms. China will have an increasing

stake in the status quo, which supports the stable flow of goods and services, and will likely be less inclined to disrupt the regional and international environment.

But at the same time, I think these developments also mean that China is likely to become more technologically and economically capable. And it will be better equipped than in the past to pursue its own national security agenda.

Secondly, as a result of opening to the outside world, on the one hand, there will be a growing cadre of better educated, Westernized and pragmatic leadership elites in China. This is going to lead to a more pluralistic society. It is going to lead to more cooperative foreign policies, and it will further enfeeble one-party rule in China.

But we must be clear, Mr. Chairman, that future generations of Chinese leaders will also be more confident, and they will seek to translate China's power into the realization of its national interests.

Thirdly, let me talk about arms control. I think we are at the end of a remarkable decade, Mr. Chairman.

China has moved from an outside opponent of arms control and nonproliferation to becoming a member of all major multilateral arms control and nonproliferation treaties. The United States and China have reached a number of important bilateral agreements, which overall have curtailed Chinese proliferation activities.

And China has taken upon itself unilateral, unprecedented steps to put in place a steadily growing logistical and policy infrastructure to better implement its policies. But, again, we know that difficult issues lie ahead.

China's nuclear force is undergoing in an important modernization program, which is going to present us with an entirely new strategic situation in ten to fifteen years. For the first time, I would argue, we are going to face a China that has a truly credible nuclear deterrent.

On our bilateral nonproliferation agenda, I think we are down to the hard cases right now, Mr. Chairman. China will only with great reluctance fully close its sensitive military-technical relationship with Pakistan, which is a quasi-ally for Beijing. As Doug Paul has written, Pakistan is "China's Israel," with all the pluses and minuses that that entails.

China will increasingly link its arms control and nonproliferation cooperation to things it finds strategically important such as Pakistan, such as our arms sales to Taiwan and, increasingly, our decisions to move forward with the national missile defense.

Now, given this more complex environment, what tools do you think we should employ then to deal with this problem? I would like to look at what has succeeded in the past and see how it can be applied in the future.

Successful U.S. policies to moderate Chinese activities of security concern, and particularly with regard to proliferation, have largely resulted from the combination of four principal factors. Now, it is difficult to make these all work in concert, but the more we can, the better.

First, increasing China's integration into the international community, especially with regard to participation in multilateral

internationally-agreed-upon arms control and nonproliferation commitments.

The steady opening of China to the outside world over the past 25 years has had an undeniably positive effect on moderating China's approach to its foreign policy generally and to its proliferation and arms control policies in particular. Has it come as far as I would like to see? Of course, not. But I think the trend is absolutely clear to anyone who takes a good look at it.

As I said, further integration of China as a stakeholder in the international order, through granting PNTR and bringing it into the WTO, will undoubtedly have positive results for U.S. interests.

Secondly, we should assure that we have multilateral support, especially among our friends and allies, as we attempt to curb Chinese activities of concern. Such an approach is far more likely to result in success than unilateral actions, which will end up isolating the United States rather than isolating China.

As Mr. Biden pointed out, China's leadership covets international legitimacy. If we work hard with our allies to assure our China policy is backed by allies and other international friends, I think we can multiply our effect in Beijing.

Thirdly, we need to consider the extension of appropriate, tangible bilateral incentives to China in return for moderating its activities of security-related concern.

We are the most important bilateral relationship China has. Everything that they want—socioeconomic modernization, international legitimacy, growing Great Power status, and national reunification—cannot possibly be realized in the face of a hostile relationship with the United States. We should try to take advantage of this need for China to have a good relationship with us at every turn.

And finally, Mr. Chairman, the fourth important factor is exercising a credible, well-crafted, bipartisan sanctions policy. I believe that under certain conditions, our sanctions policy can work in moderating and reversing Chinese proliferation activities.

But first and foremost the sanctions must be credible. Chinese decision makers have to believe that we will actually implement them.

When the sanctions under consideration are too sweeping or create divisiveness in Congress or have the potential to significantly damage other U.S. interests, such as business or trade concerns or alliance relationships, China knows that these threats are not credible. The annual threat to withdraw most favored nation status is a perfect example of this.

On the other hand, sanctions imposed on China in 1991 and 1993 for its missile sales and the threat of sanctions in 1996 for its ring magnet sales to Pakistan were effective in getting China to accept a number of bilateral and multilateral commitments. That is because these sanctions or the threat of them enjoyed broad support at both ends of Pennsylvania Avenue.

I also believe that sanctions should not be mandatory. This does not assuage certain domestic concerns about sweeping burdens on American businesses, and it also might undermine prospects for other promising channels to shape Chinese security policies.

I think the case of Senator Brownback's amendment last year to suspend certain sanctions against India and Pakistan in order to avoid mandatory sanctions inconsistent with U.S. interests is instructive.

Let me turn to the future, in conclusion, Mr. Chairman. How do we translate these factors for success into a more effective security policy and legislation toward China?

First of all, I think we have to expect that our security relationship with China will enter a more complex and difficult period. But nevertheless, a continuing approach of engagement, including PNTR status for China, leavened with a far greater degree of pragmatism and a more well-informed sense of what can and cannot be achieved with China, still holds out the best prospects.

These are difficult choices, maybe not the ideal choices. But of the ones we have, this still holds out the best prospects for shaping favorable decisions and directions in Chinese domestic, foreign and security policies.

Secondly, Mr. Chairman, I believe our policies need to cope with these more complex challenges by increasing our intelligence, research and analysis resources to better assess and monitor China's proliferation activity.

It makes no sense to allocate a comparatively small amount of resources to understanding China, considering the enormous challenges and opportunities it presents to us.

Lastly, Mr. Chairman, let me turn to what I have termed the hard cases of Chinese proliferation concern. I think we need to do more to assure that the four key factors noted above are working in concert.

Looking specifically at sanctions legislation, it is probably unwise to craft mandatory sanctions; and sanctions should avoid as much as possible undermining the other three important factors I have noted for success: drawing China in, support from friends and allies, and appropriate incentives.

I would like to close with a few words, Mr. Chairman, on an issue of immediate concern to this Committee. And that has to do with China's proliferation activity with Pakistan.

I believe the President should exercise his discretion to impose sanctions if the allegations recently reported in the New York Times are indeed accurate.

To avoid such sanctions, China should be fully forthcoming in investigating the allegations we have made, and should take public steps to put in place a regulatory and export control framework related to missile technologies, which they have not done yet, and fully clarify the extent of its missile-related nonproliferation commitments.

I also think that we should avoid expending any further political capital with China to have it join the Missile Technology Control Regime at this time.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you, sir, very much.

[The prepared statement of Dr. Gill follows:]



## PREPARED STATEMENT OF DR. BATES GILL

## I. INTRODUCTION

Allow me to begin by thanking you, Mr. Chairman, and the members of this distinguished Committee, for the opportunity to speak on the critical question of our future security relationship with China.

In the context of the forthcoming Senate vote on permanent normal trade relations (PNTR) status for China, I have been asked to provide my assessment of our security relationship with that country. As an analyst for more than 15 years of U.S.-China security relations, especially with regard to questions of nonproliferation and arms control, I will focus my remarks mostly in this specific area of concern.

My formal remarks consist of three parts. First, I will discuss the future evolution of our security relations with China, arguing that we have entered a fundamentally more complex era of both opportunities and challenges. Second, I will consider what general U.S. policies toward Beijing have proven successful in the past, and how they might be modified, strengthened and refined for our future security-related dealings with China. Third, I will propose several policy recommendations for our future security relationship with China.

## II. FUTURE U.S.-CHINA RELATIONS: COMPLEX PROBLEMS CALL FOR COMPLEX TOOLS

Mr. Chairman and members of the Committee, we should welcome this chance to critically review our security relationship with China. To start with a very practical concern, our country has devoted too few resources toward understanding and appropriately responding to the many challenges and opportunities which China places before us. Unfortunately, in the absence of more reasoned and informed debate, China policy is too quickly politicized, resulting in either breezy optimism on the one hand, or over-the-top alarmism on the other. Neither serves U.S. national security interests.

This cannot continue if we are to uphold U.S. national interests while maintaining a generally stable relationship with China. We are at the threshold of a fundamentally different era with China where our future security relationship will be far more complex and potentially difficult than ever before, presenting at once both new challenges but also unprecedented opportunities to shape China's internal and external policies in ways favorable to U.S. interests.

This point can be quickly illustrated through a few powerful examples. Assuming that PNTR status will be approved, and that China will enter the World Trade Organization (WTO) in the near future, China will be compelled more than ever to open its doors to the outside world, and with it the flow of global norms, best practices, corporate governance and accountability, rules-based behavior, regulatory frameworks, and enforceable requirements to live up to international standards. China will have a growing stake in the status quo which supports the free and stable flow of goods and services, disinclined to disrupt the regional and international environment from which it benefits considerably. However, these developments also mean that China is likely to become more technologically sophisticated and more capable economically, meaning it is better equipped than in the past to pursue its own national security agenda. Alternatively, we should not dismiss another—though in my view, less likely—scenario: a China that mismanages the transition to greater openness and becomes less stable internally would also pose a more complex security problem for the United States.

Moving on to consider socio-political developments in China, we should expect that as a result of its opening to the outside world, there will be a growing cadre of better educated, more Westernized, less polemical, non-ideological, and pragmatic elites coming to the fore in China. We should welcome this development, especially as it may lead to a more pluralistic society, pragmatic, cooperative foreign policies, and further enfeeble one-party rule in China. But future generations of Chinese leadership will be increasingly confident, seeking to translate China's growing power into realization of Chinese national interests which may run contrary to ours. This is likely to be true whether we are talking about a "democratic" China or otherwise, as the foreign policies of other Great Power democracies such as Russia, India, or even France often illustrate.

In the area of arms control and nonproliferation, over the past decade China went from an outside opponent of arms control and nonproliferation, to becoming a member of all major international arms control and nonproliferation treaties. At the bilateral level, the United States and China have reached important agreements which overall have significantly curtailed Chinese proliferation activities. Also, China has taken a number of unprecedented unilateral actions, putting in place a

nascent, but steadily growing logistical and policy infrastructure on arms control and export controls in order to better implement and monitor its commitments.

On the other hand, there will be still some very difficult discussions ahead. Generally speaking, China has made the “easy choices,” choosing to go along with arms control and nonproliferation commitments which were either low-cost, for which the incentives were worth the concession, or which they deemed to be clearly in their national interests. In the future, tougher questions of Chinese national interests will likely limit further cooperation. For example, having sensed its strategic vulnerability, especially with regard to its current ICBM force, China’s ongoing nuclear weapons modernization will proceed over the next 10 to 15 years to present us with a far more qualitatively and quantitatively capable Chinese force. China will deploy an all-mobile, solid-fuel missile force, build a larger number of strategic missiles, possibly with multiple warheads. China will also likely continue to stonewall progress in Geneva, insisting that the Conference on Disarmament take up discussions to ban outer space weapons (code for constraining our national missile defense plans).

On our bilateral nonproliferation agenda, we are also entering a new era. While the past 10 to 15 has seen encouraging progress, we are now down to the “hard cases.” These will be more difficult to resolve for several reasons. First, rather than being simple questions of undesirable transfers which China could halt at relatively low cost, Beijing will link future cases more than ever to their larger national security concerns. China will only with great reluctance fully close its sensitive military-technical relationship with Pakistan—a quasi-ally for Beijing—owing to China’s strategic concerns with India. In addition, China will more openly link its arms control and nonproliferation cooperation to U.S. arms sales to Taiwan, a matter of enormous strategic interest to China. It is also clear that China will link its arms control and nonproliferation policies to our national missile defense decisions.

In addition, the nature of Chinese proliferation activity is changing from the transfer of complete platforms and systems—such as missiles—to the transfer of technologies, subsystems, technical assistance, and production support—all far more difficult to monitor and verify.

In sum, Mr. Chairman, we will enter a fundamentally different era requiring greater resources, deft diplomacy, and seriousness of purpose to achieve our national security interests while maintaining a stable relationship with China. It will be a period characterized by complexity and contradiction. Under these conditions, simplistic, black-and-white understandings of U.S.-China relations—whether seeing China as a “strategic partner” or a “peer competitor”—may be politically elegant, but are strategically foolhardy. At best, such naivete holds out the false hope for easy answers when there are none. At worst, such simplistic nescience leads us down potentially dangerous paths for U.S. interests. In this new environment, we need to expand and refine our policy options, not boil them down to pat answers. A more diverse, flexible and sharpened set of tools is needed.

### III. U.S. SECURITY POLICY TOWARD CHINA: WHAT WORKS, WHAT DOES NOT

Given these uncertainties, challenges and opportunities, what tools should we employ to handle a far more complex security relationship with China, and seek to stabilize, moderate and even reverse Chinese activities of concern? To start, we should consider what has worked, and what has not.

Simplistic, single-factor analysis on this question gets us nowhere. Successful U.S. policies to moderate Chinese activities of security concern, and in particular proliferation, have resulted from a combination of four principal factors. It is well-nigh impossible to orchestrate all four to act in perfect unison. But the more these factors can work in concert, the better the results. These factors are:

*First: Increasing Chinese integration in the international community overall, including specific participation in multilateral, internationally-agreed-upon arms control and nonproliferation commitments.*

This general point seems obvious, but it is too often lost nevertheless. The steady opening of China to the outside world over the past 25 years has had an undeniably positive effect on moderating China’s formerly contrarian and provocative approach to its foreign policy generally, and to its proliferation and arms control policies in particular. Has this process come as far as I would like to see? No. But the trend is absolutely clear to anyone who takes a good look.

Further opening of China and its continued integration as a stakeholder in the international order—such as through PNTR and WTO membership—will undoubtedly have positive results for U.S. interests. That does not mean we will not have difficulties with China. We certainly will. But specific policies to moderate Chinese security-related actions will be far more successful when embedded in an overall ap-

proach which draws China in rather than shuts China out. This is the number one weapon we have to moderate Chinese security policy, and we should exploit it at every turn.

*Second: Assuring we have multilateral support, especially among our friends and allies, to curb Chinese activities of concern.*

Such as an approach will have a far greater impact than unilateral actions on our part which may end up isolating us, rather than isolating China. China's leadership covets international legitimacy, and probably recognizes they have little to offer in the international marketplace of ideas, except to convey an image of good international citizenship. By doing the hard work to assure we have support in our China policy from our friends, allies, and other international actors, we not only multiply our effect on image-conscious leaders in Beijing, but can avoid taking actions which damage relations with our most important international supporters.

*Third: Extending appropriate, tangible bilateral incentives to China in return for moderating its activities of security-related concern.*

The United States remains by far the most important bilateral relationship China has. China's principal national security goals—socio-economic modernization, international legitimacy, growing Great Power status, and national reunification—cannot be fully realized in the face of an unstable or hostile relationship with the United States. Indeed, either in order to avoid a significant downturn in U.S.-China relations, or with the prospects of improved relations in mind—such as through successful summits—China has taken a number of steps to improve its proliferation record: establishing a national export control system for nuclear- and chemical-related exports; cutting off cruise missile transfers and new nuclear cooperation with Iran; joining the Zangger Committee; agreeing to adhere to the original guidelines of the Missile Technology Control Regime; cutting off its ballistic missile sales to Syria. We should take greater advantage of China's desire to have a stable relationship with the United States by making very clear that the relationship will suffer should China take certain actions, and by holding out the real possibility of stability and mutual benefit when Chinese security-related policies do not challenge fundamental U.S. interests.

*Fourth: Exercising a credible, well-crafted, and bipartisan sanctions policy.*

Under certain conditions, U.S. sanction policies have worked in moderating or reversing Chinese proliferation activities. First and foremost, the sanctions must be credible. Chinese decision makers must believe that we will actually implement them. When the sanctions under consideration are too sweeping, create divisiveness in Congress, or have the potential to significantly damage U.S. interests (such as business and trade concerns or alliance relationships), China will not find the threat of sanctions credible. For example, the annual threat to withdraw most-favored nation status from China was rarely taken seriously in Beijing. On the other hand, sanctions imposed on China in 1991 and 1993 for its missile sales, and the threat of sanctions in 1996 related to Chinese ring magnet transfers to Pakistan, were effective in moderating Chinese activities (adhering to MTCR, joining the Zangger Committee, establishing a regulatory framework to monitor nuclear-related exports) because the sanctions enjoyed broad support at both ends of Pennsylvania Avenue.

Furthermore, the record indicates that for sanctions to work, they should be well-crafted: based on solid evidence, targeted as much as possible against the offending entities, and not on mandatory hair-triggers. Not only does this assuage some U.S. domestic concerns by eschewing sweeping burdens on American business and trade interests, but sends the right message to China to express well-founded American concerns, while not undermining prospects for other promising channels to shape Chinese security policies. The case of Senator Brownback's amendment last year to suspend certain sanctions against India and Pakistan—and avoid mandatory sanctions inconsistent with U.S. interests—is instructive here.

At the end of the day, realism, prudence, and Constitutional sense tell us that sanctions imposed against another state, and particularly a state with the geopolitical importance of China, should ultimately be political decisions reached under the authority of the President to conduct foreign affairs.

Realistically speaking, it is nearly impossible to orchestrate all of these factors flawlessly at once, but the more it can be done, the better. It is equally true that policies and legislation which weaken any of these factors—by running contrary to multilateral agreements, unduly threatening the interests of allies and friends, offering few or no incentives, and wielding improbable, divisive, and inflexibly punitive sanctions—will dramatically diminish the possibilities of Chinese compliance. Moreover, because we are now down to some of the “hard cases” with China, it be-

comes all the more important that we work to coordinate, harmonize, and sharpen these four critical factors in order to achieve maximum effect.

#### IV. FUTURE SECURITY POLICIES TOWARD CHINA

How to translate these factors for success into effective security policy and legislation vis-a-vis China? I will briefly outline a few thoughts which address some immediate concerns.

*Limited engagement:* Overall, Mr. Chairman, we should expect our security-related relationship with China to enter a more complex and difficult period. Nevertheless, a continuing engagement approach, leavened with greater pragmatism, a humble understanding of the complexities involved, and a well-informed sense of what can and cannot be achieved with China still holds out the best prospects for shaping favorable directions in Chinese domestic, foreign, and security policies. We have significant capacities to foster positive change in China, and we should continue to do so through the engagement approach, such as approving PNTR. On the other hand, we should not oversell the prospects for change, and we need to be more cognizant of problems which lie ahead. Working closely with friends and allies, we can elicit the best results from opportunities in China, while realistically hedging against potential problems.

*Increased intelligence and analytical resources:* New and complex challenges and opportunities demand greater resources devoted to intelligence and analysis on China. For example, the more complex nature of Chinese arms control and non-proliferation policies—more closely linked to Chinese national security concerns, and involving more in the way of “software,” rather than hardware transfers—constrains our ability to understand and respond effectively to these “hard cases.” As such, our intelligence, research and analysis resources should be considerably increased to better assess and monitor China’s proliferation activity, as well as Chinese security-related decisions, commitments, and actions more generally. It is difficult for me to understand why we continue to allocate a comparatively small amount of resources toward understanding China, considering the enormously important challenges and opportunities that country poses before us.

*China’s strategic modernization and U.S. missile defense:* In coming years, we face an unprecedented strategic situation with China: a far more capable nuclear weapons power with a more credible, increasingly ready, and highly survivable strategic deterrent. As we move forward with our National Missile Defense (NMD) plans, we need to more fully integrate this new reality into our thinking. The current debate on these questions—either a form of NMD or stable relations with China—strikes me as wrongheaded. Rather, our aim should be to achieve both.

*Responding to Chinese proliferation:* Looking at the current “hard cases” of Chinese proliferation concern, we need to do more to assure that the four key factors noted above are working in concert. Looking at specifically at sanctions legislation, it is unwise to craft mandatory sanctions, and any sanctions should avoid as much as possible undermining the other three important factors for success: drawing China in, support from friends and allies, and incentives.

As an alternative, I would suggest the establishment of a commission to annually review China’s proliferation record—perhaps akin to the commission Senator Byrd has suggested recently—which would assess progress in China’s proliferation record and make recommendations to the President. The report would provide greater detail and analysis than currently available in either the CIA’s semi-annual publication on proliferation or the State Department’s annual report on arms control and nonproliferation compliance. The system could be structured such that the President would need to respond to the recommendations, either by seeking to put them in place, or explaining in detail his or her policy choices contrary to the recommendations of the commission.

Because of its immediate interest to the Committee, I will close with a few words on China’s proliferation activity with Pakistan. The President has at his disposal a range of sanctions options, and he should exercise his discretion to impose them in one form or another if the allegations recently reported in the *New York Times* are accurate. To avoid such sanctions, China should take public steps to put in place a regulatory and export control framework related to missile technologies, and fully clarify the extent of its missile-related nonproliferation commitments. We should not expend further political capital with China to have it join the Missile Technology Control Regime at this time.

Thank you very much Mr. Chairman and members of the Committee.

The CHAIRMAN. Now, we go to questions. And, Joe, I decided today, maybe five or six minutes the first round, that we should try that.

I have a bunch of questions I want to ask. Now, Elliott, you were Assistant Secretary of State for Latin America in an era in which the region moved from being largely undemocratic to mostly Democratic, in part because of your good efforts.

Now, am I right to conclude that relying only on trade, free trade absent U.S. diplomatic pressure, would not have worked in frustrating or facilitating, or one or the other, democratic transitions in these countries? Yes or no?

Mr. ABRAMS. Well, I think you are right, Mr. Chairman. We did not have free trade as something to hold out in some of those cases.

The CHAIRMAN. Right.

Mr. ABRAMS. We were just using pressure for human rights improvements, and it worked. Trade was not the magic key in those cases.

The CHAIRMAN. Then why is China different today than from those cases then?

Mr. ABRAMS. Well, I think the trade does have the effect of pushing an economic opening along—I think we saw that in or we have seen it in a lot of countries—but not if it is taken alone.

And I would say in that sense that China is not different. That is, if it looks to the Chinese government or to the Chinese people that we are only interested in trade, then it is not going to facilitate an opening to human rights except over, you know, a—maybe over a 50-year period.

That is why I think there needs to be some conditioning of the grant of PNTR or at least simultaneous demand for human rights improvements, or the message—the message can actually be a negative one.

The message that can get through to the government is, “We are going to go ahead with the trade. We only care about the trade. We do not care about the human rights.” And then we are going to get human rights setbacks that make the situation more dangerous.

The CHAIRMAN. So you have made exactly the point that I was leading up to.

I wonder how many people over in the House who voted so readily for this thing have ever talked or heard from Harry Woo, who has described some of the awful situations going on in that country. And it is not by the people. It’s by the government.

Anyway, China’s transition from a Communist dictatorship to Democracy—and I cannot imagine that that is going to happen—will no doubt be beneficial to the security of the Asia Pacific region and indeed the United States.

Now, which is more important to that security—and I ask this question seriously—PNTR or standing up for Taiwan as a model? And that is what Taiwan is, a model for how a Chinese-governed society can move from one-party dictatorship to a Democracy. Which is the one?

Mr. ABRAMS. Given those two choices, I have no trouble saying standing up for Taiwan. If the Congress does not approve PNTR, there will still be trade with China. There may even be a substantial increase over the years in trade with China. China will join the

WTO. It would not be that huge an event as a change in the status of Taiwan.

If the United States were to abandon Taiwan, if that model of a democratic Chinese republic were to be destroyed, I think it would be a far, far graver setback to the hope for political change on the mainland.

The CHAIRMAN. And I would want to factor in Tibet in this whole equation, too.

I want to ask both of you gentlemen to address that question. Mr. Bosco.

Mr. BOSCO. Yes, Mr. Chairman. I certainly would agree with the statements that have been made by Mr. Abrams that Taiwan is clearly a model for a Chinese civilization to have evolved through a democratic system successfully and peacefully. And one would hope that China would some day follow that model.

Dr. GILL. Your first question, Mr. Chairman, is a very interesting one to pose. But we have an entirely different historical relationship in this hemisphere with our neighbors in South America and, of course, their own historical background being largely of European descent, has already introduced into the region a more fertile bed, I would say, in which democracy could grow through other things besides trade.

It is a tougher nut to crack with China. I do not think we have the same sort of relationships, nor does it have the same historical underpinnings for that to succeed.

Given those conditions, I think, in many ways we are more limited. We cannot apply the same types of policies to try to shape the building of democracy in China. But I think that trade is an excellent tool.

I know you asked the second question as an either/or one. But I know that you are aware, of course, that when it comes to having to forge policy, our goals should be both.

Our goals should be to have those tools available to us to bring change to China, the best ones we have—and I think PNTR is among them—and make sure that we continue to defend and, I would say, promote Taiwan as a model, just as you suggest. Our goals should be both, sir.

The CHAIRMAN. Mr. Abrams, if I could go back to you for just a moment: Can I assume then that it is your view that this is not the time to give PNTR to China?

Mr. ABRAMS. I serve as Chairman of the U.S. Commission on International Religious Freedom. The Commission actually voted unanimously on this, so although it is mixed by party and religion, we voted nine to zero to suggest to Congress that before PNTR be granted, a series of human rights measures be voted by Congress so that we avoid what we would view as a danger, that a terribly wrong message would be sent to or received by, not just the regime, but by the people of China, that we are uninterested in religious freedom in China.

Because if we did that, I think you can see real setbacks in human rights there. So our view would be that those human rights steps have to be taken in advance or simultaneously; and that PNTR, the Commission voted, should not be voted absent those human rights measures.

The CHAIRMAN. I agree.

Senator Biden.

Senator BIDEN. Thank you, Mr. Chairman.

In my limited experience in the Senate, I have observed that almost all complicated questions we have to address—and this is complicated because if you think of the basic premise, we all agree on, is, one, there is going to be trade with China. There should be trade with China.

Two, we should do something about the human rights, to the extent we can effect it. We should deal with proliferation to the extent we can effect it.

And, three, we should be making it clear that we mean what we say about Taiwan. I mean, everybody for or against permanent trade relations with China agrees on those three things.

And so, usually, what happens is legitimately we look at what the perception will be of our actions. The former Secretary makes the point that it is reasonable to conclude that if we grant it permanent trade relations, that those seeking religious freedom in China would say, “Look, they have given up on us. They obviously are condoning this administration,” and it would be very depressing.

I am sure there is some truth to that. Conversely, the point is made by Mr. Gill if we, in fact, deny it, the perception in China will be we are trying to encircle them. We are trying to isolate them. So perceptions matter; I acknowledge that.

But it seems to me that—and I am going to ask you all to comment on this when I finish. It seems to me that as one who, along with the Chairman, had attempted in the past to deny Most Favored Nation status, the yearly review of China, that it has become a hollow exercise, that the perception that we give when we say it is a yearly undertaking, knowing that we constantly grant it, it makes it a hollow reed.

It communicates that we really do not mean what we are about. We are really not concerned about their violation of human rights. We are really not concerned about their proliferation, because we never use the weapon, the blunt instrument that is available to us.

And, so, I have come to the view that the yearly review, in fact, creates the wrong impression. With it there, and not employing it, the implication I would say is reasonable for people to draw in China, including the leadership, “Do not worry about the United States. We can do what we want.”

So I have backed off that. And I have come to the view that permanent trade relations solves the one perceptual problem about isolation, and does not prevent us from doing what we need to do anyway.

My criticism of the administration is for not imposing sanctions as they exist now, now. We have laws on the books—we do not need the Thompson Amendment. We have on the books enough rationale to impose sanction-specific, company-specific sanctions on China for their recent activities with Pakistan. I think we should do that.

That does not go to changing legislation. That goes to the will of the administration, the balance they make.

The third point that I would make is that I do believe—and this is a place again where the Chairman and I disagree in degree. I do believe becoming a member of an international organization that has basic rules of the road and behavior moderates and/or ameliorates the conduct of the country joining, or else they do not join—I mean, they join, and they essentially are expelled or become *persona non grata*. So, I do think being a part of WTO has an impact upon—may have an impact upon—Chinese behavior in the next two decades.

Having said all that, Mr. Gill, the thing that concerns me the most is China and national missile defense.

In your testimony, you say that the current debate pitting national missile defense against stable relations with China is wrong-headed, and you say your aim would be to try to do both. How do you? Elaborate on that for me. How do you do both of those things?

Dr. GILL. I think it would take several steps. One would be diplomatically oriented; and that would try to bring a greater degree of strategic reassurance to China through a continued dialogue.

The way things are going right now with China on this question is quite poor. I do not think this administration has much credibility at the moment in China, not only because it is toward the end of its term; but also because many in China recognize that this President is unable to deliver certain promises, especially with regard to China.

So it is quite possible that a new administration that can build up a more credible and strategically reassuring relationship with China might be more successful in this aim. But that is the diplomatic front, and it is very difficult to quantify.

But more important, in terms of numbers, an effort to have both a stable relationship with China and have a national missile defense would likely mean that we would have to have a relatively limited system in place. Perhaps we could even consider what some have described as a boost phase intercept program, which would not pose the immediate threat, which China now sees in the C1 and C3 approaches that the President is considering.

But at some point, there would have to be limits placed on it. And in return, we would see that China also places limits on its ongoing nuclear weapons modernization program.

I would not want to put the term “ABM” on it. But it would have a similar type of structure.

Senator BIDEN. My time is up, Mr. Chairman.

And I thank the panel.

The CHAIRMAN. Thank you, sir.

Rod, Senator Grams.

Senator GRAMS. Thank you very much, Mr. Chairman.

Gentlemen, thank you very much for participating.

I have a brief statement. I respect the analysis that this administration has not been aggressive enough in pursuing proliferation by China and other countries.

I also believe we have plenty of laws on the books to sanction countries which violate international agreements, and I think we should use those laws if warranted.

I am concerned that supporters of the Thompson legislation have communicated that those of us who oppose the approach of this leg-



isolation do not care anything about nuclear proliferation and are simply pawns of the business community.

Others have said that we oppose it because one of the sponsors has held up legislation that we strongly support. That is not the case.

Now, to clarify my own position, I just want to say, I do not support this legislation solely on its merits. And I simply do not believe any version will accomplish its purpose; and if I thought it would end Chinese proliferation, I would support it, despite the opposition.

Mr. Gill, I wanted to direct the first question to you. In your testimony, you discussed four factors that you said should work together to achieve success in China. You note that mandatory sanctions are not consistent with those four factors.

I believe the Thompson bill further politicizes these sanctions by providing expedited consideration in Congress to reverse any Presidential decision not to sanction. So I would ask you: Do you support this annual review by Congress?

Dr. GILL. I have seen some of the versions of the Thompson bill, which are put forward here. And I would generally agree with you, Senator, that there are a lot of problems with the bill as currently crafted. And in particular, I think we ought to be—

Senator GRAMS. Even the revised version?

Dr. GILL. Even the one that was put out on Friday.

The reason I am concerned with the revised version is because it has the expedited, accelerated process to bring it to the floor. It is an accelerated process, which does not allow ample debate and hearing; and, which I find striking, has the possibility to actually overturn an administration's decision even on the basis of national security, to waive sanctions against a target country. It seems we are getting a little bit into some Constitutional problems there, as well.

There ought to be a mechanism where pressure can be brought to bear on administrations to think more carefully about proliferation. I think that is certainly true. But I do not think that as currently crafted this accelerated version is the way to go about it.

Senator GRAMS. I agree with Senator Biden when he said sufficient laws are on the books. Are there sufficient laws on the books that would allow any administration to sanction Chinese proliferation? And if so, why would we need to pass this new legislation, even if the end product provides more discretion?

Dr. GILL. Absolutely. There are plenty of tools and mechanisms our President can use. There is no doubt about that.

I think the reason for the bill in its initial crafting was as a means to bring Congress more intimately into the process and bring pressure to bear on the President to take the actions that Congress thinks that the President should.

That would be the sole new accomplishment that this bill would provide. It would weave Congress—I would say entangle Congress—more intensely into the sanctions decision.

But in terms of whether or not we can punish China, I do not think this bill adds anything new.

Senator GRAMS. Dr. Gill, I thought Senators Warner and Byrd's Commission to review China's proliferation record that we passed

on the DOD authorization bill was a preferable approach to the Thompson bill. How does this fit in with your four factors, the Warner/Byrd Commission?

Dr. GILL. I note in my formal remarks my support for the establishment of a similar type of commission, perhaps the one that has already been noted by Senator Byrd. But I also suggest that perhaps a structure could be woven into this new commission that would compel the President to react in one way or another to the findings of the commission. In other words, so that the findings do not just simply float out there without any response from the President.

Namely, perhaps it could be structured so that the President would have to either take recommendations from the commission with regard to sanctions, or explain in a public and detailed way why the President felt that those actions should not be taken.

I think that is a step closer to what the Thompson bill would like to achieve, and that is bringing some greater pressure to bear on the administration, but it is not as far as the bill would envision.

Senator GRAMS. And, Dr. Gill, I build on what Senator Biden said and also agree with you, that we would be more successful addressing concerns with Chinese proliferation by trying to draw China in rather than trying to shut them out.

How do you view this legislation? Would it shut out China? Is it a political exercise rather than legislation to accomplish its goal? Would this create barriers to further progress with China?

Dr. GILL. Well, nothing in the bill would envision formally shutting China out of anything. I mean, of course, we do not see them getting kicked out of international organizations as a result of any proliferation activity.

But what I think is important is, of course, if the bill remains targeted on China, certainly that's sending a very strong message. And, of course, if, as the bill makes possible, sanctions can be sweeping enough to include sanctions against governments and sweeping economic and other types of embargoes against China, then certainly this is going to result in shutting China out rather than drawing it in.

I would just turn again to the record of the past ten years. Not a perfect record, lots farther to go with China, but if you put your baseline in Chinese proliferation activity ten years ago, there has been remarkable progress. And it cannot be a coincidence that that has occurred at the same time that China has increasingly integrated itself in international society.

Senator GRAMS. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Chafee.

Senator CHAFEE. Thank you, Mr. Chairman.

Mr. Abrams, in your testimony you stated that political reform in China ultimately lessens the danger to us, and that trade deals that enhance the regime's power without furthering the cause of human rights increases the danger to us. I was wondering if you could elaborate. Are we talking about economic danger, military danger, or what on those two statements.

Mr. ABRAMS. I was thinking of military danger. The point I made later in the testimony is that one can envision a situation in which enhanced trade and economic activity enrich the regime and give

it more resources, and undercut it; because they are beginning to change China in ways that make the modern economy incompatible with the Communist political system.

But there is going to be a period of danger there where they have got the resources. They are desperately hanging on. Their ideology is completely shot, and they may need to show some overseas adventures to build nationalism and to try to prove their legitimacy to the people of China that way. That is the fear.

Senator CHAFEE. And what particularly would constitute an overseas adventure? Is Taiwan the obvious example?

Mr. ABRAMS. Taiwan is the obvious one, although I suppose one could point to others in Southeast Asia. One thinks back to the Spratley Islands or their relations with Vietnam and India, which have at times been difficult. Taiwan is the best example though.

Senator CHAFEE. I wonder if you could look into your crystal ball. Considering that PNTR might be, as you said, aimed primarily at building up China's domestic strength, can you predict the fate of the forces of democracy if PNTR is passed. Can you look into the future a little bit?

Mr. ABRAMS. Well, that is a very difficult question. If PNTR is passed without any human rights moves on our part, I think we can predict—more than predict—I was going to say we could predict a downturn in the human rights situation in China. We do not have to predict.

Oddly enough to some people, since the House voted PNTR for China, there has been a downturn in the human rights situation inside. There has been an actual downturn—it was a very bad year for religious freedom in China. But it has gotten worse in those weeks since the House vote.

I think the probability is we would see more of that. And that is what worries me about an unmixed message. And, I think the problem of voting PNTR with no attention to human rights is it is an unmixed message. The message that can be received in China is, "We are worried about trade and money. We want to make money. We are not worried about human rights in China. Just go to it."

I think if they receive that message in the government, they will go to it. There will be more repression over the coming year or two even than we have seen in the last year or two, and the last year or two have been bad.

Senator CHAFEE. Mr. Bosco or Dr. Gill, do you care to comment?

Mr. BOSCO. Well, it is interesting. I wanted to tie in with something that Senator Biden stated.

He talked about the aging of the Chinese elite, the geritocracy and how things would be better with the newer generation.

But we have actually been hearing an argument like that for at least 20 years and—

Senator CHAFEE. They, too, are keeping their promise to grow older? [Laughter.]

Mr. BOSCO. Precisely. They have promised to grow older as well, but, you know, the gentleman in charge of the massacre at Tiananmen Square was a man named Li Peng, who is still in the government. But I can remember back in the decade before Tiananmen; Li Peng was pointed to as one of the new generation

that was going to change China. And we can see the blood on his hands.

So I am not sure that the aging process is going to be the solution to the problem. I think China needs to see some limits, some constraints on its behavior, particularly internationally.

Obviously the United States is the main player on the international scene. Unless we start drawing some lines and hopefully lead other nations to join us in that approach, I think China will see green lights all over the place, and will tend to move aggressively where it thinks it can proceed and succeed.

Dr. GILL. Senator, the biggest knock on analysts like me is that we stress how complex things are, and we do not want to boil it right down to the brass tacks.

Well, I will not disappoint on that, I am afraid, because simply hoping that the older leadership is going to disappear is wrong.

To become a leader in China under the current regime, you have to accept certain understandings. You have to deal with your country in certain ways.

So the change that we are talking about, I do not think ought to be touted as a top-down change. Change in China is going to have to come from within and within the society itself.

I do believe that is happening. We are not going to get the leaders in Beijing to step down. That is ridiculous. It is not going to happen.

We are going to have to foster change from within. PNTR, membership in WTO, and opening up China to the outside world is the way that is going to happen.

I lived in China 15 years ago. I can tell you this country is dramatically, dramatically changed. And it is not a simple coincidence that it occurred while opening to the outside world. There is great change occurring in China. We should be doing all we can to foster it and make it go faster.

Senator CHAFEE. Thank you very much.

The CHAIRMAN. Thank you, Senator.

Thank you, gentlemen.

Elliott, Mr. Bosco, and Dr. Gill, the thing that bothers me most about this is there has been an absence in the debate, not here this afternoon, but throughout, of what principles really need to survive.

I am old enough to remember when a fellow named Chamberlain went over to Munich and sat down with a fellow named Hitler, came home and said, "We can work with this guy. We are going to have peace in our time."

Since I have been in the Senate, I have worked with dozens of Chinese young people who have come here to go to college. And believe you me, they understand what is going on back home. And they have told me things that I suppose they would dare not say when they are home.

But nevertheless, I think there are voices crying out for decency and honor. But Harry Wu has sat there, exactly where you are sitting, and I have not heard one of the people who have contacted me from big business to say anything about Harry Wu.

Indeed, I have asked some of them what they think about Harry Wu's estimation and assessment of what is going on. They do not even know who he is.

And I tell you Prime Minister Chamberlain came back with what he thought was a deal with Adolph Hitler, because he thought they were going to do business with him. It is as simple as that.

That is what bothers me; because I was raised to believe that you do not take a political prisoner out of a cell, after you have examined and categorized his kidneys or his liver or his heart, take him out to a field and blow his brains out and put him in an operating room nearby, and then sell those organs at \$40,000 a piece to people who want to buy them, provided they have the \$40,000 in cash. They are doing a landslide business.

Now, how can we say, "Well, we are going to do business with these folks?" That is the thing that puzzles me now. And I respect all of my colleagues who feel differently about it; but I just do not understand why we do not learn from history.

What I think, furthermore—and then I will conclude this sermon—is that we ought to be leaders in terms of bringing civilization to China, because what they have and what Harry Wu has sat there and described is not civilized conduct.

Let me ask you a question that gets me off of that track. The press has reported that China continues to ship dangerous missile technology to Pakistan. Gentlemen, is it fair to assume that Pakistan's military regime will mount the nuclear arms it tested two years ago on these missiles? What do you think about that? [No response.]

The CHAIRMAN. Do not all answer at once. [Laughter.]

Dr. GILL. I believe that as Pakistan comes to grips with the problems entailed with having a nuclear weapons force—command and control issues, solves the always/never problem, meaning they will always go off when you want them to and they never will when you do not, yes, they will proceed to arming those missiles.

The CHAIRMAN. Mr. Bosco, do you agree?

Mr. BOSCO. Yes. I think they will utilize the technology that is available to them as they have in the past.

The CHAIRMAN. It sounds like it is unanimous there, and up here too.

The Chinese have stated repeatedly that they do not intend to keep Taiwan out of the WTO after they get in. Do you think that they will honor this commitment?

Mr. ABRAMS. I think it is possible that they will honor it, yes, because I think the question is: Is it in their interest to have Taiwan in? And it is not politically and it probably is economically, so there will be some debates in Beijing.

But I think it is possible that they might; it would be nice to have that pinned down a lot more certainly before we act.

The CHAIRMAN. Exactly. Exactly.

Mr. BOSCO. I am slightly more pessimistic than Mr. Abrams is.

Taiwan, as we know, was prepared to enter the WTO long before China was prepared. The deal was made that China's wishes would be respected and it would be admitted first. But the understanding, of course, was that Taiwan would be admitted either relatively simultaneously or shortly thereafter.

What I have been detecting in some of the comments out of Chinese folks visiting our think tanks and some of their press comments is that China is seriously considering attaching conditions to Taiwan's entry into WTO.

That is, not only would Taiwan have to be considered to be a custom territory of China or a special autonomous region or some kind of a special status to show that it is subservient, in effect a province of China, but they have been suggesting that President Chen must make an explicit concession on the "one-China principle" before WTO accession can be made available to Taiwan.

This is a very serious, I would think, reneging on the original understanding and, therefore, it is critical that the commitment be pinned down.

The CHAIRMAN. All right.

Dr. GILL. I think overall China will not block Taiwan's entry into the WTO, but I would expect that there will be these kinds of conditions in various forms which would politically serve to make clear China's understanding of Taiwan's relationship to the mainland.

The reason I believe that ultimately we will see membership, is that it has been China that has been trying the hardest to open up trade links, direct trade links between Taiwan and China; and that it has been typically Taiwan that has resisted, and perhaps wisely so, knowing how that might entangle them. But I think I would agree with Mr. Abrams that they recognize the economic and political benefits of that.

The CHAIRMAN. Let me jump around geographically just a bit. North Korea, do you know of one thing that China has done to encourage North Korea to get off the dime and stop this business of trying to be a Communist power? Has anybody heard anything that China has done?

Mr. ABRAMS. I would have to say no, Mr. Chairman, but I would have to add that North Korea's policy toward the United States has been so successful for North Korea that it seems to me if I were an objective observer in Beijing, I would simply be saying to the North Koreans, "You have a very smart foreign policy team. You have the Americans in the palm of your hand. Keep at it."

Mr. BOSCO. Well, we do know that, of course, that China was involved in the development of North Korea's nuclear program in the first place, so—

The CHAIRMAN. You bet.

Mr. BOSCO [continuing].—that is a very discouraging note.

The CHAIRMAN. Yes, sir.

Mr. Gill—Dr. Gill.

Dr. GILL. The Chinese play these cards extremely close to their chests, and I would say our own administration is unable to come up with concrete evidence. And yet, I cannot believe that North Korea's missile test over Japan was viewed kindly in Beijing.

I also believe that during Kim Jong Il's visit to Beijing shortly prior to the recent summit with the South, they got some pretty clear messages from Beijing, "Take it easy. We do not want the Americans coming over that line again. And let us work towards some kind of more smooth resolution of differences on the peninsula over time."

The CHAIRMAN. Is that a hunch of yours, or do you have some—

Dr. GILL. I have no concrete evidence of that.

The CHAIRMAN. Senator Grams.

Senator GRAMS. Thank you, Mr. Chairman.

Dr. Gill, I believe you had mentioned this in your statement or one of your previous answers, about the working relation between China and the United States or this administration—that you had no confidence or trust in it. Did you say something like that?

Dr. GILL. Credibility.

Senator GRAMS. Credibility. And I would like to ask this of the other members of the panel too, Mr. Bosco and Mr. Abrams.

But in that regard, Dr. Gill, why are we rushing now to act at the end of this administration when a new administration could be far more aggressive in administering and enforcing our laws and may object to this legislation, which could tie their hands in some ways? Your response?

Dr. GILL. On the PNTR question?

Senator GRAMS. No, on the Thompson legislation, not on PNTR.

Dr. GILL. Right. In my view, the best outcome on the Thompson approach would be probably not the bill as it is currently seen, but rather taking the message that the bill is trying to deliver. And that is trying to find better ways to have the administration deal with proliferation problems.

So overall, I do not think we should rush forward to achieve the Thompson legislation. There is no need to.

I think the message is coming through pretty clearly, and we could probably find other means to have the administration act more directly on—

Senator GRAMS. This administration or the next?

Dr. GILL. Well, this and next, if the legislation were passed in this administration's term.

Senator GRAMS. Mr. Bosco.

Mr. BOSCO. I agree with your point that this administration, I think you suggested, has been relatively favorable to China. And I think that has been part of the problem that I have tried to describe in terms of the situation with Taiwan, that I think Beijing has felt that it could move the situation in a much more favorable cast toward Taiwan by pressuring, cajoling or however facilitating its relations with this administration. And at one time, of course, it was described as a strategic partnership.

I think there is a danger that given the fact this administration will only be in office for the next several months, China may want to take advantage of whatever opportunity that presents before it leaves office.

Senator GRAMS. Do you think the Thompson bill, though, would tie the hands of the next administration in any way?

Mr. BOSCO. Frankly, I have not studied the Thompson bill, so I cannot answer that question.

Senator GRAMS. Mr. Abrams.

Mr. ABRAMS. I would only add, Senator, I share your concern of before about the problem of the no national security waiver, in particular. It is, whether it is a constitutional problem or not—and I think it may well be—I think it is a bad policy.

This is the way the Executive branch and the Legislative branch are set up. I do not think that it wants to put in such legislation

that there is no waiver, because it is just impossible to proceed with any circumstances that might arise. Well, I am just not sure that they would want to do that.

Senator GRAMS. Mr. Abrams, I will come back to you. Do you support China-specific sanctions when there are other countries which also proliferate? The last round broadened it to two more countries, although it is still called the China Nonproliferation Act. But should not more countries be included as well?

Mr. ABRAMS. I suppose the answer to that is yes. China is certainly more important than some of the others due to human rights.

Senator GRAMS. Given human rights, religious persecution and political persecution—

Mr. ABRAMS. Yes, so I—

Senator GRAMS [continuing].—by 10 or 100.

Mr. ABRAMS [continuing]. And proliferation is part of—I think it would help us if we, actually, if we have more—

Senator GRAMS. Mr. Bosco, would you like to comment?

Mr. BOSCO. I certainly would take a strong position against the proliferation by anybody. I think the administration has been somewhat lax in its—

Senator GRAMS. Would this bill be better off it was—

Mr. BOSCO. As I indicated, I have not actually read the bill, sir.

Senator GRAMS. Dr. Gill.

Dr. GILL. I am reminded of the argument that opponents of gun control make: that there are plenty of laws on the books. We do not need more laws. We need better enforcement.

So I think, as a general rule, a notion of more sanctions legislation, and especially sanctions legislation which imposes mandatory triggers, meddles with the Constitutionally mandated ability of the President to conduct foreign affairs and, as I understand it, it is beginning to get into our capital markets as well. We are better off not doing it.

Senator GRAMS. Thank you, Mr. Chairman.

The CHAIRMAN. Well, I have listened to the earlier discussion about the Thompson bill, and I think it may be premature to speculate on what it can take because of its constant revision.

As of today, I—I suspect that we would all agree that proliferation by China, particularly of deadly chemical and nuclear-tipped missiles, all of this is a threat to the United States. I think we all would agree with that.

Now, the existing laws that deal with proliferation were meant to enhance the administration's leverage in dealing with countries like China.

Unfortunately, this administration has spent all of its time covering up instances of proliferation, apologizing to China and dodging the existing laws that are on the books.

The President himself said the other day that he, quote—and this is the President talking about himself—he said, “I fudged the facts to avoid implementing U.S. law.”

Now, come on. You know, how do we go blindly into this? But that is neither here nor there.

Take, for example, the fact that the CIA has said with 100 percent certainty that China gave nuclear-tipped M11 missiles to



Pakistan, but the MTCR law has never been implemented for that transfer, not once.

So the fact that some laws exist, some—and that they are on the books does not obscure the fact that those laws are being ignored or even broken.

Now, Senator Thompson is working to refocus the administration on its legal obligation to pursue Chinese nonproliferation, and he is well within his Constitutional authority to do so. And I applaud Senator Thompson for it.

Now, finally, the best speeches that are never made are the ones when I am driving home from, you know, after trying to make a speech. I have a policy at this point and every hearing over which I preside to say: Is there something that you would like to add or be willing to add to what has been said here this afternoon, any contradiction of what somebody else has said or whatever?

How about you, Elliott?

Mr. ABRAMS. I would add, Mr. Chairman—excuse me—that the Commission on International Religious Freedom spent a long time addressing the question of PNTR for China.

In our annual report, the report—first, it was released May 1st. It is quite striking, if you think about it. It is five to four Democrats on that Commission, under a Democratic administration, but we unanimously oppose the grant of PNTR for China without preconditions, without insisting on advances in the area of—or at least promises in the area of religious freedom, for fear that we would be sending the wrong message to the government of China and to believers in China, that we were abandoning them.

The CHAIRMAN. Right.

Mr. ABRAMS. And I would just reiterate, I hope that in the Senate—I tried to make this argument in the House, but we did not persuade enough people. I would hope that we can persuade some more Senators that this ought to be at the forefront of their attention as they consider PNTR.

The CHAIRMAN. I guarantee you this Senator is going to help in any way he can.

Mr. Bosco.

Mr. BOSCO. Just one observation, Mr. Chairman. And that point is made repeatedly that by bringing China into the international organizations, we have the effect of moderating its behavior.

If one looks at China's behavior as a member of the Security Council of the United Nations, the prospect is not that the organization changes China, but the danger is that China changes the organization. And I hope that if China enters WTO, we do not see that kind of thing occurring.

The CHAIRMAN. Thank you.

Dr. Gill.

Dr. GILL. Thank you, Mr. Chairman. I am not sanguine about our future with China. It is going to be a very, very difficult relationship, no doubt about that. And in many respects, as China grows stronger, our ability to bring change there is going to be constrained.

But given the toolbox that we have, and given the enormous interest we have in making those tools work, we have to think in a

very complex and careful way about how to bring about those changes.

In my view, opening up China, while not a perfect solution for every question we have, is the best answer that we have, of the choices we have. And while I know that you oppose it, and I respect you for it, I believe that we should proceed with PNTR for China. Bringing it into the international community, of our options, is probably our best choice.

The CHAIRMAN. Well, I pray that—well, we will see.

Thank you very much for coming, and I appreciate it so much.

By the way, the Senators that are involved in the conference committees and others of our committees are trying to get legislation reported out. So there are going to be a multitude of letters written to you with questions, and I would appreciate it if you would answer those questions of others.

Thank you, again.

Mr. ABRAMS. Thank you, Mr. Chairman.

Dr. GILL. Thank you.

Mr. BOSCO. Thank you.

[The responses to the Committee's additional questions follow:]

RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD BY THE  
COMMITTEE

QUESTIONS SUBMITTED TO JOSEPH BOSCO

*Question.* how do you respond to the argument that China is basically an inward-looking country that conducts a purely defensive foreign policy and does not have expansionist claims that would constitute a threat to regional and world peace?

*Answer.* It depends on the definition of "inward-looking." Communist China defines "internal" in the broadest possible terms, claiming the right to "recover" any piece of territory ever ruled for any period of time by any Chinese emperor, ruler, or government over the 3000-year history of China. The People's Republic of China asserts the right to take Taiwan by force because it says it acceded to all the territory once ruled by the Republic of China (never mind that the ROC still governs Taiwan). But the PRC also invaded Tibet and East Turkestan (now Xinjiang Province) which enjoyed independence or autonomy when the ROC ruled the mainland. Similarly, Beijing asserts that the Spralley and Paracel island groups are also Chinese territory, noting that they are located, after all, in the South China Sea. It has shown its willingness to use force to prosecute those claims, despite the competing claims of at least four other states.

In addition to its use of force in the Korean War (for which it was condemned as an aggressor by the United Nations), and the seizure of Tibet and East Turkestan, in its relatively short history the PRC has also managed to engage in wars with the Soviet Union, India, and Vietnam and was deeply involved in Vietnam's war against the United States as well as the violence in Cambodia.

China's development of significant missile, air, and naval forces for power projection throughout East Asia are a growing concern to its neighbors, not to mention its proliferation of missile and nuclear technology to North Korea and Pakistan which have themselves become threats to regional peace and security.

Beijing asserts that all its military moves are purely "defensive" and concerned with its own security. But, as Henry Kissinger once said of the Soviet Union, it seeks absolute security for itself at the expense of the absolute insecurity of its neighbors. China's goal is to become a world economic power and to utilize that wealth, as it is already doing, to become a world military power. Its strategic doctrine clearly portrays the United States as its main rival and potential enemy and it seeks to displace American power in Asia.

*Question.* Is sharing a theater missile defense system—a purely defensive system—with our democratic friends in Asia really provocative to Communist China? Which is more important to Asia's security—PNTR, or theater missile defense?

*Answer.* Yes, by Communist Chinese standards—and the same argument was made by the Soviet Union, now Russia, and many in the West agree—a defensive

system against its missiles, which it says are purely for retaliation, means it loses its retaliatory deterrent. They would then be subject to our preemptive missile attack with no means to respond, and thus would not have been able to deter our attack in the first place. That argument has some plausibility if the only scenario to be considered is an initial United States missile attack on China. The far more likely scenario, however, is a confrontation over Taiwan, triggered by some Chinese military move against the island followed by an American response. At that point, to deter our coming to Taiwan's defense, China wants to play its missile card against the U.S.—as it already did during the 1996 Taiwan Strait missile crisis, warning of “a sea of fire” if the Seventh Fleet entered the Strait (it didn't) and an attack on Los Angeles. In that context, our missile defense would eliminate China's ability to blackmail the U.S. into passivity and that is what is “really provocative” to Beijing, because they consider our defense of Taiwan an interference in their “internal” affairs. The problems all flow from the concessions made by the West in accepting the “one China” myth.

To the extent a U.S. missile defense system neutralizes China's missile threat against Japan, Taiwan, and other neighbors, as well as the United States, Beijing is very unhappy about it.

*Question.* Wasn't China largely responsible for the 1998 nuclear tests by India and Pakistan, in giving technology used in developing nuclear arms to Pakistan? Wasn't democratic India, in fact, driven to test its nuclear arms?

*Answer.* When India detonated its nuclear device in 1998, it specifically mentioned the threat it perceives emanating from China. That threat takes two forms: (1) China's own nuclear weapons and missiles targeted at India, with which it has already waged a major border war, and (2) the technology China has provided Pakistan, which has fought several wars with India since their joint birth in 1948. Though India's nuclear test preceded Pakistan's, it followed Pakistan's successful test of long-range missile technology acquired from China, an event that greatly worried the Indians.

The CHAIRMAN. We stand in recess.

[Whereupon, at 4:09 p.m., the hearing was adjourned]



**GIVING PERMANENT NORMAL TRADE  
RELATIONS STATUS TO COMMUNIST CHINA:  
HUMAN RIGHTS, LABOR, TRADE, AND  
ECONOMIC IMPLICATIONS**

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**Wednesday, July 19, 2000**

U.S. SENATE,  
COMMITTEE ON FOREIGN RELATIONS,  
WASHINGTON, D.C.

The committee met, pursuant to notice, at 2:30 p.m. in Room SD-419, Dirksen Senate Office Building, Hon. Jesse Helms, chairman of the committee, presiding.

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

The CHAIRMAN. The committee will come to order, and we welcome all the folks who are here today. That indicates you are interested in a very important proposal facing the Senate and the House of Representatives. The House has already voted. I might add that in addition to the death of a distinguished member of the Senate, Senator Hollings had a death in his family. And he was supposed to be a witness. And Joe Biden, the ranking member, lost a very good friend of his, the Mayor of one of the major cities in his state. So we have been crippled a little bit by sadness. But we will proceed anyhow. We will take no action today, but I have discussed it with the leadership of the Senate. And since we—well, not vote on anything, even though there is an objection filed in the Senate against meeting of committees, this one will not be violative of the Senate's rules.

Today the Foreign Relations Committee holds its second hearing on legislation to grant permanent normal trade relations to Communist China. Our purpose today is to consider how PNTR will impact China's behavior in human and labor rights and China's record in failing to abide by its trade and economic agreements with the United States, agreements already in effect. Now, this debate is not merely about how to increase exports to China or about maintaining dialogue with China. It is about what America stands for as a nation. The United States is not France. Morality is still an integral part of America's identity. America's foreign policy interest and America's influence in the world.

So I believe personally and as a Senator that jettisoning the leverage of the Jackson-Banock amendment on Communist China undercuts American efforts to defend the fundamental principles of freedom.

Now, I do not believe the American people will countenance a foreign policy which looks the other way—looks the other way

when the Chinese dictatorship tries to censor the Internet with American companies' help; when the Chinese dictatorship throws into jail members of the China Democracy Party with no semblance whatsoever of due process; and when the Chinese dictatorship detains and tortures thousands of harmless followers of the Falun Gong spiritual movement.

So when the Chinese dictatorship brutalizes the underground Christians and Roman Catholic priests by arresting, torturing and in some cases throwing them out of the windows, when a Chinese dictatorship occupies and suppresses Buddhist, Tibet and Muslim, Chin Jong, when the Chinese dictatorship permits no labor unions except those labor unions which they can control, when the Chinese dictatorship subsidizes state enterprises with the confiscated savings of low income workers, when the Chinese dictatorship permits rampant piracy of the intellectual property of American citizens, that is to say our software, our videos, our CDs.

Now then, opinion poll after opinion poll has shown that a majority of Americans oppose giving normal trade status to a dictatorship with almost no rule of law in the political realm and precious little in the economic realm—even after years of so-called reforms.

The American people instinctively know what the foreign policy experts just cannot seem to grasp: That China's government will not be a civilized actor in the world unless and until it respects civil liberties and basic freedoms for working people and allows a true free enterprise system to take root.

Now, to discuss these matters, we are delighted to welcome today's witnesses. We have a distinguished American, Mr. Gary Bauer of American Values who has spoken out courageously for victims of Chinese communist tyranny, fighting to exercise their God given rights to freedom of worship and expression.

Mr. George Becker is a major leader in organized labor as President of the United Steelworkers. And we are pleased that he could and would rearrange his plans to be with us here today. And finally, Ms. Dai Qing, a proponent of greater liberties in her native China who comes to tell us why she believes that so-called PNTR is a good thing.

As I say, Joe Biden had the death of a friend, the Mayor of one of his—I think his home city. And he felt that he better go there. So he will not be here today. Gary Bauer is here. So Mr. Bauer, we will hear from you first. We welcome you. I hope you are not out of breath.

#### **STATEMENT OF GARY BAUER, PRESIDENT, AMERICAN VALUES**

Mr. BAUER. A little bit, Senator, but it is great to be here.

The CHAIRMAN. Well, it is great to have you.

Mr. BAUER. I hope we did not hold you up. Mr. Chairman, with your permission, I will submit a prepared statement for the record.

The CHAIRMAN. Which will be made a part of the record.

Mr. BAUER. Fantastic. What I would like to do is just take my five or six minutes to talk about what I think is the core issue anytime we are talking about China and about trade and about related issues. First of all, let me say it is a real honor to testify before the Senate Foreign Relations Committee.

This committee has been a central player in the last four or five decades in forming American policy and helped to do it all during the Cold War with the Soviet Union. And the committee has a great history that it can be proud of, of being right on a whole lot of issues. So hopefully you will be right about this issue too.

About eleven years ago, all of us sat in our living rooms and our dens and we watched these incredible pictures on television coming out of China. We watched students and housewives and workers gather in Tiananmen Square. And what at the beginning was a relatively small demonstration that the authorities in Beijing tried to ignore at first, as we all know while Beijing waited hoping that the crowd would dissipate, it did the exact opposite.

Over several days, the crowd got larger. Workers began to join in, others, dissidents, intellectuals, et cetera. And the people in the crowd began to sign petitions and to insist in a variety of ways on the basic human rights that people all over the world want and that people in the United States take for granted, the right to vote, the right to worship as you see fit, the right to have a job, the right to decide what size your family is going to be.

As the crowd got larger and larger, Beijing could no longer ignore what was going on as we all know. And so they sent the People's Liberation Army into Tiananmen Square.

I remember thinking at the time—and I would just point out to some of the Senators that anytime you see an Army with the word liberation in its title, it almost always is an oppressor army. If they say it is the liberation army, its purpose is to be the exact opposite. And, of course, that is what the People's Liberation Army was being sent into Tiananmen Square to do that day.

I remember some of the images. Some of them have become famous. That gentleman standing in front of the tank. An incredible picture of the spirit of one individual. I remember how relieved I felt when the driver of the tank blinked first and took the tank over to the right. And then I remember how shocked I was to see this one guy move to the right and put himself in harm's way.

We did not find out what happened to him and what happened to that particular tank crew. But we do know that the People's Liberation Army went on and entered the square. And they ordered the people in the square to leave immediately. They refused. They ordered them again and they refused. This happened repeatedly. Until eyewitnesses said that on one of those occasions, the Army said leave now or we will shoot.

And then something extraordinary happened. Eyewitnesses say that many people in the square reached into their pockets and they did not pull out guns, but they pulled out copies of our Declaration of Independence. And they waved copies of our Declaration of Independence in the faces of the People's Liberation Army before that army opened fire and killed hundreds, and by some estimates, thousands of people in that square.

Incidentally, Beijing still insists that this event did not take place. That there was no shooting in Tiananmen Square. This is a classic sign of a totalitarian government, the big lie technique. It just denies a fact that people saw clearly with their own eyes, believing that if they repeat a lie often enough that the truth will be forgotten.

Well, I remember thinking about it at the time, what an extraordinary thing that was. Here were these Chinese citizens, most of whom have never been to the United States.

And yet, when they were faced with the possibility of their own death, they waved copies of our Declaration of Independence. Not the Canadian Bill of Rights, not the Brazilian statute of rights or the Italian constitution, but our Declaration of Independence.

And I think the reason they did that as we all know is that the declaration, and particularly the second paragraph of it, has been a beacon of liberty for people all through the world. The paragraph that begins “We hold these truths to be self-evident, that all men are created equal, endowed by their creator with certain unalienable rights”.

I think that the current debate we are having over PNTR for China has very little to do with China and has very little to do with trade. It is rather a debate about the United States, about who we are, about what we believe, and about whether or not those words that those Chinese students were willing to die for in fact would be the words that guide American foreign policy towards China.

China derisively says the words do not mean anything to us, that we are a money bags democracy and that money will trump everything. I believe the words do mean something to us.

One final comment. Many—some on this committee, certainly many in Washington perhaps many in the audience today would argue that trade with China will change China. I would argue that trade with China has already changed the United States. It is making us forget who we are and what we believe.

In fact, it has created a China lobby in the United States which is a very powerful force and has led good American companies, led by good American capitalists to become apologists for Beijing’s violations of human rights, for their military policies, for their threats on Taiwan and for a host of other things.

China always uses trade as a weapon in their foreign policy. I would advocate that we use trade to reflect on those deeply held values.

Finally, if the Senate insists on passing PNTR, I would beg you to add provisions dealing with human rights and with the proliferation of weapons of mass destruction. I think we must do that given our role in the world. And I think if we did do that, it would be a healthy sign that our foreign policy is back on the right track. Thank you, Mr. Chairman.

[The prepared statement of Mr. Bauer follows:]

PREPARED STATEMENT OF GARY L. BAUER

“DEMOCRATIC ENGAGEMENT”

A CHINA POLICY ROOTED IN AMERICAN VALUES

Mr. Chairman, last October, the People’s Republic of China celebrated the 50th anniversary of Communist rule with a robust and nationalistic display befitting its Communist tenets. A half-century after the Communists came to power, and following more than a decade of so-called “constructive engagement” by the United States, China remains a dictatorship, a tyranny of a single-class elite over a population of more than one billion fellow human beings.



Obviously, China has changed from what it was a generation ago during the horrors of the Cultural Revolution and Mao Zedong's Great Leap Forward, but it still is an authoritarian, autocratic, one-party dictatorship. There is no getting around this irrefutable moral fact.

Yet the glamorous portrait of China presented to us today by corporate lobbyists and the foreign policy elite of both parties is one of a big, bustling capitalist wonderland populated by millions of aspiring entrepreneurs. Every one is busy running around making money, buying, selling and producing things. The Chinese people supposedly are happier than ever.

This portrait of China is willfully delusional. In our eagerness to do business—to open the “China market” to trade and investment—we have, literally, traded away our principles. Based upon an undefined precept commonly called the “third way” we are rushing to a mushy center where values are amorphous, principle loses meaning, and vision is lost in a smog of confusion and contradiction. Such a course opens doors to misunderstanding and miscalculation and widens the possibility of needless conflict.

The Communist government of China has a well-deserved reputation as one of the most coercive and repressive regimes on earth. Hundreds of thousands of people languish in Communist jails and prison camps merely because they dared to practice their Christian, Buddhist or Islamic faith. International human rights organizations have documented hundreds of thousands of cases of arbitrary imprisonment, torture, house arrest or death at the hands of this Communist government.

Even as we meet here today—even as corporate America lobbies Congress on behalf of granting China permanent most favored nation trade status—Catholic and Protestant Christians are being arrested. In recent months, we have witnessed a brutal crackdown against Falun Gong, a harmless Buddhist sect. And so it goes. Indeed, China's communists took to heart its Party's 1938 Articles of Subordination, which state: (1) the individual is subordinate to the organization; (2) the minority is subordinate to the majority; (3) the lower level is subordinate to the higher level; and (4) the entire membership is subordinate to the Central Committee. Whoever violates these articles of discipline disrupts Party unity. Today these principles form the basis of a strict political/social regimen commonly applied to even the slightest form of dissent whether real or perceived. Minorities in China whether political, racial or ethnic must not only shut-up they must put-up as well.

Millions of others have been persecuted for so-called “crimes” such as advocating political pluralism and the ideals of democracy. They have been beaten, jailed arbitrarily, sentenced without appeal. This continues today, right now, even as the trade delegations come and go and American CEOs sip champagne with the oppressors in the Great Hall of the People.

Meanwhile, the people of Tibet have been driven from their homeland, imprisoned and trampled upon by a forced relocation program that is little better than genocide and is certainly comparable to the brutal ethnic cleansing that Slobodan Milosevic carried out in Bosnia and Kosovo. A Milosevic, who by the way, continues to be propped up by Beijing with hundreds of millions of dollars in aid and China's unrelenting political support in forums such as the U.N. Security Council.

In China today, particularly in rural areas of the country, expectant mothers are subjected to the Communist regime's odious program of forced abortions and a hard and unforgiving policy toward “excess” children. Abandoned children, especially baby girls, are packed into orphanages, sold, or simply left somewhere to die. As a result, international organizations now report an incredible imbalance in numbers of men over women in the Chinese population.

And even as the Clinton administration continues to pursue a policy of so-called “constructive engagement,” the President's own State Department reports that all public dissent against the party and government has been effectively silenced by threats, intimidation, exile, house arrest, and imprisonment. Ten years after Tiananmen Square, the State Department could not identify a single active political dissident in a country of 1.2 billion people. This is a sad phenomenon all too common to repressive regimes. In this year's annual report on human rights, the State Department concluded that China's “poor human rights record deteriorated markedly throughout the year.”

Yet the proponents of “constructive engagement” accuse critics of China's dismal human rights record of being hopelessly naive moralists, of lacking a hardheaded, pragmatic realism. We are all too familiar with the main argument of corporate America and the China lobby: that trade with China will change China, that international commerce will inevitably result in political liberalization—that the internet, computers and cell phones will bring freedom.

Mr. Chairman, what is needed here is a little “constructive clarity,” rather than “constructive engagement,” for it is the supposed realists who are either hopelessly

deluded as to the true nature of the Communist regime in China or who refuse to come clean with the American people regarding the challenges and potential threats which may lie ahead.

The Communist autocrats in Beijing are practicing a kind of “market Maoism.” They are perfectly content to pursue a “selective engagement” on the economic side, exploiting trade and gullible American businessmen to advance their national strategic goals, while maintaining an oppressive one-party political control. Trade alone will no more resolve the great contest between freedom and oppression in China than it did in the Europe of the 1930s or in the Soviet Union in the detente era of the 1970s. The Communist Chinese are proving that it is possible to have at once a limited market economy and political dictatorship. This is a potentially volatile type of oil and water mixture that the Chinese leadership and the United States may come to regret. Absent the checks and balances that a democratic system offers, an energized capitalistic engine in the hands of China’s communists or military could prove troublesome.

The private owners of web sites in China have been barred from documenting foreign news. And just this Friday a new government agency was set up in China to stamp out “harmful information” on the Internet. Trade with China isn’t changing them nearly as much as it is changing us—making us forget who we are, where we came from, and what we stand for in the world.

In our foreign relations, we need a policy that embraces our most cherished values—values that include basic human rights as well as commerce and free trade. Our foreign policy must have a greater moral purpose than the corporate bottom line. It is imperative that U.S. policy toward China first be based on a realistic assessment of the nature of Chinese communism.

The Communist Chinese do not seek trade for its own sake, for the economic benefits it brings or because they wish to improve the lives of the Chinese people. Instead, trade is simply another piece in the overall national strategy. Trade is another weapon in the arsenal. The Communists are following philosopher Sun Tzu’s advice that the best war is the one you win without fighting a single battle.

If one looks at some of the historical rhetoric of China’s communists it becomes clear that the “new” China continues to follow a path rooted in Mao Zedong’s confrontational approach toward the free world and disdain for individual liberty and democracy. Mao stood firmly on the side of the Panamanian’s “just” opposition to American engagement of the Panama Canal and today America’s influence over the canal is lost and its facilities are now managed by a Chinese company.

Yet we continue to make trade with China the major yardstick of our relationship. Such a policy is not driven by a realistic view of China, the nature of its regime and its international ambitions. It is opportunism, the chance to make a quick buck. It lends support to what the Chinese Communists contemptuously believe, that we are just a “moneybags democracy,” moralizing about human rights on one hand while profiteering on the other.

Ultimately, the China debate is not about China—it is about us. What kind of a people are we? This is the fundamental question posed by our current policy toward China. Are we willfully subsidizing China’s arms race? Can we in good conscience buy goods produced by slave labor? Can we invest in companies intimately bound to a dictatorial government that inflicts terror on its own people? Have we put our most cherished ideals on the auction block?

In a report to Congress last year, the Pentagon declared: “The Chinese realize that attaining recognition as the preeminent political power in Asia will require the weakening of U.S. political influence in the region.

China’s military leadership is preparing for war with the United States. This is an uncontradicted reality. Such conflict, perhaps war is not inevitable however—not over Taiwan or any other issue if America wisely manages relations between the two powers. The present policy of trade at any price—evidenced by President Clinton’s drive for speedy congressional approval of permanent normal trade relations and WTO membership for China—is little better than appeasement however, and holds promise for disaster.

The Middle Kingdom aspires to be, and is becoming, a global superpower. By virtue of its geography, population, economy and military might, China already is the dominant power in Asia.

Trade relations notwithstanding, China and the U.S. have competing national interests. China wants to drive U.S. power out of the Western Pacific and thereby reduce America’s allies—Japan, South Korea and Taiwan—to the status of vassal states. Driven by a militant nationalism, Beijing views the U.S. presence in the Western Pacific as a continuing historical humiliation and part of Washington’s strategy to keep China from fulfilling its destiny as a world power. There is nothing new in this position. By undermining U.S. relations with Japan, the world’s second

largest economy, marginalizing South Korea and Taiwan, China strikes not only at key elements of the free world's economy but at its political cohesion as well.

For this reason the interests of China and the U.S. dramatically diverge. Because these competing interests are geo-strategic, no level of trade will neutralize them. As many have observed, everything changes but geography. Indeed, China seeks trade to advance its geostrategic objectives. China's economy is highly dependent on the infusion of capital from abroad via trade and foreign capital investment. China must have such foreign investment in order to sustain the level of economic activity necessary to support its national military and strategic goals.

Although China is secretive to the point of paranoia about its military capabilities, the objectives of its planning are obvious to American intelligence agencies and the Pentagon. America's power in the Pacific is sea-based. Consequently, China is frantically acquiring the means to neutralize American maritime power.

It is buying nuclear submarines and nuclear guided missile destroyers from Russia, along with advanced anti-aircraft, radar and command and control fire systems. China's engineers are adept at turning dual-use technologies acquired through trade with the West to military applications. China has reverse-engineered Exocet anti-ship missiles, and purchased Russian SSN-22 "Sunburn" supersonic anti-ship missiles and S-300 anti-aircraft missiles. Beijing recently concluded a deal with Moscow to produce the latest Russian jet fighters as platforms for its growing missile capability.

China recently took delivery of the first of four nuclear missile equipped destroyers purchased from Russia. A second destroyer is undergoing security tests now. Its newest Kilo-class submarine equipped with the latest generation Russian long-range anti-ship cruise missiles joined the fleet earlier this year. China has deployed 200 ballistic missiles opposite Taiwan to threaten that island democracy and continues to add 50 missiles a year. In a recent report the Pentagon said these offensive missiles pose an immediate threat to Taiwan's security.

These and other arms initiatives suggest that in the event of a confrontation in the Taiwan Strait and South China Sea, the U.S. Navy would face serious problems. China's military planners do not believe that they have to worry much about a land war with the U.S. China is not Iraq. China only has to checkmate American sea and air power in the Western Pacific to achieve its strategic objectives.

By brandishing their growing missile capability, the Communists seek to threaten and intimidate not only Taiwan, but also Japan, South Korea, Indonesia, Malaysia, Singapore and other countries in the region. In effect, Beijing seeks to hold every one of our military men and women in the region hostage to missile attack. High-ranking Chinese military officials even have hinted at nuclear attacks on the United States itself.

Perhaps the most disturbing aspect of the Communist Chinese arms race is that we are subsidizing it by our one-sided trade policy that has provided Beijing the hard currency to pay for its missile program. And because of security lapses, China has been able to steal what it could not simply buy on the open market. The bipartisan congressional Cox Report detailed the scale and seriousness of China's espionage and its legal acquisition of military technology from a slumbering America.

This pillaging of our intellectual capital continues unimpeded because there is today in America an entrenched and powerful China lobby made up of big corporate interests, politicians and government bureaucrats. This lobby continues to foster the conceit that, without vigorously asserting our own national interests, trade alone will guarantee China's good behavior and that commerce will lead China to democracy.

Of this conceit I ask, "Where is the evidence?"

Where is the evidence that China's ruling thugs are any less autocratic today than they were a decade ago? Where is the evidence that our trade deficit with China, which has grown from \$12.7 billion in 1991 to more than \$60 billion today, has done anything to moderate the Communists' attitude toward basic human rights? The China lobby has no answer, for there is no evidence that the current policy is having any of the results claimed for it.

Oh, China is happy to welcome the transfer of high-speed supercomputer technology in the name of free trade—computers, incidentally, that permit the Communists to test nuclear weapons based on stolen U.S. designs without having to actually explode devices. Beijing is delighted to allow Boeing, Lockheed, Loral and Hughes to do business in China. But suggest allowing anything like the free flow of information by means of the Internet and the door slams shut to American entrepreneurs.

In fact, it is not an exaggeration to speak of China's military as the Peoples Liberation Army, Incorporated. Hundreds of Chinese companies doing business in the United States are controlled entirely or in part by the PLA, Inc. China has no inde-

pendent, private business sector as we understand it. All business enterprises in China are, to greater or lesser degrees, entities of the state. PLA Inc., is not just the so-called military-industrial complex as it is understood in this country. It is a network so vast and intricate that our own intelligence experts can only begin to trace its reach or monitor its activities. It has, with the advent of income generating capabilities, become a sort of self-perpetuating management unit. It is taking on a life of its own, financing and developing its own self-interests on a scale, which may become unmanageable if left uncontrolled by China's "civilian leadership".

PLA Inc., runs hundreds of factories in China, many located in prison camps where cheap slave labor undercuts the costs of American manufacturing. Dozens of PLA companies doing business in the United States exist for no other reason than to conduct industrial espionage, to acquire military applicable technology and transfer it China.

The latest Communist gambit to exploit America involves the bond market. Thanks to China's fundraising in the U.S. bond market, the PLA has succeeded in taking billions of dollars out of America. Are we subsidizing China's military arms race? Are American investors paying for the missiles aimed at our 35,000 military men and women stationed in South Korea? We do not know for certain, for there has been no systematic effort to "follow the money" in the sale of Chinese bonds in this country.

Many of these bonds, which are totally unsecured save by the promise of the Communist government in Beijing, are turning up in U.S. pension funds, mutual funds and other investment portfolios. It seems an inescapable conclusion that American pensioners and investors are unwittingly helping finance China's offensive arms race.

At least two state pension funds—the enormous California Public Employees Retirement System and the Texas Teacher Retirement System—have invested in Chinese bonds sold by companies linked to the PLA. Are the hard-working public employees of California and the teachers of Texas unwittingly underwriting China's arms build-up?

The Cox Report only lit the fuse on the potentially explosive issue of China's bond schemes. Increasingly, China is using U.S. capital markets, not only as a source of funding for its arms buildup, but also to cloak the efforts of its front companies in acquiring U.S. technology.

China's most conspicuous threats, however, have been reserved for Taiwan, a democracy and a long-time friend and ally of the United States. Taiwan, of course, poses no military threat to China. Only Taiwan's intolerable example of democratic self-government represents a threat to the Communist dictatorship on the Chinese mainland.

The United States should make it unambiguously clear to China that it will use any and all means necessary to help Taiwan defend itself against Communist aggression. This was the policy of every American President, Republican and Democrat, before the current Administration.

Since the 1996 crisis, the Clinton administration has stepped up pressure on Taiwan to enter into "interim agreements" with the Communists with the view toward the eventual reunification of the island with the mainland. This is intolerable! Taiwan is a free society of 22 million people. It is unthinkable, and a betrayal of our most sacred ideals, even to suggest that free people would be pressured by the United States into exchanging democracy for rule by a Communist dictatorship.

The U.S. went to war with Yugoslavia to guarantee self-determination for 1 million Kosovars. Will we abandon to the tender mercies of Beijing's Communists the 22 million free people of Taiwan? God forbid! It would be one of the greatest betrayals in history.

What, then, should our policy be in China?

I do not believe that we can, or should even try, to isolate China. Neither do I seek some kind of crusade against China. America does not need crusades abroad. But we do need principles, a moral framework for our policies, and this is what has been lacking in our relationship with China.

I am neither a protectionist nor an isolationist. I believe in free and fair trade among nations. Trade is a good and beneficial thing. I would follow the example of Ronald Reagan who, while avoiding protectionism, did not view trade and commerce as ends in themselves. The business of American foreign policy is not business. It is justice, freedom and security, not only for us, but for all peoples.

As for trade it must follow foreign policy, not lead it around by the nose. Trade and diplomacy go hand in hand. But if we must choose between our profits and our principles—our principles must prevail. They must not be negotiable.

I would pursue a two-track approach to China.

First, I would ensure that we have the military means to defend America, our troops overseas and our allies. To checkmate China's growing missile threat we need to deploy an anti-missile defense system to protect our soldiers, sailors and airmen stationed in the Pacific. This defensive umbrella should include our friends in the region—Japan, South Korea, Taiwan. We have the technical means to do this today. All that we lack is the political will.

Second, we should pursue a policy of “democratic engagement” with China. Our policy should be based on America's historical principles and ideals, and not just corporate greed.

A country, like an individual, must have integrity. A great nation cannot live a double life, affirming justice at home while tolerating evil abroad. We cannot be loyal to our principles at home and unfaithful to them abroad. We must have the moral integrity to remain true to our democratic principles everywhere in the world. Freedom belongs to the Chinese people no less than it does to Americans. Our Founders proclaimed to the world universal truths, that all men are created equal and endowed by the Creator with unalienable rights to life, liberty and the pursuit of happiness.

For China, this means that trade and commercial concessions must be conditional—conditioned upon minimum standards of civilized behavior toward its own people and its neighbors in Asia. Chinese investment in the U.S. should be strictly monitored and severely limited. No more doing business with Chinese corporations that are fronts for the People's Liberation Army. Most Favored Nation trade status is our high card, our most powerful leverage over China's Communist leaders. Yet we are prepared to throw it away without obtaining anything from China in return.

To promote freedom and democracy in China, human rights issues must be addressed openly and repeatedly. Top U.S. officials should meet regularly with pro-democracy and pro-freedom leaders in exile from China, Hong Kong and Tibet. We should restore the rigorous system of monitoring technology transfers that was instituted by Ronald Reagan, but which has been all but swept away by the current administration's rush to trade with China.

I do not propose that we “turn our back on China,” as some have misrepresented my position. Nor do I seek another Cold War. I do propose, however, that our approach to China be grounded in a larger moral purpose than mere profits, that it reflect the most cherished ideals for which our nation long has stood as a beacon of freedom and democracy and as a shining city on a hill.

What does history ask of us at this moment? Only that we use, not squander, the great opportunities God has bestowed on us, that we honor the freedom that other Americans have won for us. It requires only faithfulness to our ideals and values. Thank you.

The CHAIRMAN. Thank you, sir. Mr. Becker, we are delighted to have you here. You may proceed, sir.

**STATEMENT OF GEORGE F. BECKER, INTERNATIONAL  
PRESIDENT, UNITED STEELWORKERS OF AMERICA**

Mr. BECKER. Thank you, Mr. Chairman. First, I would like to complement Mr. Bauer on his testimony. I will try not to touch on too many of the same spots that he did. First of all, I represent the United Steelworkers of America, an industrial union of some 750,000 members in the United States and Canada, the majority of which are in the United States. We view PNTR with China in a most critical fashion. It is going to have a long-term effect on our union. And we believe it is devastating to the national interest and the ideals and values that we hold very near and dear in the United States.

I want to make one point very clear. We are not a protectionist union—unless you would consider protection our ideals, our mores, our family, and our communities to be protectionist. In this regard, we certainly are protectionists. We are a trading union, and we believe in trade on a global basis. If you would look at the makeup of the plants which we represent, most of them are trading companies.

But we part company when we turn a blind eye and we let our leaders turn a blind eye and worship at the altar of the bond and stockmarket and consider that bottom line profits are what really matters in the United States. And we believe that we need to have a very cohesive foreign policy, but that trade and the well-being of industrial America should not be sacrificed on those short-term profits or for foreign policy.

Both administrations, the Democrat and the Republican administration, have carried the water of the multinationals in this endeavor to do this. On PNTR, this is not a trade agreement. This is an agreement for financial institutions and for multinationals to allow them to build factories in China and export the goods back to the United States. They are looking for cheap labor. They are looking for the absence of environmental controls. They are looking for the maximum profits. And they would go from any country to country that is going to offer them the maximum return in that regard.

China has never lived up to any agreement that has been negotiated yet with them. They have violated everyone. And I think it stretches the imagination to believe that they are going to honor this one.

Second, on PNTR itself, all of the arrangements or all of the agreements have not been negotiated. One of the most critical ones dealing with subsidies has not even been concluded. Manufacturers do not know what is going to happen with subsidies, how this is going to be treated, whether it is going to be state owned corporations that are going to have to live up to the general application of subsidies or not. And this could make a success or failure out of the agreement. And I do not see how anyone could seriously consider this until they know what is actually in the agreement, what is going to happen.

The second part, I would like to touch on China itself. When you look at most of the members of our union, most of them have either served in the military or they have had family members that served in the military. I have been in the military twice, at the tag end of World War II and a back end during the Korean conflict.

This is the same communist China that we fought and tens of thousands of our sons and daughters sacrificed their lives to keep Korea from falling under the communist influence back in the 1950s. Nothing has changed. China continues to condemn and be the enemy of our democracy in this country. They are ideologically opposed to us. They spread the weapons of mass destruction openly and spread nuclear proliferation to North Korea, to Pakistan, to Iraq and Iran.

Today—today—we have tens of thousands of youngsters that are at-risk around China because of the saber rattling that takes place within that regime. The more powerful they become, the more arrogant and more aggressive they become as a nation.

They are a rogue nation. As Mr. Bauer said, they torture and kill their own people. They persecute those who believe in the Christian faith. They traffic in women and children. They have over a thousand slave labor camps run by the military in China. Ninety-nine of those camps are listed by Dunn & Bradstreet as key manufacturing facilities. This is what we face.

Trade unionists who try to share in the wealth that they helped create in China in factories are repressed. At the very least, they are fired or beaten, receive harsh prison sentences or they are killed. They simply disappear. Summary executions still take place in China.

Harry Wu, who is a leading dissident from China, spent over 19 years in slave labor camps. He is a steelworker. Many of those years were spent in camp—I think it is camp number five, I cannot say absolutely sure with that. But they produce steel as a prisoner that he spent this time in there. Nothing has changed with China.

I want to mention one other thing here. I made these. I do not know exactly how to distribute these. I have had for many years a copy of the Saturday Evening Post, a May 30th issue, 1942. And it shows—this was right after World War II started. And it showed the alignment of the nations, the access and the allies and the resources they had to fight that war.

It is a caricature of six people around the table: Uncle Sam, John Bull and Joe Stalin. And it shows the steel that they held. The cards are showing the amount of steel that those countries produce. 130 million tons of steel is what was produced by the allies. 59 million tons of steel was produced by the axis.

And they were saying in effect—this was in 1942 in May—that the war was over. We held the winning hands. And then we list the things that the steel made that was absolutely necessary to fight a war at that time.

And this turned out to be true. We have the industrial capacity to be able to fight and win that war. We are losing that industrial capacity today. In the steel industry, in the electronics industry, in textiles across the board. These are the plants that are leaving the United States for other countries.

I think we need to consider this. I know the world has changed. I know the need for precious metals and other industrial based products maybe is not quite as vital in the minds of many. But I would question—I would question—about us stripping the industrial capacity of the United States and being sent to other countries and let industrialists do that.

In conclusion, I would say that China has not changed. This is the same China that we face all along. It is still controlled by the communist leaders. Harry Wu has charged the United States in testimony before many committees that we are giving that nation the wealth and the technology to keep those people enslaved. And by pulling them close to our bosom with PNTR, we are making a legitimate nation out of them. We are making them our partner. We are holding them up as somebody who has earned the right to be a trading partner of the United States. I think that is the wrong message that we should be sending. Thank you.

The CHAIRMAN. Thank you, sir, Mr. Becker. I believe you had a prepared statement.

Mr. BECKER. Yes, I do.

The CHAIRMAN. It will be printed in the record.

[The prepared statement of George Becker follows:]

## PREPARED STATEMENT OF GEORGE BECKER

Mr. Chairman, Members of the Committee. I want to thank you for the invitation to appear before you today on the important issue of Permanent Normal Trade Relations with China. For the members of my union, the United Steelworkers of America, and indeed, for workers and farmers across this great country, this is one of the most important issues that they will face with long-term repercussions. It is my deeply held belief that approval of PNTR would be devastating to our national interests and the values and ideals we hold dear.

Let me start by saying that the members of organized labor—contrary to the impression painted by the press and free trade ideologues—embrace world trade. Many of the products made by the members of my union and others in organized labor are exported around the globe. But, we part company with those who pray at the altar of free trade, blind to the reality that other nations aren't interested in free trade, they're interested in protecting their markets while they take ours.

Too often, administrations—Republican and Democrat—have viewed trade negotiations as a tool of geopolitics—divorced from the potential impact that these agreements might have. From the North American Free Trade Agreement to the Caribbean Basin Economic Recovery Act to other trade deals, our negotiators have too often traded away jobs and our productive capacity because of some short-term political imperative: shoring up a failing economy or political leader. These decisions put the Good Housekeeping seal of approval on multinational investments in foreign countries—creating jobs overseas at the expense of workers here at home.

All of this, and more, is evident in the PNTR fight. It's simply ludicrous to believe that we should have normal trading relations with a rogue nation like China. Doing so will only strengthen the current leadership's hold on their people. PNTR isn't just about trade—we already are trading with China and no one is arguing that we should close our borders to China's products. PNTR is about our basic values and ideals and whether we think they are important enough to fight for and promote—even if others are willing to sacrifice freedom, democracy and our long-term prosperity to the push for short-term profits.

There can be no question that China does not abide by international norms. They jail and execute those who publicly disagree with their leadership. They routinely violate religious freedom. They engage in forced abortions to ensure compliance with their family planning policies. They have oppressed the freedoms of the Tibetan people—seeking to relocate ethnic Chinese so as to destroy their religion and culture. Human rights and labor rights—the foundation of a free and fair society—are brutally suppressed.

They engage in the proliferation of weapons of mass destruction—putting not only our allies at risk, but our own people.

Our own State Department, in the midst of this year's debate on our relationship with China, admitted that things have gotten worse, not better. That, during the very same years we embraced constructive engagement, China continued to retrench and retreat in promoting basic human rights and freedoms.

A more recent in-depth investigation of 16 factories in China that produce goods from some of the largest U.S. companies clearly demonstrates that contractors there continue to systematically violate the most fundamental human and worker rights, while paying below subsistence wages.

In other words, U.S. companies are milking a system that does not allow for dissent and where anyone trying to form an independent union will be fired, arrested and imprisoned without a trial for five (5) to eight (8) years.

Just ask Liu Dinghui. He was arrested in January 1999 for organizing a demonstration of 500 steelworkers demanding back wages from the state-owned Peijiang Iron and Steel factory in Jiangyou City. While recent, this is nothing new in the People's Republic of China. Harry Wu, the famed Chinese democratic activist who spent 19 years in prison, told our members recently that thousands of the prisoners he was sentenced with were actually steelworkers, because the prison they were serving in was in fact a Chinese steel mill.

China should not be rewarded for this sort of repression—yet that's just what Congress appears poised to do.

My opponents argue that granting PNTR will bring about change. That eliminating the annual debate will bring certainty to our relationship and transform conflict into cooperation. In their view, simply being there, setting up plants and expanding investment and trade will yield the results our people and, indeed, the Chinese people, are so desperate for.

There simply is no evidence to support that contention. This is a rogue nation whose leaders are bent on protecting their power and privilege, not sharing it with their people. At the very time when the spotlight is on China—during this debate—



China has moved backwards, not forwards. They have viewed the expansion of a non-violent religious movement, the Falun Gong, as a threat and have issued prohibitions on their activities. They have jailed numerous leaders of the movement. They are prepared to do whatever is necessary to quell dissent. They threaten Taiwan.

Time has not obliterated the image indelibly etched in our minds of that brave young student who stood in the path of that tank in Tiananmen Square. We must not let his actions—or those of countless others who have called for free speech, freedom and democracy—be forgotten.

There are some, however, who argue that we must put our economic interests first. That America stands alone in trying to advance our ideals and we will be left behind by our competitors as they take larger and larger shares of China's market.

I reject the notion that our values—the values that have made this country so great—should be traded away on the auction block of commerce.

Let me take issue with another argument head on. We're told that the rule of law is fundamental to the maintenance of free trade. Indeed, our industry has advocated the use of trade sanctions in recent years if the Chinese failed to abide by their commitments on market access and intellectual property.

A nation that fails to enforce the most basic rule of law—the law governing the treatment of its people's most basic human rights—simply cannot be trusted to abide by the rule of law covering our business interests. China has proved that time and time again, yet we continue to trust them.

After China signed an intellectual property agreement with our country, it engaged in wholesale violations. Rather than enforce the agreement—one that China had committed to—we let them off the hook and reached a new agreement.

What makes anyone believe that China will live up to the accession agreement—in spirit or letter—once it has been granted permanent preferential trading status. And we know that many of our companies, and our politicians, will be reluctant to enforce China's commitments for fear of admitting that the opponents were right, or for basic fear of Chinese reprisals.

Whether a country offers its people basic human and labor rights isn't just a moral issue, as important as that issue is. It's also an economic issue. Workers who can't bargain for, higher wages to reward their hard work, productivity and ingenuity, won't become the middle-class consumers who can buy the products they produce, let alone the ones that we produce.

Workers who can't freely associate, bargain collectively and strike won't see their wages increase as their economy matures. As a result, we will find ourselves competing against unfairly priced products, putting downward pressure on our wages and pressure on even more companies to relocate to take advantage of dirt-cheap wages. We simply provide more fuel to the race to the bottom on wages and working conditions.

For the members of my union, this isn't some academic issue—it's a monumental threat to their security. China has the largest steel industry in the world and it's modernizing rapidly—much of it at government expense!

During the last steel crisis, 40 percent of our market was captured before our trade laws were utilized to mitigate the problem. We still haven't returned to pre-crisis production levels and steel imports are once again on the rise.

China poses a long-term threat to the vitality of our domestic steel industry. I believe that maintaining and enhancing our steel industry isn't simply an exercise in maintaining employment, it's a basic component of national security. Ten years from now, I don't want our nation to be unable to supply needed defense weaponry because we don't have the steel capacity in this country. That may happen. Already over 25 percent of our steel consumption comes from foreign suppliers.

And, the issue is broader than just steel. Our entire manufacturing base is at risk. We're currently losing manufacturing jobs at the rate of 500,000 per year. PNTR—and the underlying accession agreement with China—will only accelerate this trend as companies relocate their plants and equipment to China. We saw that in NAFTA. That trend will continue—and grow—if PNTR passes.

This debate transcends partisan politics. Members of Congress from both political parties and various ideologies have taken differing sides in this debate. I am proud to appear before you today—for this is a debate that cannot occur in China. Your hearing is testament to what makes our country great: adherence to the democratic ideals of freedom of speech and liberty.

Those focused simply on economics must recognize that democracy breeds growth and opportunity. A country that fails to respect the basic rights of the people doesn't respect the rights of our businesses. China has failed to abide by the trade agreement it has signed. Despite promises of market access and the protection of our in-

terests, our trade deficit with China continues to skyrocket. They sell us \$85 billion more than they buy from us.

Granting China PNTR would eliminate the leverage we have to promote human rights and the rule of law. So treating them the same as every other country is both immoral and impractical.

No one advocates stopping trade. But expanding trade while abandoning the leverage we have is a recipe for disaster for us and for the Chinese people. We will subsidize the continuation of the leadership's intolerance and repression and simply fortify China's leaders.

We do have leverage. America welcomes Chinese products to our shores with more than 40 percent of all Chinese exports coming here. China can't afford to abandon trade with the U.S., and we're not advocating that. Our greatest tool is the leverage of our market. If we stand up, they will open up. If we give in, we jeopardize the lives and liberties of countless Chinese. And, in turn the lives and livelihoods of our people.

Mr. Chairman, Members of the Committee, I hope that the Senate will reject PNTR and will continue to have an annual examination of China's conduct. It's the right policy.

Thank you allowing me to be here today. I would be happy to answer any questions you might have.

And last but not least, Ms. Dai Qing. We welcome you, Madam and you may proceed. Will he help you interpret? Is that your purpose? Very well. You may proceed.

**STATEMENT OF DAI QING, CHINESE DISSIDENT, BEIJING,  
PEOPLE'S REPUBLIC OF CHINA**

Ms. DAI QING. Thank you, Mr. Chairman. I just arrived here from Beijing, and I lived in Beijing eleven years ago, before the Tiananmen crackdown. I used to be a national newspaper reporter and a columnist; then I lost my job. I was arrested and stayed in prison for ten months. And now I cannot, you know, I call myself a freelance writer and environmentalist; but actually, since eleven years ago, all my books are banned in China. I have no chance to publish in China.

And right now, actually, I am jobless in my country. I am in the United States as a guest of the Goldman Environmental Foundation in California.

I am going to give my statement. I think I would rather use my language, use Chinese. And Mr. Hai Pei will help me to translate into English.

The CHAIRMAN. If you will hold just one minute. We have so many young people here today and we welcome you. Now, did you understand that she is going to deliver the rest of her testimony in Chinese and it will be interpreted by the gentleman to her left.

Mr. WELLSTONE. Although, Mr. Chairman, the first part of her testimony in English was superb.

The CHAIRMAN. Yes, sir.

Mr. WELLSTONE. Better than our Chinese.

Mr. HAI PEI I thought interpretation was not necessary.

The CHAIRMAN. You may proceed.

Ms. DAI QING. What language? Chinese or English? Chinese.

First, I am thankful for being invited here today along with the two gentlemen to my right who are very concerned about China's environment and China's human rights condition and labor rights.

At first, I have to say that in general, China's human rights condition today is still very much regretful. Although at the top level, there have been no substantial policy changes per se, there have

been substantial changes in terms of human rights among common people.

To say that China's environment and human rights conditions are better today, I am comparing that to the period when Mao was still alive and those periods before 1978. One of the reasons I think China can be so authoritarian is because China was very isolated.

It is not the only reason, but the most important reason. It is the basic reason.

To a large extent, what the gentleman just said about Tiananmen Square is true. And even today the Chinese government will not alter its official statement on the facts of what happened there.

The reason this—the Tiananmen massacre—can happen in China is because it is a one party country.

The human rights conditions in China are very bad, not only the political and environmental rights that we are championing, but also including what the Chinese communists say are the basic survivability rights of the people. Those rights and those conditions are also very bad. And that is due to a large extent to its own policy.

We just want to ask why. You know, all the years. It is almost half a century. You know, in China we have a peaceful situation. So, why today does the Chinese government still say we have to feed the people, rather than expand other human rights. No person hungry in this country. So this is the basic right.

But my argument is all the years past, the Chinese ordinary people have had some problem to be hungry. So this is because dictatorship in this country.

I want to tell you why China to this day is still an authoritarian country and how it is maintained until today. It is a government not by election, but by arms. And what it did very first is abolish private ownership and therefore have the whole resources at their command.

With this total command of resources of the society, it maintains a large military Army which is obedient to the wishes of the party. And then it uses the military and police force to control the society in general.

What I just described were the characteristics of China under Mao, China under Deng Xiaoping is changed. And that also includes China and Jiang Zemin now.

What is important to me is not how are we going to bring a few good fellows like Harry Wu or others to have power in the government, but rather more important to deconstruct that structure that maintains authoritarian government in the first place.

The path to that deconstructed China will go through the nourishment and encouragement of private ownership and the private economy and then leading up to a civil society.

The civil society with independent benefits, independent voices and independent ideas strong enough to limit dictatorship.

And therefore, PNTR could play a pivotal role in forming a civil society in China. I do not agree with the gentleman to my right who said that trading with China will only make those few rich, especially those bureaucrats. I think that trading with China will make many other middle class people richer.

With trade, China now is open to all sorts of influences and new sources and new views, not only just businessmen, but political activists, environmentalists, as well as entrepreneurs and scholars and all that.

I like the idea that the United States Congress has this annual review on China's human rights, and I wish it could be done on a daily basis if you wish. However, I think that it would be much better that in addition to reviewing China's human rights condition that we can engage in China and include China in the international community so that all these new ideas and influences can facilitate social change.

It will be to the interests of the United States and China to have a better, engaging relationship.

I want to say more about that. People think this is a very, very simple, a very small thing. But I just want to let you know because I live in Beijing. You see, in downtown Beijing, in the most crowded district that we call Wang Fu Jing, there is a McDonald's there. The authorities want to, you know, please another Hong Kongese entrepreneur, and they ordered the McDonald's to leave. And then, you know, all of the Chinese people watched this case. When the Americans invest in something they depend on the law to protect it. But McDonald's is only a company. In China, no one is there to protect the people or companies from the government. That is what we saw in this case.

Also, environmentalists in China just want to show our thanks to you, the American government, because you are the first country to withdraw financial support from the Three Gorges projects. What your government announced was that if your American government does not want to use the taxpayers' money to destroy your own rivers, why should you spend the money to destroy other countries' rivers.

Right now other developed countries in Europe, they just want to get 70 billion U.S. dollars from this project. But the U.S. is the first one to pull out.

This gentleman to my right just mentioned the Korean War, but you do know that the ordinary people did not want that war. Even some of Mao Zedong's very close comrades were against the war. We went to war only because China has a one person dictatorship. This kind of political system led us to this terrible, sad war between our two nations.

But, you know, historically, since the Opium War in 1840, the United States has been the only country that wants to have normal trade with China.

So, we really do not want to hurt the feelings of the ordinary people. I really hope that you support the PNTR, to show the Chinese people your spirit, that you are a strong country; but also that you value human rights, labor rights, and everything you stand for. Thank you.

[The prepared statement of Ms. Dai Qing follows:]

PREPARED STATEMENT OF DAI QING

My name is Dai Qing. I reside in Beijing, the People's Republic of China. I came to the States a week ago for a short-term visit as a guest of the Goldman Foundation. Currently, I am a freelance writer and environmental activist. However, before 1989, I was a reporter and a columnist in a national newspaper. After the crack-

down of the 1989 pro-democracy movement, I was jailed for ten months. I lost my job and my income. My writings have been completely banned in China. I am currently under constant surveillance of the state police.

There is no doubt that the Chinese civilians today enjoy little freedom of speech and legal protection. Neither do they have freedom of assembly and right of protest. They are given few opportunities to participate in decision-making regarding politics, economy, culture, and environment. Independent political and religious beliefs can lead to criminal prosecution.

Indeed, the question in front of us is not how bad human rights in China are. Rather, the issue confronts every responsible human being is that of finding the most effective means of improving human rights and encouraging democracy and freedom in China.

Promoting engagement and trade is, I believe, among the most powerful means of changing China.

Following are a few major points, which I believe to be the key issues in understanding PNTR and the future of China.

Firstly, PNTR will help to reduce governmental control over economy and society; secondly, PNTR will help to promote the rule of law; and thirdly, PNTR will help to nourish independent political and social forces in China.

Let me elaborate these arguments.

First, history has demonstrated that the biggest ally of communist dictatorship has been isolation. During those years when China was cut off from the rest of the world, the communist party was able to completely suppress the civil society, and to establish a totalitarian state on the its ruins. The state founded its powerful military and police forces, as well as a party organizational network entrapping every single individual in the society. Millions of people were persecuted, executed, starved to death and deprived of the most basic human rights. Few people were able to even utter a word of defiance.

Such a monopoly was possible mainly because the party-state controlled all resources, especially economic resources. As a byproduct of the economic reforms of the past two decades, the Chinese people now have a chance to break such total control of the state. PNTR, by engaging China into the modern world, will greatly help the still vulnerable private sector in the Chinese economy, and thus to reduce the state control over economy and society.

Second, PNTR will encourage more foreign investment into China. Foreign companies do not only introduce contemporary management methods to the Chinese people; they also bring about the need for the rule of law into a society in which the legal system has long been subjected to the arbitrariness of the party-state. Labor rights, accordingly, will also come to people's attention. In fact, it is general knowledge in China that companies owned by investors from the industrialized nations are paying far more attention to the rights of their employees. As a result, employment in such companies is highly desirable. This in fact has put continually increasing pressure on the government to meet international standards in trade and in some other issues as well.

Third, PNTR, with its implication of openness and fairness, will further promote an open and engaging atmosphere in China, politically and socially. In the past two decades of economic reform, with the slow but steady recovery of the civil society, independent NGOs are now persistently emerging in China. Such organizations are now spreading in many fields, including women's rights, religion, environment, etc. They are changing the landscape of Chinese politics. They represent the future of China. The conservative forces within the Chinese government view them as products of westernization and openness. They will be facing a real danger of becoming the casualty of a trade war between the United States and China.

I understand that some people in the United States worry that the increased wealth generated within China by further international trade development will help to strengthen the Chinese government. In fact, any one who has basic knowledge would know that poverty, instead of wealth, would provide legitimacy to the communist party. With prevalent poverty in today's China, the Chinese government has run a successful propaganda campaign when it argues that the right of economic survival overrides other human rights.

The Chinese people are looking for positive support from the international community, especially the industrialized world. PNTR, in the eyes of average Chinese, provides a positive solution. It sends the Chinese people a powerful and positive message, that the most powerful industrialized nation today will work with the Chinese people to build a new world order. Whether or not granting PNTR to China, therefore, does not only means more or less import and export to the Chinese people, but also indicates whether the people of the United States accept them as equal partners in the new world of a new century.

I also understand that many people in the United States want to hold on PNTR as a means to maintain international pressure to the Chinese government. Doubtlessly, international pressure is one of the crucial factors for a better future of China. However, international pressure will be severely undermined if PNTR, the means and the symbol of openness, is taken away.

Thank you for your attention.

The CHAIRMAN. Thank you. I think, if I understand the translation, you believe that PNTR will help nourish the independent political and social forces in China, is that correct?

Ms. DAI QING. Yes.

The CHAIRMAN. And also that it will help reduce government control and promote the rule of law. Now, I am not going to debate you because you are one of the most dynamic witnesses we have had since I have been the Chairman of this committee. And I just wish you folks could have seen the dynamism of this lady. But tell me how you think this will happen. Because it has not happened with any of the other influx of money and everything else to the present rulers of China.

Ms. DAI QING. I am sorry, Mr. Chairman, can you repeat that?

The CHAIRMAN. I tell you what I am going to do. I am going to wait and try and phrase it a little bit better. But thank you very much. Suppose we take about seven minutes on the first round.

Mr. Bauer, three members of the Helms team on the Foreign Relations Committee staff traveled to China last January and met with the underground Catholic bishop in Shanghai. Now, the 80 year old gentleman was under constant surveillance and was forced to live in squalor. Now, this is not hearsay. This is what my people saw. He was interrogated by internal security police both before and after my representatives managed to visit with him.

And my question is, one of them, why do you think China's autocrats feel so threatened by a harmless elderly man, a Catholic priest, seeking to train priests and conduct worship that they see the need to harass him?

Mr. BAUER. Mr. Chairman, I think it is for the same reason that tyrants get so upset when their people read the Declaration of Independence. Anybody that believes that we are created by God and that we have as a matter of birthright the right to vote, the right to free expression, that each individual is unique and distinct—I think that is what threatens tyrants always. And certainly all major religions teach that each of us is a unique creature of God.

The Chinese also see what happened in Eastern Europe and in the Soviet Union generally when the church was so outspoken for individual liberty. One Chinese leader was quoted as saying in a government newspaper referring to religious belief in China, "We will strangle the baby in its crib." That was a little play on words, but the meaning of it was quite clear. They see religion generally as being a threat to their ability to manipulate the people and to believing that they have no rights other than the rights that the government gives them.

I believe religious belief is a much greater threat to the Chinese government than building more McDonalds in Beijing or whatever.

The CHAIRMAN. So that we will not appear to be—

Ms. DAI QING. I understand that perfectly well, thank you.

The CHAIRMAN. Very well. Proceed. We ought to ask this question to you and Mr. Becker at the same time. What do you think of the view—and I would appreciate your comment as a matter of fact—of the view that the presence of American businesses in China will expose the Chinese leadership to the American concepts of openness and transparency and respect for workers and steadily spread those concepts throughout the Chinese society. I guess I am asking do you agree with that statement.

Mr. BECKER. Absolutely not, Mr. Chairman.

The CHAIRMAN. And if you do not, say why.

Mr. BECKER. Businesses never advance those thoughts. Those thoughts have been advanced through law in the United States and regulation. We have had to fight like hell for all of the rights that we have in labor in the United States. You track business when it goes to other countries and see how they act. They go to the lowest common denominator.

State of the art plants in the United States where we have the best of conditions, the best safety conditions that you can have. When those same plants build down in the McKeladors in Mexico, they revert back to what the Mexican standards are. They do not carry their standards down there.

Put another way, Mr. Chairman, they are not going to China or to Indonesia or they will not go to Vietnam in order to increase the environmental controls in that country or to try to raise the cost of labor in those countries. They are going there to take advantage of the lowest prices they can possibly get. That is the creed of management. And it is offset in the United States by the regulation and law that we have in this country.

The CHAIRMAN. Do you agree with that, ma'am?

Ms. DAI QING. First, I want to say something about religion. May I?

The CHAIRMAN. Okay.

Ms. DAI QING. In China, the government hates anything that organizes people, because it wants to control the whole society directly. So not only religion, but even environmental NGOs, the government does not really like.

So it tries to destroy every organized person. This is because the legitimacy of the government comes, not from the power of the vote, but from the power of arms. So, not only religion is repressed, but recently, the whole social system is becoming stronger and stronger.

You know, there are examples of religious people being repressed. But you do not mention that there are also examples of growing religious freedom. Where I live, in Beijing, I have many friends and they go to church and they are very prosperous. In some families, they have a maid to clean or do some work for the family. If the girl goes to church, she is considered a perfect candidate for a maid. It is becoming more and more common in Beijing and other cities.

The CHAIRMAN. Let them respond to you. Okay. Go ahead.

Mr. BAUER. Well, China obviously is a very large country and almost anything you say about it is true someplace. There certainly is more religious liberty and more believers in China than there were 30 or 40 years ago or 20 years ago.

But, Mr. Chairman, as you point out and as your staff found, those that insist in worshipping by their own beliefs and preaching by their own beliefs without running those by the government are horrendously oppressed in that process. Some Chinese families have to baptize their children in rivers at night because they cannot get permission to baptize them any other way.

Mr. Chairman, if I could just say one thing about your question. Whatever the presence of American companies accomplishes from a positive point in China, I am afraid the tradeoffs in the other direction are much more severe. Many American companies find that in order to get the prized license or permission to build a plant or to do business in China, they have got to become partners with the Chinese government and the control of the Chinese people.

So a company that wants to build a factory in China might have to agree to allow the secret police to enter the factory to check whether anybody is reading bibles during their lunch hour or whether a female employee might be pregnant with an unauthorized second child. So the American corporations in some cases become partners in the oppression of the Chinese people.

The CHAIRMAN. We will address that a little bit later. Do you agree with that?

Mr. BECKER. I would like to take a little different twist with that if I possibly could rather than directly with the religion. We are not—as a trade union movement in the United States, we are not against the Chinese people.

The CHAIRMAN. Of course not.

Mr. BECKER. What we have insisted is that the trade agreements of the United States contain some basic human rights, environmental protections and trade union rights. Trade union rights often are the cornerstone of democracy. That is where the seed of democracy is sewn amongst the workers. And it spreads from there.

Workers have to have the right to be able to share in the wealth they help create. If they are kept compressed, if they are kept pushed down, to where they cannot do that, to share in this, then this becomes a comparative advantage for China and their trade relations throughout the rest of the world. And this is what we are talking about. Because somehow or another, we have to compete with them in some form or fashion.

But my point really is that democracy if it starts within the trade union movement, within the workers movement, and that is what collapsed communism in Eastern Europe, starting in Poland and it spread throughout the rest of the Eastern European nations and finally into Russia. That is what will work in China if anything does. And when you sew those seeds of democracy, that is also democracy for religious freedoms and for women and all the other things really that we are talking about here today.

The CHAIRMAN. Very good. Let me see. On the basis of—

Mr. WELLSTONE. Russ came first.

The CHAIRMAN. Well, he was here first.

Mr. WELLSTONE. Seniority?

The CHAIRMAN. Well, you three figure out who goes first. I am not going to call on anybody.

Mr. KERRY. I am first in seniority.



Mr. WELLSTONE. No, no. You came here first. Senator Feingold came here first.

The CHAIRMAN. Senator.

Mr. FEINGOLD. Well, on second thought.

Mr. KERRY. Mr. Chairman, I am not going to take my full time and I have to go to another meeting. So I apologize. But Russ said he believes deeply in the seniority system here.

Mr. FEINGOLD. That is because I get to be here for a while.

Mr. KERRY. Let me if I can just make a couple of comments. First of all, let me welcome all of our witnesses. I particularly welcome Gary Bauer and George Becker who represent very important and extraordinarily legitimate points of views on these issues. And it may surprise some to hear this, but I greatly enjoyed much of what Mr. Bauer was espousing in the course of his campaign. I thought he was one of the most articulate people in the entire race.

And while we do not agree on everything, and he and I have sat before previously privately and talked about these things, we need to find a way to meld a significant value component of what he is talking about with some of the things that on both sides of the aisle that we try to do here.

Mr. BAUER. Thank you, Senator.

Mr. KERRY. And, George, let me just say I had such admiration for the position you are taking in terms of this important stand on human rights. And I think that Ms. Dai Qing agrees with you completely in terms of where you are trying to go. It is just a question of a different view about how we are going to get there, in a sense.

I completely agree with your view about the impact of the trade union movement on the post-Communist block world in Eastern Europe. Obviously, Lech Walesa and others were just prime examples of the way in which the trade movement managed to change things.

But it was there and it was the organizing tool. It is not in China today. And so we are left, as Ms. Dai Qing is telling us, looking for other avenues, for other ways to promote this vital change.

Now, I do not know if you have been to China. I guess I first went there in the late 1980s and more recently have been there. What a dramatic change in just the years that I have been going there. And it is not as long as people who are much more expert than me.

But I have seen a place where few people would engage with foreigners, where you had to get permission to move off your street to go work somewhere, where there was such a complete and total lock on any kind of movement, freedom, choice of work, et cetera.

Today, one of the great changes in China is the number of people who are spontaneously and wilfully moving to the coastal communities to seek work where the work is without any need for permission and so forth.

Many of the American and international companies building in China are building to American standards in terms of the environment, in terms of working conditions, et cetera.

Now, are the salaries the same? No, they are not. But they have never been the same in almost any country in the world. Nor were they the same between Massachusetts and Georgia and South Carolina when we lost the textile industry, the shoe and the leath-

er industry, because of labor costs and because of these transitions that take place.

The real question here is even in the years where we had an annual review, which has been every year up until now, can anybody tell me that the annual review has produced the kind of change that we say we want to have in the long run here?

You know, China is a dictatorship. It is authoritarian. We do not like it. We want it to be a democracy. We long for a change. But the question before us is going to be how best to achieve that. And I just want the committee to have this on the record.

This is what Ms. Dai Qing said. She said her parents struggled for a new China, for a democratic system, and against the corruption of the old order. But when the new China appeared, so did dictatorship, injustice and corruption. She said she felt very sorry for her mother and father and the party's first generation of idealists.

Now, much of her writing is banned inside China today. After Tiananmen massacre, she was arrested and detained for ten months. She has been an enormous critic of the Three Gorges Dam; she wrote this brilliant book about the dam. It has been banned inside China. Her parents were both executed during the occupation by Japan, her father was executed when she was three years old. She grew up among the top elite as the adoptee of her father's friend, Marshall Ye Jung Jing. And she earned a degree in missile engineering.

She has worked on China's program of intercontinental missiles. And after the turmoil of the cultural revolution, she assumed the cover of a writer while she was spying in Europe for military intelligence. So she has been there, done that, understands the system.

And I do not think it is an accident that so many people like Dai and Harry Wu and others who are at the forefront of resistance, of change, of seeking a change, are saying that opening up to standards and being involved in the broader context in their judgment is going to bring about change.

Now, for me, I think it is important to listen to those folks who are on that front line. None of us have all the answers here. I think we could have negotiated a better agreement. And I have said that to my colleague Paul and others. And I hope in the future we are going to find a way to put these other issues much more on the table. But for the moment, this is the one we have in front of us. And my sense is that we need to keep moving down this road.

So, Mr. Chairman, that is my statement. I appreciate—you wanted to respond, George. I see you begging for the microphone.

Mr. BECKER. Please do. Well, I know that you are anxious to leave or that you have to leave.

Mr. KERRY. I am not anxious to leave. I have to leave to be part of this dialogue.

Mr. BECKER. Well, you have to leave. And there is a couple of points. I am not saying, Senator, that the most favored nation that we have, the annual review, is one iota better than what we have got now. The fact is they are both completely inadequate. When you say that we could have negotiated a better agreement, I do not know how we could have negotiated a worse agreement. This is the marketplace of the world. China is running a \$70 billion deficit with the United States right now in trade. That is under the most

avored nations. By the most conservative estimates, it is going to skyrocket after PNTR comes into effect.

The question is they want our market. They want our trade. And the only thing we have to offer is our market. That was the time to do the bargaining. That was the time to get the environmental controls, the human rights controls, and to get something for trade union rights for workers so that they could improve their lot in life. That was the time to get it.

Once we sign up with PNTR, we are out of the action. And they can take our jobs. They can take our industry at any time that they want. We are defenseless in the face of that.

Mr. KERRY. Mr. Chairman, I do not want to abuse the time. First of all, let me correct myself. I misspoke. I did not mean Harry Wu. I meant Martin Lee. But secondly, let me respond to what you just said.

This agreement does nothing to alter one good or goods coming into the United States. There is no change in any tariff on any goods coming into this country. It is a one way agreement. The only reduction in tariffs are reductions by the Chinese so that our goods can go into there.

Now, it does not change the goods coming into this country. If you did not pass this, they still have MFN. And given the record of the last 20 years, Congress is almost certain to pass it one more time here. And those goods and the trade deficit will continue to grow. There is no evidence whatsoever that the Congress of the United States is prepared to revoke it, particularly this year. If it did not do it after Tiananmen, what on earth is the rationale for their doing today what they would not do then in terms of not granting MFN? So there is nothing that is going to change in that balance.

Mr. BECKER. The will of the Senate. The will of the Senate. You can stop it dead in its tracks. And you can tell them to renegotiate this agreement. You can tell them that we want the human rights and that we want the environmental controls. And that we want trade union rights within that agreement, in the core agreement, or you do not get our markets. It is as simple as that. But until we take that stand, we are not going to get it, sir.

Mr. KERRY. I very much respect your view. And we need to find a way to fight for those things. Mr. Chairman, thank you.

The CHAIRMAN. You are quite welcome, sir. Now who?

Mr. FEINGOLD. Thank you, Mr. Chairman. I would like to thank the Chair for holding this hearing. I have never, just like the Chairman, supported the notion that trade issues should be divorced from human rights and other concerns. It is my firm belief that a number of factors must be weighed when considering the nature of our trade relationships with other countries. And for that reason, I think this is a very timely and valuable hearing. And I am concerned about the possibility that the Congress will abandon its annual review of China's trade status. And I did also enjoy Mr. Bauer's remarks and would like to ask him a question.

The supporters of PNTR claim that increased economic openness will sort of inexorably lead to increased civil and political openness. And China has been engaged in significant international trade for

some time. Between the U.S. and China, trade has increased from \$4.8 billion in 1980 to \$94.9 billion in 1999.

Has there been any indication, Mr. Bauer, that this relationship has led to increased political openness and tolerance in China?

Mr. BAUER. Senator, very little. In fact, if you look at our own State Department reports, in an administration that has been very sympathetic to more trade with China, those reports indicate that if anything, things have worsened in the last five to eight years on almost every measurement that we can point to.

I think it was just two years ago, that the State Department came out with an incredible statement that they could not identify one active dissident in China in a nation of 1.4 billion people. You would almost have a dissident by accident with that many people. No, I think the evidence is quite the opposite. And quite frankly, historically it just is not true that more open economic activity will lead to more political freedom.

In fact, the most dramatic example of the opposite is Nazi Germany. There was a great rebirth of economic activity when the Nazis took power. But the exact opposite on political liberty. Political liberty is being withdrawn.

So there is nothing fore ordained about this, nothing certain about it. And I think that the only reason that the increased economic activity would lead to more political liberty is if a price of that economic activity is pressure from a democracy like the United States on these sorts of human rights and national security issues. And it seems to me by giving them permanent NTR, we are taking away that pressure at the very time we ought to be increasing it.

Mr. FEINGOLD. Thank you for that answer. And Ms. Qing, I certainly admire you. And am curious do you think that—just how seriously do you think that the regime in Beijing takes this annual Congressional debate on China's trade status? And would the level of attention or concern or recognition of it change if we did not have these annual discussions and votes?

Ms. DAI QING. I think the trade issue is terribly important to the Chinese leaders. You know, saving face is very, very important, not only for the everyday Chinese people, but especially, for the Chinese leaders.

When you criticize them they take it seriously, and they react. So, I just want to give an example in China that is really terrible. This is the garment issue. In this case the Communist Party leadership, the social political system, the proletarian dictatorship, case Marxism and Leninism as the leading theory, leads to terrible conditions. So if you—if you Americans or others—can very strongly criticize it, it will end it.

But, you know, eleven years ago the Communist leaders themselves tried to remove the bad working conditions in the garment industry using the law, the national constitution under the party's regulation. It did improve somewhat.

I think the annual criticism and the annual check is very good for us, for the political prisoners or political dissidents. I myself, I benefit from your strong criticism and negotiations on human rights issues. But, I think very little of that benefit spreads out to the ordinary people, the whole of society.

Mr. FEINGOLD. Are you saying, ma'am, that it would be better if this committee and Senators did not criticize the human rights record of China?

Ms. DAI QING. I do not mean do not criticize. We appreciate your support and your help, but for the ordinary people, for the people that are not being held by the police, the ordinary people, they just hope the whole society changes bit by bit, bit by bit. They just want to earn a living. They just want to have their own voice.

I think criticism is good for political dissidents. But to just do the annual check and criticize will do very little for the whole society.

Mr. FEINGOLD. Mr. Becker, are you aware of any cases in which U.S. investment has led to real improvements in labor conditions in China? And what impact do you think do you think further U.S. investment in China will have in labor conditions and labor activism in China?

Mr. BECKER. I would like to lead into that by commenting on what was said just a second ago about this harsh criticism. First of all, what makes anybody believe that China is going to live up to the accession agreement, either in spirit or in the letter of the law, when they have not enforced any of the other agreements. And what makes us believe that we are going to be able to stand up to that kind of anger from the Chinese? If we criticize them or if we try to force them to live up to that, we know we are going to get the same kind of response that we got on other areas that we criticize the Chinese that is going to be the anger and the threats. I do not believe that anybody else believes that our politicians and our companies are going to be able to stand up against that. This is why agreements up to this point in time have not been enforced against the Chinese.

But to get to the other aspect of this, as far as companies going into China, the companies go into China. They build there and they export back to the United States. Sure, there is wealth created in China and it may be—I do not know at what levels it would be distributed.

But the workers themselves do not have the freedom to share in this. They do not have the right to make demands like they do in the United States and be able to share in the wealth and the prosperity that they help create. And any kind of concerted activity on their part to do this is met very harshly by the government. This is why the slave labor camps are filled in China and we know that. And the military runs those.

And we see—they just announced today I think Ford is going to build a factory in China. I mean, is this a trade agreement? No. This is not trade back and forth. And that is what this agreement protects. It protects the companies and the financial institutions. I should have said that to Senator Kerry. There is some meat to this, but the meat to it is to protect the companies and the finance arrangements going over there. It is not a trade agreement back and forth. There is no way that we can compete against Chinese goods coming into the United States made under the conditions that they are currently made. We have to break that mold. And to us the only way to break that mold is to put guts into the trade agreements themselves. And that touches then on the human rights and the environmental regulations and the trade union rights.

Mr. FEINGOLD. Thank you, very much. Thank you, Mr. Chairman.

The CHAIRMAN. If you will, spare me a couple of minutes here. I think one thing needs to be made clear. Before I came to the Senate in 1973, I had an interest in young people, including a great many Chinese young people who were studying in this country or otherwise here.

After I came to the Senate, I must have worked with 300, more than 300 young Chinese people whom I love dearly. Now, this is not—those of us who oppose this arrangement with China, we are not worried about the people of China. We are worried about the dictators of China who run China and who will not let the people have freedom to do and say what they need to do.

In other words, we want the people to be free and we do not think this is going to help. Because heretofore, and in just a few minutes I am going to talk about this chart that I had the folks draw up about the trade agreements between the United States and China, a record of broken promises, not by the people of China. By the government of China, the rulers of China. So I just wanted to make that point. And thank you, Paul.

[The information referred to by the Chairman follows:]

Major U.S.–China Trade Agreements:  
A Record of Broken Promises

Agreement	Failures to Comply
1979 Agreement on Trade Relations Between the United States and China	Large and increasing trade deficits with China
1992 Memorandum of Understanding on Market Access	
Eliminate certain trade barriers .....	New barriers in place of those removed
Make trade regime more transparent .....	Ambiguity in deciphering regulations
Eliminate trade substitution laws .....	New import substitution implementation
Remove discriminatory standards restrictions ...	Unsound and unevenly applied SPS
1992 Memorandum of Understanding on Intellectual Property Rights	Newly established laws, but lack of enforcement
1995 Memorandum of Understanding on Intellectual Property Rights	Ineffective action on pirated products, and insufficient market access
1996 Chinese Intellectual Property Rights Action Plan	Increase of pirated products into China
1997 Agreement on Textile and Apparel Quotas	Persistent illegal Chinese textile transshipments
1992 Memorandum of Understanding and 1994 Statement of Cooperation on Prison Labor Exports	Inadequate cooperation by Chinese authorities

Mr. WELLSTONE. Absolutely, Mr. Chairman. To the panelists, thank you. And Gary, I agree with what my other colleagues have said about you and your important voice in our country.

Mr. BAUER. Thank you.

Mr. WELLSTONE. Mr. Chairman, we are going to have apparently another round to ask some questions. Apology, I want to make a

very brief statement because it is important for me to explain my position as a Senator, especially given the fine testimony of Dai Qing.

This is a really important hearing. And we are dealing with issues of labor and trade and human rights and religious freedom. And, Mr. Chairman, I do not think it is just important for the Senate Foreign Relations Committee. I do not think it is just important for the Senate itself. I think these are issues that are important and should be discussed in the kitchens and living rooms of people around the country.

My father, who was born in the Ukraine and lived in Russia and lived in Harbin and lived in Peking and spoke fluent Chinese, would be the first to say that when the most basic human rights and freedoms of others are infringed or endangered, we are diminished by our failure to speak out or to act on our beliefs. But when we embrace the cause of human rights, we reaffirm one of the greatest traditions of American democracy.

Mr. Becker, you know, I think people are realizing in our country that we cannot separate how well we do as citizens, how well we do as workers, from the plight of workers in other countries around the world. And you have been a towering figure in the labor movement and I thank you for your very, very strong voice.

Mr. Chairman, I want to say this to Dai Qing especially. The issue before us is not whether or not we have trade with China. We have trade with China. It is not about whether we have an embargo. We are not going to have an embargo. We are not even discussing whether China should enter the WTO. This has all gotten kind of confused.

The question for the Senate is whether or not we do or do not reserve for ourselves the right to annually review trade relations with China. And I think that in turn becomes a question not of whether China's going to be part of the world economy. It is a huge country. It will be. The question is under what terms does China become a part of the world economy? What will the rules be? Who will decide those rules? Who will benefit? And who will be harmed by them?

And I do not think, Mr. Becker, or any of you here, for you to say that in this new global economy, you want to make sure that the global economy works also for human rights and the environment and wage earners and producers. That is forward looking. That is not backward looking.

This bilateral agreement, Mr. Chairman, that was negotiated by the United States and China last November and the PNTR legislation currently before the Senate provides discouraging answers to the questions that I just raised.

Our bilateral agreement, anyone can examine this, contains page after page after page of protections for the United States investors. It is a virtual wish list for multinational corporations operating in China and for those who want to move there. But it contains not one word about human rights, Gary, not one word about religious freedom. Nothing on labor rights and nothing on the environment.

Now, it has been said that the United States could not have demanded such things, Mr. Chairman, because we concede nothing in our deal with China. This is far from the truth. With PNTR, the

United States would give up annual review of China's MFN trading privileges as well—as well—as our bilateral trade remedies.

I think we could have negotiated a different deal with China. One that would have better reflected the priorities of the American people. And I think the reason we could have done that is that China absorbs 40 percent. We absorb—the United States—absorbs 40 percent of China's exports.

So here is my question. Last year, the State Department's report on human rights violations was brutal. And yet, in our agreement with China, we extracted no concessions with regard to human rights.

Nor did we obtain any concessions with regard to religious freedom. Yet, the report of the United States Commission on International Religious Freedom, commissioned by our Senate and our House of Representatives, recommends that we delay PNTR until China makes substantial improvement in allowing its people the freedom to worship.

And they lay out a number of different benchmarks that should be met. We demanded no concessions from China on their persecution of labor organizers. Yet, any effort to form an independent labor union in China is met with firing, arrest—this is true—and imprisonment without trial, usually for three to eight years in a labor camp. And we obtained no concessions from the Chinese on complying with their existing commitments on forced prison labor.

Mr. Chairman, I do not know if this is really so much about we are going to have more exports to China. I think what we are going to have on present course is we are going to have more investments. And what we are going to see instead is that China is going to become an export platform attracting foreign manufacturers, paying wages as low as three cents an hour. Walmart is over there right now paying 13 cents an hour or 14 cents an hour.

Well, Mr. Chairman, I want to ask unanimous consent that my full statement be included in the record.

The CHAIRMAN. Without objection.

Mr. WELLSTONE. And I would like to conclude this way to stay within my time limit. I think we need a more forward looking approach to the challenges of this global economy. I refuse to be called a protectionist. I refuse to be labeled as looking backward over the retrograde. I am looking forward. And there is absolutely nothing wrong with people in our country and for that matter people throughout the world saying we are in a new global economy. Just as 100 years ago we evolved into a national economy. We wanted to make sure it worked for people. We want to make sure this global economy. We are being told that we live in a global economy and that is true. But the implications of living in a global economy I think are seldom recognized. To me, Mr. Chairman, if we are living in a global economy and we care about human rights, the we can no longer concern ourselves just with human rights at home. If we live in a global economy, we are concerned about human rights throughout the world. If we truly care about religious freedom, we can no longer just be concerned about religious freedom at home. We have just been told we live in a global economy. We care about religious freedom in other nations.



If we truly care about the right of workers to organize and bargain collectively and earn a decent living for themselves and their family, then we can no longer just be concerned about labor rights at home. And if we truly care about the environment, we can no longer concern ourselves just with environmental protections at home. We have to concern ourselves with environmental protections around the country.

It is interesting and it is 20 more seconds. If you look at the polling data, the American people by a fairly large margin want us to maintain our right to review trade relations, normal trade relations, with China. And 83 percent of the people in our country support inclusion of strong environmental and labor and human rights standards in trade agreements.

But you know what? I do not think that they have really been consulted in this debate. And that is why this hearing is so important. I just wanted to be clear about what my position is as a Senator.

And on the floor of the Senate, I am committed, and I know you are, we are going to have amendments on human rights. We are going to have amendments on the right of people to practice their religion. I am going to have an amendment on the right of workers to organize in our own country labor law reform. And we are going to have amendments that deal with environment protection and we should.

And I say that out of hope for China. I am not a China basher. I do not want to have a Cold War. That is not what I am about. But I do feel strongly about these issues. Thank you.

[The prepared statement of Senator Wellstone follows:]

PREPARED STATEMENT OF SENATOR PAUL WELLSTONE

Mr. Chairman, thank you for calling this timely hearing on the human rights, labor, trade, and economic implications of Permanent Normal Trade Relations (PNTR) for China.

I strongly believe that these issues must be fully and thoroughly discussed and debated—not only in the Foreign Relations Committee and on the floor of the United States Senate, but in the kitchens and living rooms of every American family. The issues we are examining today affect all Americans in many important ways.

People engaged in human rights issues have long understood this basic truth: that Americans can never be indifferent to the desperate circumstances of exploited and abused people in the far reaches of the globe. When the most basic human rights and freedoms of others are infringed or endangered, we are diminished by our own failure to act. But when we embrace the cause of human rights, we reaffirm one of the greatest traditions of American democracy.

Fortunately, this truth is now reaching a larger public. A rapidly growing number of working families and their union representatives have come to understand that their own well-being depends to a considerable degree on the welfare of people they've never met, living halfway across the planet.

One of the, public figures most responsible for this remarkable shift in attitudes is President George Becker of the United Steelworkers of America, who we are very fortunate to have testifying before the Committee today. I want to extend my warmest welcome to President Becker, a towering figure in the American labor movement.

President Becker has been at the forefront of advocacy for labor rights around the globe. President Becker was there in Seattle last November, alongside tens of thousands of union members, demanding that workers overseas be allowed to organize and bargain collectively. And President Becker has been extremely farsighted in his work with the environmental community to ensure that the global economy works for the environment.

As President Becker has recognized, this is the urgent challenge that we cannot escape or ignore: how do we make the global economy work for human rights—at home and abroad? How do we make the global economy work for working families—at home and abroad? And how do we make the global economy work for the environment—at home and abroad?

This is why China's integration into the world economy looms so large in our consciousness. China is like no other country. The size of its population will give it a preponderant influence on the evolution of the global economy. And the character of its government gives us cause for alarm over the direction the global economy may be taken.

But let us be clear. The issue before Congress is not whether we trade with China: we will continue to expand our trade relations regardless of whether Congress passes PNTR. The issue before us is not whether we talk to the Chinese or engage the Chinese government; we will continue to do so regardless of PNTR. There has been no suggestion of boycotting China, or isolating China, or walling them off from their economic partners.

The question, really, is not even whether we integrate China into the world economy. The question is on what terms do we integrate them. What will the rules be? Who will decide those rules? Who will benefit from those decisions? And who will be harmed by them?

The bilateral agreement negotiated by the U.S. and China last November, and the PNTR legislation currently before the Senate, provide discouraging answers to those questions. Our bilateral agreement contains page after page of protections for U.S. investors. It is a virtual wish list for multinational corporations operating in China, and for those who wish to move there. But it contains not a word concerning human rights, nothing on religious freedom, nothing on labor rights, and nothing on the environment.

It has been said that the U.S. could not have demanded such things because we concede nothing in our deal with China. This is far from the truth. With PNTR, the U.S. would give up annual review of China's MFN trading privileges, as well as our bilateral trade remedies.

Annual MFN review has not been used as it should have been. But it remains our best leverage over China's behavior on human rights, and on labor rights. And it remains the only remaining leverage in our trading relationship to promote important non-commercial values.

Our bilateral trade remedies have not been used as they should have been, or as they were intended. But Section 301, for example, remains our only explicit remedy against China's violation of core labor standards.

I believe we could have negotiated a different deal with China, one that better reflects the priorities of the American people. I believe we still can. We have what China wants. The U.S. absorbs over 40 percent of China's exports. China desperately wants to eliminate the annual MFN review process, not only to free itself from external pressure on issues it considers to be sensitive, but also to attract foreign investment with guaranteed access to the U.S. market. And China wants to join the World Trade Organization (WTO), which requires U.S. consent to the report of the WTO Working Party on China's accession.

In exchange for these concessions to China, however, we extracted no concessions with regard to human rights. Yet this year's annual report by the State Department says that China's human rights performance continued to worsen in 1999.

Nor did we obtain any concessions with regard to religious freedom. Yet the Report of the U.S. Commission on International Religious Freedom flatly recommends delaying PNTR until China makes "substantial improvement" in allowing its people the freedom to worship, as measured by several concrete benchmarks.

We demanded no concessions from the Chinese on their persecution of labor organizers. We extracted no concessions on reforming their labor laws to allow free and independent union organizing, as the International Labor Organization has recommended. And we obtained no concessions from the Chinese on complying with their existing commitments on prison labor.

Notwithstanding our failure to take any of these steps to improve the lives of millions of Chinese, it is said that PNTR and China's WTO membership would benefit Chinese workers and ordinary citizens. Yet Chinese dissident Harry Wu points out that exponential increases in trade and investment over the past 20 years have coincided with a deterioration of China's record on human rights. And WTO membership has resulted in no noticeable improvement in the records of other countries such as Burma, Cuba, and Colombia.

Instead, absent any minimum standards for human rights, labor, or the environment, the most likely scenario is for China to become an export platform attracting foreign manufacturers with wages as low as 3 cents an hour. The tens of millions

of Chinese expected to lose their jobs as a result of this deal would join a “floating population,” already numbering in the tens of millions, exerting downward pressure on wages and working conditions. Even in U.S.-controlled factories, a recent report by the National Labor Committee documented payment of below-subsistence wages and violations of fundamental worker rights by U.S. companies and their contractors in China, often in open collaboration with repressive government authorities. Any attempt to form an independent union in China is met with firing, arrest, and imprisonment without trial, usually for three to eight years in a hard labor camp.

And what about the effects of PNTR on American working families? Unfortunately, many of the concessions we chose to demand from China will make it easier for U.S. corporations to relocate there, taking advantage of weak Chinese labor and environmental standards, and export back to the United States in competition with American workers.

As emphasized by recent articles in the *Wall Street Journal* and *Washington Post*, the trade agreement with China is much more about investment than exports. Indeed, the International Trade Commission (ITC) has found that the trade deal with China will actually increase our bilateral trade deficit with China.

Most alarmingly, rock-bottom wages in China threaten to act as a magnet for employers seeking to avoid organizing efforts by American workers. Already, half of all U.S. employers threaten to shut down operations whenever employees choose to form a union. And studies have shown that threats by employers to move jobs to Mexico increased dramatically following passage of the North American Free Trade Agreement (NAFTA) in 1993.

It is commonly argued that our country as a whole benefits from current trade policies, but no one can deny that the benefits are distributed unequally. Even free trade economists now conclude that trade policy is the single largest cause of growing inequality since 1979, accounting for 20 to 25 percent. While the loss of good-paying manufacturing jobs is being matched by additional employment in the service sector, the new jobs pay less on average and have fewer benefits.

If the welfare of American working families were really a top priority of our trade policies, trade initiatives such as PNTR would be accompanied by legislation that makes it easier for American workers to organize and bargain collectively, at the very least. To restore some of the bargaining power lost by workers due to PNTR and other trade policies, to help spread the gains from trade more broadly, and to promote unionization of new jobs in the service sector, we must strengthen the right of workers to organize and bargain collectively.

We need a more forward-looking approach to the new challenges of a global economy, not the same old trade and investment model that PNTR embodies. There’s ample evidence that our trade policies over the past 20 years are a major reason why inequality has reached record levels in America, and why inequality has risen dramatically within and between nations over the past couple decades.

We are forever being told that we now live in a global economy, which is certainly true. But to me the implications of this development are seldom recognized. It means that if we truly care about human rights, we can no longer concern ourselves only with human rights at home. If we truly care about religious freedom, we can no longer concern ourselves only with religious freedom at home. If we truly care about the right of workers to organize and bargain collectively and earn a better living for themselves and their families, we can no longer concern ourselves only with labor rights at home. If we truly care about the environment, we can no longer concern ourselves only with environmental protections at home.

To those who argue that global markets will take care of themselves, or that they can never be tamed, I point to the lessons of our own economic history. At the end of the last century, America underwent the wrenching transition from a collection of local markets to one national economy. Today we are making a similar transition from a national economy to a global one.

In this country, however, we made the national economy work for working people by setting minimum standards for labor, the environment, public health, and consumer safety. We managed to write rules for the domestic economy that reflect values other than just the narrow commercial interests of big business. Why should those values be banished from the rules of the global economy? Can it really be impossible to make the global economy work for working people?

Of course not. But it all depends on who’s writing the rules, because the rules determine who the winners and losers will be. Right now, the way those rules are written is not very democratic at all. We simply cannot afford to let decisions such as PNTR be made by a small circle of trade specialists and special interests.

Surprisingly, large majorities in survey after survey support these objectives. Americans oppose eliminating annual reviews of China’s human rights and trade record by a margin of 65 to 18 percent; 67 percent oppose China’s admission to the

WTO without further progress on human rights and religious freedom; and 83 percent support inclusion of strong environmental and labor standards in future trade agreements.

But the American people have hardly been consulted in this debate. If they had been, I think it unlikely that PNTR would be favored by such large margins in the House and Senate.

Mr. Chairman, I believe the PNTR legislation before the Senate is a step in the wrong direction. We must do better. And I believe we still can.

The CHAIRMAN. Well, you have listened quietly, Gary. Before we get to another line of questioning, do you have anything you want to offer?

Mr. BAUER. Just to say to Senator Wellstone that eloquent and passionate as always, Senator, it is great to be on the same side with you on this issue.

You know, I think that the question that needs to be asked—

The CHAIRMAN. Will you pardon me just a minute? I have had printed—the young people who are visitors here who cannot see this chart here, I have had copies made of the text of that. And if you would like one, it is a major U.S./China Trade Agreement: A Record of Broken Promises. Have you passed them out? All right. You may proceed.

Mr. BAUER. Senator Wellstone, I think the question that needs to be asked that is on the other side of the debate is is there no amount of oppression? Is there no amount of crackdown on religious liberty and on basic human rights that would change their view on normal trade relations with China? Certainly, I believe that everybody in this debate has good motives and are hoping to accomplish long term the same thing.

But can it be that no matter what happened inside of China, there would be those here in Washington who would argue that it ought to be business as usual. There are clearly more dissidents in the camps today than there were yesterday. And there will be more tomorrow than there is today. You can go down every way we measure a civilized nation. In the last ten years the measurements have gotten worse.

What is it that Beijing would have to do that would lead our opposition in this debate to say, “You know what? I think you are right. I think we need to slow down a little bit here and perhaps use this incredible ace in the hole that we have which is the American marketplace, the Chinese government desperately needs this marketplace. They cannot duplicate it anyplace in the world.”

What would it take for our opponents to say, “You are right? We ought to use this wonderful ace in the hole in order to get changes in China?” I presume there would be something that would lead them to say this is too much for even them to swallow. I think we passed that line a long time ago.

One final point. As you well know, Senator, at least a third, perhaps half of the trade we do with China is not with the people of China, but it is with companies controlled by the People’s Liberation Army. So you are not trading with the guy standing in front of the tank. You are trading with the guy that was driving the tank. America has always stood with the people standing in front of those tanks, not with the guys driving them. It is a matter of great shame, I think, that right now we seem to be siding with the driver of those tanks.

The CHAIRMAN. Mr. Becker, do you have anything?

Mr. BECKER. Just a very brief comment on that. I do not think that anybody is in disagreement at all about the need for human rights for the people of China. The question really is how do we help bring that about? What can we do to help advance that? We had an excellent opportunity in negotiating this trade agreement, something that they are vitally interested in, something they have to have to advance their society at all. And we have thrown that away under the PNTR.

I would like to point to this exercise that we have here that they cannot have in China, a hearing like this that we can debate the issues that are important. The fact that we can sit here, three of here, that have different viewpoints and have the freedom to be able to express them before this assembly. And I think that is really what that is about.

And you carry a terrible weight, the Senate. This has passed the House. That last stop is in your hands to be able to hold that back. And if it does not pass the Senate, it is going to be renegotiated. It is going to give our leaders an opportunity to take another look at this. And we are going to work like hell to make sure that they take the right look. And I want to thank you very much for this.

The CHAIRMAN. Good. Now, let me say to you, lady. And this is not a windup because he has got his questions. I have been Chairman of this committee for quite a long time. And I do not recall a more dynamic, interesting witness before since I have been Chairman.

Mr. WELLSTONE. And I have not been Chairman of this committee a long time, but I agree with him.

Ms. DAI QING. I have a question for you. Of all the political dissidents and some present independent voices from the government, particularly in China, we have the same radio you have. We have the same concerns you have; and we have suffered abuse, human rights abuses by the government. But why do all the dissidents—I cannot say all, but most of the dissidents in China, those who live in China—why do they support PNTR?

They support PNTR even though we know of all the things the radio mentions, most of the things they mention, we know they really happened. And while the policy of the government has changed very little, the whole society changes everyday, every minute.

There is an ancient story that the wind and the sun had a contest to see who could be the first to get a man's jacket off. The wind blew, and blew, and blew; no matter how hard the wind blew, the man just held the jacket closer and tighter. But the sun, the sun just kept shining down on the man as he went along his way; and then, eventually, the man took the jacket off.

So, PNTR and a very good relationship with the United States can be just like the warm sunshine. The whole society will change. And then it will force the Communist Party to change its policy.

Mr. WELLSTONE. Was the question for me? Do you want me to answer?

The CHAIRMAN. Well, let me proceed if I may. I think I am the only one in this room who remembers the Prime Minister of Eng-

land, Great Britain, who in the 1930s, he had an idea of making peace with Germany and with Adolph Hitler.

So Mr. Chamberlain went to Munich and he sat down with the Chancellor of Germany. And he came back to London with a great display for the press and they gave him great play and everything, peace in our time.

And he said, we are going to have peace in our time because he told me.

Well, you know the rest of that. He was wrong. And thank the Lord there was a guy named Winston Churchill who came along and said we will fight them in the streets. We will fight them in the fields, et cetera, et cetera, et cetera.

Now, I want you to describe for me, ma'am, the prison conditions that you experienced when you were arrested for expressing your beliefs. And I believe that was just a few years ago in 1989, was it not? What were the conditions of the prison in which you were held? Do you understand?

Ms. DAI QING. Yes. It depends on the Chinese law. The police only can detain people for 24 hours. If not enough evidence is collected they let the person go. But in my case the police detained me for ten months, no trial, no prosecution. And at the end ten months, when no evidence had been collected, they let me go.

But the prison where they detained me is very famous in China. The Soviets helped the Chinese government to build it, along with industry support. It is a political prison. Only political prisoners are detained there.

The CHAIRMAN. Do you believe—and I ask this respectfully. Do you really believe that the United States can have a normal trade relation with a nation whose government locks up people like you, that charges folks disseminating information on democracy by way of the Internet, charge them with crimes against the state, country or regime as in China and insist upon putting puppets in as religious leaders in Tibet—and I must confess that I am a good friend of the Dali Lama—and eliminates the legitimate leaders of Tibet and a regime that exports goods made in a system of forced labor camps, all of which your government does.

Now, this is not an indictment of the Chinese people. That is what you want to overthrow and change and get a democracy and you want a constitution sort of like the United States and maybe other countries have and so forth.

But I do not understand, Paul—we can be informal here. I do not understand these leaders of big business, many of whom are friends of mine, who have contacted me and with almost excessive force demanded that I go along with this thing and I cannot do it. I am their friends. I have been their friends. But I disagree with them. And I shall not support this because I do not think it is good for your people. And that is the ups and downs of it.

But in any case, Neville Chamberlain was beguiled by Adolph Hitler. I do not see how. But he did not bring peace in our time. It was the lives of American boys and French and various others, British, who gave their lives to make peace in our time. You may go.

Mr. WELLSTONE. Well, I do not think that it is so much a question. I mean, I think that the panelists I wanted to respond to Dai Qing's question to me and I think all of you.

I wanted to say to you, Dai Qing, that your question was if you feel so strongly about this, why is it that those of us in China like me who live this—and it is a very fair question—have a different position?

And I wanted to say a couple of things. Again, I wanted to make this point because I think it has become—I do not know that this is the reason, but I want to say this. I think at least in our country there has been some confusion. At one point even in your testimony, you said, look. I would not mind if China's record was reviewed everyday. It is not so much the review I am opposed to.

I think some people think that those of us who say we ought to maintain what little leverage we have are saying that we do not want to have trade and we are not. Or are saying that we want to have an embargo and we do not. Or saying that we want to isolate China and we do not. Or saying that we want to bash China and we do not. So first of all, I think sometimes the two things get confused.

My second point which I mean to say this out of respect is I want to say to you that there are also people—Harry Wu's name was mentioned. I was going to—you know, Senator Kerry corrected himself. I was going to say Harry Wu was very strongly in favor of at least trying to have some of these amendments and conditions attached to this agreement. And he thinks we ought to annually review.

Wei Jingsheng is someone whom I have come to love. I mean, Wei Jingsheng is you and Wei Jingsheng is part of the same—I mean, I have such admiration for both of you. I mean, Wei spent how many years? Twelve years, fourteen years in prison for his writing.

Ms. DAI QING. Seventeen.

Mr. WELLSTONE. Seventeen years. And I want to say to you because I do not want you to think that what I say is just abstract overly intellectual. I have spent so much time with Wei. You know, I consider him to be a close friend. And I am moved by what he says. And in our country, a lot of people like Wei who have the freedom to speak out, they say do not give up annual review. At least make it clear to the government that you care about these issues still, especially given the fact we have had 20 years of more and more economic activity, more and more trade, more and more United States companies going to China and lots has hanged. Senator Kerry said that. I agree.

But you know what has not changed? The human rights record has not gotten any better according to our own reports and our own commission on religious persecution chaired by, I think, Rabbi Saperstein, said we have looked at the whole question of whether or not people practice their religion. And we believe, our recommendation, Senate, is do not give up your right of annual review. So I want you to know that my position is—it is a thoughtful position and one that I also feel strongly about.

The CHAIRMAN. Is that your final answer?

Mr. BAUER. I would just add one thing, Senator Wellstone. You probably have heard Wei talk about the fact that when he was in prison and most favored nation status would come up here in the United States Congress, the prison authorities would come to Wei's cell and they would offer him anything that he wanted if he would sign a statement in favor of most favored nation status, currently being at that time debated in the United States.

If there is a sizeable body of opinion among Chinese dissidents against normal permanent trade relations, in all due respect to Dai Qing, I just do not think we would be hearing about it. I do not think that we are going to hear their views unless they are in the United States free to speak. And as you have pointed out, Senator Wellstone, many of those that are in the United States free to speak in fact take the position that you and Senator Helms have on the issue.

The CHAIRMAN. Yes, sir.

Mr. BECKER. If I could, just a real small point on that. I believe that the annual review of the most favored nations status has become a terrible embarrassment to the United States. The State Department runs this, compiles this, on an annual basis before this goes before the Congress to be debated and approved on a continuance on an annual basis. I think it has become extremely difficult for the administration to pretend that everything is getting better in China when the record shows it is wrong. I think it is an embarrassment. I think that is what they want to get behind them. I just wanted to put that out.

Incidentally, I wanted Senator Kerry to know, I did not tell him this. I have been to China myself too.

The CHAIRMAN. I will tell him. Last but not least.

Ms. DAI QING. I think Wei Jingsheng and other dissidents in this country, maybe including you, you are so urgent, so impatient for change in China. But, you know, this is because you have such strong expectations; you want things to be better.

But we should be very, very patient. It is difficult, because almost everyday I feel so angry in China because of the police. The police just a few days ago, the police stopped me when I tried to visit my friend Bao Tong. You have known Bao Tong. The police stopped me and detained me three hours in the office. I am so angry.

But I know we must be very patient, because China is not a European country. European countries, in the 1920s and 1930s, they enjoyed democratic systems of government. They had a limited duration of communist rule. But in China, we have had 2,000 years of this kind of thing, dictatorship. And the communists only use communism as the name. The oppression is the same.

Of course, maybe one day something will change immediately. I will be very happy, because I will have my basic job, and I will be able to publish. But I would hate another revolution. We have to nurture the whole social change bit-by-bit. And I really hope that you American politicians will not only see that the communist leaders did lots of very, very bad things, but will see that they are not the same as Mao Zedong.

There are two aspects to a dictatorship. One is the emperor itself. Another is all the people who are so loyal to the emperor,



who worship the emperor. Mao Zedong was a hero—we are a loyal people. But now, among the Chinese people, even though he has the same position as Mao Zedong, no one thinks Jiang Zemin is a god in their heart. They do not worship him like they worship Mao Tse Tung. So, there has been social change.

The CHAIRMAN. Thank you, very much. If there will be no further business to come before the committee, we stand in recess. Thank you, very much all four of you. And we will recess.

[Whereupon, at 4:19 p.m., the subcommittee was adjourned.]

[A response to an additional question submitted to Mr. Bauer by Chairman Helms follows:]

*Question.* PNTR is allegedly supposed to promote political freedom through the free flow of ideas. But Communist China is dead set against the free flow of ideas. In a recent hearing in this Committee, the Broadcasting Board of Governors testified that China spends as much on jamming the Voice of America and Radio Free Asia as the U.S. Government spends on broadcasting into China. Should we be giving PNTR to a government that jams our own sources of free media?

*Answer.* I oppose PNTR for China for a number of reasons: concerns about national security, the repression of basic human rights, religious persecution among them. But China's consistent jamming of America's media is one of the most troubling realities of the current U.S.–China relationship. China's brutal repression of basic information is a troubling, terrible reality. Any ongoing dialogue with the communist dictators of that regime must include a push for a lifting or a consistent receding of the media jam. Abraham Lincoln famously said, "Let the people know the facts and the country will be saved." China's war with free expression is one of the worst violations in a host of terrible examples of repression.

[A statement submitted by Senator Hollings follows:]

STATEMENT SUBMITTED BY SENATOR HOLLINGS

Mr. Chairman, thank you for allowing me to testify before your Committee this afternoon. I strongly oppose the proposal to extend permanent Most Favored Nation status to China. This is perhaps the most important international trade issue since NAFTA, and if my colleagues take a closer look, they will see that the truth behind the two issues is the same. Like NAFTA, this is yet another attempt by the Administration to sell an investment agreement by talking about exports.

This legislation is not about trade with China. Of course we will trade with China. Rather this debate is about the terms of trade with China and more specifically about U.S. investment in China. Two recent newspaper articles highlight this concern directly. On the day after the House of Representatives vote on PNTR, the *Wall Street Journal* published a front page article entitled "Congress's Vote Primes U.S. Firms to Boost Investments in China" An economist with Morgan Stanley is quoted stating, "[t]his deal is about investment, not exports. U.S. foreign investment is about to overtake U.S. exports as the primary means by which U.S. companies deliver goods to China." Rockwell International confirmed that saying, "In China, that's the direction we're going."

Moreover, this investment has a direct impact on American manufacturing workers. Frequently they lose their jobs when their companies shift production to China. The *New York Times* highlighted this trend earlier this month with an in depth story on the Zebco fishing reel company—in Tulsa, Oklahoma—and its efforts to move production facilities to China because, according to the company, U.S.-based production did not yield an "adequate profit." The company says that they can produce in China and deliver fishing reels to the U.S. for one-third less than it costs to manufacture them in the United States. The company recently announced that they would shift some production to China and the workers feel that more layoffs are coming.

Its no wonder that Americans—who should feel safe, as they invariably have during previous times of prosperity—do not. They are afraid. Just look at *Business Week's* cover story from April 24: "Behind the Anxiety Over Globalization." The article points out that even in the current period of economic growth, American workers are falling prey to their worst fear—that of losing their jobs. Allan Mendelowitz, of the U.S. Trade Deficit Commission, sums up the uneasiness: "Workers used to feel

safe when the economy was doing well, but today they always feel they can be laid off, and globalization is part and parcel of that.”

The *Economic Report of the President*, released in February, is quick to praise the robust economy, but barely mentions a fact that many of us find intolerable—roughly 1 million American workers lose their jobs each year due to the disparities of international trade. Whether it be because the jobs were shipped abroad where labor is cheaper, or because U.S. firms were forced to close because they could not compete with inexpensive imports, the fact remains that these are 1 million American families a year that are not being adequately provided for.

Furthermore, even firms that choose to stay in the U.S. are using the threat of job losses against their own employees. Many companies routinely tell employees that they will move production out of the country if the employees unionize or fail to meet production quotas. The result is a legacy that Administration would just as soon forget: “Global Anxiety.”

I would like to contrast Global Anxiety with another Presidential legacy, that of Franklin Delano Roosevelt. In his recent Pulitzer Prize-winning book *Freedom from Fear*, David Kennedy discusses one of FDR’s “four freedoms,” which were central to his political philosophy and were the driving force behind his policymaking. Kennedy shows how FDR was able to reassure Americans and make them feel secure, as he created the greatest legacy in American history.

The contrast with the Clinton Administration is stark. During a time of political upheaval and widespread economic uncertainty, FDR offered Americans peace of mind. Conversely, even in this period of sustained growth, the trade policies of the current Administration rob our workers of this precious commodity. Freedom from Fear has given way to Global Anxiety.

Global Anxiety will continue to infect America’s workforce as long as the Administration insists on exporting U.S. jobs abroad. It is time for a policy change, and Congress should take the lead by refusing to extend Permanent MFN to China at this time. Currently, China profits much more from our trade relationship than we do, and granting Permanent MFN will only serve to worsen an already unfair situation. While the U.S. might experience a marginal increase in exports by taking this step—imports from and investments in China will soar. The price in job losses will be enormous and the trade deficit will continue to expand. American workers cannot afford this tradeoff.

Our trade deficit with China has reached appalling levels—even Secretary Daley has called it unacceptable. And it continues to grow every year. The value of U.S. imports from China almost doubled between 1994 and 1998, jumping from \$38 billion to over \$71 billion. Of course, exports also rose during that time, but only from \$9 billion to \$14 billion. The result is trade deficit that has exploded by almost \$30 billion in four years! And Secretary Daley, in recent testimony before the Commerce Committee, refused to say whether that deficit would decline as a result of this agreement. Moreover, the International Trade Commission, essentially an arm of the Administration, believes that the trade deficit will increase as a result of this deal.

The Administration is misleading when it talks of exports. Despite moderate increases in exports to China in the past few years, China receives a mere 5 percent of total U.S. exports. This is roughly the same percentage of exports that we send to Belgium and Luxembourg! Meanwhile, China maintains a \$68 billion trade surplus with the United States. As we listen to the Administration pat itself on the back over a paltry increase in exports, American imports continue to finance China’s economic boom!

To know the whole story, we have to look at what products comprise the export increase. What we find is that many of the goods that the U.S. ships to China are in fact inputs that will be assembled by low-cost Chinese labor and re-imported by the U.S. as finished products. The numbers are clear. From 1997 to 1998, the value of American exports to China of products designated for assembly and reimportation grew by a dramatic 979 percent. Over the past ten years, the percentage of China’s exports generated by foreign-affiliated firms has risen from 15 percent to almost 50 percent. According to Morgan Stanley, the U.S. accepts more than one-fourth of China’s exports. Others put the figure at closer to 40 percent. Essentially, China, continuing in the great tradition of Mexico with NAFTA, is a gigantic export platform.

China not only exports billions of dollars worth of merchandise to the U.S., it also exports its unemployment. More and more U.S. companies—like Zebco—are relocating their production facilities to China to take advantage of the cheap labor and minimal labor and environmental standards. It is estimated that 600,000 Americans were laid off in 1996 alone due to trade with China—a year when our trade deficit with China was a mere \$40 billion. For the sake of our workers, the U.S. cannot

afford to continue to let the trade deficit with China spiral out of control, yet that is exactly what will happen if Congress votes for MFN.

The Administration plays down the importance of the deficit, arguing that America maintains a firm hold on the hi-tech sector. It claims that China will continue to export low-cost consumer goods to the U.S. but will import American hi-tech products, leaving the higher paying hi-tech industry jobs in the U.S. Unfortunately, the statistics tell a different story. Instead, America's trade deficit with China in computers rose by 100 percent between 1996 and 1998, while the deficit in electronics increased by 50 percent in the same time frame. We now import more advanced radar products from China than we sell to China. In short, the alleged comparative advantage that the U.S. holds over China in the hi-tech industry is a myth.

Though the exploding trade deficit and the job losses are reason enough not to grant China MFN, there are other compelling reasons as well. Most importantly, despite continued admonishment by the U.S., China's government has not made a good faith effort to improve its human rights record. On the contrary, repression has increased in China throughout the 1990s, and particularly since the Clinton Administration ended the link between trade status and human rights record. Currently, every known political dissident in China has been either exiled or jailed. In addition, the Chinese government continues to maintain forced labor camps, and even to export goods produced in these camps to the United States, despite a specific promise to end this practice. Withholding preferential trade status is perhaps the most effective leverage our government has over the Chinese, and it would be foolhardy to terminate it by granting Permanent MFN.

Extending permanent trade status to China does not make economic or political sense. The last thing the United States needs is a higher trade deficit with China and the resulting job losses. Encouraging trade is important, but not when it is accomplished at the expense of American workers. Also, considering China's unwillingness to improve its human rights practices, now is not the time to end our major source of leverage in this area.

Global Anxiety is real. Our constituents feel it, even if we do not. Over the past decade we have passed several trade measures that have accomplished little, other than to cause more job losses for Americans. It is time for Congress to take a stand by voting for the welfare of our workers over the false promise of "Free Trade."