

# Withdrawal/Redaction Sheet

## Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. cable	RE: U.S.-China Memorandum of Understanding on Textile Trade (partial) (13 pages)	01/21/94	P6/b(6)

### COLLECTION:

Clinton Administration History Project

OA/Box Number: 24108

### FOLDER TITLE:

History of USTR - Speeches & Testimony of Ambassador Kantor, 1994 [1]

jp11

### RESTRICTION CODES

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

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

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

- b(1) National security classified information [(b)(1) of the FOIA]
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- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

AMBASSADOR MICHAEL KANTOR  
SPEECHES AND TESTIMONY  
1994

- 1/24/94 US. TRADE POLICY IN TRANSITION: GLOBALIZATION IN A NEW AGE -  
Keynote Address, Georgetown University Law Center
- 1/26/94 THE URUGUAY ROUND: GROWTH FOR THE WORLD, JOBS FOR THE  
U.S. - Testimony House Ways and Means Committee
- 2/8/94 THE URUGUAY ROUND: GROWTH FOR THE WORLD, JOBS FOR THE  
U.S. - Testimony Senate Finance Committee
- 2/9/94 PRESS BRIEFING - U.S. Trade Representative Mickey Kantor, Deputy Secretary  
for the Treasury, Roger Altman and Deputy Assistant to the President for  
Economic Policy, W. Bowman Cutte, White House
- 3/1/94 TESTIMONY - Senate Appropriations committee, Subcommittee on Commerce,  
Justice, State, the Judiciary and Related Agencies
- 3/2/94 THE CLINTON ADMINISTRATION TRADE POLICY: AN UPDATE - House  
Foreign Affairs Committee
- 3/3/94 STATEMENT ON THE EXECUTIVE ORDER REINSTITUTING SUPER 301
- 3/8/94 TESTIMONY - House Appropriations Committee, Subcommittee on Commerce,  
Justice, State, the Judiciary and Related Agencies
- 3/15/94 STATUS OF U.S.- JAPAN TRADE RELATIONS - House Ways and Means  
Subcommittee on Trade
- 3/16/94 THE URUGUAY ROUND: GROWTH FOR THE WORLD, NEW  
OPPORTUNITIES FOR U.S. FARMERS - Testimony House Committee on  
Agriculture
- 3/23/94 THE URUGUAY ROUND: GROWTH FOR THE WORLD, JOBS FOR THE  
U.S. - Subcommittee on Commerce, Consumer Protection and Competitiveness
- 4/20/94 THE URUGUAY ROUND: GROWN FOR THE WORLD, NEW  
OPPORTUNITIES FOR U.S. FARMERS - Senate Committee on Agriculture
- 5/19/94 1994 TITLE VII REVIEW OF FOREIGN COUNTRY PROCUREMENT  
DISCRIMINATION AGAINST U.S. GOODS OR SERVICES AND  
MULTILATERAL AND BILATERAL INTERNATIONAL TRADE

NEGOTIATIONS ON GOVERNMENT PROCUREMENT - Legislation and  
National Security Subcommittee of the Committee on Government Operations

- 6/6/94 PRESS BRIEFING, Paris France
- 6/10/94 TESTIMONY - House Ways and Means Committee
- 6/16/94 THE BENEFITS OF THE URUGUAY ROUND - Senate Commerce Committee
- 7/14/94 THE IMPORTANCE OF THE URUGUAY ROUND - House Ways and Means  
Committee
- 7/18/94 STATEMENT - National Governor's Association Meeting
- 9/26/94 CHINA U.S. TRADE - Summary of the Fourth China Forum
- 10/1/94 STATEMENT U.S.-JAPAN TRADE
- 10/4/94 TRANSCRIPT OF ABE NEWS - GATT
- 10/5/94 THE IMPORTANT OF THE URUGUAY ROUND - Senate Commerce  
Committee
- 10/6/94 JOINT MINISTERIAL STATEMENT MEETING OF APEC MINISTERS IN  
CHARGE OF TRADE - Jakarta, Indonesia
- 12.6.94 USIA INTERVIEW - INCREASING TRADE OPPORTUNITIES IN THE  
HEMISPHERE ON THE EVE OF THE SUMMIT
- 12/14/94 POST-SUMMIT NAFTA AND OTHER TRADE ISSUES - USIA Interview

# Withdrawal/Redaction Marker

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**This marker identifies the original location of the withdrawn item listed above.  
For a complete list of items withdrawn from this folder, see the  
Withdrawal/Redaction Sheet at the front of the folder.**

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TELEGRAM

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USIA WASHDC IMMEDIATE 1208  
USDOC WASHDC IMMEDIATE  
SECSTATE WASHDC IMMEDIATE 2439  
INFO AMCONSUL HONG KONG IMMEDIATE  
USMISSION GENEVA IMMEDIATE  
AMCONSUL SHENYANG  
AMCONSUL SHANGHAI  
AMCONSUL GUANGZHOU  
AMCONSUL CHENGDU

UNCLAS SECTION 01 OF 13 BEIJING 001766

USIA

STATE FOR EAP/CM AND EAP/P; PLEASE PASS USTR  
COMMERCE FOR GS/BB/TD/TEX/DAS/RBATES  
USIA FOR EA; P/PFF; B/VOM/F  
NEW DELHI PLEASE PASS AMBASSADOR HILLMAN  
GENEVA FOR USTR/SHEPHERD

E. O. 12356: R/A

SUBJECT: BACKGROUND BRIEFING BY

P6/(b)(6)

P6/(b)(6) JANUARY 17, ON U.S.-CHINA MEMORANDUM OF  
UNDERSTANDING ON TEXTILE TRADE

REF: A) BEIJING 001644; B) BEIJING 001647

1. THE FOLLOWING TRANSCRIPT IS THE CORRECTED VERSION OF  
REFTEL A.

P6/(b)(6)

P6/(b)(6) GAVE A BACKGROUND BRIEFING FOR  
AMERICAN JOURNALISTS ON THE EVENING OF JANUARY 17 IN  
BEIJING. THE GROUND RULES OF THIS BRIEFING WERE THAT  
ANY ATTRIBUTION IS TO A "SENIOR U.S. TRADE OFFICIAL".  
3. MEDIA PRESENT INCLUDED REPRESENTATIVES FROM ABC, AP,  
UPI, WALL STREET JOURNAL, NEW YORK TIMES, JOURNAL OF  
COMMERCE, WASHINGTON POST AND LOS ANGELES TIMES.

4. BEGIN UNOFFICIAL TRANSCRIPT

OPENING STATEMENT: OBVIOUSLY, AS I THINK MOST OF YOU  
KNOW, WE WERE ABLE TO COMPLETE AN AGREEMENT BETWEEN THE  
UNITED STATES AND CHINA GOVERNING ALL TRADE IN TEXTILES  
AND APPAREL UNDER THE AUSPICES OF THE MULTIFIBER  
ARRANGEMENT, AS WELL AS A SEPARATE AGREEMENT COVERING  
SILK APPAREL. IT'S A THREE YEAR AGREEMENT. UNDER  
NORMAL CIRCUMSTANCES, CHINA WOULD HAVE BEEN PROVIDED  
GROWTH INCREASES IN ITS QUOTA, BETWEEN 1993 AND 1994.  
AGAIN THE UNITED STATES HAS BEEN SAYING ALL ALONG THAT  
WE HAVE VERY SUBSTANTIAL PROBLEMS WITH OUR TRADE WITH  
CHINA IN TERMS OF TRANSSHIPMENTS AND OVERSHIPMENTS.

AND WE WERE SEEKING SOME REDUCTIONS IN OVERALL ACCESS  
AS COMPENSATION IN PART FOR A LOT OF THE PROBLEMS THAT  
WE'VE HAD IN THE PAST AND FOR THE FACT THAT CHINA, AS A  
RESULT OF THAT, HAS GOTTEN GREATER ACCESS TO OUR MARKET  
THAN IT WAS ENTITLED TO UNDER THE TERMS OF THE  
AGREEMENT. SO WHAT WE ENDED UP AGREEING TO IS AN  
AGREEMENT THAT PROVIDED NO GROWTH AT ALL BETWEEN 1993

AND 1994, WHICH IS AN EFFECTIVE REDUCTION IN THE ACCESS  
THAT THEY WOULD HAVE HAD OF ABOUT 4.4 PERCENT. THE  
AGREEMENT ALSO REDUCES, FAIRLY SUBSTANTIALLY, THE  
AMOUNT OF GROWTH THAT CHINA IS PERMITTED IN EACH YEAR  
UNDER THE TERMS OF THE AGREEMENT, LEAVING AN OVERALL  
GROWTH CAP OF ABOUT ONE PERCENT A YEAR. AS A RESULT,  
OVER THE THREE-YEAR TERM OF THE AGREEMENT, CHINA'S  
ACCESS WOULD BE REDUCED FROM WHAT IT WOULD HAVE BEEN  
UNDER THE PREVIOUS AGREEMENT BY APPROXIMATELY 700  
MILLION DOLLARS, OR APPROXIMATELY 13 PERCENT.

IN ADDITION, A VERY KEY POINT FOR THE UNITED STATES ALL  
ALONG HAS BEEN THIS PROBLEM OF TEXTILE TRANSSHIPMENTS.  
AGAIN, THESE ARE GOODS THAT ARE MADE IN CHINA, AND  
LEAVE CHINA, EITHER ALREADY FALSELY LABELLED "MADE IN  
MALAYSIA," "MADE IN THE UNITED ARAB EMIRATES," "MADE IN  
WHEREVER," OR NOT LABELLED AT ALL, OR GO ON TO THIS  
SECOND OR THIRD COUNTRY WHERE THEY ARE AGAIN FALSELY  
LABELLED AS THOUGH THEY WERE MADE IN THAT COUNTRY.  
CLEARLY CHINA IS DOING SO TO GET AROUND ITS QUOTAS.  
AGAIN THAT'S AN ABSOLUTE VIOLATION OF THE AGREEMENT,  
YOU KNOW, CONSIDERED A FRAUD, AN ILLEGAL ACTIVITY. WE  
HAVE BEEN COMPLAINING ABOUT IT FOR MANY YEARS. CHINA  
IS BY FAR THE LARGEST TRANSSHIPPER IN TERMS OF MAKING

GOODS THAT ARE THEN FALSELY LABELLED. THE UNITED  
STATES CUSTOMS SERVICE HAS ESTIMATED THAT THEY BELIEVE  
THE AMOUNT OF CHINESE TRANSSHIPMENT TO BE APPROXIMATELY  
TWO BILLION DOLLARS PER YEAR. SO, A VERY, VERY  
SUBSTANTIAL PROBLEM.

SO THROUGHOUT THESE NEGOTIATIONS WE HAVE BEEN PLACING A  
GREAT DEAL OF EMPHASIS ON THE NEED TO ADDRESS THE  
PROBLEM OF TEXTILE TRANSSHIPMENTS AND FOR THE UNITED  
STATES TO BE ABLE TO TAKE  
A VERY STRONG ACTION TO ENSURE  
THAT THIS NEW AGREEMENT IS AN ENFORCEABLE AGREEMENT.  
THE PROVISION THAT WE ULTIMATELY WORKED OUT WOULD  
INDICATE THAT IF CHINA AGAIN ENGAGES IN REPEATED  
TRANSSHIPMENT, MEANING MORE THAN TWO OFFENSES OF  
TRANSSHIPMENT, THAT THE THIRD TIME THE UNITED STATES  
WOULD HAVE THE RIGHT TO DEDUCT FROM CHINA'S QUOTA THREE  
TIMES THE VOLUME OF THE GOODS THAT WERE TRANSSHIPPED.

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TELEGRAM

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USMISSION GENEVA IMMEDIATE  
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UNCLAS SECTION 02 OF 13 BEIJING 001766

USIA

STATE FOR EAP/CH AND EAP/P; PLEASE PASS USTR  
COMMERCE FOR 6500/TD/TEX/DAS/RHAYES  
USIA FOR EA, P/PFF, B/WOAF  
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E.C. 12356: U/A

SUBJECT: BACKGROUND BRIEFING BY

P6/(b)(6)

P6/(b)(6) JANUARY 17, ON U.S.-CHINA MEMORANDUM OF  
UNDERSTANDING ON TEXTILE TRADE

SO AGAIN, WE THINK A VERY, VERY TOUGH PENALTY PROVISION  
THAT THE UNITED STATES HAS INSISTED UPON IS PART OF  
THIS AGREEMENT IN ORDER TO ADDRESS THE FOLLOWING (SIC)  
TEXTILE TRANSSHIPMENT.

SO, OVERALL WE THINK IT IS A VERY GOOD AGREEMENT FOR  
BOTH SIDES. IT GIVES CHINA CONTINUED, VERY SUBSTANTIAL  
ACCESS TO THE U.S. MARKET. AGAIN, IN 1993, CHINA'S  
TOTAL EXPORTS, UNDER THE MULTIFIBER ARRANGEMENT, AGAIN  
TRADE THAT WOULD BE COVERED BY THIS AGREEMENT, WAS  
4.68 BILLION DOLLARS. TOTAL TRADE FROM CHINA, BECAUSE  
AGAIN RIGHT NOW SILK APPAREL IS NOT COVERED BY THE  
AGREEMENT. SO AGAIN, THE TOTAL TRADE UNDER THE  
MULTIFIBER ARRANGEMENT WOULD BE 4.68 BILLION. TOTAL  
TRADE ALTOGETHER, IF YOU ADD IN THE SILK, AND THERE'S  
SOME OTHER ITEMS THAT ARE ALSO NOT INCLUDED IN THE  
MULTIFIBER ARRANGEMENT, WOULD BE APPROXIMATELY 7.2  
BILLION DOLLARS FOR 1993. AGAIN, WE THINK IT IS A VERY  
GOOD AGREEMENT FOR BOTH SIDES IN THAT IT GIVES, AGAIN,  
CHINA CONTINUED ACCESS TO OUR MARKET. THE AGREEMENT IS  
VERY IMPORTANT FOR THE CHINESE EXPORTERS BECAUSE U.S.  
BUYERS ARE EXTREMELY RELUCTANT TO MAKE PURCHASES IF  
THERE IS ANY AMBIGUITY ABOUT WHETHER THOSE GOODS ARE  
GOING TO BE PERMITTED INTO THE UNITED STATES MARKET.  
AS A RESULT, I THINK IN THAT SENSE, IT WAS EXTREMELY  
IMPORTANT FOR CHINA TO REACH AN AGREEMENT. AGAIN, I  
THINK IT IS A VERY GOOD AGREEMENT FROM THE UNITED  
STATES' STANDPOINT IN THAT WE HAVE BEEN ABLE TO ACHIEVE

VERY STRONG LANGUAGE TO ADDRESS THE PROBLEM OF  
TRANSSHIPMENT. SO, THAT'S WHERE WE ARE.

EMBASSY SPOKESPERSON: I'D LIKE TO REKIND YOU TO  
IDENTIFY YOURSELF AS YOU ASK YOUR QUESTIONS.

KATHY WILHELM, AP: WHAT YOU SAID ABOUT WHEN THE UNITED

STATES COULD DEDUCT UP TO THREE TIMES THE (INAUDIBLE).  
THE WAY IT WAS PRESENTED THIS AFTERNOON BY THE CHINESE  
VICE MINISTER TO CHINESE REPORTERS IS THAT ONLY IF IT  
WAS PROVEN THAT THERE HAS BEEN A VIOLATION AND HE SAID  
THAT IT WOULD DO AWAY WITH WHAT HE CALLED ARBITRARY  
REDUCTIONS BY THE AMERICAN SIDE. THE IMPLICATION WAS  
THAT THE CHINESE WOULD AGREE TO (INAUDIBLE)

OFFICIAL: THE TEXT WOULD PROVIDE, AND AGAIN IT  
PROVIDES THAT IN ALL OF OUR AGREEMENTS, BUT AGAIN WE  
DO, AND I WOULD ALSO ADD THAT IT IS REQUIRED UNDER BOTH  
THE MULTIFIBER ARRANGEMENT, AND AS WELL AS THE URUGUAY  
ROUND AGREEMENT GOVERNING TEXTILES, THAT WHEN YOU MAKE  
A DEDUCTION TO THE QUOTA THAT YOU MUST PROVIDE CLEAR  
EVIDENCE. AND AGAIN THE TERM IN THE AGREEMENT WOULD BE  
"CLEAR EVIDENCE". AGAIN, CLEAR EVIDENCE SHOWING THAT  
THESE GOODS THAT ARE LABELLED "MADE IN MALAYSIA" WERE  
IN FACT MADE IN CHINA. SO, I THINK IN THAT SENSE, YES,  
WE WOULD BE REQUIRED TO PROVIDE CLEAR EVIDENCE.

KATHY WILHELM, AP: WOULD THE CHINESE HAVE TO AGREE--

OFFICIAL: NO.

KATHY WILHELM, AP: --THAT THEY ACCEPTED THE EVIDENCE--

OFFICIAL: NO, NO. THEY WOULD NOT HAVE TO. THEY WOULD  
NOT BE ABLE TO AGREE. WE WOULD PROVIDE THE EVIDENCE,  
AND AGAIN THAT WOULD BE IN THE CONSULTATION PROCESS.  
THE LANGUAGE MAKES IT VERY CLEAR THAT IN THE ABSENCE OF  
AN AGREEMENT, MEANING THAT THE CHINESE SAY SOMETHING'S  
WRONG WITH THE EVIDENCE, OR WHATEVER, IF WE ARE NOT  
ABLE TO WORK OUT AN AGREEMENT, THE UNITED STATES DOES  
HAVE THE RIGHT TO GO AHEAD, AND MAKE THE REDUCTION TO  
THE QUOTA, EVEN IN THE ABSENCE OF CHINESE AGREEMENT.  
AGAIN, UNDER THE MULTIFIBER ARRANGEMENT, BOTH PARTIES  
WILL HAVE A RIGHT IN THAT SITUATION TO ASK FOR A REVIEW  
OF ANY ACTION BY THE TEXTILE SURVEILLANCE BODY IN  
GENEVA, WHICH IS AGAIN THE INTERNATIONAL GROUP THAT  
MONITORS THE ENFORCEMENT OF THE MULTIFIBER ARRANGEMENT.

PAT TYLER, NEW YORK TIMES: THE MINISTER M

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TELEGRAM

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ACTION EAP-00

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UNCLAS SECTION 03 OF 13 BEIJING 001766

USIA

STATE FOR EAP/CH AND EAP/P; PLEASE PASS USTR  
COMMERCE FOR 6500/TD/TEX/DAS/ENAVS  
USIA FOR EA, P/PT, B/NO/F  
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GENEVA FOR USTR/SHEPHERD

E.O. 12356: N/A

SUBJECT: BACKGROUND BRIEFING BY

P6(b)(6)

P6(b)(6)

JANUARY 17, ON U.S.-CHINA MEMORANDUM OF  
UNDERSTANDING ON TEXTILE TRADE

SO MENTIONED

THE ISSUE OF INSPECTIONS TODAY. WHERE DOES THIS  
AGREEMENT COME OUT WITH (INADMISSIBLE) ENFORCEMENT  
MECHANISM AND WHO HAS TO AGREE TO INSPECTIONS AND  
(INADMISSIBLE).

OFFICIAL: IT PROVIDES CLEARLY THE RIGHT OF THE UNITED  
STATES TO SEEK THE RIGHT TO VISIT ANY PLANTS IN CHINA,  
IN ACCORDANCE WITH CERTAIN AGREED-UPON PROCEDURES. THE  
PROCEDURES ARE THAT WE LET THE CHINESE GOVERNMENT KNOW  
THAT WE WOULD LIKE TO VISIT THE PLANTS, BUT WE DO NOT  
PROVIDE ANY PRIOR NOTICE TO THE PLANT ITSELF. AND WE  
DO NOT HAVE TO PROVIDE THE NAME OF THE FACILITY THAT WE  
WOULD LIKE TO VISIT. SO THAT AGAIN THE VISIT ITSELF IS  
CONDUCTED WITH NO PRIOR NOTICE TO THE PLANT THAT WILL  
BE VISITED. SO IT DOES CLEARLY PROVIDE THE RIGHT TO  
THE UNITED STATES TO GO IN AND LOOK FOR, TYPICAL OF  
WHAT WE'RE LOOKING FOR, EVIDENCE OF TRANSHIPPING, FALSE  
LABELLING GOING ON IN THE FACILITY, FALSE PACKAGING  
GOING ON IN THE FACILITY. FREQUENTLY WHAT WE'RE  
FINDING NOW ARE SHIPMENTS WITH GOODS THAT ARE SORT OF  
95 PERCENT FINISHED, EVERYTHING EXCEPT THE COLLARS,  
EVERYTHING EXCEPT THE WAISTBAND, WHERE THEY'RE THEN  
SHIPPING THOSE GOODS OUT WITH FALSE LABELS ON THEM;  
AGAIN WHERE THE THIRD COUNTRIES DO NOTHING MORE THAN  
SEWING IN THE COLLAR OR THE SHIRT. OR WE'RE LOOKING  
AGAIN TYPICALLY AT ANOTHER PROBLEM (WHICH) WOULD BE  
FALSE PACKAGING WHERE THE GOODS WOULD BE LABELLED,

WHATEVER IT IS, "MADE IN SRI LANKA", AN INSIDE BOX THAT  
SAYS "MADE IN SRI LANKA", AND THEN AN OUTSIDE BOX THAT  
SAYS "MADE IN CHINA". SO IT WOULD BE THAT KIND OF  
THING WE'RE LOOKING FOR. WE'RE WANTING TO MAKE SURE  
THAT THE PLANT ITSELF DOESN'T KNOW WE'RE COMING,  
OTHERWISE OBVIOUSLY THEY'LL HIDE THE FALSE BOXES AND  
THE FALSE LABELLING, ETC., ETC., ETC.

ANDREW QUINN: HAD YOU ASKED FOR THE RIGHT TO INSPECT  
WITHOUT GOVERNMENT (UNCLEAR)?  
OFFICIAL: NO, NO. IT HAD ALWAYS BEEN THE CASE THAT  
WHAT WE WERE SEEKING IS THAT WE WOULD LET THE  
GOVERNMENT KNOW AHEAD OF TIME BUT THAT WE WOULD NOT  
TELL THEM WHICH PLANTS IT WOULD BE. WE WOULD SIMPLY  
GIVE THEM NOTICE THAT THESE ARE THE DATES, AGAIN, THESE  
ARE THE DATES WE'D LIKE TO COME, WE WANT TO VISIT  
THREE, FOUR, FIVE, HOWEVER MANY FACILITIES AND THE  
GENERAL LOCATION, YOU KNOW, WHICH PROVINCE IT WOULD BE  
IN, AND WE'D HAVE TO GIVE THEM AT LEAST ENOUGH  
INFORMATION, CLEARLY, THESE WOULD BE JOINT VISITS IN  
THE SENSE THAT THE CHINESE GOVERNMENT OFFICIALS COULD  
AT THEIR CHOICE ACCOMPANY THE U.S. OFFICIALS.

DAN SUTHERLAND, WASHINGTON POST: COULD THE CHINESE  
TURN YOU DOWN?

OFFICIAL: COULD THEY TURN US DOWN ON THE VISIT?

DAN SUTHERLAND, WASHINGTON POST: I MEAN IF THE U.S SAID  
WE WANT TO DO THIS AND THEY SAY I'M SORRY THAT'S NOT  
CONVENIENT.

OFFICIAL: NO, NO, NO, NO, THEY COULD NOT. BUT THIS  
WOULD BE A RECIPROCAL PROVISION, SUCH THAT IF THE  
CHINESE WANTED TO COME AND LOOK AT THE BOOKS AND  
RECORDS, YOU KNOW, LOOK AT U.S. IMPORTERS WHO THEY  
THOUGHT WAS ENGAGING OR AIDING AND ABETTING OR BEING  
THE OTHER PARTY, THEY WOULD HAVE THAT RIGHT. THERE IS  
A STATEMENT THAT, AND AGAIN THIS IS TRUE IN ALL OF OUR  
AGREEMENTS, THESE VISITS MUST BE CONDUCTED IN  
ACCORDANCE WITH DOMESTIC LAWS AND PROCEDURES, AND  
TYPICALLY AGAIN IN THIS INSTANCE THAT WOULD MEAN THAT  
WHEN YOU GO TO VISIT THE PLANT, THERE WOULD HAVE TO BE  
PERMISSION GRANTED BY THE PLANT MANAGER OF THE  
FACILITY. IN THE SAME WAY IN THE UNITED STATES, IF YOU  
CAME TO VISIT IT IN THE ABSENCE OF A SEARCH WARRANT,  
IT'S A VOLUNTARY KIND OF A PROCESS. SO, AGAIN THERE  
WOULD BE THE ABILITY OF A PARTICULAR PLANT TO DENY  
ENTRY, BUT THEY WOULD BE DENYING ENTRY TO.

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# Department of State

TELEGRAM

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SRC6542

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UNCLAS SECTION 04 OF 13 BEIJING 001766

USIA

STATE FOR EAP/CM AND EAP/P; PLEASE PASS USTR  
COMMERCE FOR 650B/YD/TEX/DAS/RHAYES  
USIA FOR EA, P/PFF, B/VOA/T  
NEW DELHI PLEASE PASS AMBASSADOR HILLMAN  
GENEVA FOR USTR/SHEPHERD

E.O. 12356: N/A

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P6(b)(6)

P6(b)(6) JANUARY 17, 00 U.S.-CHINA MEMORANDUM OF  
UNDERSTANDING ON TEXTILE TRADE

THEORETICALLY, THIS JOINT TEAM OF THE UNITED STATES AND  
A PRC OFFICIAL. BUT THAT IS CONSISTENT WITH LAWS AND  
PROCEDURES HERE. WE WOULD NOT HAVE THE RIGHT, AGAIN IN  
THE ABSENCE OF A SEARCH WARRANT, TO ENTER ANY FACILITY,  
WITHOUT YOUR KNOW, IN ESSENCE GETTING PERMISSION.  
DAN SUTHERLAND, WASHINGTON POST: NOW IMPORTANT IS THIS  
(INAUDIBLE) SEPARATE AGREEMENT ON SILK?

OFFICIAL: THE POINT OF THIS, OF T  
HE SEPARATENESS, IS

MORE THE LEGAL ISSUE OF THE FACT THAT ANY AGREEMENT  
UNDER THE MULTIFIBER ARRANGEMENT IS NOTICED TO THE  
TEXTILE SURVEILLANCE BODY, AND SILK IS A SEPARATE  
PRODUCT, NOT COVERED BY THE MULTIFIBER ARRANGEMENT, AND  
SO IT IS MORE OF A LEGAL ISSUE. BUT THE FACT THAT WE  
HAVE AN AGREEMENT ON SILK IS EXTREMELY IMPORTANT.  
EXTREMELY IMPORTANT. AGAIN, EXPORTS OF CHINESE SILK  
HAVE GROWN VERY, VERY SUBSTANTIALLY. IT USED TO BE  
THAT SILK PRODUCTS WERE GETTING EXTREMELY EXPENSIVE, OR  
YOU KNOW, VERY HIGH END, YOU KNOW, DRY CLEAN ONLY, VERY  
MUCH SOLD IN A LIMITED MARKET. CERTAINLY YOU CAN NOW  
FIND IN THE UNITED STATES WASHABLE SILK BLOUSES FOR TEN  
DOLLARS. SO THEY ARE CLEARLY COMPETING DIRECTLY WITH  
U.S. DOMESTIC COTTON OR RAYON OR OTHER CLOTHING. SO  
THEY HAVE CLEARLY CAUSED DISRUPTION IN OUR MARKET, SO  
WE THINK THIS IS AN EXTREMELY IMPORTANT AGREEMENT TO  
GET, AGAIN, A LIMITATION ON THE AMOUNT OF GROWTH THAT  
WOULD OCCUR IN THE EXPORTS OF SILK APPAREL. SILK

WEARING-APPAREL FROM CHINA, EXPORTS TO THE UNITED  
STATES IN 1993, WOULD HAVE BEEN IN THE ORDER OF, WE  
DON'T HAVE EXACT FIGURES, BUT IN THE ORDER OF 2.2  
BILLION DOLLARS. AND THAT IS AN EXTREMELY LARGE NUMBER  
AND WHEN I LOOK AT TEXTILE AGREEMENTS WITH ALL OF THE  
OTHER COUNTRIES IN THE WORLD THERE ARE ONLY TWO  
COUNTRIES WHOSE TOTAL AGREEMENT COVERING EVERY PRODUCT

IS AS BIG AS TWO BILLION DOLLARS. I HEAR HONG KONG AND  
TAIWAN WOULD HAVE TOTAL QUOTAS THAT ARE AS LARGE AS TWO  
BILLION DOLLARS. NOBODY ELSE IN THE WORLD DOES. SO  
THAT IS--

QUESTION: AND THAT'S JUST THE GROWTH--

OFFICIAL: NO, THE TOTAL TRADE IS 2.2 BILLION BUT IT  
HAS BEEN GROWING VERY, VERY FAST, SO WE THINK IT IS  
EXTREMELY IMPORTANT THAT WE WERE ABLE TO GET A LIMIT ON  
THE GROWTH IN SILK APPAREL OF ONE PERCENT.

KATRY CHEN, THE WALL STREET JOURNAL: IT SEEMS LIKE  
CHINA HAS MADE MOST OF THE CONCESSIONS TODAY. I WAS  
JUST WONDERING, IF GOING INTO THE TALKS, YOU ALL HAD  
THOUGHT, THE U.S. SIDE HAD SAID THAT THEY WOULD, THAT  
THEY HAD THREATENED TO CUT QUOTAS BY 25 TO 30 PER CENT  
IN DIFFERENT CATEGORIES, IF AN AGREEMENT WASN'T  
REACHED. GOING INTO THE TALKS ON IT, REACHING  
AGREEMENT, WHAT KIND OF RESTRAINTS ON GROWTH ARE YOU  
LOOKING AT FOR CHINA AS THE COMPENSATION. AND ALSO  
WERE THERE ANY, AND WHAT OTHER ISSUES WERE BEING  
DISCUSSED AT THE LAST MINUTE (INAUDIBLE)

OFFICIAL: WELL, AGAIN, IN TERMS OF CONCESSIONS, I  
THINK THE UNITED STATES ALL ALONG, UP TO THE VERY  
BEGINNING OF THESE NEGOTIATIONS, SAID THAT WE WANTED AN  
AGREEMENT WITH CHINA, BUT IT HAD TO BE AN AGREEMENT  
THAT ADDRESSED THE PROBLEMS THAT WE'VE HAD WITH THE  
PAST AGREEMENT. AND AGAIN, THE MAJOR PROBLEMS WERE  
THIS ISSUE OF TRANSHIPMENT. THE OTHER ISSUE THAT HAS  
BEEN A VERY SIGNIFICANT PROBLEM WITH CHINA IS  
OVERSHIPMENTS. AGAIN THERE CHINA IS GIVEN A CERTAIN  
QUOTA; IT IS SUPPOSED TO ONLY ISSUE VISAS FOR THAT MANY  
SET OF GOODS. IT IS SUPPOSED TO ONLY SHIP THAT MANY  
SET OF GOODS. BUT IN FACT CHINA SHIPS FAR IN EXCESS OF  
THAT. IT TURNS OUT A VERY MAJOR PORTION OF THE VISAS  
ARE FRAUDULENT SO WE END UP WITH A LOT OF GOODS BEING  
HELD. AGAIN ONCE THE QUOTA IS FILLED, THEN  
THEORETICALLY WE STOP FURTHER GOODS AND THEY ARE HELD  
IN A WAREHOUSE UNTIL THE NEXT QUOTA YEAR STARTS, SO  
UNTIL THERE'S MORE QUOTA AVAILABLE. THAT IS OBVIOUSLY

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INFO LOC-00 AMAD-01 EB-00 INR-00 IO-16 NEA-00 OIC-02  
PA-02 STR-01 SA-00 /#26V  
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0 210133Z JAN 94  
FM AMEMBASSY BEIJING  
TO AMEMBASSY NEW DELHI IMMEDIATE  
USIA WASHDC IMMEDIATE 1212  
USDOC WASHDC IMMEDIATE  
SECSTATE WASHDC IMMEDIATE 2443  
INFO AMCONSUL HONG KONG IMMEDIATE  
USMISSION GENEVA IMMEDIATE  
AMCONSUL SHENYANG  
AMCONSUL SHANGHAI  
AMCONSUL GUANGZHOU  
AMCONSUL CHENGDE

UNCLAS SECTION 05 OF 13 BEIJING 001766

USIA

STATE FOR EAP/CH AND EAP/P; PLEASE PASS USTR  
COMMERCE FOR 6500/TD/TEX/DAS/RHATES  
USIA FOR EA, P/PPF; B/VOA/J  
NEW DELHI PLEASE PASS AMBASSADOR HILLMAN  
GENEVA FOR USTR/SHEPHERD

E.O. 12356: N/A

SUBJECT: BACKGROUND BRIEFING BY

P6(b)(6)

P6(b)(6) JANUARY 17, ON U.S.-CHINA MEMORANDUM OF  
UNDERSTANDING ON TEXTILE TRADE

VERY DISRUPTIVE ON THE U.S. SIDE, AND IN MANY WAYS VERY  
UNFAIR BECAUSE A LOT OF THE GOODS THAT ARE COMING IN AT  
THE END OF THE YEAR HAVE LEGITIMATE VISAS, AND YET  
THEY'RE BEING DENIED ENTRY BECAUSE ALL OF THESE  
PREVIOUS GOODS HAVE COME IN WITH ALL THESE FRAUDULENT  
VISAS. SO AGAIN, FROM THE VERY BEGINNING, WE HAD SAID  
WE WANTED AN AGREEMENT BUT MUST, MUST ADDRESS THESE  
PROBLEMS. AND I THINK IN THAT SENSE WE FEEL THAT WE  
HAVE ACHIEVED AN AGREEMENT THAT ADDRESSES THOSE  
PROBLEMS. WE'VE WORKED OUT THE PROSPECT FOR AN  
ALTERNATIVE VISA SYSTEM THAT WOULD HELP US WITH THIS  
ISSUE OF FRAUDULENT VISAS. WE, IT WILL TAKE A TEST  
PROGRAM FIRST, WE CALL IT ELVIS.

I DON'T KNOW THAT I  
REALLY LIKE THAT NAME, BUT NONETHELESS, THE "ELECTRONIC  
VISA VERIFICATION SYSTEM," BUT WE THINK AN ELECTRONIC  
VISA SYSTEM WOULD SUBSTANTIALLY CUT DOWN ON THE AMOUNT  
OF FRAUDULENT VISAS. IT IS SOMETHING THAT THE U.S.  
CUSTOMS SERVICE WILL MAKE AVAILABLE TO THE CHINESE.  
IT'S GOING TO TAKE A TEST PROCESS BEFORE IT'S FINISHED.  
BUT THOSE WERE OUR MAJOR ISSUES GOING INTO IT, AND WE  
SAID ALL ALONG, THAT IN THE ABSENCE OF AN AGREEMENT,  
THAT THE UNITED STATES WOULD HAVE NO CHOICE BUT TO SET  
UNILATERAL RESTRAINTS ON CHINA. AND TO SET THEM AT  
SUBSTANTIALLY LOWER LEVELS IN REFLECTION OF ALL THE  
PROBLEMS THAT WE'VE HAD WITH THE AGREEMENT IN THE PAST.  
AND I THINK WE FEEL THAT AT THE END OF THE DAY WE'VE  
ENDED UP WITH AN AGREEMENT THAT DOES ADDRESS THE

PROBLEMS AND THEREFORE WE WERE ABLE TO ENTER INTO A NEW  
AGREEMENT.

MATT FORNEY, UPI: CHINA'S ALWAYS ADMITTED THAT IT  
WANTS SHIPS. HAS IT JUST NOT BEEN TRYING HARD ENOUGH TO  
OP IT OR CAN IT NOT STOP IT?

OFFICIAL: I DON'T WANT TO SPECULATE ON EXACTLY WHAT  
THE PROBLEM IS, OBVIOUSLY THIS IS A VERY BIG PLACE.  
THERE'S AN AWFUL LOT OF GROWTH IN THIS PRODUCT AREA.  
IT'S A VERY TOUGH THING TO ENFORCE IN THE SENSE THAT  
IT'S HARD TO CATCH. CLEARLY WE HAVE TRIED TO MAKE A  
NUMBER OF SUGGESTIONS OF THINGS THAT CHINA COULD DO TO  
TAKE STRONGER EFFORTS. AGAIN, THE OTHER PART OF THIS  
AGREEMENT THAT WE WERE VERY PLEASED AT IS A DIRECT  
PLEDGE IN THE AGREEMENT ITSELF FOR CERTAIN FUTURE  
ACTIONS AND THE DEVELOPMENT OF A WORK PLAN THAT WOULD  
GO THROUGH A NUMBER OF THESE DETAILS OF SUGGESTIONS  
THAT HAVE BEEN MADE, REALLY TO SOME EXTENT ON BOTH  
SIDES, OF FURTHER EFFORTS (THAT) CAN BE TAKEN IN ORDER  
TO STOP IT. IT IS CERTAINLY A TOUGH PROBLEM. PART OF  
THE DIFFICULTY IS HOW MUCH RESOURCES AND HOW MUCH  
ATTENTION HAS BEEN DEVOTED TO IT. I THINK CLEARLY IN  
THE PAST THAT HAS BEEN INADEQUATE. I THINK CHINA NOW  
RECOGNIZES THAT IT IS A VERY SUBSTANTIAL PROBLEM THAT  
IT DOES DAMAGE THEIR TRADE, THAT IT DOES DAMAGE THEIR  
IMAGE, THAT IT'S EXTREMELY IMPORTANT THAT THEY GET IT  
UNDER CONTROL. I GENUINELY BELIEVE THAT IT HAS COME TO  
A MUCH HIGHER LEVEL OF ATTENTION IN CHINA THAN THIS  
ISSUE HAD BEEN PREVIOUSLY. AND THERE'S SOME QUITE  
GENUINE COMMITMENTS TO WORK MUCH HARDER AT IT, TO BE

MUCH TOUCHER THEMSELVES ABOUT IT THAN THEY HAD BEEN IN  
THE PAST, AND CLEARLY IF THEY DON'T SUCCEED IN THAT,  
WE HAVE THIS ABILITY TO TRIPLE-CHARGE THE QUOTAS.

SANDY HENDRY, JOURNAL OF COMMERCE: IF YOU DO DO THIS  
TRIPLE-CHARGING, DO YOU THINK THAT THE CHINESE WILL  
RETALIATE AGAIN? COULD WE SAY THAT THE DISPUTE ISN'T  
OVER?

OFFICIAL: NO, I MEAN I THINK THAT IT WOULD BE VERY  
HARD FOR THEM TO DO; THEY'VE AGREED. THEY HAVE AGREED,  
THEY HAVE SIGNED AN AGREEMENT SAYING THEY ARE PREPARED  
TO ACCEPT THE TRIPLE-CHARGE. SO I THINK IT WOULD BE  
EXTREMELY DIFFICULT FOR THE CHINESE TO JUSTIFY A  
RETALIATION IF THE UNITED STATES EXERCISES ITS RIGHTS  
UNDER PROVISIONS THE CHINESE THEMSELVES HAVE AGREED TO.  
THEY'VE AGREED TO ACCEPT TRIPLE-CHARGES. SO I THINK IT  
WOULD BE EXTREMELY DIFFICULT FOR THEM TO MAKE THE CASE

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INFO LOG-00 ANAD-01 EB-00 IIR-00 IO-16 NEA-00 DIC-02  
PA-02 STR-01 SA-00 /076V  
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0 210133Z JAN 94  
FM AMEMBASSY BEIJING  
TO AMEMBASSY NEW DELHI IMMEDIATE  
USIA WASHDC IMMEDIATE 1213  
USDOC WASHDC IMMEDIATE  
SECSTATE WASHDC IMMEDIATE 2444  
INFO AMCONSUL HONG KONG IMMEDIATE  
USMISSION GENEVA IMMEDIATE  
AMCONSUL SHENYANG  
AMCONSUL SHANGHAI  
AMCONSUL COAMCZHO  
AMCONSUL CHENGDE

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USIA

STATE FOR EAP/CH AND EAP/P; PLEASE PASS USTR  
COMMERCE FOR 6500/TB/TEX/DAS/RHAYES  
USIA FOR EA, P/PFF, D/VOL/F  
NEW DELHI PLEASE PASS AMBASSADOR HILLMAN  
GENEVA FOR USTR/SHEPHERD

E. O. 12356: N/A

SUBJECT: BACKGROUND BRIEFING BY

P6(b)(6)

P6(b)(6) JANUARY 17, ON U.S.-CHINA MEMORANDUM OF  
UNDERSTANDING ON TEXTILE TRADE

THAT IT IS APPROPRIATE TO RETALIATE.

SANDRA HENDRY, JOURNAL OF COMMERCE: THIS, THIS  
PERCENTAGE, I'M NOT QUITE, I'M A LITTLE BIT CONFUSED  
WITH THIS THIRTEEN PERCENT CUT YOU'RE TALKING ABOUT OR  
THIRTY-FIVE PERCENT (INAUDIBLE)

OFFICIAL: O.K., O.K., IF WE HAD ROLLED OVER THE  
CURRENT AGREEMENT, WHICH IS AGAIN WHAT WE DO VERY OFTEN  
IN MOST AGREEMENTS, JUST EXTENDED IT FOR ANOTHER THREE  
YEARS, IT WOULD HAVE RESULTED IN A CERTAIN SET OF  
LEVELS. THE NUMBERS THAT I GAVE YOU WERE IN A SENSE A  
COMPARISON BETWEEN WHAT WOULD HAVE HAPPENED IF WE HAD  
EXTENDED THE AGREEMENT THAT WE HAD IN 1993 AT THE SAME  
LEVELS, VERSUS THE AGREEMENT THAT WE WERE ABLE TO  
ACHIEVE. AND IT'S THAT DIFFERENCE THAT RESULTS IN A  
REDUCTION IN TOTAL ACCESS TO OUR MARKET FOR NON-SILK,  
FOR EVERYTHING BUT THE SILK, OF ABOUT 13 PERCENT OR  
ABOUT 700 MILLION DOLLARS. OBVIOUSLY THE GROWTH ON THE

SILK ALSO SUBSTANTIALLY WOULD REDUCE THE ACCESS THAT  
CHINA MIGHT OTHERWISE HAVE IN THE ABSENCE OF THIS  
AGREEMENT.

GILES HEVITT: GIVEN THAT IN THE AGREEMENT YOU SAID  
THAT FUTURE EFFORTS WOULD BE MADE, AND YOU WOULD BE  
STARTING CONSULTATIONS PRESUMABLY AND WHATEVER  
(INAUDIBLE). IS THERE GOING TO BE ANY SORT OF GRACE

PERIOD AT ALL FOR CHINA TO IMPLEMENT THE EFFORTS OF THE  
CUT, TO CUT OFF THE TRANSSHIPMENTS BEFORE THE U.S.  
DECIDES 'AH, NOW, THIS IS WHERE YOU'VE CROSSED OVER THE  
LINE AND NOW WE'RE GOING CUT (INAUDIBLE)'

OFFICIAL: WHAT WE PROVIDED WAS THAT NONE OF THE  
CHARGES THAT THE UNITED STATES HAS BEEN MAKING AGAINST  
CHINA'S QUOTA, SINGLE CHARGES AGAINST CHINA'S QUOTA,

EVERY TIME WE HAVE CLEAR EVIDENCE SHOWING THAT  
TRANSSHIPMENT HAS OCCURRED... WE DID AGREE THAT NONE  
OF THOSE CHARGES WOULD BE COUNTED IN THIS ISSUE OF  
WHETHER THEY HAVE BECOME A REPEAT OFFENDER. IN OTHER  
WORDS, THEY HAVE TO HAVE COMMITTED, IF YOU WILL, THREE  
OFFENSES BEFORE THE TRIPLE-CHARGING WOULD COUNT. IN  
OTHER WORDS, NONE OF THE CHARGES THAT HAVE BEEN BROUGHT  
IN 1992 OR 1993 WOULD COUNT. SO WE ARE STARTING THE  
COUNTING ON WHETHER OR NOT A TRIPLE, WHETHER OR NOT A  
REPEAT OFFENSE HAS OCCURRED BEGINNING IN 1994. SO  
JANUARY 3, 1994.

KATHY CHEN, WALL STREET JOURNAL: (INAUDIBLE)

OFFICIAL: CHARGES TO THE QUOTA. SO REDUCTIONS TO THE  
QUOTA.

KATHY CHEN, WALL STREET JOURNAL: BUT, LIKE IF  
(INAUDIBLE)

OFFICIAL: NO, NO, CHINA WILL.

DEBORAH WANG, ABC: JUST TO FOLLOW UP ON THAT, WHAT,  
HOW MANY CHARGES, HOW MANY BILLIONS OF DOLLARS?

OFFICIAL: IT'S A TOTAL OF 501 MILLION DOLLARS WORTH OF  
GOODS, AND I'M SORRY, I DON'T REMEMBER HOW MANY  
INDIVIDUAL CHARGES WENT INTO THAT 501 MILLION DOLLARS.  
IT'S A FAIRLY SUBSTANTIAL NUMBER BUT I DON'T REMEMBER,  
NO, THAT WOULD HAVE BEEN OVER THE LAST TWO AND A HALF  
YEARS. I JUST DON'T REMEMBER HOW MANY INDIVIDUAL CASES  
THAT WERE, BUT THE TOTAL WAS 501 MILLION DOLLARS.

DEBORAH WANG, ABC: BUT IT JUST SEEMS THAT GIVEN THE  
AMOUNT OF TRADE BETWEEN THE TWO COUNTRIES THAT TWO  
INDIVIDUAL CASES, AND GRANTED THAT YOU WILL BE  
ENFORCING IT, SO TWO INDIVIDUAL CASES DOESN'T SEEM LIKE  
A VERY GENEROUS GRACE PERIOD.

ROME TEMPEST, LOS ANGELES TIMES: IT SHOULD BE ABOUT 10  
MINUTES.

OFFICIAL: (LAUGHTER) WELL, WELL, AGAIN I THINK THE

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INFO LOG-00 AMAD-01 EB-00 ICR-00 IC-16 NEA-00 OIC-02  
PA-02 STR-01 SA-00 /026V

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0 210137Z JAN 94  
FM AMEMBASSY BEIJING  
TO AMEMBASSY NEW DELHI IMMEDIATE  
USIA WASHDC IMMEDIATE 1214  
USDOC WASHDC IMMEDIATE  
SECSTATE WASHDC IMMEDIATE 2445  
INFO AMCONSUL HONG KONG IMMEDIATE  
USMISSION GENEVA IMMEDIATE  
AMCONSUL SHENYANG  
AMCONSUL SHANGHAI  
AMCONSUL CHANGZHOU  
AMCONSUL CHENGDEU

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USIA

STATE FOR EAP/CH AND EAP/P; PLEASE PASS USTR  
COMMERCE FOR 6500/TD/TEX/DAS/RHAYES  
USIA FOR EA, P/PFF, D/VOM/T  
NEW DELHI PLEASE PASS AMBASSADOR WILLMAN  
GENEVA FOR USTR/SHEPHERD

E.D. 12356: II/A

SUBJECT: BACKGROUND BRIEFING BY

P6(b)(6)

P6(b)(6) JANUARY 17, ON U.S.-CHINA MEMORANDUM OF  
UNDERSTANDING ON TEXTILE TRADE

OTHER ISSUE IS WHEN THESE CHARGES ARE IMPLEMENTED, THEY  
ARE ALL DONE FOLLOWING CONSULTATIONS AND AGAIN THE  
LANGUAGE IS VERY CLEAR. CONSULTATIONS WITH A VIEW TO  
SEEKING A MUTUALLY SATISFACTORY SOLUTION. IT IS  
CERTAINLY ENTIRELY POSSIBLE. THE GOAL OF THE UNITED  
STATES IS NOT TO GET TRIPLE-CHARGES. THE GOAL OF THE  
UNITED STATES IS TO STOP TRANSSHIPMENT. SO IT IS  
ENTIRELY POSSIBLE THAT THROUGH THESE CONSULTATIONS THAT  
WOULD OCCUR FOR EACH INSTANCE OF THE CHARGE, THAT WE  
COULD WORK OUT ALTERNATIVES WHERE CHINA AGREES TO TAKE  
A VERY SPECIFIC ACTION AGAINST THE VERY PARTICULAR  
COMPANY INVOLVED, AND THAT THE UNITED STATES WOULD FIND  
THAT TO BE A SATISFACTORY SOLUTION. AGAIN, THE GOAL  
HERE IS TO STOP THE TRANSSHIPMENT. AND SO IT MAY BE  
THAT WE WOULD NOT NECESSARILY EXERCISE THE RIGHT TO THE  
TRIPLE-CHARGE IF WE CAN FIND A MUTUALLY SATISFACTORY  
SOLUTION THAT WE THINK DOES A BETTER JOB OF STOPPING  
THE TRANSSHIPMENT. THAT IS CERTAINLY WITHIN THE  
POSSIBILITY OF THE FRAME OF THE AGREEMENT. AGAIN IN  
EACH INSTANCE WE ARE REQUIRED TO HAVE A CONSULTATION  
WITH A VIEW TO REACHING MUTUALLY SATISFACTORY SOLUTION.  
SO IT IS NOT AUTOMATIC THAT THE TRIPLE-CHARGE WOULD  
OCCUR. IT IS A RIGHT THAT THE UNITED STATES HAS, BUT  
IT IS NOT AN AUTOMATIC EVENT.

DEBORAH WANG, ABC: WHAT HAPPENS, ARE THERE PROVISIONS  
FOR THE OTHER SIDE IF THE CHINESE FIND AN IMPORTER IN  
THE UNITED STATES WHO'S IMPORTING (INAUDIBLE)?

OFFICIAL: AGAIN, CLEARLY PART OF THE COMMITMENT  
THROUGHOUT THE AGREEMENT IS THAT BOTH PARTIES SHALL  
TAKE EFFORTS TO STOP TRANSSHIPMENT AND CLEARLY IN THE  
UNITED STATES WE HAVE THAT. JUST LAST MONTH HAD A SET  
OF CRIMINAL CONVICTIONS AGAINST GITANG, V  
HIGH IS A  
MAJOR IMPORTER OF CHINESE GOODS, WHERE AGAIN WE HAD

GUILTY PLEAS, PRISON TERMS, YOU KNOW, IN ESSENCE  
SHUTTING DOWN OF THE COMPANY. CLEARLY WE'VE HAD, YOU  
KNOW, IN THE ORDER OF HUNDREDS OF BILLION DOLLARS OF  
CUSTOMS FRAUD PENALTIES ASSESSED AGAINST U.S.  
IMPORTERS, AGAIN WHO ARE CAUGHT ENGAGING IN IT. SO  
CLEARLY WE ARE TAKING ACTION AGAINST U.S. IMPORTERS AND  
I THINK PART OF THIS WHOLE COOPERATION EFFORT IS ALSO  
FURTHER SHARING OF INFORMATION BETWEEN THE UNITED  
STATES AND CHINA ON THESE INDIVIDUAL CASES. OFTEN THE  
PROBLEM FOR US IN TERMS OF BRINGING ACTION AGAINST A  
U.S. IMPORTER IS THAT WE TYPICALLY HAVE TO SHOW  
CRIMINAL CONVICTION THAT THE IMPORTER KNEW OR SHOULD  
HAVE KNOWN THAT THE GOODS WERE TRANSSHIPPED, AND  
FREQUENTLY WHAT THE IMPORTER WILL SAY IS "I DIDN'T  
KNOW, I BOUGHT FROM XYZ BROKER IN HONG KONG, HE TOLD ME  
THE GOODS WERE REALLY MADE IN MALAYSIA. I THOUGHT THEY  
WERE MADE IN MALAYSIA, I DIDN'T KNOW." AND SO CLEARLY  
ONE OF THE THINGS THAT WE HAVE SPENT A LOT OF TIME  
TALKING WITH THE CHINESE ABOUT IS OUR NEED FOR THEM TO  
SHARE INFORMATION, IF THEY HAVE INFORMATION, SHOWING  
THAT THE U.S. IMPORTER IN FACT CAVE AND INSPECTED THE  
PLANT, THE GOODS, THAT THEY WERE BEING MADE IN SHANGHAI  
AND KNEW DAMN WELL THAT THEY WERE MADE IN CHINA. WE

WOULD LIKE HELP WITH THAT INFORMATION, SO I THINK  
CLEARLY YOU KNOW THIS AGREEMENT AGAIN CONTEMPLATES  
MUTUAL OBLIGATIONS ON BOTH PARTIES' PART TO TRY TO STOP  
THE TRANSSHIPMENT.

PAT TYLER, NEW YORK TIMES: IF IN THE SPACE OF A YEAR  
YOU HAD SIXTY CLEAR EVIDENCE VIOLATIONS DOES THAT MEAN  
THAT IN SEQUENCE YOU DEAL WITH EVERY THIRD ONE, YOU  
AGGREGATE THE TOTAL DOLLAR VALUE OF THOSE THREE, TRIPLE  
IT AND DEDUCT IT FROM THE QUOTA, THEN MOVE ON TO THE  
NEXT THREE?

OFFICIAL: AGAIN, THEORETICALLY, IF THE CONSULTATIONS  
DO NOT RESULT IN ANY OTHER SOLUTION, YOU KNOW, AGAIN,  
ON THE THIRD TIME WE COULD TRIPLE-CHARGE THAT, SO SAY  
IF IT WAS A HUNDRED THOUSAND DOZEN SHIRTS, WE COULD  
DEDUCT CHINA'S QUOTA FOR THREE HUNDRED THOUSAND DOZEN  
SHIRTS. IF THE NEXT ONE IS THEN TWENTY THOUSAND DOZEN

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INFO LOG-08 AMAD-01 EB-08 INR-08 10-16 NEA-08 OIC-02  
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O 210138Z JAN 94  
FM AMEMBASSY BEIJING  
TO AMEMBASSY NEW DELHI IMMEDIATE  
USIA WASHDC IMMEDIATE 1215  
USDOC WASHDC IMMEDIATE  
SECSTATE WASHDC IMMEDIATE 2446  
INFO AMCONSUL HONG KONG IMMEDIATE  
USMISSION GENEVA IMMEDIATE  
AMCONSUL SHENYANG  
AMCONSUL SHANGHAI  
AMCONSUL GUANGZHOU  
AMCONSUL CHENGDU

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USIA

STATE FOR EAP/CH AND EAP/P; PLEASE PASS USTR  
COMMERCE FOR GS/BB/TB/TEX/DAS/KNAYES  
USIA FOR EA, P/PFF, D/VOA/F  
NEW DELHI PLEASE PASS AMBASSADOR HILLMAN  
GENEVA FOR USTR/SHEPHERD

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SUBJECT: BACKGROUND BRIEFING BY

P6/(b)(6)

P6/(b)(6) JANUARY 17, ON U.S.-CHINA MEMORANDUM OF  
UNDERSTANDING ON TEXTILE TRADE

(SIC) JEANS, WE DEDUCT SIXTY THOUSAND JEANS AND AGAIN  
THE DEDUCTIONS WOULD BE SPREAD OVER THE NEXT  
THREE QUOTA YEARS. SO THAT IT WOULD NOT HIT ALL IN ONE  
QUOTA YEAR. THE DEDUCTION WOULD OCCUR IN THE NEXT  
THREE YEARS. SO AGAIN, IF IT WAS SIXTY THOUSAND  
JEANS, IT WOULD BE TWENTY THOUSAND, TWENTY THOUSAND,  
TWENTY THOUSAND.

TONY WALKER: COULD I (INAUDIBLE)

OFFICIAL: SURE.

TONY WALKER: IF AT ONE POINT (INAUDIBLE)  
OFFICIAL: AGAIN I THINK THAT IS HARD TO SPECULATE.  
EACH CONSULTATION YEAR YOU'RE TRYING TO SEEK A MUTUALLY  
SATISFACTORY SOLUTION. I THINK WE FEEL THAT THE  
CHINESE HAVE TAKEN SOME IMPORTANT STEPS ON THIS. I  
THINK THEY ARE BEGINNING TO RECOGNIZE WHAT A SERIOUS  
PROBLEM IT IS. I THINK I HAVE A GOOD DEAL OF OPTIMISM  
THAT THESE CONSULTATIONS WOULD FREQUENTLY PRODUCE,  
FREQUENTLY, BUT I MEAN I THINK I HAVE A GOOD DEAL OF  
OPTIMISM THAT THERE IS A GOOD CHANCE THE CONSULTATIONS  
COULD RESULT IN SOLUTIONS THAT WOULD SUBSTANTIALLY STEM  
THE PROBLEM. SO, I CAN'T SPECULATE. AGAIN, IT IS A  
THREE-YEAR AGREEMENT AND WE WOULD CERTAINLY INTEND AND  
EXPECT THAT IT WOULD RUN FOR THAT THREE YEARS.

KATHY WILHELM, AP: WOULD YOU CARE TO (INAUDIBLE)

OFFICIAL: AGAIN I THINK THE ONLY CLEAR CHANGES THAT WE  
MADE WERE SOME LIMITATIONS THAT AGAIN WERE TO INSURE  
THAT THE LANGUAGE WAS AGAIN CONSISTENT WITH CHINESE  
LAWS AND PROCEDURES, AND THAT IS THAT IN THE NATURE OF  
THE PERSONNEL THAT WOULD CONDUCT THE VISITS, AND WE  
NOTED THAT THEY WOULD HAVE TO BE U.S. GOVERNMENT  
OFFICIALS WITH SOME ATTACHMENT TO THE U.S. MISSION. I

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THINK THEY HAD WANTED A CLARIFICATION TO INSURE THAT IT  
WOULDN'T JUST BE SORT OF ANYBODY KIND OF COMING IN FOR  
THESE VISITS, THAT IT WOULD CLEARLY BE THE APPROPRIATE  
U.S. OFFICIALS, AND THAT CHANGE WE DID AGREE TO. AGAIN  
I THINK IT SIMPLY MAKES IT VERY CLEAR THAT THE LANGUAGE  
IS CONSISTENT WITH CHINA'S DOMESTIC LAWS AND  
PROCEDURES.

KATHY WILHELM, AP: THE WAY YOU DESCRIBE IT, YOU DON'T  
HAVE TO TELL THE CHINESE GOVERNMENT AHEAD OF TIME--OFFICIAL: NO, YOU DO HAVE TO TELL THE CHINESE  
GOVERNMENT. OH, OH, I'M SORRY?

KATHY WILHELM, AP: --THE NAME OF THE FACTORY?

OFFICIAL: NO, YOU DO NOT.

DEBORAH WANG, ABC: (INAUDIBLE)

OFFICIAL: AGAIN, AS I SAID ACCORDING TO DOMESTIC LAWS  
AND PROCEDURES, AND THEY WOULD BE THE SAME PROCEDURES

IN THE UNITED STATES. WHEN THE CHINESE OFFICIAL AND  
THE U.S. OFFICIAL SHOW UP AT THE DOOR STEP AND SAY HE  
WOULD LIKE TO TOUR THIS FACILITY, THE FACTORY DOES HAVE  
THE RIGHT IN THE ABSENCE OF A SEARCH WARRANT TO SAY NO.  
THAT WOULD BE THE SAME IN THE UNITED STATES.

ROME TEMPEST, L.A. TIMES: AND THEN WHAT?

OFFICIAL: AND THEN YOU, I THINK, HAVE A FURTHER  
DISCUSSION WITH THE CHINESE ABOUT WHETHER ANYTHING  
FURTHER SHOULD BE DONE. PROBABLY WHAT WOULD HAPPEN IS  
WE WOULD ASK THE CHINESE TO DO A FURTHER INVESTIGATION  
OF THAT FACILITY. BECAUSE CLEARLY THE FACILITIES WE'RE  
PICKING OUT ARE ONES WHERE WE HAVE SOME REASON TO  
BELIEVE THAT THERE IS A PROBLEM. AND WE'RE NOT GOING  
TO WILLY-NILLY GO HIT FACTORIES. THESE FACILITIES THAT  
WE GO INTO ARE ONES WHERE WE HAVE REASON TO BELIEVE  
THERE IS TRANSHIPMENT PROBLEMS. I THINK IN THAT

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-----1C139Z 210139Z /30

O 210133Z JAN 94  
FM AMEMBASSY BEIJING  
TO AMEMBASSY NEW DELHI IMMEDIATE  
USIA WASHDC IMMEDIATE 1216  
USDOC WASHDC IMMEDIATE  
SECSTATE WASHDC IMMEDIATE 2447  
INFO AMCONSUL HONG KONG IMMEDIATE  
USMISSION GENEVA IMMEDIATE  
AMCONSUL SHENYANG  
AMCONSUL SHANGHAI  
AMCONSUL CHANGZHOU  
AMCONSUL CHENGDU

UNCLAS SECTION 09 OF 13 BEIJING 001766

USIA

STATE FOR EAP/CH AND EAP/P; PLEASE PASS USTR  
COMMERCE FOR 6S00/TB/TEX/DAS/RHAYES  
USIA FOR EA, P/PPF, D/VOR/J  
NEW DELHI PLEASE PASS AMBASSADOR WILLIAM  
GENEVA FOR USTR/SHEPHERD

E.O. 12356: N/A

SUBJECT: BACKGROUND BRIEFING BY

P6/(b)(6)

P6/(b)(6) JANUARY 17, ON U.S.-CHINA MEMORANDUM OF  
UNDERSTANDING ON TEXTILE TRADE

INSTANCE WE WOULD HAVE A CONSULTATION WITH THE CHINESE  
AND SAY LOOK, THESE ARE THE REASONS WE WANTED TO LOOK  
AT THAT FACILITY. WE DO THINK THERE IS A PROBLEM THERE.  
WE ENCOURAGE YOU TO INVESTIGATE THIS FACILITY.

ROKE TEMPEST, D.A. TIMES: THE INVESTIGATORS WOULD BE  
CUSTOMS OFFICERS BASED HERE (INAUDIBLE)?

OFFICIAL: NOT NECESSARILY. WE AGAIN, I THINK IT'S  
VERY CLEAR, THAT IN MOST INSTANCES THE DELEGATION WOULD  
PROBABLY BE LED BY THE U.S. CUSTOMS ATTACHE WHO IS  
STATIONED HERE IN BEIJING. AND AGAIN I THINK THAT IS A  
POSITIVE DEVELOPMENT FROM OUR SIDE IN TERMS OF STEPPING  
UP OUR EFFORTS TO COOPERATE IN THIS. IS THAT WE DO NOW  
HAVE SOMEONE FROM THE U.S. CUSTOMS SERVICE STATIONED  
HERE IN BEIJING.

SANDY HENDRY, JOURNAL OF COMMERCE: (INAUDIBLE)

OFFICIAL: YEAB, I MEAN I THINK ITS BEEN OCTOBER OR  
NOVEMBER.

SANDY HENDRY, JOURNAL OF COMMERCE: ONE (INAUDIBLE)  
FURTHER QUESTION, WOULD THEN THE WFA MULTIFIBER  
ARRANGEMENT, IF IT WERE ACTUALLY GOING TO BE  
ABOLISHED, WOULD THAT BE TEN YEARS OR FIFTEEN YEARS--  
OFFICIAL: TEN YEARS.

SANDY HENDRY, JOURNAL OF COMMERCE: TEN YEARS, BUT THE  
U.S. WAS SAYING 15 AT ONE POINT, THERE WAS THIS  
SUSPICION THAT THEY WERE GOING TO NOT GIVE IT UP, AND  
WHEN THAT IS GIVEN UP WHAT HAPPENS TO ALL THESE QUOTA  
RESTRICTIONS DO YOU HAVE TO THEN TARIFFS ONLY OR--

OFFICIAL: AGAIN, UNDER THE TERMS OF THE URUGUAY ROUND

AGREEMENT IT IS A TEN YEAR PHASE-OUT, IT WOULD BEGIN  
WHENEVER THE URUGUAY ROUND IS IMPLEMENTED, THAT COULD  
BE JANUARY 1ST OF 1995, BUT IT REQUIRES ALL 114 GATT  
CONTRACTING PARTIES TO BE ABLE TO PASS THE APPROPRIATE  
LEGISLATION, PUT IT INTO PLACE, SO IT IS POSSIBLE THAT  
THE URUGUAY ROUND WOULD NOT BE IMPLEMENTED UNTIL JULY 1  
OF 19--...AGAIN, NOBODY KNOWS FOR CERTAIN, IT'S WHEN  
ENOUGH OF THE GATT CONTRACTING PARTIES HAVE BEEN ABLE  
TO PASS THE APPROPRIATE LEGISLATION, BUT FROM WHATEVER  
DATE IT IS THAT THE ROUND GOES INTO EFFECT IT'S A TEN-  
YEAR PERIOD, AND, YES, AT THE END OF THE TEN-YEAR  
PERIOD THE QUOTAS ARE ENTIRELY PHASED OUT.

SANDY HENDRY JOURNAL OF COMMERCE: (INAUDIBLE)...SO WILL  
YOU BE BASICALLY ALLOWING, I MEAN PHASING OUT, THAT  
MEANS YOU'RE GOING TO NOW BE ALLOWING MORE AND MORE  
CHINESE TEXTILES TO COME IN AND THEN YOU JUST GET RID  
OF THEM OR--

OFFICIAL: WELL, AGAIN, THE WAY THE PHASE-OUT OF THE  
WFA WORKS UNDER THE GATT AGREEMENT IS IN ESSENCE TWO  
SEPARATE PIECES, ONE OF WHICH WE CALL INTEGRATION, AND  
WHAT THAT MEANS IS THERE IS A TOTAL, IF YOU WILL, SET  
OF GOODS, MEASURED IN VOLUME TERMS. FOR EASE OF MY

MATH I'LL PRETEND THAT IT IS A HUNDRED, AND WE HAVE TO  
ASSESS HOW MUCH OF THAT DID WE IMPORT IN THE BASE YEAR  
OF 1990, AND LET'S PRETEND THAT IT'S A HUNDRED MILLION  
SQUARE METERS. I

IT'S A HUGE LIST OF PRODUCTS. WE ADD  
UP HOW MANY SQUARE METERS DID WE IMPORT OF ALL OF THOSE  
PRODUCTS IN 1990, AND THAT IS OUR BASE NUMBER. THE  
URUGUAY ROUND AGREEMENT REQUIRES THAT IN THE FIRST  
TRANCHE, IF YOU WILL, THE FIRST THREE YEARS OF THE  
PHASE-OUT THAT WE MUST INTEGRATE 16 PERCENT OF THAT.  
SO, IF IT WERE A HUNDRED MILLION SQUARE METERS WE WOULD  
HAVE TO TAKE 16 MILLION SQUARE METERS. HOWEVER, AGAIN  
WE WOULD PICK WHATEVER PRODUCTS ADDED UP TO 16 MILLION  
SQUARE METERS AND INTEGRATE THOSE, THAT MEANS LIFT ALL  
QUOTAS ON THOSE. IN THE SECOND STAGE WE WOULD HAVE TO  
INTEGRATE 17 PERCENT, SO WE TAKE 17 MILLION SQUARE  
METERS, FIND PRODUCTS WORTH 17 MILLION SQUARE METERS,  
INTEGRATE THAT AND THE THIRD STAGE IT'S 18 MILLION

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PA-02 STR-01 SA-00 /0760  
-----1C1306 210139Z /30

O 210139Z JAN 94  
FM AMEMBASSY BEIJING  
TO AMEMBASSY NEW DELHI IMMEDIATE  
USIA WASHDC IMMEDIATE 1217  
USDGC WASHDC IMMEDIATE  
SECSTATE WASHDC IMMEDIATE 2440  
INFO AMCONSUL HONG KONG IMMEDIATE  
USMISSION GENEVA IMMEDIATE  
AMCONSUL SHENYANG  
AMCONSUL SHANGHAI  
AMCONSUL CHANGZHOU  
AMCONSUL CHENGDU

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USIA

STATE FOR EAP/CH AND EAP/P; PLEASE PASS USTR  
COMMERCE FOR 6500/TD/TEX/DMS/RNAYES  
USIA FOR EA, P/PFF, B/WOM/T  
NEW DELHI PLEASE PASS AMBASSADOR HILLMAN  
GENEVA FOR USTR/SHEPHERD

E.O. 12356: N/A

SUBJECT: BACKGROUND BRIEFING BY

(b)(6)

(b)(6) JANUARY 17, ON U.S.-CHINA MEMORANDUM OF  
UNDERSTANDING ON TEXTILE TRADE

SQUARE METERS. ON THE FLIP SIDE, THE OTHER PART OF THE  
A PHASE-OUT IS THAT THE QUOTA RATES FOR EACH  
INDIVIDUAL COUNTRY, NOW FAST THOSE QUOTAS GROW, HAS TO  
BE ACCELERATED ACCORDING TO A FORMULA IN THE TEXT. SO,  
IF YOU HAVE WHATEVER YOUR GROWTH RATE IS CURRENTLY, THE  
URUGUAY ROUND TEXT WOULD REQUIRE THAT WE INCREASE  
WHATEVER IT IS BY 16 PERCENT IN THE FIRST STAGE, 25  
PERCENT IN THE SECOND STAGE AND 27 PERCENT IN THE THIRD  
STAGE. NOW CHINA IS NOT YET A GATT CONTRACTING PARTY,  
SO CHINA WOULD NOT BE ENTITLED TO THE PHASE-OUT  
LIBERALIZATION PROVIDED FOR IN THE URUGUAY ROUND TEXT  
UNTIL IT BECOMES A GATT CONTRACTING PARTY.

KATHY WILHELM, AP: IF THAT HAPPENS THE NEXT YEAR DO  
YOU HAVE TO RENEGOTIATE THIS?

OFFICIAL: NO, THESE LIMITS WOULD AUTOMATICALLY BE  
NOTICED UNDER THE TERMS OF THE URUGUAY ROUND AGREEMENT  
TO THE TEXTILE SURVEILLANCE BODY. AND THEN, IF CHINA  
BECOMES, WHEN YOU KNOW, ALL GATT CONTRACTING PARTIES  
AND THEIR QUOTA LEVELS ARE, AGAIN YOU HAVE THIS BASE  
YEAR THAT GETS NOTICED, AND THEN THE FORMULA APPLIES  
AUTOMATICALLY. SO IT WOULD NOT NEED, WE WOULD NOT NEED  
TO RENEGOTIATE THE AGREEMENT. WHATEVER THE TERMS OF  
THIS AGREEMENT ARE WOULD BE THE TERMS THAT WE WOULD  
NOTICE TO THE TSB, AND THEN CHINA WOULD GET AGAIN THESE  
ACCELERATED GROWTH RATES BASED ON THE GROWTH RATES THAT  
ARE CONTAINED IN THIS AGREEMENT. AND THEY WOULD BE

ENTITLED TO THAT AUTOMATICALLY AS WOULD ALL GATT  
CONTRACTING PARTIES.

SUTHERLAND, THE WASHINGTON POST: IS THIS AGREEMENT  
EVENLY EQUAL TO WHAT WE HAVE WITH KOREA? (INAUDIBLE)

OFFICIAL: NO, ITS MUCH LARGER. CHINA IS BY FAR OUR

DON SUTHERLAND, THE WASHINGTON POST: I MEAN IN TERMS OF  
THIS AGREEMENT?  
OFFICIAL: THE TERMS OF THE AGREEMENT. AGAIN I WOULD  
HAVE TO LOOK AT THE GROWTH RATES FOR KOREA TO TELL YOU  
THAT, BUT I THINK AGAIN KOREA HAS PROBABLY SLIGHTLY  
LOWER GROWTH RATES. I'M SORRY, SLIGHTLY HIGHER GROWTH  
RATES...

DON SUTHERLAND, THE WASHINGTON POST: (INAUDIBLE) I MEAN  
THE WAY IN THIS (INAUDIBLE) IS ENFORCED.

OFFICIAL: YES, I WOULD SAY IT IS ROUGHLY... YES, YES,  
YES, IT IS JUST AS TOUGH AS THE ONE WITH KOREA. YES.

ANDREW QUINN: I WONDER IF YOU COULD TELL US, THIS  
AFTERNOON IT SEEMED AS THOUGH AT LEAST FROM THE CHINESE  
SIDE WE WERE GETTING THE STORY THAT THE AGREEMENT WAS  
ON, COME HERE AT 2:30, OOPS IT'S NOT ON, IT'S NOT ON,  
AND WE WERE TOLD ALSO FROM THE AMERICAN SIDE THAT THERE  
WAS AN ESSENTIAL AGREEMENT IN PLACE BUT THAT THERE WERE  
VARIOUS KEY DETAILS THAT COULD EITHER MAKE OR BREAK IT,  
THAT YOU WERE EITHER GOING TO STAY OR WALK.

(INAUDIBLE) COULD TELL US WHAT YOU WERE TALKING ABOUT,  
WHAT WERE THESE ABSOLUTE KEY DETAILS THAT COULD HAVE  
SCOTCHED THE WHOLE DEAL?

OFFICIAL: BUT ACTUALLY IT WASN'T, IT WASN'T JUST ONE,  
IT WAS A WHOLE SET OF ISSUES, AND AGAIN I THINK A  
PORTION OF THEM WERE LITERALLY THAT AGAIN YOU SORT OF  
REACH AGREEMENT IN PRINCIPLE, BUT THEN WHEN YOU WRITE  
ALL THE DETAILS DOWN, AGAIN THERE'S CONCERNS THAT THE  
LANGUAGE THAT YOU DRAFTED MAY OR MAY NOT REFLECT WHAT  
PEOPLE THOUGHT THE AGREEMENT WAS, SO AN awful LOT OF  
THE BACK AND FORTH IS CLARIFYING WHAT WAS MEANT BY THE  
AGREEMENT AND TRYING WHETHER THE LANGUAGE REFLECTS THAT,  
AND THAT WAS A PART OF IT. AND A  
PART OF IT WAS I  
THINK THE CHINESE CAME BACK AND WOULD HAVE LIKED SOME  
ADDITIONAL CONCESSIONS, THAT BY AND LARGE I THINK WE  
HAD SAID THAT THERE WE WERE WAS WHERE WE WERE, THAT WE

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CONCESSIONS IN THE GROWTH AREA OR IN THE ENFORCEMENT AREA?

INFO LOC-00 AMAD-01 EB-00 INR-00 10-16 NEA-00 OIC-02  
PA-02 STR-01 SA-00 /#26V

OFFICIAL: BOTH.

0 210133Z JAN 94  
FM AMEMBASSY BEIJING  
TO AMEMBASSY NEW DELHI IMMEDIATE  
USIA WASHDC IMMEDIATE 1210  
USDOC WASHDC IMMEDIATE  
SECSTATE WASHDC IMMEDIATE 2449  
INFO AMCONSOIL DONG KONG IMMEDIATE  
USMISSION GENEVA IMMEDIATE  
AMCONSOIL SHENYANG  
AMCONSOIL SHANGHAI  
AMCONSOIL GUANGZHOU  
AMCONSOIL CHENGDU

DEBORAH WANG, ABC: WHEN THE U.S. MADE KNOWN ITS INTENTIONS TO LOWER CHINESE QUOTAS IF THEY, NO AGREEMENT REACHED, WAS THAT A NEGOTIATING PLOY, WHATEVER-- (INAUDIBLE)

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OFFICIAL: AGAIN THIS HAD BEEN THE POSITION THAT WE HAD TAKEN FROM THE VERY BEGINNING OF THE NEGOTIATIONS, THAT IN THE ABSENCE OF AN AGREEMENT THAT ADDRESSED THE PROBLEMS THAT THE UNITED STATES HAD, WE WOULD HAVE NO CHOICE BUT TO TAKE UNILATERAL ACTION, AND TO TAKE IT AT THOSE LEVELS. SO IN THE VERY FIRST SESSION THAT WE HAD WITH CHINA HERE IN BEIJING, THESE LEVELS OF 25 PERCENT CUTS AND 35 PERCENT CUTS WERE CLEARLY LAID ON THE TABLE. IN THE PREVIOUS SET OF TALKS WE HAD IN GENEVA, WE ACTUALLY GAVE THEM CATEGORY BY CATEGORY THE NUMBERS, AND SAID, AGAIN, IN THE ABSENCE OF AN AGREEMENT THIS IS WHAT THE UNITED STATES WILL PUT INTO PLAY. SO I THINK THE ACTION THAT WE TOOK WAS ENTIRELY CONSISTENT WITH WHAT WE HAD SAID THROUGHOUT THE NEGOTIATING PROCESS.

USIA

STATE FOR EAP/CH AND EAP/P; PLEASE PASS USTR  
COMMERCE FOR 6500/TD/TEX/DAS/RNAYES  
USIA FOR EA, P/PFF, B/PDA/I  
NEW DELHI PLEASE PASS AMBASSADOR WILLIAM  
GENEVA FOR USTR/SHEPHERD

THAT EITHER WE NEED AN AGREEMENT THAT ADDRESSES THIS PROBLEM OF TRANSSHIPMENT OR THIS IS GOING TO BE THE RESULT. SO I THINK IT WAS ENTIRELY CONSISTENT WITH WHAT WE HAD SAID THROUGHOUT THE NEGOTIATIONS.

E.O. 12356: N/A

SUBJECT: BACKGROUND BRIEFING BY

P6(b)(6)

P6(b)(6)

JANUARY 17, ON U.S.-CHINA MEMORANDUM OF UNDERSTANDING ON TEXTILE TRADE

KATHY WILHELM, AP: DID YOU SAY SILK QUOTAS (INAUDIBLE)

OFFICIAL: CORRECT, CORRECT.

FELT THE AGREEMENT THAT WE HAD REACHED WAS THE AGREEMENT THAT WE HAD PREPARED TO REACH, AND THAT A FAIR NUMBER OF ADDITIONAL CONCESSIONS THAT CHINA WANTED, WE WERE NOT ABLE TO GRANT. SO, I THINK PART OF IT WAS WE ENDED UP SAYING, THIS IS THE AGREEMENT, WE ARE NOT PREPARED TO MOVE FURTHER THAN THAT.

KATHY WILHELM, AP: WHAT IS THE VALUE OF THAT ONE PER CENT?

DEBORAH WANG, ABC: YOU WERE GETTING READY TO WALK OUT?  
OFFICIAL: I HAD A PLANE TO CATCH, SO I HAD SAID ALL ALONG THAT I NEEDED TO LEAVE AT 4:30. THE CHINESE CAME BACK AT 4:28 AND SAID THEY WOULD LIKE TO HAVE A LITTLE CLARIFICATION. AN HOUR LATER, WITH THAT CLARIFICATION THEY FINALLY SAID OKAY, SO WE WOULD REACH AN AGREEMENT.

OFFICIAL: AGAIN, I DON'T HAVE THE MOST UP-TO-DATE FIGURES ON WHAT THE TOTAL IS. I HEAR I HAVE IT IN SQUARE METER TERMS, BUT YOU WANT IT IN DOLLAR TERMS AND THAT'S WHAT I DON'T HAVE, I HEAR IT'S 406 BILLION SQUARE METERS. I'M SORRY, I THINK THAT'S CORRECT, IT'S APPROXIMATELY 2.2 BILLION DOLLARS. I BELIEVE IT'S, I'M

DEBORAH WANG, ABC: WHY DID IT COME DOWN TO THE LAST MINUTE?

OFFICIAL: YOU HAVE TO ASK THE CHINESE THAT. AGAIN, I DO THINK PART OF IT IS, IT'S ONE THING TO REACH A VERBAL AGREEMENT, AND THEN WHEN YOU ACTUALLY DRAFT IT UP INTO LEGAL TEXT, THERE JUST ARE SOME DIFFERENCES, AND YOU KNOW LANGUAGE DIFFERENCES AND OTHER THINGS. I HEAR, YOU KNOW, YOU AND I COULD AGREE TO SOMETHING AND THEN WHEN I WRITE IT DOWN YOU WOULD SAY WELL I'M NOT SURE THAT'S EXACTLY WHAT I MEANT OR WHATEVER SO SOME OF IT WAS, YOU KNOW THAT'S A LONG PROCESS AND WE THEORETICALLY REACHED THIS AGREEMENT AT 10:30 OR 11:00 O'CLOCK, BUT YOU KNOW ITS NINE OR TEN PAGES OF TEXT.

WITH TRANSLATION AND ALL OF THAT, I THINK PART OF IT IS THAT THOSE KIND OF ISSUES JUST DID TAKE A WHILE. THEY DO IN EVERY AGREEMENT. SO I THINK SOME OF THAT WAS NOT UNUSUAL, SOME OF IT, THE REST OF IT, I THINK YOU HAVE TO ASK THE CHINESE.

PAT TYLER, THE NEW YORK TIMES: WAS THAT FINAL ROUND OF

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O 210133Z JAN 94  
FM AMEMBASSY BEIJING  
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USIA WASHDC IMMEDIATE 1219  
USDOC WASHDC IMMEDIATE  
SECSTATE WASHDC IMMEDIATE 245W  
INFO AMCONSUL HONG KONG IMMEDIATE  
USMISSION GENEVA IMMEDIATE  
AMCONSUL SHENYANG  
AMCONSUL SHANGHAI  
AMCONSUL GUANGZHOU  
AMCONSUL CHENGDU

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USIA

STATE FOR EAP/CH AND EAP/P; PLEASE PASS USTR  
COMMERCE FOR 6500/TD/TEX/DAS/RHAYES  
USIA FOR EA, P/PPF, B/VOA/F  
NEW DELHI PLEASE PASS AMBASSADOR WILLMAN  
GENEVA FOR USTR/SHEPHERD

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SUBJECT: BACKGROUND BRIEFING BY [REDACTED] P6(b)(6)

[REDACTED] P6(b)(6) JANUARY 17, ON U.S.-CHINA MEMORANDUM OF  
UNDERSTANDING ON TEXTILE TRADE

SORRY, I DON'T WANT TO RECALL THE NUMBER OFF THE TOP OF  
MY HEAD, AGAIN IT WAS NEGOTIATED IN SQUARE METER TERMS,  
WHICH ALL LIMITS ARE NEGOTIATED IN SQUARE METER TERMS.  
SO, IT IS THE TOTAL OF THE SQUARE METERS THAT CHINA HAS  
SHIPPED IN SILK APPAREL IN 1993, IT WOULD BE SET AT  
THAT LEVEL, THEN WITH A ONE PERCENT GROWTH RATE.

KATHY WILHELM, AP: ONE PERCENT FOR 94?

OFFICIAL: CORRECT.

KATHY WILHELM, AP: ONE PERCENT FOR 95?

OFFICIAL: CORRECT, CORRECT.

KATHY WILHELM, AP: WHY WAS IT F  
ELT NECESSARY TO IMPOSE  
A QUOTA IN THERE THAT HAD NEVER HAD A QUOTA BEFORE?

OFFICIAL: WELL AGAIN, I THINK PART OF IT IS THAT SILK  
HAS BECOME A VERY DIFFERENT PRODUCT THAN IT WAS BEFORE.  
AGAIN PART OF THE REASON, IT'S NOT COVERED, IT HAD NOT  
TRADITIONALLY BEEN COVERED BY THE MULTIFIBER  
ARRANGEMENT, IS THAT IT HAD BEEN A VERY SMALL MARKET, A  
VERY SELECT MARKET, NOT PRODUCED IN VERY MANY COUNTRIES  
AND NOT COMPETITIVE, I MEAN NOT COMPETING IN THE SAME  
MARKET, AND I THINK A LOT OF IT IS, IT'S BECOME A VERY,  
VERY DIFFERENT PRODUCT. IN TERMS OF SALE, USAGE,

MARKETING, ETC. I THINK WHEN PEOPLE NEGOTIATED THE  
MULTIFIBER ARRANGEMENT NO ONE COULD HAVE DREAMED THAT  
YOU COULD BUY A SILK BLOUSE FOR 18 DOLLARS AND PUT IT  
IN THE WASHING MACHINE. SO, I DO THINK IT HAS BECOME A  
DIFFERENT PRODUCT.

KATHY WILHELM, AP: YOU STILL HAVE TO IRON THE DAMN

STUFF.

OFFICIAL: I GUESS THEY'RE MAKING NON-WRINKLE COTTON  
NOW, I WON'T COMMENT ON IT.

DEBORAH WANG, ABC: BY THE WAY WHAT ARE YOU WEARING?

OFFICIAL: MADE IN THE USA.

DEBORAH WANG, ABC: AND THE BLOUSE?

OFFICIAL: I DON'T KNOW ON THAT ONE. THE REST OF IT IS  
MADE IN THE USA, THAT I CAN TELL YOU.

KATHY WILHELM, AP: COULD YOU GO BACK TO THE  
INSPECTIONS OF FACTORIES, THAT WAS ONE OF THE MOST  
DRAMATIC THINGS THAT WAS IN THIS AGREEMENT, I MEAN  
(INAUDIBLE) YOU SAID SOME (INAUDIBLE) BUT IN TERMS OF  
THE ADVANCED WARNING, THE KIND OF WARNING THAT YOU  
GIVE, (INAUDIBLE) IS THERE ANY CHANGE--

OFFICIAL: NO, NO.

PAT TYLER, N.Y. TIMES: WHAT STATUTE DID THE CHINESE

CITE THAT WOULD REQUIRE THE PUBLIC SECURITY BUREAU IN  
CHINA TO HAVE A WARRANT BEFORE ENTERING THE FACTORY?

OFFICIAL: NO, AGAIN, WE DIDN'T GET INTO THAT, BECAUSE  
AGAIN THE PRESUMPTION IS THAT WE ARE GOING TO GO AND  
SEEK VOLUNTARY PERMISSION TO GO INTO THESE FACILITIES.  
AGAIN THE TEXT IMPLIED THAT WE WOULD SEEK VOLUNTARILY  
TO GO INTO THESE FACILITIES.

PAT TYLER, N.Y. TIMES: BUT THEY DIDN'T ARGUE THAT THERE  
WAS EQUIVALENCY BETWEEN LEGAL PROTECTIONS--

OFFICIAL: AGAIN, THIS TEXT IS TEXT THAT WE HAVE PUT IN  
A LOT OF OTHER AGREEMENTS. THAT WAS REALLY NOT SO MUCH  
OF AN ISSUE IN THE NEGOTIATIONS.

DEBORAH WANG, ABC: ARE YOU SATISFIED WITH THE AMOUNT  
AND THE RESOURCES THAT ARE NOW DEVOTED TO THE  
ENFORCEMENT (INAUDIBLE) OR IS THIS SOMETHING

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O 210133Z JAN 94  
FM AMEMBASSY BEIJING  
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USIA WASHDC IMMEDIATE 1220  
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SECSTATE WASHDC IMMEDIATE 2451  
INFO AMCONSUL HONG KONG IMMEDIATE  
USMISSION GENEVA IMMEDIATE  
AMCONSUL SHENYANG  
AMCONSUL SHANGHAI  
AMCONSUL GUANGZHOU  
AMCONSUL CHENGDU

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USIA

STATE FOR EAP/CH AND EAP/P; PLEASE PASS USTR  
COMMERCE FOR 6508/TB/TEX/DAS/RHAYES  
USIA FOR EA; P/PPF; B/VOM/T  
NEW DELHI PLEASE PASS AMBASSADOR HILLMAN  
GENEVA FOR USTR/SHEPHERD

E.O. 12356: N/A

SUBJECT: BACKGROUND BRIEFING BY

P6(b)(6)

P6(b)(6) JANUARY 17, ON U.S.-CHINA MEMORANDUM OF  
UNDERSTANDING ON TEXTILE TRADE

(INAUDIBLE) THE UNITED STATES?

OFFICIAL: NO, AND AGAIN RECENTLY AS PART OF AN  
AGREEMENT I THINK THAT THE ADMINISTRATION HAS COMMITTED  
TO ALLOCATING ADDITIONAL RESOURCES. PART OF IT IS AGAIN  
THAT THE TRANSHIPMENTS HAVE BECOME HARDER TO CATCH.  
IT USED TO BE THAT THEY WERE FAIRLY CRUDE. THAT WHEN  
THE U.S. CUSTOMS WOULD OPEN BOXES, THEY'D FIND GOODS  
WITH TWO LABELS IN THEM OR GOODS WERE YET 'MADE IN  
SOMETHING' IN ONE PLACE AND 'MADE IN SOMETHING' IN  
ANOTHER PLACE, OR YOU KNOW CLEARLY, OBVIOUSLY FALSELY  
LABELLED GOODS. OR THE GOODS THEMSELVES WOULD HAVE A  
'MADE IN WHATEVER' LABEL, AND THE PACKAGING WOULD BE  
DIFFERENT. IT USED TO BE THAT LITERALLY REGULAR  
PHYSICAL INSPECTIONS AT U.S. PORTS WOULD REVEAL A LOT  
OF THE TRANSHIPMENT. NOW THEY'RE MUCH MORE  
SOPHISTICATED, AND IT'S RARE THAT YOU FIND A SHIPMENT  
THAT IS OBVIOUSLY TRANSSHIPPED. WHICH MEANS THE WAY  
THAT WE FIND IT MUCH MORE NOW, IS AGAIN BY SENDING  
THESE PEOPLE IN FOR PLANT VISITS. I MEAN, FOR EXAMPLE,  
WE JUST COMPLETED AN AGREEMENT WITH UNITED ARAB  
EMIRATES, AND PART OF THE TERMS OF THAT AGREEMENT  
RELATED TO AN INSPECTION THAT CUSTOMS HAD DONE WHERE  
THEY LITERALLY FOUND TWO PRODUCT CATEGORIES THAT THERE  
WERE NO CAPACITY IN THE UNITED ARAB EMIRATES TO MAKE  
THESE GOODS, NO PLANTS THAT MADE IT, AND YET IT SHIPPED  
IN ALL OF THESE GOODS, WHICH OBVIOUSLY MEANS THEY'RE  
MADE SOMEWHERE ELSE AND COME IN, AND WE WERE ABLE IN

THAT INSTANCE TO NEGOTIATE A QUOTA WITH THE UAE ON THAT  
OF ZERO, SO THAT NO FUTURE SHIPMENTS IN THOSE PRODUCTS  
WOULD COME IN TO OUR MARKETS, SINCE THE UAE CANNOT MAKE  
THEM. SO, CLEARLY IT'S GETTING HARDER, AND CUSTOMS HAS  
TO DO A LOT MORE OF THIS, GOING IN  
TO FACILITIES IN  
OTHER COUNTRIES, AND THAT DOES MEAN I THINK A GREATER

ALLOCATION OF RESOURCES. I THINK THE ADMINISTRATION  
HAS MADE A COMMITMENT TO DO THAT, AND WE ARE TRYING TO  
LOOK AT THE BEST WAYS IN WHICH WE CAN BETTER ALLOCATE  
THE RESOURCES THAT WE DO HAVE.

SANDRA HENDRY, JOURNAL OF COMMERCE: (INAUDIBLE) BE OUT  
OF WORK IN FIFTEEN YEARS, THOUGH.

OFFICIAL: (LAUGHTER) I DON'T KNOW THAT WE ARE GOING TO  
END UP WITH HUNDREDS OF CUSTOMS INSPECTORS WITH NOTHING  
TO DO. THANK YOU.

(END UNOFFICIAL TRANSCRIPT)

NOTE: THIS TRANSCRIPT WAS NOT SEEN BY AMBASSADOR  
HILLMAN BEFORE HER DEPARTURE FROM BEIJING.  
SCOTTON

UNCLASSIFIED

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### SYMPOSIUM: U.S. TRADE POLICY IN TRANSITION: GLOBALIZATION IN A NEW AGE

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UNITED STATES TRADE REPRESENTATIVE

**HON. PETER S. WATSON**  
Chairman  
International Trade Commission  
*The Framework for the New Trade  
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SUMMER 1994

## KEYNOTE ADDRESS

### U.S. TRADE POLICY IN TRANSITION: GLOBALIZATION IN A NEW AGE

HON. MICHAEL KANTOR\*

Think about what has happened in the last few years and how our world has changed. The Berlin Wall has come down and the Soviet Union has disintegrated. Market economies and democracies are on the rise all over the world. The U.S. and Russia no longer point their missiles at each other, and now the Ukraine does not point their missiles toward us as well. That is an amazing sea change in both our political and strategic concerns and it leaves us free to consider some critical areas, including trade, as we address the important area of our economic relations between nations. Now our economic security has become our national security, as the President has said. The way in which we interact with other nations in trade and our international economic dealings will have a profound effect on the building of market economies and democracies and whether or not we are going to pull together—or pull apart—in this world.

Just look at what has happened economically since the Second World War. From 1946 until the oil shock of 1973, we were the most dominant economy in the world. We were unrivaled in our ability to produce, be self-contained, build a growing middle class and sustain the American dream. We were able to open our markets to others in order to build up Japan and Western Europe as bulwarks against Soviet expansion and Communism. In fact, it worked. It was a very effective policy.

But in 1973 things began to change. In fact, because the policy worked, what has been called by many a tri-polar economic world developed. Japan, the European Union, later the European Community, and the United States became the three world economic powers.

In this post-Cold war era we are faced with the third great international trade challenge of this century. The first, after the first World War, we didn't meet. We closed up. We tried to close our markets to other countries, increase our wealth and deal with the roaring depression by closing down. It didn't work. In fact it was a disaster.

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\* Ambassador Michael Kantor currently serves as the United States Trade Representative. This article is transcribed from the keynote speech given by Ambassador Kantor.

*LAW & POLICY IN INTERNATIONAL BUSINESS*

In 1946, after the Second World War, we did the opposite. We took on international responsibilities and we opened up. We grew not only our economy, but the economies of the western world. And that was something which we can be proud of and for which our parents and those who were our predecessors can take great credit.

Now we are faced with a third great challenge. And the questions for us, as the President stated at American University, another great school in this District, on February 26, 1993, is whether or not we are going to meet this challenge. But as we look at how we are going to meet this challenge, what are we faced with?

First, the U.S. economy depends more and more on trade. Twenty-six percent of our gross national product is trade, a total of \$1.6 trillion dollars in goods, services and investment. Second, there is an increasing globalization of our economies. If you are going to go out and buy a car tomorrow, that car is going to be advertised by a British company probably, is going to have component parts made in Japan and the United States and Canada, and is likely to have other materials that come from Latin America or Asia in it.

We have become an interdependent economic world. And it will only continue. By understanding that our future is in taking advantage of this interdependence, we are going to open markets, expand trade, and build jobs here in the United States.

Market economies are building all over the world. Democracies are building all over the world. Look at Latin America and what has happened in just the last few years. Look at Chile with ten percent growth, four percent unemployment, a trade surplus, and a budget surplus. We would like to replicate these facts and figures here in the United States. Look at what is happening in China. Look at what is happening in Indonesia and Malaysia, and look at what is happening in Venezuela and Argentina. Economies with huge potential, growing very fast, opening up their markets, engaging in market economics, and growing democracies, something that of course we want to support.

How do we deal with this changing situation—interdependence, a global economy, globalization of companies, and the growing market economies? First, the only constant in the world of economics and the world of trade is change. We have to be ready and flexible to meet that change. Second, we have to look not only at the opportunities, but also accept responsibility in global growth.

Finally, we have to meet this third great challenge that I talked about, which we are going to lay out here today. That challenge is to first become more competitive and productive here at home, which the President through his leadership has done so well. First, hold down the

## TRADE POLICY IN TRANSITION

deficit, hold down long-term interest rates, and create private capital for growth. Second, invest in infrastructure and training and education. Invest in worker security and re-employment programs, which Labor Secretary Robert Reich is leading, which are critical if we are going to continue to have the most productive and competitive workers in the world. Third, we've got to reform our education system. Fourth, we must have health care reform. A thousand dollars of the cost of every automobile built in the United States of America is health care costs. Now if you don't think that affects our competitiveness, you are not understanding what is going on in the global economy. We have got to get control of those costs. We've got to cover everyone in the country and provide health security for a lifetime, but we also have to bring down the cost of doing it. Fourteen percent of our GDP is now spent on health care. That is probably the most in any developed country in the world and it adversely affects our competitiveness around the world. Finally, we need welfare reform.

So, as we try to advance the President's program this year in the Congress—welfare reform, health care reform, the workers' security and re-employment program led by Bob Reich, educational reform—we must then build our markets to take advantage of a newly competitive America.

As we try to take advantage, what are the assets that we have in the United States? This is a society that is never stagnant and is constantly replenishing itself, not just with material resources but with human resources. Nothing is more important than to understand and be comfortable with the fact that we are in a constant state of change, especially in terms of people coming to our shores with new ideas and new energy. That is important for us to recognize and not to be afraid of, but to embrace as we always have. There is now in this land a sense that somehow legal immigration into this country is hurting us. No, it is helping us. It is a constant source of new ideas and new people and new energy that is going to make America more competitive in the future.

Geographically, we are the best positioned nation on Earth. There is no other great economic power in the world that is both an Atlantic and a Pacific nation—not the European Union, not Japan, and not China, as it grows to be an economic power.

That is enormously important if you recognize that proximity is important to successful trade. The largest trading relationship in the world between two countries is between the U.S. and Canada. Canada, with twenty-seven million people, has less than the number of people in the state of California, yet it and the U.S. have the greatest trading relationship in terms of dollar value in the world. Proximity makes a difference.

So geographically we are well situated; by the way we handle change, we are well situated; by the fact that we constantly replenish the American dream by bringing new people to our shores, we are well situated.

We have a growing economy. Housing sales are up, housing starts are up, consumer confidence is up, and unemployment is going down. Jobs are rising, and new investment is occurring every day. That is critical if we are going to take advantage of these new and growing markets.

What are our opportunities in 1994 and what are our responsibilities? First, let us look at what happened in 1993—at least allow me a little bit of a victory lap. I think the President of the United States deserves a tremendous debt of gratitude from the rest of the world for what he was able to do in just eleven months of his administration. When he came into office the Uruguay Round was moribund. This is no criticism of Ambassador Hills or President Bush. Frankly, let me say parenthetically none of this would have happened without the good work starting with Bob Strauss through Carla Hills and starting with Jimmy Carter through George Bush. A lot of ground work was laid for our success in both NAFTA and the Uruguay Round. There is too much of this in Washington, taking credit, as if we arrived on the scene and no one else was around, nothing had ever happened before, when a lot had happened.

But the Uruguay Round was moribund and a disengagement had occurred between the European Community and the United States. The President through insisting on a market access agreement at the G-7 meeting in Tokyo, reengaged the round and set the stage for first the U.S. and the European Union, and then the rest of the world, to agree on a Uruguay Round.

Also, the President, with tremendous energy and foresight and great advocacy, did the impossible—he put the NAFTA through the Congress of the United States. I really love seeing these shows on Saturday and Sunday here in Washington. Up until the last forty-eight hours, they said, “dead, done, crazy, stupid; you are making a big mistake; it is going to kill Bill Clinton; this is the worst thing he ever did; he should never have taken NAFTA to the Congress; he’ll never get enough votes.” Two hundred and thirty-four votes later, they said, “see, we told you he could do it if he just hung in there.”

This President, through his absolute commitment to building a western hemisphere open trading regime, put the NAFTA through by the sheer force of his commitment and his personality and his intelligence and his willingness to see about 140 members of Congress between September and November. The importance of that can’t be overstated because it led to a successful APEC—Asian Pacific Economic

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Cooperation—forum and then, of course, to the Uruguay Round. So, with NAFTA, APEC, and a successful conclusion of the Uruguay Round in 1993, this President had as good a trade year as any President in American history, and he should be recognized for what he was able to accomplish.

However, in 1994, what we do may be less visible than what we did last year, but it will be just as important. Just look at the agenda that we have. First, let us take the Uruguay Round itself. First of all, we have to increase market access offers by February 15, especially from Japan in things like wood, copper, leather, shoes, financial services and so on. Second, we have to have an expeditious ratification by the Congress of the Uruguay Round. Third, we want to look at a new agenda—and I am going to talk about that in a couple of minutes—in trade, which should be fostered by the new World Trade Organization, but needs to be sustained through bilateral and regional alliances as we build toward a true world trading system. We need to build on an effective dispute settlement mechanism in the World Trade Organization and ensure that an activist United States government makes this mechanism work and work well.

Obviously, we have to open access to Japan. We are in the middle of framework discussions with the Japanese, who have a full team of people over here today at the deputy ministerial level for five days. We are hoping to make progress in those talks. As you know, we reached a Framework of Agreement at the G-7 meetings in Tokyo in July 1993 and we are still trying to make progress in that connection. But we have more to do with Japan than just the Framework talks: market access, the Uruguay Round, and to look at the current trade agreements we have to see if they are working. Semiconductors, computers, super computers—we have a number of agreements with the Japanese that are really not working as well as we would like, that aren't providing the kind of access to the Japanese market, the second largest single market in the world.

In China we have a market access agreement that is working in some respects. The Chinese are lifting quantitative barriers on about 256 items and goods, but they are not opening up in agriculture as fast as we would like. We just reached a textile agreement with them and we need to make sure that is enforced, to stop the transshipment of textiles and apparel, circumventing both U.S. and international law. China wants GATT accession, and in order to achieve that China will need to work with the United States and others to make sure it is adhering to world trade regimes.

There is no greater opportunity for us than in Latin America, the second-fastest growing economic region in the world. Only Asia is

street is absolutely essential if we are going to be faithful to our obligation to represent our clients: the American people and American workers. We can no longer afford to have others not take responsibility, and keep their borders closed to lock out U.S. goods, when our borders are open to them. That doesn't mean we are going to close our borders. It means we are going to do everything necessary to open up this trading system and to open up these economies to U.S. products and U.S. goods. Whether it is Japan or China or the European Union or India or Pakistan, we are going to open up these borders. It means we will use our trade laws. We will use GSP and its enforcement mechanisms and our trade agreements to do so. This is positive.

It is interesting to me that there is such theology in this area of trade; people see this as, "Oh, there goes Kantor again, he's kicking somebody around." No, I am not. What I am saying is, if we are going to grow a global economy and create jobs and really see progress in terms of the world economic situation, we have got to open markets, expand trade and have a free flow of goods. Nothing is more pernicious than great economies like the European Union or Japan or China or India keeping their borders closed to U.S. products as we open ours to theirs. And we are going to do everything we can to create a two-way street in trade.

I just would like to say, I think you have got to give credit to the Chinese and United States agreement on textiles. It is going to make sense; it is going to be helpful. It will build confidence between us. And our agreement, just forty-eight hours ago, with Japan on construction, their implementation of regulations in the construction area for government procurement, is an important step forward for not only the Japanese but for confidence in a world trading system itself.

Last year was a historic year, but the years ahead can be historic as well. We are laying the foundation for prosperity into the next century and reviving the American dream. We have moved from mutually assured destruction to mutually assured prosperity; from containment to engagement. If we move to engagement and mutually assured prosperity, we will truly make a huge step forward, not only in trade and international economics, but in building market economies and democracies around the world.

But there is one other thing. This is not a bloodless pursuit that the President and his administration are involved in. There are real people involved. When I was young—I grew up in Nashville, Tennessee—there was an article of faith that the kids in my generation would be bigger, stronger, faster, wealthier, better educated, and more successful than our parents. Article of faith. I bet for those of you my age in this room you had the same kind of feeling and so did your parents. One of the

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things that is most distressing about what has happened in this country, although we are beginning to turn it around, is that dream, which is the essence of the American dream, needs to be revived. People have not believed in the last ten or twelve years or fourteen years that it would in fact happen—that your kids could be bigger, stronger, faster, wealthier, more prosperous, have a bigger future than their parents. In fact the opposite was occurring. We did turn that around. But we can't turn it around without growing our markets, expanding trade, being more open.

No wealthy nation in history ever expanded its wealth, grew jobs at home, and increased its prosperity by closing its borders. It has never happened, and it never will. So as we become more productive and more competitive, as we build this base of workers in effective businesses in this country, we must grow markets abroad. If your markets don't grow as you become more productive, you lose jobs. One of the reasons that jobs have increased more slowly in the recovery—although it is beginning to catch up, we created almost two million jobs in the private sector in 1993, more than the previous four years—is because our markets abroad weren't opening quickly enough. And that is what we have to do. It is part of this whole process of tying our domestic to our international economy.

This is not just theory. If you go to Atlanta Saw Company, Atlanta, Georgia, you will see real people shipping real products to seventy nations around the world—Spring Industry in South Carolina; Quaker Fabrics in Fall River, Massachusetts; the Boeing plants up in Seattle, Washington; Tokeva Plastics, with only twenty-five employees, in Phoenix, Arizona—they are all exporting, hiring new people, building their businesses because we have truly become part of a world economy.

The President put it best in his American University speech:

[T]he truth of our age is this and must be this. Open and competitive commerce will enrich us as a nation. It spurs us to innovate, it forces us to compete, it connects us with new customers, it promotes global growth without which no rich country can hope to grow wealthier.

And later he challenged us in saying, "In the face of all the pressures to do the reverse, we must compete and not retreat."

America is on its way back. We can win again. We are facing the responsibilities and are poised to reap the opportunities in a changing world. We met the challenge last year and we will continue to meet it in the years ahead.

Testimony to the House Ways and Means Committee  
Ambassador Michael Kantor  
U.S. Trade Representative  
January 26, 1994

THE URUGUAY ROUND:  
GROWTH FOR THE WORLD, JOBS FOR THE U.S.

Introduction

Mr. Chairman, thank you very much. It is a pleasure to be here today to discuss with you the Uruguay Round agreement, which sets the stage for a more competitive and prosperous nation in the coming years and into the next century. I look forward to working with you this spring as we prepare the legislation that will implement the Round, which I hope the Congress will approve.

Mr. Chairman, on December 15, 1993, 117 countries concluded a major agreement to reduce barriers blocking exports to world markets (in agriculture, manufactured goods, and services) as well as to create a more fair, more comprehensive, more effective, and more enforceable set of world trade rules. In order to assure the efficient and balanced implementation of the agreements reached, they also created a new World Trade Organization (WTO).

The Uruguay Round trade agreement is the largest, most comprehensive trade agreement in history. The existing GATT system was incomplete; it was not completely reliable; and it was not serving U.S. interests well. The new agreements open up major areas of trade and provide a dispute settlement system which will allow the U.S. to ensure that other countries play by the new rules they have just agreed to.

The successful conclusion of the Uruguay Round negotiations was an important part of the President's strategy for strengthening the domestic economy. Barely a year ago, President Clinton entered office, faced with daunting challenges in his effort to restore the American Dream.

The economy was stagnant. Unemployment was high, and confidence was down. In just one year, we have turned a corner. Our economy is growing and millions of jobs have been created. People are getting back to work.

But these are just the first steps in preparing our nation for the 21st century. The President is addressing the long-term issues facing our economy.

How do we ensure the American Dream for all? How do we reverse the decline in real wages among workers in this country? How will we compete against the Europeans and the Japanese? How do we eliminate the gap between high-skill workers, for whom opportunities abound, and those lower skilled workers who lack opportunities, and even hope? At a time our workers are the most productive in the world, meaning it takes less workers to do the same work, how do we create new jobs and opportunities?

All of the elements of the President's economic strategy -- reducing the deficit, reforming education, the President's re-employment program, and health care -- are geared towards solving these problems, creating jobs and making our country more prosperous for our children. All of the parts work in tandem, each reinforcing the other.

An essential element in this strategy is to expand and open foreign markets. Expanding trade is critical to our ability to compete in the global economy and create high-wage jobs. That is why the President spent so much time in 1993 -- with not only the Uruguay Round but also the North American Free Trade Agreement, the establishment of the Japan Framework, the Asia Pacific Economic Cooperation conference to facilitate trade in that region. That is why we vigorously enforced our trade laws which resulted in opening the markets for heavy electrical equipment in Europe, telecommunications in Korea, construction in Japan, and enhanced protection for copyrighted and patented products in a number of nations, led by Taiwan and Thailand.

The U.S. economy is now woven into the global economy. Over a quarter of the U.S. economy is dependent on trade. Where we once bought, sold and produced mostly at home, we now participate in the global marketplace. American workers compete with their foreign counterparts every day, sometimes within the same company. By expanding our sales abroad, we create new jobs at home and we expand our own economy.

The global economy presents rewards not risks. Our greatest risk is in failing to understand the challenge. Jobs related to trade earn, on average, 17 percent more than jobs not related to trade. Prosperity is the partner to change and American workers are at their best when facing the challenges of a new era.

The benefits of trade ripple through our economy. Trade benefits not only the company that exports, but also the company which produces parts incorporated in exported products, the insurance agency which insures exporters, and the grocery store near the exporter's factory. At the same time, increased access to foreign markets and increased competition at home benefit consumers. Lower trade barriers reduce prices, improve the quality, and widen the choice of consumer good. This benefits

both families and companies looking for good bargains and good quality.

U.S. workers and companies are poised to take advantage of the dynamics of the global economy, if they have access to foreign markets and can be ensured they are competing on fair terms with their foreign counterparts. Fast growing economies in Latin America and Asia are hungry for American goods. Countries around the globe are embracing market economies and are in need of everything from hospital equipment to consumer goods.

"Made in the USA" still represents a standard of excellence, especially for products that will become more important in the coming century. America leads the world because of our imagination and creativity.

The United States, then, is positioned economically, culturally and geographically to reap the benefits of the global economy.

Economically, because our workers are the most productive in the world, and our economy is increasingly geared towards trade.

Culturally, because of our tradition of diversity, freedom and tolerance will continue to attract the best and the brightest from around the world ensuring that we will never stagnate as a people.

Geographically, because we are at the center of a nexus between our historic trading partners in Europe and Japan, and the new dynamic economies in Latin America and Asia.

Our trade policy is guided by a simple credo. We want to expand opportunities for the global economy, but insist on a similar responsibility from other countries.

Trade is a two way street. After World War II, when the American economy dominated the world, we opened ourselves up, to help other countries rebuild. It was one of the wisest steps this country ever took, but now we cannot have a one way trade policy. The American people won't support it and the Administration won't stand for it.

For other nations to enjoy the great opportunities here in the U.S. market, they must accept the responsibility of opening their own market to U.S. products and services. Ultimately, it is in their own self interest to do so, because trade fosters economic growth and create jobs in all countries involved. If a country closes itself to U.S. goods and services, they should expect the same from us.

The Uruguay Round ensures American workers are trading on a two-way street; that they benefit from this new globalized economy;

that they can sell their products and services abroad; and that they can compete on a level playing field.

President Clinton led the effort to reinvigorate the Uruguay Round and to break the gridlock, which had stalled the negotiations despite seven years of preparation and another seven years of negotiations.

We did not accomplish everything we wanted to in the Uruguay Round. In the services area, we wanted to go further than the world was ready to go. The transition periods for patent and copyright protection are longer than we wanted. We were bitterly disappointed by the European Union's intransigence with respect to national treatment and market access for our entertainment industries.

But the final result is very good for U.S. workers and companies. It helps us to bolster the competitiveness of key U.S. industries, to create jobs, to foster economic growth, to raise our standard of living and to combat unfair foreign trade practices. The agreement will give the global economy a major boost, as the reductions in trade barriers create new export opportunities, and as the new rules give businesses greater confidence that export markets will remain open and that competition in foreign markets will be fair.

More importantly, the final Uruguay Round agreement plays to the strengths of the U.S. economy, opening world markets where we are most competitive. From agriculture to high-tech electronics, to pharmaceuticals and computer software, to business services, the United States is uniquely positioned to benefit from the strengthened rules of a Uruguay Round agreement that will apply to all of our trading partners.

### The Uruguay Round

The Uruguay Round is the right agreement at the right time for the United States. It will create hundreds of thousands of high-wage, high-skill jobs here at home. Economists estimate that the increased trade will pump between \$100 and \$200 billion into the U.S. economy every year after the Round is fully implemented.

This historic agreement will

- cut foreign tariffs on manufactured products by over one third, the largest reduction in history;
- protect the intellectual property of U.S. entrepreneurs in industries such as pharmaceuticals, entertainment and software from piracy in world markets;

- ensure open foreign markets for U.S. exporters of services such as accounting, advertising, computer services, tourism, engineering and construction;
- greatly expand export opportunities for U.S. agricultural products by reducing use of export subsidies and by limiting the ability of foreign governments to block exports through tariffs, quotas, subsidies, and a variety of other domestic policies and regulations;
- assure that developing countries live by the same trade rules as developed countries and that there will be no free riders;
- create an effective set of rules for the prompt settlement of disputes, thus eliminating shortcomings in the current system which allowed countries to drag out the process and to block judgments they did not like; and
- open a dialogue on trade and environment.

This agreement will not

- impair the effective enforcement of U.S. laws;
- limit the ability of the United States to set its own environmental or health standards; or
- erode the sovereignty of the United States to pass its own laws.

The Uruguay Round agreement will create a new organization -- the World Trade Organization -- that will support a fair global trading system into the next century and replace the General Agreement on Tariffs and Trade (GATT).

Some have expressed concern that the Uruguay Round results mean the loss of Section 301. That is simply not an accurate analysis. I have pledged that we will open markets multilaterally where possible and bilaterally where necessary. As a result of the Round we have made Section 301 a more effective tool in the multilateral context as well as preserved its effectiveness bilaterally. We have improved existing trade rules, extended the rules to cover new areas of trade, and strengthened the procedures to enforce the rules. In other words, we will be able to use Section 301 to ensure that the multilateral rules are observed. For issues not covered by the new rules and for countries not members of the WTO, there will be no change in the way we resolve disputes; we will continue to use section 301 bilaterally. In addition, we will not shrink from using Title VII to combat unfair trade.

Notwithstanding tremendous international pressure to weaken antidumping and countervailing duty laws in the Uruguay Round, we were able to preserve the important elements of U.S. practice. These laws will continue to be our most important and most effective response to dumping and subsidies that injure U.S. industries.

As in the past, we will identify those trade barriers that have the most significant impact on our exporters of goods and services and develop a strategy for addressing them. We intend to work closely with Congress in implementing how we go after foreign trade barriers in both the bilateral and multilateral context. We are confident we have no shortage of tools.

While the world has benefitted enormously from the reduction of trade barriers and expansion of trade made possible by the GATT, the GATT rules were increasingly out of step with the real world. They did not cover many areas of trade such as intellectual property and services; they did not provide meaningful rules for important aspects of trade such as agriculture; and they did not bring about the prompt settlement of disputes. The old GATT rules also created unequal obligations among different countries, despite the fact that many of the countries that were allowed to keep their markets relatively closed were among the greatest beneficiaries of the system.

The WTO will require that all members take part in all major agreements of the Round, eliminating the free-rider problem. From agreements on import licensing to antidumping, all members of the WTO, will belong to all of the major international agreements.

The WTO will also require developing countries -- an increasingly important area of U.S. trade -- to follow the same rules as everyone else after a transition period. They will no longer enjoy the fruits of trade, without accepting responsibility and opening their own markets. The WTO will have a strengthened dispute settlement system, but will allow us to maintain our trade laws and sovereignty.

The WTO plays to the strengths of our economy. For example:

**Market Access.** The WTO will reduce industrial tariffs by over one third. On exports from the U.S. and the European Community, the reduction is over 50 percent. In an economy increasingly reliant on trade opening markets abroad is absolutely essential to our ability to create jobs and foster economic growth here at home. Our nation's workers are the most productive in the world and reduced tariffs will enable these workers to compete on a more level playing field.

**Agriculture.** U.S. farmers are the envy of the world, but too often they were not able to sell the products of their hard labor abroad, because the old GATT rules did not effectively limit agricultural trade barriers. Many countries have kept our farmers out of global markets by limiting imports and subsidizing exports. These same policies have raised prices for consumers around the world.

The Uruguay Round agreements will reform policies that distort the world agricultural market and international trade in farm products. By curbing policies that distort trade, in particular export subsidies, the World Trade Organization will open up new trade opportunities for efficient and competitive agricultural producers like the United States.

**Services.** The WTO will extend fair trade rules to a sector that encompasses 60% of our economy and 70% of our jobs: services. Uruguay Round participants agreed to new rules affecting around eighty areas of the economy such as advertising, law, accounting, information and computer services, environmental services, engineering and tourism. When a company makes a product, it needs financing, advertising, insurance, computer software, and so forth. Competition for these services is now global. We lead the world in this sector with nearly \$180 billion in exports annually. The WTO will implement new rules on trade in services, which will ensure our companies and workers can compete fairly in the global market. While in certain key areas, such as telecommunications and financial services, the U.S. did not obtain the kind of market access commitments we were seeking, we kept our leverage by refusing to grant MFN treatment to our trading partners, and continued negotiations.

**Intellectual Property.** Creativity and innovation is one of America's greatest strengths. American films, music, software and medical advances are prized around the globe. The jobs of thousands of workers here in this country are dependent on the ability to sell these products abroad. Royalties from patents, copyrights, and trademarks are a growing source of foreign earnings to the U.S. economy.

The World Trade Organization will administer international rules to protect Americans from the global counterfeiting of their creations and innovations. These are the areas which represent some of the most important U.S. industries of the future. Stemming the tide of counterfeiting works to protect U.S. companies and workers, particularly as U.S. exports of intellectual property goods increase annually.

For example, our semiconductor industry is a driving force for U.S. technology advances and competitiveness. These products affect nearly every aspect of our lives and are incorporated in many of the goods traded internationally.

The TRIPS agreement is the first international agreement that places stringent limits on the grant of patent compulsory licenses for this critical technology. Under TRIPS, this industry's patents and layout designs can not be used for commercial purposes without the permission of the patent or design owner.

In short, the Uruguay Round agreements set the stage for free and fair trade in the world, and global prosperity and partnership at the end of this century and into the next.

#### **INDUSTRIAL MARKET ACCESS**

The United States achieved substantially all of its major objectives in the industrial goods market access negotiations. As a result, increased market access opportunities will be available to U.S. exporters of industrial goods.

Key provisions of the market access for goods agreement include:

- o Expanded market access for U.S. exporters through tariff reductions secured from countries which represent approximately 85 percent of world trade;
- o The elimination of tariffs in major industrial markets, and significantly reduced or eliminated tariffs in many developing markets, in the following areas:
  - Construction Equipment
  - Agricultural Equipment
  - Medical Equipment
  - Steel
  - Beer
  - Distilled spirits
  - Pharmaceuticals
  - Paper
  - Toys
  - Furniture
- o Deep cuts ranging from 50 - 100 percent on important electronics items (semiconductors, computer parts, semiconductor manufacturing equipment) and on scientific equipment by major U.S. trading partners; and
- o Harmonization of tariffs by developed and major developing countries in the chemical sector at very low rates (0, 5.5 and 6.5 percent).
- o Vastly increased scope of bindings at reasonable levels from developing countries, which will ensure predictability and

certainty for traders in determining the amount of duty that will be assessed.

In general, most tariff reductions will be implemented in equal annual increments over 5 years. Some tariffs, particularly in sectors where duties will fall to zero, such as pharmaceuticals, will be eliminated when the agreement enters into force. Other tariffs, particularly in sensitive sectors, including some sensitive sectors for the United States, will be phased-in over a period of up to ten years.

As part of the United States offer, many non-controversial duty suspensions introduced in the 102nd Congress, as well as many introduced in the 103rd Congress, were made permanent. Implementation of these reductions will occur on entry into force of the Agreement.

We still have some unfinished business to address including finalizing our negotiations with Japan. The Japanese offers do not respond to U.S. requests for Japan's participation in duty-elimination initiatives for wood, white spirits and copper, or substantial reductions in leather and footwear and certain chemicals. Similarly, work is still required to complete market access negotiations with certain developing countries where we will continue to press for reduction in areas such as textiles and adherence to the chemical harmonization proposal agreed by most of our major trading partners.

The schedule for finalizing the results of the market access negotiations requires governments to submit draft final schedules on or before February 15, 1994, and final schedules by March 31, 1994. A process of verification and rectification is required. Additionally, the United States is encouraging other partners that have not yet done so to improve existing offers to match the U.S. contribution.

#### **AGRICULTURE**

The Uruguay Round agreement on agriculture strengthens long-term rules for agricultural trade and assures the reduction of specific policies that distort agricultural trade. U.S. agricultural exports will benefit significantly from the reductions in export subsidies and the market openings provided by the agriculture agreement.

The United States was successful in its effort to develop meaningful rules and explicit reduction commitments in each area of the negotiations: export subsidies, domestic subsidies and market access. For the first time, agricultural export subsidies and trade-distorting domestic farm subsidies are subject to explicit multilateral disciplines, and must be bound and reduced.

In the area of market access, the United States was successful in achieving the principle of comprehensive tariffication which will lead to the removal of import quotas and all other non-tariff import barriers. Under tariffication, protection provided by non-tariff import barriers is replaced by a tariff and minimum or current access commitments are required. For the first time, all agricultural tariffs (including the new tariffs resulting from tariffication) are bound and reduced.

Reduction commitments will be phased in during 6 years for developed countries and 10 years for developing countries. Budgetary outlays for export subsidies must be reduced by 36 percent and quantities exported with export subsidies cut by 21 percent from a 1986-90 base period. Non-tariff import barriers such as variable levies, import bans, voluntary export restraints and import quotas, are subject to the tariffication requirement. For products subject to tariffication, current access opportunities must be maintained and minimum access commitments may be required. Existing tariffs and new tariffs resulting from tariffication will be reduced by 36 percent on average (24 percent for developing countries) with a minimum reduction of 15 percent for each tariff line item (10 percent for developing countries). All tariffs will be bound.

Trade-distorting internal farm supports must be reduced by 20 percent from 1986-88 base period levels, allowing credit for farm support reductions undertaken since 1986. Direct payments that are linked to production-limiting programs will not be subject to the reduction commitment if certain conditions are met. Domestic support programs meeting criteria designed to insure that the programs have no or minimal trade distorting or production effects ("green box") also are exempted from reduction commitments. Due to the farm support reductions contained in the 1985 and 1990 Farm Bills, the United States has already met the 20 percent requirement and will not need to make additional changes to farm programs to comply with the Uruguay Round commitments.

Internal support measures and export subsidies that fully conform to reduction commitments and other criteria will not be subject to challenge for nine years. However, subsidized imports will continue to be subject to U.S. countervailing duty procedures, except for domestic support meeting the "green box" criteria, which will be exempt from countervailing duty actions for nine years.

#### **TEXTILES AND CLOTHING**

The textile and apparel sector has always been a critical one in this Round. From the very beginning of the negotiations at Punta Del Este, the developing countries have linked their willingness

to accept disciplines in services and intellectual property, as well as further market opening, on the achievement of the phase-out of the Multifiber Arrangement (MFA). The MFA has governed trade in textiles and clothing for the past 20 years.

The Administration, however, was equally insistent on five key goals: 1) that the phase-out occur in a gradual manner that would permit our industry to adjust over time to the changes in the trading system; 2) that foreign markets be opened to U.S. textile and clothing exports for the benefit of U.S. workers; 3) that the U.S. retain control over which products would be integrated into the GATT at each stage of the phase-out period; 4) that strong safeguards be included in order to provide protection in the event of damaging surges in imports during the phase-out period; and 5) that in light of the phase-out of the MFA, that tariff cuts in this sector be held to a minimum.

We believe we have done very well in achieving those goals. While some in the sector had favored a 15-year phase-out of the MFA, we believe the 10-year period and the manner in which the phase-out is structured will give us ample tools to ensure a smooth transition. No limitations were placed on our right to make our own decisions about which products would be integrated at any given stage of the phase-out. This will ensure that the Administration can take into account the sensitivity of any given item in determining when quotas would be removed from that product in order to integrate it into the GATT.

In addition, the agreement includes strong safeguards that will allow us to take action against any import surges that might occur during the phase-out period.

In the area of tariffs, in recognition of the fact that the MFA will be phased out, the Administration resisted EC demands to cut all our peak tariffs by 50%. In fact, while the average U.S. tariff cut on all industrial items is 34 percent, the U.S. offer reduces textile and clothing tariffs by less than 12 percent overall. Particularly sensitive products received an even lower cut.

We also fought hard for commitments to open markets abroad for U.S. textile and apparel products. While we made very substantial progress in opening markets in most countries, we refused to close on inadequate offers -- notably those of India and Pakistan-- and are working vigorously to secure improved offers from these and other countries. We also ensured that non-WTO members, such as China, would not receive the benefit of the MFA phaseout until they become members of the WTO.

## **SAFEGUARDS**

The Safeguards agreement incorporates many concepts long included in U.S. law -- Section 201 of the Trade Act of 1974 -- ensuring that all countries will use comparable rules and procedures when taking safeguard actions. The agreement provides for suspending the automatic right to retaliate for the first three years of a safeguard measure; thus providing an incentive for countries to use WTO safeguard rules when import-related, serious injury problems occur.

## **ANTIDUMPING**

The U.S. objectives in the Uruguay Round antidumping negotiations were to improve transparency and due process in antidumping proceedings, develop disciplines on diversionary dumping, and ensure that the antidumping rules continue to provide an effective tool to combat injurious dumping. The Agreement substantially achieves these objectives.

In preparation for the final Uruguay Round negotiations, Members of Congress and U.S. industries identified several issues that would have to be addressed to make the so-called Dunkel Draft Antidumping Agreement acceptable to the United States, including: standard of review, anti-circumvention, sunset, union and employee standing, and cumulation. As of December 1, 1993, there was neither any support for U.S. proposals to improve the Dunkel Draft nor any set procedure for consideration of such proposals other than the assertion that changes would be made only by consensus -- a virtually impossible condition.

Given these circumstances, it is remarkable that U.S. negotiators were able to achieve significant results in each of the areas identified as requiring change. The most important changes -- and those that made the final agreement acceptable to the United States -- include:

- o Addition of an explicit standard of review that will make it more difficult for dispute settlement panels to second-guess U.S. antidumping determinations;
- o Removal of the anti-circumvention provision which would have weakened existing U.S. anti-circumvention law;
- o Modification of a rigid sunset provision that would have required near-automatic termination of antidumping orders after five years;
- o Addition of express authorization for the ITC's practicing of "cumulating" imports from different countries in determining injury to a domestic industry;

- o Improvements in the standing provisions that protect the rights of unions and workers to file and support antidumping petitions and that clarify the degree of support required for initiating an investigation.

In addition to these changes, there are other important aspects of the final Antidumping Agreement that make it a good agreement for the United States. One such aspect is the transparency and due process requirements proposed by the United States at the beginning of the Uruguay Round and accepted in their entirety. For example, the Agreement requires investigating authorities to provide public notice and written explanations of their actions. These new requirements should benefit U.S. exporters by improving the fairness of other countries' antidumping regimes.

The Agreement also incorporates important aspects of U.S. antidumping practice not previously recognized under the 1979 Antidumping Code. These fundamental aspects of U.S. antidumping practice are now immune from GATT challenge. For example, the agreement expressly authorizes the International Trade Commission's "cumulation" practice of collectively assessing injury due to imports from several different countries and the Department of Commerce's practice of disregarding below costs sales, if they are substantial, in determining fair value for export sales.

The Antidumping Agreement will require some changes in existing U.S. antidumping law. These changes, however, will not jeopardize our ability to combat unfair trade practices. Many of these changes are the result of the much greater detail in the new Agreement concerning the methodology investigating authorities may apply in conducting antidumping investigations. These methodological definitions will add valued predictability to all antidumping practices and protect conforming U.S. practices from GATT challenge.

#### **SUBSIDIES AND COUNTERVAILING MEASURES**

The Subsidies agreement establishes clearer rules and stronger disciplines in the subsidies area while also making certain subsidies non-actionable, provided they are subject to conditions designed to limit distorting effects. The Agreement creates three categories of subsidies and remedies: (1) prohibited subsidies; (2) permissible subsidies which are actionable if they cause adverse trade effects; and (3) permissible subsidies which are non-actionable if they are structured according to criteria intended to limit their potential for distortion.

The Agreement prohibits export subsidies, including de facto export subsidies, and subsidies contingent upon the use of local content. It also establishes a presumption of serious prejudice

in situations where the total ad valorem subsidization of a product exceeds 5 percent, or when subsidies are provided for debt forgiveness or to cover operating losses.

Subject to specific, limiting criteria, the Agreement makes three types of subsidies non-actionable. Government assistance for industrial research and development is non-actionable if the assistance for "industrial research" is limited to 75 percent of eligible research costs and the assistance for "pre-competitive development activity" (through the creation of the first, non-commercial prototype) is limited to 50 percent of eligible costs. This will enable the Clinton Administration to continue to cooperate with industry to develop the technologies of tomorrow without the threat of countervailing duty actions, while ensuring that other countries cannot provide development or production subsidies free from such actions.

Government assistance for regional development is non-actionable to the extent that the assistance is provided within regions that are determined to be disadvantaged on the basis of neutral and objective criteria and the assistance is not targeted to a specific industry or group of recipients within eligible regions. Finally, government assistance to meet environmental requirements is non-actionable to the extent that it is limited to a one-time measure equivalent to 20 percent of the costs of adapting existing facilities to new standards and does not cover any manufacturing cost savings which may be achieved.

Both the non-actionable subsidy provisions and the provisions establishing a rebuttable presumption of serious prejudice will expire automatically 5 years after the entry into force of the agreement, unless it is decided to continue them in current or modified form.

The Agreement also makes countervailing duty rules more precise, and in many cases reflects U.S. practice and methodologies. For example, for the first time, GATT rules will explicitly recognize U.S. "benefit-to-the-recipient" standard. In addition, the Agreement imposes multilateral subsidy disciplines on developing countries. Although subject to certain derogations, a framework has been established for the gradual elimination of export subsidies and local content subsidies maintained by developing countries.

#### **TRADE-RELATED INVESTMENT MEASURES**

The TRIMS Agreement prohibits local content and trade balancing requirements. This prohibition will apply whether the measures are mandatory or are required in return for an incentive. A transition period of 5 years will be given developing countries to eliminate existing prohibited measures, but only if they

notify the GATT regarding each specific measure. Only a two-year transition is provided for developed countries.

Not later than 5 years after entry into force of the WTO Agreement there will be a review of the operation of the Agreement. As part of this review, the WTO Council for Trade in Goods will consider whether the Agreement should be complimented with provisions on investment policy and competition policy.

There are four agreements covering customs-related matters. The **Import Licensing Agreement** more precisely defines automatic and non-automatic licensing. The agreement will help ensure that where countries continue to maintain import licensing regimes, the procedures required to obtain a license are no more burdensome than necessary.

New provisions in the **Customs Valuation Agreement** will facilitate developing countries' adherence to the Code, and the dispute settlement provisions of the Code have been aligned with the tougher integrated dispute settlement provisions.

The **Preshipment Inspection Agreement** requires countries which use pre-shipment inspection companies to supplement or replace national customs services to ensure that the activities of PSI companies will be carried out on a non-discriminatory basis for all exporters; that quantity and quality inspections are in accordance with international standards; that inspection operations will be performed in a transparent manner and exporters will be immediately informed of all procedural requirements necessary to obtain a clean report of findings; and that unreasonable delays be will avoided in the inspection process. In addition, the Agreement establishes an independent, binding review procedure to expedite the resolution of grievances or disputes that cannot be resolved bilaterally. These changes should ensure that the activities of PSI companies do not impede or place undue burdens on U.S. exporters.

The **Rules of Origin Agreement** establishes a three-year work program to harmonize rules of origin among WTO Members. The Agreement also establishes a Committee which is to work with a Customs Cooperation Council Technical Committee to develop detailed definitions on which to base these harmonized rules of origin. During the transition period, criteria used to establish origin must precisely and specifically define the requirements to be met. These rules of origin are not to be used to influence trade or to create distortions or restrictions of trade. In addition, countries are required to publish changes to their rules of origin at least sixty days before such changes come into effect.

## **TECHNICAL BARRIERS TO TRADE**

The Agreement on Technical Barriers to Trade improves the rules respecting standards and technical regulations. In particular, the agreement provides that standards, technical regulations and conformity assessment procedures (e.g., testing, inspection, certification, quality system registration, and other procedures used to determine conformance to a technical regulation or standard) are not discriminatory or otherwise used by governments to create unnecessary obstacles to trade. The Agreement improves disciplines concerning the acceptance of results of conformity assessment procedures by another country and enhances the ability of a foreign-based laboratory or firm to gain recognition under another country's laboratory accreditation, inspection or quality system registration scheme. The Agreement includes a process for the exchange of information, including the ability to comment on proposed standards-related measures made by other WTO Members and a central point of contact for routine requests for information on existing requirements. Furthermore, unlike the existing TBT Code every country that is a Member of the new WTO will be required to implement the new TBT Agreement.

The new TBT Agreement ensures that each country has the right to establish and maintain standards and technical regulations at its chosen level of protection for human, animal and plant life and health and of the environment, and for prevention against deceptive practices. The Agreement generally encourages the use by governments of international standards, when possible and appropriate. At the same time it provides that each country may determine its appropriate level of protection and ensures that the encouragement to use international standards will not result in downward harmonization.

## **SANITARY AND PHYTOSANITARY MEASURES**

The Agreement on the Application of Sanitary and Phytosanitary ("S&P") Measures will guard against the use of unjustified S&P measures to keep out U.S. agricultural exports. S&P measures are laws, regulations and other measures aimed at protecting human, animal and plant life and health from risks of plant- and animal borne pests and diseases, and additives and contaminants in foods and feedstuffs. They include a wide range of measures such as quarantine requirements and procedures for approval of food additives or for the establishment of pesticide tolerances. The S&P agreement is designed to distinguish legitimate S&P measures from trade protectionist measures. For example, S&P measures must be based on scientific principles and not maintained without sufficient scientific evidence and must be based on an assessment of the risk to health, appropriate to the circumstances.

The S&P agreement safeguards U.S. animal and plant health measures and food safety requirements. The agreement clearly recognizes and acknowledges the sovereign right of each government to establish the level of protection of human, animal and plant life and health deemed appropriate by that government. Furthermore, the United States has a long history of basing its S&P measures on scientific principles and risk assessment.

In order to facilitate trade, the S&P agreement generally requires the use of international standards as a basis for S&P measures. However, each government remains free to adopt an S&P measure more stringent than the relevant international standard where the government determines that the international standard does not provide the level of protection that the government deems appropriate.

Because there may often be a range of S&P measures available to achieve the same level of protection, the agreement provides for an importing member to treat another member's S&P measure as equivalent to its own if the exporting member shows that its measures achieve the importing member's level of protection. The agreement also provides for adapting S&P measures to the sanitary or phytosanitary characteristics of a region, in particular calling for recognition of pest or disease free areas and areas of low pest or disease prevalence. For example, if an exporting member can assure an importing member that a particular area or region is free of pests or diseases of concern to the importing member, the exporting member should be able to trade from that area.

Finally, there are provisions for transparency of S&P measures, including public notice and comment and the maintenance of inquiry points where information about S&P measures can be obtained.

In the final days of the negotiations, the United States was able to obtain several improvements in the S&P agreement to respond to environmental concerns. The original S&P text provided that S&P measures must "...not be maintained against available scientific evidence." This language was unclear and did not take account of the fact that there is often conflicting scientific evidence. This section of the Agreement was changed to "...not maintained without sufficient scientific evidence, except as provided in paragraph 22." Paragraph 22 allows a member to provisionally adopt S&P measures on the basis of available pertinent information where there is insufficient relevant scientific evidence.

To clarify that there no "downward harmonization" of S&P measures is required under the agreement, the U.S. obtained an explanatory footnote to paragraph 11, which provides that a "scientific justification" is one basis for introducing or maintaining a

measure more stringent than the relevant international standard. The footnote explains that "there is a scientific justification if, on the basis of an examination and evaluation of available scientific information..., a Member determines that the relevant international standards, ... are not sufficient to achieve its appropriate level of protection."

The United States also succeeded in obtaining changes to the original S&P text requirement that members "ensure that ... measures are the least restrictive to trade, taking into account technical and economic feasibility." This language was unclear and could be given an overly narrow, unreasonable interpretation. The revised language requires that members ensure that their S&P measures are "not more trade restrictive than required to achieve their appropriate level of protection, taking into account technical and economic feasibility." In addition, a footnote was inserted clarifying that a measure is not more trade restrictive than required unless there is another measure, reasonably available taking into account technical and economic feasibility, that achieves the appropriate level of protection and is significantly less restrictive to trade. These two changes make it clear that a member is not required to adopt unreasonable S&P measures or to change a measure based on insignificant trade effects.

## **SERVICES**

The General Agreement on Trade in Services (GATS) is the first multilateral, legally enforceable agreement covering trade and investment in the services sectors. The GATS also provides a specific legal basis for future negotiations aimed at eliminating barriers that discriminate against foreign services providers and deny them market access. The principal elements of the GATS framework agreement include most-favored-nation (MFN) treatment, national treatment, market access, transparency and the free flow of payments and transfers. The rules embodied in the framework are augmented by sectoral annexes dealing with issues affecting financial services, movement of personnel, enhanced telecommunications services and aviation services.

Complementing the framework rules and annexes are binding commitments to market access and national treatment in services sectors that countries schedule as a result of bilateral negotiations. In order to fulfill the market access and national treatment provisions of the GATS, each government has submitted a schedule of market access commitments in services which will become effective upon entry into force of the GATS. Countries are also permitted to take one-time exemptions from the most-favored-nation provision in the GATS. Schedules of commitments include horizontal measures such as commitments regarding movement of personnel and service providers. The schedules also

include commitments in specific sectors, such as: professional services (accounting, architecture, engineering), other business services (computer services, rental and leasing, advertising, market research, consulting, security services), communications (value-added telecommunications, couriers, audio-visual services), construction, distribution (wholesale and retail trade, franchising), educational services, environmental services, financial services (banking, securities, insurance), health services and tourism services. Maritime and civil aviation commitments were also scheduled by a small number of countries.

The GATS contains a strong national treatment provision that requires a country to accord to services and services suppliers of other countries treatment no less favorable than that accorded to its own services and services suppliers. It specifically requires GATS countries to ensure that their laws and regulations do not tilt competitive conditions in the domestic market against foreign firms in services sectors listed in its schedule of commitments.

The GATS also includes a market access provision which incorporates disciplines on six types of discriminatory measures that governments frequently impose to limit competition or new entry in their markets. These laws and regulations -- such as restrictions on the number of firms allowed in the market, economic "needs tests" and mandatory local incorporation rules -- are often used to bar or restrict market access by foreign firms. A country must either eliminate these barriers in any sector that it includes in its schedule of commitments or negotiate with its trading partners for their limited retention.

For services companies who benefit from sectoral commitments, the framework also guarantees the free flow of current payments and transfers. The provision on transparency requires prompt publication of all relevant measures covered by the agreement. Subject to negotiations, specific laws or regulatory practices may be exempted from MFN treatment, by listing them in an annex provided for that purpose. This mechanism allows countries to preserve their ability to use unilateral measures as a means of encouraging trade liberalization.

Given the breadth and complexity of the services sector, the GATS provides for the progressive liberalization of trade in services. Successive negotiations may be commenced at five-year intervals to allow improvements in market access and national treatment commitments and to allow liberalization of MFN exemptions. The GATS also sets out terms for the negotiation of several framework provisions which currently contain no substantive disciplines such as subsidies, government procurement, and emergency safeguard actions. In addition, Ministerial Decisions related to the GATS establish work programs in several areas such as trade

and the environment, basic telephone services, maritime transport services and reduction of barriers to trade in professional services. Moreover, while there were no commitments from the European Union on audio-visual, the sector is fully covered by GATS and the Administration will aggressively pursue the interests of this industry through a variety of channels.

#### **TRADE-RELATED INTELLECTUAL PROPERTY RIGHTS**

Trade in U.S. goods and services protected by intellectual property rights reflects a consistent trade surplus. For example, U.S. copyright industries--movies, computer software, and sound recordings--are consistently top U.S. export earners. U.S. semiconductors are found in the computers and appliances we all use each day. U.S. pharmaceutical companies are among the most innovative, and our exports of these important products have been growing. Strengthened protection of intellectual property rights and enforcement of those rights as provided in the TRIPs agreement will enhance U.S. competitiveness, encourage creative activity, and expand exports and the number of jobs.

The TRIPs agreement establishes, for the first time, detailed multilateral obligations to provide and enforce intellectual property rights. The Agreement obligates all Members to provide strong protection in the areas of copyrights and related rights, patents, trademarks, trade secrets, industrial designs, geographic indications and layout designs for integrated circuits.

In the area of copyrights the text resolves some key trade problems for U.S. software, motion picture and recording interests by:

- o protecting computer programs as literary works and databases as compilations;
- o granting owners of computer programs and sound recordings the right to authorize or prohibit the rental of their products;
- o establishing a term of 50 years for the protection of sound recordings as well as requiring Members to provide protection for existing sound recordings; and
- o setting a minimum term of 50 years for the protection of motion pictures and other works where companies may be the author.

In the area of patents the Agreement resolves long-standing trade irritants for U.S. firms. Key benefits are:

- o product and process patents for virtually all types of inventions, including pharmaceuticals and agricultural chemicals;
- o meaningful limitations on the ability to impose compulsory licensing, particularly on semiconductor technology; and
- o a patent term of 20 years from the date the application is filed.

As for trademarks, the Agreement:

- o requires trademark protection for service marks;
- o enhances protection for internationally well-known marks;
- o prohibits the mandatory linking of trademarks; and
- o prohibits the compulsory licensing of marks.

The Agreement also provides rules for the first multilaterally agreed standards for protecting trade secrets, and improved protection for layout designs for integrated circuits. Provisions on protection for geographic indications and industrial designs are consistent with U.S. law and regulations.

Most importantly, countries are then obligated to provide effective enforcement of these standards, including meeting due process requirements and providing the remedies required to stop and prevent piracy.

While the transition period for developing countries is too long and we must still work to ensure that U.S. sound recording and motion picture producers and performers receive national treatment and obtain the benefits that flow from their products, the TRIPS agreement is a major step forward in guaranteeing that all countries provide intellectual property protection and deny pirates safe havens.

#### **DISPUTE SETTLEMENT**

The Dispute Settlement Understanding (DSU) creates new procedures for settlement of disputes arising under any of the Uruguay Round agreements. The new system is a significant improvement on the existing practice. In short, it will work and it will work fast.

The process will be subject to strict time limits for each step. There is a guaranteed right to a panel. Panel reports will be adopted unless there is a consensus to reject the report and a country can request appellate review of the legal aspects of a report. The dispute settlement process can be completed within 16

months from the request for consultations even if there is an appeal. Public access to information about disputes is also increased.

After a panel report is adopted, there will be time limits on when a Member must bring its laws, regulations or practice into conformity with panel rulings and recommendations, and there will be authorization of retaliation in the event that a Member has not brought its laws into conformity with its obligations within that set period of time.

The automatic nature of the new procedures will vastly improve the enforcement of the substantive provisions in each of the agreements. Members will not be able to block the adoption of panel reports. Members will have to implement obligations promptly and the United States will be able to take trade action if Members fail to act or obtain compensation. Trade action can consist of increases in bound tariffs or other actions and increases in tariffs may be authorized even if there is a violation of the TRIPS or Services agreements.

The DSU includes improvements in providing access to information in the dispute settlement process. Parties to a dispute must provide non-confidential summaries of their panel submissions that can be given to the public. In addition, a Member can disclose its submissions and positions to the public at any time that it chooses. Panels are also expressly authorized to form expert review groups to provide advice on scientific or other technical issues of fact which should improve the quality of decisions.

#### **WORLD TRADE ORGANIZATION**

The Agreement Establishing the World Trade Organization (WTO) encompasses the current GATT structure and extends it to new disciplines that have not been adequately covered in the past. The new organization will be more credible and predictable and thus benefit U.S. trade interests.

The WTO will help to resolve the "free rider" problem in the world trading system. The WTO system is available only to countries that are contracting parties to the GATT, agree to adhere to all of the Uruguay Round agreements, and submit schedules of market access commitments for industrial goods, agricultural goods and services. This will eliminate the shortcomings of the current system in which, for example, only a handful of countries have voluntarily adhered to disciplines on subsidies under the 1979 Tokyo Round agreement.

The WTO Agreement establishes a number of institutional rules that will be applied to all of the Uruguay Round agreements. We

do not expect that the organization will be different in character from that of the existing GATT and its Secretariat, however, nor is the WTO expected to be a larger, more costly, organization.

#### **GATT ARTICLES**

The mandate of the GATT Articles negotiating group was to discuss improvements to any GATT provision not being negotiated elsewhere. The balance-of-payments reform (BOP) text increases disciplines and transparency over the use of BOP measures. The state trading text affirms the obligation of GATT contracting parties to ensure that their state trading enterprises -- government-operated import/export monopolies and marketing boards, or private companies that receive special or exclusive privileges from their governments -- operate in accordance with GATT rules. The text on preferential trading arrangements clarifies the GATT rules that pertain to regional arrangements (customs unions and free trade arrangements) and defines the state/local relationship in regard to GATT obligations. The understanding on waivers of obligations will ensure that waivers are time-limited and that are subject to greater conditions and disciplines. There also are clarifications of GATT Articles II:1(b) (regarding "other duties or charges") and Article XXXV (regarding tariff negotiations).

#### **TRADE POLICY REVIEW MECHANISM**

The Final Act confirms an April 1989 agreement establishing the Trade Policy Review Mechanism (TPRM), which examine, on a regular basis, national trade policies and other economic policies having a bearing on the international trading environment.

#### **GOVERNMENT PROCUREMENT**

The new GATT Government Procurement Code is a substantial improvement over the existing Code, significantly expanding the value of procurement opportunities covered by other countries and altering the character of the agreement to one much more rooted in reciprocity. For the first time, Code coverage is expanded to services and construction. It also opens the way for substantial coverage of subcentral governments and government-owned enterprises.

The new Code is like the old Code in limiting membership to those countries that specifically accede to it. Membership in the WTO does not necessarily lead to membership in the Procurement Code. The new Code departs from the old one, however, in creating a structure that makes reciprocity more workable between individual

countries and actively encourages new countries to join. By authorizing departures from most-favored-nation (MFN) treatment, the new Code ensures that our relationships with all signatory countries are strictly reciprocal.

The new Code also provides improved disciplines. It restricts distorting practices such as offsets and ensures more effective enforcement through the establishment of national bid challenge systems, while also increasing flexibility in certain procedural requirements to adapt the Code to new efficiencies in procurement, like those contemplated in the Vice President's Reinventing Government proposals.

In negotiations on coverage, the United States offered a substantial value of our states procurement to countries that were willing to address our priorities in their procurement markets. Since there was a consensus to allow exceptions to MFN coverage, we were able to agree to cover our states for countries (Korea, Israel and Hong Kong) that offered substantial coverage of their subcentral governments and government-owned enterprises and not be forced to extend our states coverage to countries whose offers fell short.

We leave open the possibility, however, of extending coverage with any one country through bilateral negotiations in the future. Most importantly, the United States and the European Union agreed to accomplish this by April 15 of this year. We expect this expanded coverage to include the European Unions's electrical sector under the Code and telecommunications sector under a separate, but parallel, bilateral agreement.

Finally, the new Code agreement sets the stage for new countries to accede and subject their procurement practices to international disciplines. The most recent addition is the Republic of Korea, which completed its accession with the conclusion of negotiations on the new Code. We expect that Taiwan, the Peoples Republic of China and Australia may soon follow as new signatories to the Code.

#### **AIRCRAFT**

Aircraft trade issues had been contentious throughout the negotiations because the European Community sought to have aircraft entirely excluded from the disciplines of the new UR Agreement on Subsidies and Countervailing Measures. Instead, the EC appeared intent on substituting a weaker discipline, having a revised Agreement on Trade in Civil aircraft entirely supersede any new subsidies agreement for aircraft products.

In the final week of negotiations, it became clear that the draft Aircraft Agreement had serious shortcomings. That text, if

adopted, would have provided no new disciplines on production or development subsidies, nor would it have increased public transparency of government supports to aircraft manufacturers, such as those to the Airbus Consortium. Instead, the proposed revised Aircraft Agreement would have weakened those disciplines by allowing additional subsidies. Most significantly, past supports to Airbus would have been "grandfathered", completely exempting them from action under Subsidies Agreement. Moreover, certain provisions of the text might have provided a pretext for unjustified GATT action against our military and NASA research programs -- programs that have also provided benefits to the Europeans and are in no way comparable to the immense state subsidies that have been systematically provided to Airbus for civil aircraft development and production.

While we worked hard to negotiate to remedy these insufficiencies, U.S. proposals were not adequately reflected in revisions to the Aircraft Agreement. Such an outcome was clearly unacceptable both to the U.S. industry and to the U.S. Government. Just days before the end of the negotiations, the U.S. stood firm and refused to accept the draft Aircraft text as the basis for an agreement.

As a result of our resolve, the EC, and subsequently all other countries negotiating the Uruguay Round, agreed to bring aircraft under the stronger disciplines of the new Agreement on Subsidies (with only minor changes) and the more expeditious and certain dispute settlement procedures contained in the UR dispute settlement agreement. The Subsidies Agreement will be applicable to all civil aircraft products including aircraft of all sizes and types, engines and components, and to all WTO member countries. This was the principal objective of the U.S. aerospace industry, which produces the largest trade surplus of any U.S. manufacturing industry, an estimated \$28 billion in 1993.

We continue to seek to tighten the existing disciplines on government support for aircraft development, production and marketing currently contained in the 1979 GATT Agreement on Trade in Civil Aircraft and to expand the coverage of that agreement to other countries that produce civil aircraft. Those negotiations will continue with the goal of reaching agreement by the end of 1994.

#### **ENVIRONMENT**

Comprehensive as it is, the Final Act does not cover every several aspect of trade policy of great importance to the United States and to this Administration. Our trading partners recognize that the work of shaping the World Trade Organization to the needs of the 21st century must continue without pause.

In December, the Uruguay Round participants decided to develop a program of work on trade and environment to present to the ministers in Marrakech in April. We begin with the agreed premise that international trade can and should promote sustainable development, and that the world trading system should be responsive to the need for environmental protection, if necessary through modification of trade rules.

The United States will seek a work program that ensures that the new WTO is responsive to environmental concerns. International trade can contribute to our urgent national and international efforts to protect and enhance environmental quality and conserve and restore natural resources. At the same time, we will continue to advocate trade rules that do not hamper our efforts to carry out vital and effective environmental policies, whether nationally or in cooperation with other countries. We will be working closely with environmental organizations and business groups, as well as the various agencies, and of course this Committee and others in Congress, as we define our trade and environment objectives.

### Conclusion

Mr. Chairman, it appears that Congress will be considering the Uruguay Round implementing legislation at an auspicious time for America. The U.S. economy is expanding; investment is increasing; jobs are being created; and optimism about the prospects for our economy is soaring. This economic expansion reflects the fact that this country is moving in the right direction; and we are doing it together. The policies of the Clinton Administration, starting with our budget plan; the adjustments made over the last several years by our workers and companies-- all of our efforts make us as a nation stronger and more competitive.

In setting the negotiating objectives for the Uruguay Round, Congress clearly signalled its belief that strengthening the multilateral rules of the GATT would make America more competitive in world markets. We succeeded. We met those objectives; and I am convinced that the new multilateral rules agreed to in the Uruguay Round will work together with our ongoing efforts to increase regional cooperation. America is uniquely positioned to benefit from expanding trade-- in this hemisphere and in the world. The Uruguay Round builds on our strengths. It will benefit us, and the world economy as a whole.