

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. telegram	Department of State re: Timing for Launch of EAPC [Euro-Atlantic Partnership Council] (6 pages)	05/13/1997	P1/b(1), P5 VZ 9/21/2023
002. fax cover sheet	DoD's News Briefing [partial] (1 page)	05/13/1997	P3/b(3)
003a. briefing paper	Meeting with Members of Congress on China MFN (3 pages)	04/19/1994	P1/b(1), P5 VZ 9/21/2023
003b. talking points	Points to be Made for China Congressional Meeting (2 pages)	ea. 04/19/1994	P1/b(1), P5 VZ 9/21/2023

COLLECTION:

Clinton Presidential Records
 National Security Council
 Press (Philip J. (PJ) Crowley)
 OA/Box Number: 3103

FOLDER TITLE:

China [1]

2011-0516-S

kh595

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 advice 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]

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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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OUTGOING TELEGRAM

INITIAL HERE 6.3

DEPARTMENT OF STATE

APPR _____ DRAFT _____
 CLEAR 1 _____ 2 _____
 3 _____ 4 _____ 5 _____
 6 _____ 7 _____ 8 _____

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DECLASSIFIED

PER E.O. 13526

2016-0557-M (1,01)

6/1/2023 VZ



EUR/RPM:MHAWTHORNE:MDH
05/13/97 67296 SERPMP 12958
S:

EUR:JKORNBLUM/RASMUS
D:PGOLDBERG
EUR/RUS:SGWALTNEY
S/S:

S/P:DHAMILTON
OSD:LBRONSON(INFO)
S/S-O:

EUR/RPM:RSIMMONS/RHOLLEY
P:BSTEPHENSON
JCS:(INFO)
NSC:

IMMEDIATE

ANATO

ROUTINE

SECDEF WASHDC, JOINT STAFF WASHDC, PEPPC, MEXICO

MEXICO FOR B. KIRKPATRICK

E.O. 12958: DECL: 4/23/07

TAGS: NATO, MARR, PREL

SUBJECT: TIMING FOR LAUNCH OF EAPC: SECRETARY'S LETTER
TO ALLIED COUNTERPARTS

REF: (A) USNATO 1534 DTG 0717722 MAY 97
-- (B) USNATO 1500 DTG 061022Z MAY 97
-- (C) STATE 61653 DTG 030542Z APR 97

1. (u) Classified by EUR A/S John C. Kornblum, Reason 1.5
(B) and (D).

2. (u) Summary and Action Request. As noted in refs A and B, there is still no consensus within NATO to approve and launch the Euro-Atlantic Partnership Council (EAPC) at the Sintra Ministerial in May, rather than at or in conjunction with the Madrid Summit. While most Allies agree with us that these actions should be done at Sintra, the French and Spanish have consistently pressed for Madrid, and the Germans have supported approving the EAPC at Sintra, but holding the inaugural EAPC meeting immediately following the Summit (ref B). As stated ref C, we believe it is important to approve and launch the EAPC at Sintra. Action Ambassadors are requested to convey the letter at para. 9 below from Secretary Albright

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to respective allied counterparts n/1/t Thursday, May 15. They should note that no signed original will follow. Ambassadors may also draw on talking points in para 10. Additional talking points are included for embassies Paris and Madrid (para 11) and Bonn (para 12). USNATO should draw on points for use as appropriate. End Summary and action request.

3. (a) The NATO Ministerial in Sintra will take place May 29-30. NATO Allies and PFP Partners have agreed to the Basic Document on the EAPC, but have been unable to agree whether to approve and launch the EAPC at Sintra or to wait until the NATO Summit in Madrid on July 8-9 to do so. We have taken the position that the EAPC should be approved by Ministers at the NAC in Sintra on May 29 and the inaugural meeting of the EAPC should be held the following day with all Allies and Partners (the scheduled NACC session would then transform itself into the first EAPC meeting).

4. (a) Establishing the EAPC at Sintra would provide evidence of the Alliance's commitment to enhancing its outreach to all Partners and to keeping the door to NATO membership open, especially for those who wish to join NATO but who will not be invited to begin accession talks at Madrid. This will help us avoid the danger of a Madrid launch making the EAPC appear as an obvious "consolation prize."

5. (a) Second, it is still not clear how many Partners will be present at Madrid or at what level. We should not make the launching of the EAPC contingent upon the question of appropriate format or level of Partner representation at Madrid. We believe the EAPC should be inaugurated with as many Partners as possible present and believe our chances of ensuring such participation would be greatest at Sintra.

6. (a) Additionally, should the NATO-Russia Summit in Paris take place, launching the EAPC at Sintra, directly following it, would balance the EAPC and the NATO-Russia Joint Council, reassuring Partners that one will not take precedence over the other.

7. (a) Finally, launching at Sintra would allow NATO Defense Ministers also to hold a meeting with partner counterparts at their Ministerial on June 12-13.

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8. (u) Some Allies agree with our view of the advantages of a Sintra launch for EAPC. Others are wavering. And some plainly oppose us on the issue. The French and Spanish (as host of the Summit) have consistently pressed for Madrid, and the Germans have supported "approving" the EAPC at Sintra, but would delay its inauguration until Madrid. The French contend that all important NATO initiatives have traditionally been done by Heads of State at NATO Summits and that launching the EAPC at Madrid would broaden the focus of the Summit beyond just enlargement. (We would, of course, want Heads of State at the Summit to endorse the EAPC as part of their deliberations.)

FOR ALL POSTS

9. (u) Begin Letter from Secretary Albright

Dear (NATO FM):

I am looking forward to seeing you at the end of this month. Clearly, we are going to have a very full schedule of important historic events between May 27 and May 30. Each will make a significant contribution to our common endeavor to establish a new Euro-Atlantic security structure based on cooperation, shared values and common purposes.

As we prepare for the NATO Ministerial in Sintra, I want to share with you my strong conviction that we should not postpone for a later date the inauguration of the Euro-Atlantic Partnership Council. Allies and Partners have agreed on the Basic Document to establish the EAPC. We believe the time will also be right in Sintra to take this historic step to strengthen our cooperation with partners.

We propose that the NAC, on May 29, approve the EAPC and that the NACC meeting with Allies and Partners on May 30 be transformed into the inaugural meeting of the EAPC.

There are compelling reasons why I believe it is crucial that we launch the EAPC at Sintra. First, it is in our own self-interest to create this mechanism as soon as possible. The EAPC, coupled with PFP enhancements, will provide a mechanism and series of initiatives to

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strengthen significantly the relationship between NATO and its Partners. There is no need to wait. By creating the EAPC at Sintra, we will be able to involve Partners immediately more deeply in the Alliance's practical work, thereby emphasizing the Alliance's commitment to all its Partners and avoiding the wrong impression that the EAPC is somehow a consolation prize for those not yet ready for NATO membership. Launching the EAPC at Sintra will cushion the blow for those Partners who wish to join the Alliance but who may not be invited to begin accession negotiations at Madrid.

Second, since we have already agreed to form the EAPC, holding a NACC meeting in Sintra would be a step backward and would send the wrong political signal.

Third, it is still not clear how many Partners will be present at Madrid or at what level. We should not make the launching of the EAPC contingent upon the question of appropriate format or level of Partner representation at Madrid. We believe the EAPC should be inaugurated with as many Partners as possible present and believe our chances of ensuring such participation would be greatest at Sintra.

Should it prove possible to establish the historic agreement between NATO and Russia in Paris, launching the EAPC just a few days later at Sintra, will also provide a necessary and timely balance in the Alliance's matrix of cooperative relationships with Russia and our other partners.

We understand that some Allies would prefer to announce all elements of the "new NATO" at the Summit. We believe a Summit declaration will be important, but we also believe the advantages of establishing the EAPC at Sintra clearly outweigh the reasons for waiting until Madrid to do so.

I hope our representatives at NATO will be able to agree on this issue at the Senior Level Group meeting on Friday, May 16. I look forward to seeing you in Europe at the end of this month.

Sincerely,

Madeleine K. Albright

End Letter.

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10. (u) Begin General Talking Points for all action addressees:

-- There will be a number of important, historic events in Europe at the end of this month.

-- In conjunction with the NATO Ministerial in Sintra on May 29-30, we hope you will agree with us that the Euro-Atlantic Partnership Council (EAPC) should be approved by Ministers at the NAC on May 29 and the inaugural meeting of the EAPC should be held with all Partners on May 30.

-- There are several compelling reasons for approving and launching the EAPC at Sintra rather than at Madrid:

-- First, establishing the EAPC (and approving PFP enhancements) at Sintra will provide Partners tangible evidence that the Alliance is committed to enhanced outreach with all its Partners, including those not invited in Madrid to begin accession talks. This would also avoid the impression that the EAPC is a "consolation prize" for those not invited.

-- Second, since we have already agreed to form the EAPC, holding a NACC meeting in Sintra would be a step backward.

-- Third, the Alliance has not yet decided the appropriate format and level of Partner participation at Madrid. We attach great importance to the active involvement of all Partners and believe our chances of ensuring such participation may be greatest at Sintra.

-- Should the NATO-Russia Summit in Paris take place, launching the EAPC at Sintra, directly following it, would establish a good balance among the Alliance's outreach initiatives.

-- We hope our NATO representatives will be able to agree on this issue at the Senior Level Group meeting on May 16 and confirm it at the NAC meeting on May 21.

FOR PARIS AND MADRID

11. (u) Additional points for Paris and Madrid:

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-- We understand your desire to announce all elements of the "new NATO" at the Madrid Summit. We believe a Summit declaration will be important and fully support one, but we also believe the advantages of establishing the EAPC at Sintra clearly outweigh the reasons for waiting until the Summit.

-- We also think there will be many elements other than enlargement that will be accomplished at Madrid so not inaugurating the EAPC there will not be a significant omission.

FOR BONN

12. (u) Additional points for Bonn:

-- We appreciate your support in agreeing the EAPC should be "approved" at Sintra, but we hope that you will join us in agreeing that the inaugural meeting should also be held in Sintra.

-- We understand the desire of the French and Spanish to hold the first EAPC meeting at Madrid, as part of the whole package of measures comprising the "new NATO." We believe a Summit declaration will be important and fully support one, but we also believe the advantages of establishing the EAPC at Sintra clearly outweigh the reasons for waiting until the Summit.

-- We also think there will be many elements other than enlargement that will be accomplished at Madrid so not inaugurating the EAPC there will not be a significant omission.

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THE WHITE HOUSE

WASHINGTON

April 19, 1994

MEETING WITH MEMBERS OF
CONGRESS ON CHINA MFN

DECLASSIFIED

E.O. 13526

White House Guidelines, May 16, 2017
By VL NARA, Date 5/24/2013
2016-0557-M

DATE: April 20

LOCATION: First Meeting: Oval Office
Second Meeting: Cabinet Room
TIME: First Meeting: 8:30-9:30 a.m.
Second Meeting: 4:15-5:15 p.m.FROM: ANTHONY LARA ✓
ROBERT RUBIN ✓ for RGR
PAT GRIFFIN PGI. PURPOSE

To meet with Congressional leaders to discuss China MFN.

II. BACKGROUND

You are scheduled to meet with two groups of Congressional leaders on China. The first meeting was requested by Senator Mitchell, Congressman Gephardt and Congresswoman Pelosi. As you know, Mitchell and Pelosi have been the strongest supporters of conditioning China's MFN on human rights progress.

We also scheduled a second meeting with Senators Baucus, Danforth and Moynihan, and Congressmen Rostenkowski, Gibbons and Crane. With the exception of Moynihan (who has a longstanding interest in Tibet), members of this group generally oppose MFN conditions.

We need to achieve three goals in the near term: (1) build a sense of unity between the Congress and White House (in large part, by getting both sides in Congress to lower the volume on this issue), (2) moderate expectations on both sides and (3) demonstrate to Congress, the Chinese and the public that you are leading the process.

Overview of Congress

We believe a majority in both houses supports the China policy articulated in the current Executive Order. However, we also believe that many in Congress are eager to move MFN from the center of U.S.-China relations. This is our position as well -- if the Chinese meet the Executive Order criteria.

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Declassify on: OADR

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Broadly speaking, there are three "caucuses" on China: the human rights caucus (Pelosi, Mitchell, etc.); the trade "delinkage" caucus (Matsui, Baucus, Danforth, Kerry, etc.); and the foreign policy caucus (Hamilton, Nunn, Lugar, etc.).

If carefully consulted and managed -- and assuming further progress from China -- it should be possible to build broad congressional support for a range of possible China policies, including delinkage of MFN and human rights. Without active management, there is strong potential for a polarizing debate.

The Human Rights "Caucus"

Our strategic goal with the human rights caucus is to earn their "validation" of our policy at the end of the day (as was the case last May when we announced the Executive Order).

Tactical goals should include (1) realistically shaping expectations for "overall significant progress;" (2) seeking to determine which actions by China have the greatest significance; (3) vesting Members in specific actions we take to obtain "interim validation" of steps taken by China; and (4) articulating a meaningful role for Members after June 3. Your talking points address some of these points.

The Delinkage "Caucus"

Our strategic goal with the delinkage caucus should be to channel their criticism of the current policy in a way that keeps the pressure on China between now and June 3, but also increases our flexibility after June 3. Specifically, if they must argue for delinkage after June 3, they should at least continue to stress that the terms of the Executive Order should be met before June 3.

We need to keep in mind that this group believes the Administration has ignored them to date, and is organizing with members of the foreign policy caucus to increase their prominence in the debate over China. We have dissuaded Baucus from circulating a "Dear Colleague" on China at this time. However, Senate Republicans are drafting a letter.

To discourage this group from undermining our position with the Chinese, our tactical goals include: (1) increasing consultations and (2) seeking to channel criticism of the current policy (e.g., seeking to moderate the language of any Republican letter).

The Foreign Policy "Caucus"

In addition to the goals for the delinkage caucus, our strategic goal for the foreign policy caucus is to broaden the context for decisions about China policy (e.g., to include regional concerns like North Korea, trade and global

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cooperation on the environment). For example, Hamilton, who has publicly supported your approach on China, published an Op Ed that lays out the strategic framework of the Administration's policy. Such efforts can widen the debate in a way that gives you flexibility.

III. PARTICIPANTS

The President
The Vice President
Secretary Christopher
Anthony Lake
Pat Griffin
Robert Rubin
Samuel Berger (Notetaker)
W. Bowman Cutter

(For the 4:15 meeting on April 21, the attendees will be the same but Secretary Bentsen will be added as a participant.)

IV. PRESS PLAN

White House photographer only

V. SEQUENCE

Not required

Attachments

Tab A Talking Points

POINTS TO BE MADE FOR
CHINA CONGRESSIONAL MEETING

- As the decision on China MFN approaches, I wanted to share with you some of my thinking and solicit your support and advice as we go into this final stage.
- Last year's Executive Order enabled our country to unite around policy toward China for the first time since 1989. I appreciate the role each of you played and the support you have provided.
- There is more that needs to be done by China. But there has been progress in some areas during the last year.

(MANDATORY CONDITIONS)

- We signed an agreement on prison labor that will improve our ability to keep Chinese prison labor products off the U.S. market.
- On the Jackson-Vanik standards of emigration, several blocked passport cases of family members of escaped dissidents remain to be resolved, but we have assurances that this will be done.

(EXAMPLES ON OVERALL SIGNIFICANT PROGRESS CONDITIONS)

- We requested that China release several prominent prisoners of conscience who are suffering from illness. We are hopeful that Wang Juntao (WAHNG June Tao), whom I mentioned to President Jiang (JEEYAHNG) last November, will be released soon.
- We have given the Chinese a list of people imprisoned for exercising their right to freedom of expression. They have accounted for many, and promised more information, particularly on Tibetans. Some releases already have taken place.
- On Tibet, China has made some efforts to preserve traditional Tibetan language and culture. We hope that talks between China and the Dalai Lama or his representatives may soon be announced.
- Speaking generally, we are closer to meeting the goals we laid out in the E.O., but we are not there.
- I have expressed particular concern at the detention of dissidents, such as Wei Jingsheng (WAY Jing Shung), and have urged more action on releases.

- The point that I will stress to you today is this: Regardless of where you're coming from on this issue, the best result for all concerned is for the Chinese to make significant progress on human rights. If they don't, no matter what I do -- we'll be divided on the issue and the consequences could be serious.
- Therefore, I need the help of the entire Congress to stay united behind our policy of seeking progress from the Chinese during these weeks. Disunity here will only fuel complacency by the Chinese government, making progress less likely.
- If the Chinese meet the conditions outlined in the Executive Order, we can consider whether there are other effective ways of pursuing human rights progress in China after June 3.
- I want to develop, in full consultation with you and your colleagues, the most effective means by which we can continue to promote progress in human rights in China and strengthen our relationship.
- I believe that our approach is a realistic one given the divisions that have existed in this country since Tianamen Square.
- We are prepared to face the possibility that China won't meet the criteria, and we will have to act. But, the best solution, the one I hope we can all stay together on over the next several weeks, is to convey to the Chinese, firmly but not belligerently, that progress on human rights in the coming weeks can enable us to build an even stronger relationship on a more solid foundation.

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001a. briefing paper	Meeting with Cabinet Members to Discuss China, April 13, 1994 (1 page)	04/12/1994	P1/b(1) VZ 9/21/2023
001b. list	Agenda (1 page)	ea- 04/12/1994	P1/b(1) VZ 9/21/2023
001c. memo	Anthony Lake and Robert Rubin to President William J. Clinton re: Executive Summary and Key Decisions. Released in Part, Per E.O. 13526 (4 pages)	ca. 04/12/1994	P1/b(1), P5 VZ 9/21/2023
001d. memo	Anthony Lake and Robert Rubin to President William J. Clinton re: China. Released in Part, Per E.O. 13526 (14 pages)	ca. 04/12/1994	P1/b(1), P5 VZ 9/21/2023
001e. report	Bottom Lines (5 pages)	ea- 04/12/1994	P1/b(1), P5 VZ 9/21/2023
001f. memo	Samuel Berger and Bowman Cutter to Robert Rubin and Anthony Lake re: Draft of China Strategy Memo to President, incomplete (1 page)	ea- 04/12/1994	P1/b(1) VZ 9/21/2023
001g. report	Human Rights (3 pages)	ea- 04/12/1994	P1/b(1), P5 VZ 9/21/2023
001h. report	MFN Revocation, draft. Released in Part, Per E.O. 13526 (2 pages)	ca. 04/12/1994	P1/b(1) VZ 9/21/2023
001i. report	Scenarios and Their Effects, draft. Released in Part, Per E.O. 13526 (3 pages)	ca. 04/12/1994	P1/b(1), P5 VZ 9/21/2023
001j. report	Economic and Non-Economic Measures. Released in Part, Per E.O. 13526 (10 pages)	ca. 04/12/1994	P1/b(1) VZ 9/21/2023

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National Security Council
Press (Philip J. (PJ) Crowley)
OA/Box Number: 3103

FOLDER TITLE:

China [2]

2011-0516-S

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002. memo	Anthony Lake to President William J. Clinton re: MFN for China (2 pages)	ea. 05/27/1993	P1/b(1) VZ 9/21/2023
003. memo	Anthony Lake and Robert Rubin to President William J. Clinton re: China MFN. Released in Part, Per E.O. 13526 (5 pages)	05/21/1993	P1/b(1), P5 VZ 9/21/2023
004a. report	Policy Guidance (1 page)	ca. 10/04/1993	P1/b(1)
004b. memo	Anthony Lake to President William J. Clinton re: Proposed Policy Guidance (1 page)	10/01/1993	P1/b(1)
004c. report	[Duplicate of 004a] (1 page)	ca. 10/04/1993	P1/b(1)

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THE WHITE HOUSE
WASHINGTON

April 12, 1994

DECLASSIFIED
E.O. 13526
White House Guidelines, May 16, 2017
By VL NARA, Date 5/24/2013
2016-0557-M1

MEETING WITH CABINET MEMBERS
TO DISCUSS CHINA

DATE: April 13, 1994
LOCATION: Oval Office
TIME: 5:30 - 6:15pm
FROM: ANTHONY LAKE

I. PURPOSE

To discuss China policy with relevant Cabinet members.

II. BACKGROUND

The Executive Order you issued last year extending MFN status to China expires on June 3. Under the terms of the Executive Order, MFN status is only to be renewed if China satisfies two mandatory conditions, and makes "overall significant progress" on the remaining conditions. A consensus exists that China has not yet made the necessary progress. This meeting is intended to review a strategy that would maximize the prospects for achieving the necessary progress before June 3.

III. PARTICIPANTS

See Tab D.

IV. PRESS PLAN

No press; official photographer only.

V. SEQUENCE

Not applicable.

Attachments

- Tab A Agenda
- Tab B Executive Summary and Meeting Decisions
- Tab C Comprehensive China Strategy Memorandum
- Tab D Participants List

Agenda

1. Overview of Human Rights Situation
2. Framework for China Strategy
 - a. Maximizing Prospects for Progress
 - b. Policy Options if don't achieve significant overall progress
 - c. Human rights strategy post June-3
3. Issues for Decision
 - a. Communicating a bottom line to China
 - b. Delinkage of MFN and human rights
 - c. How do we negotiate with China
 - d. Public statement on dissidents

Withdrawal/Redaction Marker Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001c. memo	Anthony Lake and Robert Rubin to President William J. Clinton re: Executive Summary and Key Decisions. Released in Part, Per E.O. 13526 (4 pages)	ca. 04/12/1994	P1/b(1)

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THE WHITE HOUSE
WASHINGTON

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2016-0557-M (1.02)
6/1/2023 VZ

MEMORANDUM TO THE PRESIDENT

FROM: ANTHONY LAKE
ROBERT RUBIN *MRP/r*

SUBJECT: Executive Summary and Key Decisions

You are meeting tomorrow to discuss China policy. By June 3, you must decide whether to extend MFN to China for the coming year.

The attached memorandum and appendices provide a detailed roadmap covering three sets of key issues: (1) a strategy for achieving maximum human rights progress with China between now and June 3; (2) options if China fails to make "overall significant progress;" and (3) options for promoting human rights after June 3, whether or not we extend MFN.

This memorandum provides an executive summary of the longer document, and outlines key decisions for discussion in tomorrow's meeting.

Executive Summary

• Background

To extend MFN to China, the Jackson Vanik statute requires an annual waiver by the President. The waiver is subject to congressional veto. Before Tiananmen, annual waivers were routine. After Tiananmen, Congress became increasingly engaged in China policy.

During the Bush Administration, Congress on two occasions passed legislation establishing conditions for extending MFN, including conditions on human rights, proliferation and trade. President Bush vetoed these bills; the House voted to override but the Senate twice sustained the veto. During the campaign, you expressed support for legislation establishing conditions.

• Last Year's Executive Order

Last year, you succeeded in forging a rough consensus on China policy for the first time since Tiananmen. Your Executive Order (EO) mandated progress in two areas: freedom of emigration and compliance with a U.S.-China prison labor Memorandum of Understanding. The Order also required China to make "overall, significant progress in five areas of human rights (discussed in detail in the attached memorandum). Unlike various legislative proposals, the EO "delinked" MFN from proliferation and market access issues.

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The Executive Order was supported strongly by advocates of MFN legislation (e.g., Mitchell, Pelosi), who deferred their efforts to legislate more stringent conditions. Many opponents of conditioning trade (e.g., Baucus, business groups) -- while still opposing the concept of MFN conditions -- supported the Executive Order as the best solution in a difficult situation.

• Relations with China Since the Executive Order

In the months following the issuance of the Executive Order last May, relations between the U.S. and China worsened over missile sanctions, the Yin he incident and trade.

In an effort to make progress on human rights and to place our relations on a more even keel, the U.S. last Fall began a comprehensive policy of "engagement." We sought an array of contacts with China, including your meeting with President Jiang, during the APEC Conference in Seattle. China began to take limited, but concrete steps, e.g., an important agreement on prison labor. In sum, it appeared that China was on track to make the kind of progress required under the Executive Order.

• The Atmosphere Today

Unfortunately, the atmosphere has changed in recent weeks. Among the Chinese leadership there is extreme nervousness about political stability in China, which has manifested itself during and since Secretary Christopher's trip. They are determined to avoid another Tiananmen, which we believe explains their ongoing crackdown on dissidents. Having allowed events to spin out of control in 1989, they will not make the same mistake twice -- even if it affects their relationship with us. There is a very real danger that detentions could rise dramatically in the coming weeks, which obviously will make it difficult to certify human rights progress.

As we approach June 3, it is apparent that despite some progress, China has not yet complied fully with the conditions in the Executive Order. While it is still possible that the conditions of the EO will be met, this is by no means certain.

In short, securing additional progress from China will require not only carefully calibrated diplomacy, but also a major effort to have as consistent an American message as possible -- from the Congress as well as the Administration. If China fails to make significant progress, we will face a choice between backing off the Executive Order -- or imposing sanctions that would hurt the economies of both China and the U.S.

Key Decisions Tomorrow

The attached memo discusses a range of options in the event that China fails to make overall significant progress. Options range from mild, non-economic sanctions to complete revocation of MFN. The memo also discusses options for promoting human rights after June 3, whether or not we extend MFN.

While an initial discussion of the above issues would be useful, we recommend that you focus discussion tomorrow on the more immediate concern -- seeking to achieve maximum progress between

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now and June 3. In particular, we need your guidance on the following issues:

Issue One: Should we communicate a bottom line to China now?

We recommend that Lake, Rubin and Lord meet with the Chinese Ambassador sometime in the next few days, with you doing a brief drop-by. An initial question is whether we communicate our bottom line to China in this meeting. Appendix [] in the attached document outlines our recommendation for a bottom line position that we believe could win congressional and public support.

EO 13526 3.3(b)(6)

Issue Two: Should we put on the table the possibility of delinking trade and human rights now?

Our biggest "carrot" for winning progress between now and June 3 is the possibility of delinking human rights issues from the MFN decision.

EO 13526 3.3(b)(6)

Issue Three: Should we quickly follow-up a White House meeting with an emissary/emissaries to China?

If a White House meeting with the Ambassador is successful, we will need to follow up quickly to nail down specific results. One option would be to send an emissary or emissaries to China. An emissary could be from the White House, the State Department or from outside the Administration (e.g., a senator). Alternatively, we may want to send a team of negotiators, each focused on particular issues.

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EO 13526 3.3(b)(6)

Issue Four: Should we make a strong public statement about detentions now?

Recent detentions of Chinese dissidents, and the significant possibility of more to come, significantly jeopardize a certification that China has made "overall significant progress." A White House statement was critical of China's detentions last weekend. However, we need to consider a statement from you.

EO 13526 3.3(b)(6)

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THE WHITE HOUSE
WASHINGTON

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2016-0557-M (1.03)
6/1/2023 VZ

ACTION

TO: THE PRESIDENT
FROM: ANTHONY LAKE
ROBERT RUBIN *RR*
SUBJECT: China Strategy

I. Introduction

Last year, you came into office confronted with a difficult situation: a Democratically-controlled Congress ready to enact legislation on China that would have imposed draconian human rights conditions on MFN extension for China. Your Executive Order, which eliminated pending conditions on trade and non-proliferation and set forth a more realistic set of human rights criteria that China would have to meet in order to be eligible for the extension of MFN status after the Executive Order expires on June 3 of this year.

The Executive Order conditioned any further extension of MFN status after June 3 on both mandatory and non-mandatory criteria. It mandated progress in two areas: freedom of emigration (already mandated in the Jackson-Vanik law) and compliance with a U.S.-China prison labor Memorandum of Understanding. It also required China to make "overall, significant progress" in the following five areas:

- Begin adhering to the Universal Declaration on Human Rights;
- Releasing/accounting for political and religious prisoners;
- Humane treatment of prisoners/prison access;
- Protecting the distinctive heritage and culture of Tibet; and
- Permitting international radio and TV broadcasting.

As we approach June 3, it is apparent that despite some progress, China has not yet complied fully with the conditions in the Executive Order. While it is still possible that the conditions

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of the Executive Order will be met, it is quite possible that China will not meet them. Securing additional progress from China will require not only carefully calibrated diplomacy, but also a major effort to keep the American message -- from the Administration, from Congress, and from private leaders -- as unified as possible. If China fails to make significant progress, we will face a choice between backing off the Executive Order -- or imposing sanctions that would hurt the economies of both China and the U.S.

This memorandum reviews the current environment in China, then sets forth a strategy designed to maximize the prospects for achieving overall sufficient progress. All dimensions of the strategy (e.g., diplomatic, communications, Congressional, business community) are discussed. The strategy also includes a game plan for seeking continued progress on human rights after June 3, even if the terms of the Executive Order are met. If you are able to extend MFN, it is important that you continue to demonstrate your commitment to human rights progress.

This memorandum also explores contingency strategies we might need to pursue under two scenarios: 1) there is insufficient human rights progress to renew MFN; and 2) much less likely, there is insufficient progress to meet the terms of the Executive Order, but MFN must be renewed on national security grounds (e.g., in order to obtain Chinese cooperation on a North Korea sanctions resolution). This memorandum is based upon extensive discussions with the NSC and NEC and with Deputies from the key agencies.

II. The Current Environment in China

Our ability to negotiate "overall significant progress" on human rights is complicated by the ongoing succession crisis in China. Deng's health continues to slip, and it is unclear exactly how large a role he is playing.

No one individual has yet emerged as his true successor, and we consequently have to deal with multiple players, without knowing exactly the interaction among them: President Jiang Zemin, Premier Li Peng, and Vice Premier and Foreign Minister Qian Qichen. Each of them looks over his shoulder as he deals with us, making it harder to cut a deal.

At the same time, the Chinese leadership may have doubts about our own resolve to insist on human rights progress, particularly in view of the strong opposition they are hearing from the American business community about the continued linkage of MFN and human rights.

During and subsequent to Secretary Christopher's trip, we have been struck by the extreme nervousness of the Chinese leadership about political stability in China. They are determined to avoid another Tiananmen, which we believe explains their ongoing crackdown on dissidents. Having allowed events to get out of control in 1989, they will not make the same mistake twice, even

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if it affects their relationship with us. Therefore, there is a very real chance that we will see more detentions prior to two specific dates: May 4 (the anniversary of a major pro-demonstration in Beijing in 1919 and a focal point for pro-democracy activity in recent years) and June 3 (the fifth anniversary of Tiananmen). If dissident elements choose this period to seek a confrontation, the number of detentions could rise dramatically, which will obviously make it very difficult to certify overall significant progress.

As we formulate our negotiating strategy in this difficult environment, we need to keep in mind

3.3(b)(6)

EO 13526 3.3(b)(6)

III. The Strategy

The strategy we recommend is intended to seek sufficient human rights progress so that you can credibly claim China has met the terms of the Executive Order. Contingency strategies if this is not possible are discussed in the next section. Our hope is that on June 3 you would be able to extend MFN, but also announce that you are putting in place an alternative human rights mechanism for China that underscores your continuing commitment to progress.

Our focus over the next two months should be to manage our current policy of engagement more aggressively in order to maximize the prospects for progress. The strategy has four chief elements: 1) Internal Organization/Unity; 2) Approach to the Chinese; 3) Outreach/Public Posture; and 4) Human Rights Strategy Beyond June 3.

A. Internal Organization/Unity

The first step is to ensure that the Administration between now and June 3 operates in a manner that makes our effort most effective. Three elements are critical:

Management - We propose a three-tiered decision-making structure to manage the process across the Government: the Principals Committee, a mini-Deputies Committee, and a broader Senior Steering Group chaired by State. This structure has the support of all relevant agencies.

Administration Unity - There is a range of views about the current policy within the Administration, but all recognize the Executive Order was a necessary resolution of a complex situation, and understand that statements "off message" undermine our efforts to persuade China that progress is essential before June 3. In a series of meetings already held in the above groups, we have pressed for a united message. This is

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beginning to pay off, but continuing emphasis is necessary.

Presidential Statement - A statement by you is needed to clarify the U.S. position for the Chinese and to provide a focal point around which the Administration can coalesce.

B. Approach to the Chinese

With less than two months left before June 3, the approach to China must be clear and well-coordinated. Our goal is to win concessions from China using the MFN leverage and various "carrots" we might offer. An initial high-level contact (e.g., Lake/Rubin) would be followed by lower-level negotiations to win progress. Packaging Chinese concessions for Congressional/U.S. consumption is critical.

1. Refining the U.S. Position - The first step is to decide on our "bottom line" with respect to the two mandatory and five discretionary criteria. Our sense is that we are near our goal in terms of the two mandatory criteria. On the discretionary criteria, some progress has been made but "overall significant progress" has not been achieved. Further progress in some areas is likely (e.g., consultations on allowing Voice of America broadcasts), but progress in other areas will be difficult (e.g., release of political prisoners, Tibet). Tab 1 contains a detailed assessment of our bottom line.

We also need to make it plain to the Chinese that the actual human rights situation on the ground as we approach June 3 will be an important consideration in your determination of whether there has been overall significant progress. Without creating an explicit "eighth condition" that could lead China to complain that we are changing the rules on them late in the game, we need to make it absolutely clear to the Chinese leadership that a continuation of the current crackdown on dissidents, or a dramatic deterioration in the situation in Tibet (China has moved additional forces into Tibet over the last few days,) could overwhelm any progress that has been achieved on the seven criteria in the Executive Order. Under such a scenario, which the Congress and the American public would certainly view as "backsliding" on human rights, it would be much more difficult for you to certify overall significant progress and renew MFN status.

We also need to consider what, if anything, we are willing to offer the Chinese as "carrots" if they achieve overall, significant progress. The two biggest carrots would be post-June 3 high-level contacts, possibly as high as a summit meeting, and a delinkage of MFN and human rights. Lesser carrots could include lifting of lesser economic sanctions that have existed since Tiananmen (e.g., permitting use of Trade Development Assistance for U.S. firms investing in China) and strong Administration opposition to Congressional efforts repugnant to the Chinese (e.g., Murkowski and Pell amendments to

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the State Department authorization bill concerning, respectively, the Taiwan Relations Act and Tibet). Possible carrots are detailed at Tab 2.

2. The Negotiating Process - We recommend a four-step negotiating process.

a. Initial Christopher Visit Follow-up - Clarify the results of the Christopher Trip. This currently is being done by Ambassador Roy in Beijing.

b. Lake/Rubin/Lord White House Meeting - We recommend that we call in the Chinese Ambassador for a White House meeting at the Lake-Rubin level (with Win Lord), with a brief drop-by by you. At this meeting, we would press the Chinese for additional progress, within the context of our overall engagement policy. We would advise them of the negotiating process we would like to follow, and try to fix a date for the next step (see discussion below on follow-up negotiations). We also would provide the Chinese with a more precise listing of the actions they need to take for MFN extension. [REDACTED] EO 13526 3.3(b)(6)

[REDACTED] EO 13526 3.3(b)(6) it would be a clear statement of what is enough (rather than a "wish list")

The listing would include the following key elements:

- Prison labor MOU: faithfully implement the commitments they recently have agreed upon, particularly with respect to visits to suspect facilities.
- Emigration: Resolve the seven or eight remaining blocked passport cases.
- Releasing and accounting for prisoners: release of the some fifteen medical cases provided to the Chinese in October; release of some 30 other priority cases that we would select from among some 300 others that were provided to the Chinese in October; Chinese understanding that arrests of dissidents now would make it very difficult to certify progress on human rights.
- Humane treatment: [REDACTED] EO 13526 3.3(b)(6) publicly stated willingness to reach agreement on prisoner visits.
- Tibet: Chinese agreement to announce a post-June meeting with the Dalai Lama or his representative along with agreed upon agenda for talks.
- VOA Jamming: Chinese agreement to accept a visit from a technical delegation to discuss the information they have agreed to receive from us on jamming.

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A variation on this "Lake/Rubin/Lord White House Meeting" approach would be to let Ambassador Roy conduct this stage of the negotiation. We would have to decide upon the appropriate interlocutor in Beijing, and, in particular, whether we wanted to open a back channel. On balance, we recommend the White House meeting.

Before the Lake/Rubin meeting, you need to decide one key threshold issue: should we inform the Chinese that we are prepared to delink MFN and human rights if the terms of the Executive Order are met. This might enhance their incentive to comply. During his trip, Secretary Christopher indicated delinkage was possible if "robust" progress is made, but minimal compliance is now more likely. Nevertheless, you might still decide to delink MFN and human rights, both as a tool for getting more progress from China, and because there are alternative means of obtaining human rights progress in the future.

Conversely, we also need to decide whether we would indicate to the Chinese that we may reconsider the entire engagement strategy if we do not achieve overall significant progress on human rights by June 3.

c. Followup Meetings/Negotiations - Followup negotiations could be handled essentially in one of two different ways.

Several Negotiators/Several Agreements - One option is to send separately several different negotiators to Beijing, each concentrating on different issues (e.g., VOA, humane treatment of prisoners). 3.3(b)(6)

EO 13526 3.3(b)(6)

3.3(b)(6) We generally favor lower-level negotiators (versus Cabinet-level ones) to minimize the risk of adverse publicity in the event to failure. If this option is selected, the first negotiator would need to go shortly to ensure we have sufficient time.

Single Emissary/Single Package - Alternatively, we could send a high-level emissary to Beijing to try negotiate a comprehensive package. Under this scenario, we would need to decide not only upon the appropriate Chinese interlocutor, but also the appropriate American emissary. Specifically, would the emissary be an Executive Branch official, perhaps a Member of Congress or a private citizen?

We recommend the single emissary approach. Under either option, our negotiator(s) would need to be authorized to cut a deal (i.e., would know our bottom line on each issue, and have the authority to offer carrots (if you choose to offer any)).

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d. Selling the Deal - Assuming we get sufficient progress on the human rights criteria to resolve the issue on reasonable terms, we need to present the package to the American public to maximize the sense of accomplishment. At a minimum, three themes should be pressed:

Unprecedented Progress - We should stress that this Administration's commitment to promoting human rights in China has paid off. Even if we have not transformed China's system, we have achieved significant progress.

Continued Pressure on Human Rights - We must also explain that meeting the Executive Order threshold does not equate to a good overall human rights report for China. We must outline an active strategy for pursuing further human rights progress, even if we decide to delink MFN and human rights (see further discussion on this below).

Economic and Other Interests - Our decision and future policy serve our economic and other interests in our relations with China.

C. Outreach/Public Posture

Between now and June 3, we need a strong outreach strategy that presents Administration unity, communicates our message effectively, underpins our negotiations and deals effectively with all audiences (e.g., China, press, Congress, business community, human rights community). Below are the elements of that effort.

1. Message - A focused, consistent message is essential for U.S. credibility in the negotiations and for garnering support here at home. In the near term, our message should sound several themes:

Reemphasize Executive Order - The Administration must be united in emphasizing that MFN cannot be renewed unless China meets the conditions of the Executive Order. The emphasis must be on whether China will choose to meet the human rights conditions, not whether the Administration will succeed in pressuring them. We must seek to put the onus on China, not on the United States.

Publicize Progress Made to Date - We should not let the largely negative coverage of the Christopher trip obscure the fact that the engagement policy initiated last summer has secured some significant concessions, including Chinese agreement to: 1) cooperate on ensuring that it does not ship goods to the U.S. made by prison labor; 2) resolve the few outstanding emigration cases; 3) provide more accounting on prisoners being held, including 235 Chinese political and religious prisoners and 106 Tibetans (announced at end of Christopher trip); 4) hold expert-level talks with Red Cross on prison visits; and 5) review information from the U.S. on jamming of Voice of America (VOA) broadcasts. Further

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education now will narrow the gulf that must be crossed before June 3.

Moderate Expectations and Rhetoric - Again, this must be done without appearing to backslide. The best way is to acknowledge that China's human rights problems will not be fully resolved in one year; for that reason, we will need an ongoing human rights strategy for China, even if China meets the terms of the Executive Order. We should also make it clear that this is a period for substantive progress, not rhetorical exchanges.

2. Communications Strategy - We are developing a detailed communications strategy for the coming weeks. In advance of that strategy, we believe it makes sense for you to make a statement in the near future on China policy, drawing on the themes above.

3. Congress - Broadly speaking, Congress divides into three camps: 1) the human rights group (e.g., Pelosi, Mitchell); 2) the trade "delinkage" group (e.g., Baucus, Kerry, Rostenkowski, Danforth); and the foreign policy group (e.g., Hamilton, Nunn, Lugar). We will consult intensely with all groups through a "buddy system" matching senior Administration officials with individual Members. One goal is to minimize Congressional letters or other public expressions that undermine your policy or underscore Congressional divisions. We are aware of two letters being circulated in the Senate, one by Baucus and the other by Danforth, both concerning delinkage. We are seeking to discourage these efforts, particularly by Baucus. In addition, it would help for you to meet with representatives of the human rights group (i.e., Pelosi, Mitchell, Gephardt) and separately with the "delinkage" group (i.e., Baucus, Danforth, Rostenkowski, Gibbons, others) to urge unity and explain your strategy.

Prominent Members of Congress should be encouraged to send specific messages that would be helpful to us as we negotiate with the Chinese. For example, Baucus or another member of the delinkage caucus could make a public statement supporting the need to get human rights progress before June 3, or Pelosi could praise specific human rights concessions as they are gained. We are working to develop these kind of messages.

4. Business Community - We believe it may be possible to mute some business community opposition to our current policy - and possibly to solicit constructive steps. We will continue stepped up consultations, arguing that open action against the Executive Order only undermines our credibility with the Chinese. Some executives may be enlisted to convey to senior Chinese officials the Administration's resolve on the MFN issue. Ron Brown is meeting with some CEO's on this this week. However, you should be aware that the business community fundamentally disagrees with our current policy, and will continue to say so.

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5. Human Rights Community - The overwhelming majority of the human rights community will be very disappointed if we break the link between MFN and human rights in the future since they believe that this link has been critical to the progress we have made to date. One way to mitigate this disappointment would be to obtain statements, if possible, from prominent dissidents who support delinkage (although few are willing to say so publicly). The disappointment of the human rights community could also be somewhat tempered if we have a vigorous post-June 3 human rights strategy that includes some leverage with economic sanctions. At the present time, this community appears to be leaning towards denial of MFN status for products from state enterprises, or some other form of partial revocation. Whatever we do to address human rights after June 3, we will need to explain to this community why it is a credible method for addressing the problem.

D. Human Rights Strategy Beyond June 3 - In a scenario in which you decide to renew MFN even though there has only been minimal compliance with the seven criteria in the Executive Order, it is critically important that we have a post-June 3 human rights strategy to present to the public in general and the human rights community in particular. By adopting such a post-June strategy, we reaffirm your commitment to human rights and make it clear that renewal of MFN status does not constitute approval of China's human rights practices.

One threshold decision about which there may not be a consensus within the Administration concerns whether, in a scenario of minimal compliance, you should decide to issue a new Executive Order that continues to link MFN status in some fashion with general progress on human rights.

Should you decide to delink MFN status and human rights in a scenario of minimal compliance, it will be important to demonstrate that you have a strategy for pursuing human rights issues without using MFN. There are both affirmative measures and punitive steps which you could adopt as part of a post-June 3 human rights strategy. Tab 2 provides a detailed discussion of a variety of measures.

Some illustrative examples of affirmative measures:

- institutionalize and expand our human rights dialogue;
- engage the U.S. business community in China through voluntary principles of corporate responsibility;
- establish U.S.-China Human Rights Commission;
- initiate USG-funded programs for targeted legal reform programs; and
- engage UN special rapporteurs (torture, religion, women).

Punitive steps involving economic measures are more likely to be controversial within the Administration, and are also more likely to promote retaliation by the Chinese. Nevertheless, delinking MFN and human rights does not necessarily mean that we must delink all other types of economic pressure. Illustrative examples of punitive economic measures include:

- conditioning U.S. support for multilateral development bank loans on human rights progress (or even oppose such loans);
- conditioning GATT accession on human rights improvements;
- using specific provisions of Sec. 301 of the 1974 Trade Act to limit targeted imports of Chinese goods and services.

These punitive measures are identical to the ones suggested later in this paper for a scenario in which China does not achieve overall significant progress but we decided to retaliate with non-MFN measures.

IV. Contingency Strategies

The above strategy is focused on securing sufficient human rights progress that MFN can be renewed. Clearly, there is considerable risk that this scenario will not elicit the requisite Chinese response. Several types of scenarios could arise. First, China may not make sufficient human rights progress, either because it fails to act or because a dissident crackdown overshadows any other progress. (Indeed, we cannot preclude the possibility that some dissident elements may seek to provoke just such a crackdown, particularly if we send a high level delegation.) Second, the U.S. need for Chinese support on foreign policy issues (e.g., North Korea) could provide a pressure for us to continue MFN, even if China fails to make sufficient human rights progress. This section explores how we might respond to both of these possibilities.

A. Failure to Achieve Overall Significant Progress - This scenario envisions that China fails to make sufficient progress for you credibly to certify they have met the terms of the Executive Order. For all the options listed below, the following questions need to be asked:

- Will the option advance our human rights interests in China;
- What is the danger of Chinese retaliation, even under partial revocation scenarios;
- What would be the economic impact of this option on the United States;
- What would be the impact of this option on U.S. credibility around the world;

- Is the option politically saleable, or does it appear to be a wholesale retreat on our part; and
- Would this option require new legislation, and therefore force us to initiate a legislative process that could open Pandora's box?

1. Immediate MFN revocation - The key advantage of this option is that we do literally what we said we would do: not renew MFN if China does not make overall significant progress. Having said that, you should be aware of the dramatic effects of MFN revocation on both the Chinese and U.S. economies. In a preliminary analysis, the [1.4(c)] estimates that MFN revocation would reduce Chinese exports to the U.S. by \$19 to \$26 billion, or 65-80% below 1993 levels. Loss of these exports could in turn result in 19 to 26 million lost jobs in China, with a disproportionate impact on the more market oriented sectors of China's economy. [EO 13526 1.4c] that half of these losses would occur in the first year.

In response to total MFN revocation, [EO 13526 1.4c] China would retaliate against approximately \$4.4 billion in U.S. exports to China, resulting in 84,000 lost jobs in the U.S. Over half of these lost U.S. exports and jobs would occur in the aircraft sector. Other significant losses would occur in sectors including motor vehicles, chemicals and agriculture. Although not yet quantified, there would be supply disruptions in the United States, and there could also be measurable effects on prices, inflation and jobs in the "import sector" (e.g. retailing). [1.4(c)] [EO 13526 1.4c] China would suspend dialogue over human rights.

Two additional considerations: immediate revocation would violate our trade agreement with China (which remains in effect until January 1995), and it could also result in a downward spiral in our overall relationship, with associated political and security consequences.

Tab 3 contains a more complete analysis of this option, including further discussion of the economic costs to the United States and China of total revocation.

2. Deferred revocation of MFN benefits - Under this approach, we could announce by June 3 that MFN will not be renewed after the expiration of our trade agreement with China in January 1995. In addition to not forcing us to violate an international agreement, this option allows at least some time for U.S. businesses to complete contracts and otherwise adjust, which could save billions of dollars in losses. It also holds out the possibility of a negotiated settlement during this seven month period. However, it also provides seven months of intensifying debate and speculation over whether we will back down under intensifying pressure.

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3. Partial revocation of MFN status - The partial revocation approach is designed to provide retaliatory options with less severe economic consequences. To use a military analogy, if total revocation of MFN is a nuclear weapon, partial revocation is a conventional weapon.

A number of the human rights groups and some Members of Congress have urged that you consider various forms of limited sanctions -- short of complete MFN revocation -- if the Chinese do not meet our progress standard. Concerned about the impact of total revocation, they argue that partial sanctions would effectively constitute denial of MFN and thus meet the terms of the Executive Order. Partial revocation could be implemented in several ways:

Across the Board Tariff Surcharges - Raise tariffs to some level between low MFN rates and high non-MFN rates (which generally range from 300 to 1400% higher than MFN rates). Of course, the impact of these tariffs depends on the level set. For example, EO 13526 1.4c increasing current tariffs by 25% (e.g., a 10% tariff becomes a 12.5% tariff) would cost China approximately \$.5 to \$1.1 billion and a half million to one million Chinese jobs in the first year. A 200% increase in current tariffs (e.g., a 10% tariff becomes a 30% tariff) would cost China approximately \$4.15 to \$8.05 billion in exports and four to eight million Chinese jobs in the first year.

Revoke MFN for "State Enterprises" Only - Rather than revoke MFN for all Chinese products, revocation could be targeted at exports from state-run enterprises. Assuming we targeted only sectors with a high concentration of state enterprise activity (avoiding sectors where market-oriented enterprises also produce exports), EO 13526 1.4c this sanction would cost China approximately \$1.2 billion in lost exports and 1.2 million lost jobs.

EO 13526 1.4c China would respond to U.S. sanctions with roughly equivalent sanctions against U.S. exporters. As a rough measure, each \$1 billion in lost U.S. exports costs 19,000 U.S. jobs. U.S. sectors most vulnerable to Chinese retaliation include aircraft, motor vehicles and parts, chemicals, cash crops, communication equipment, and plastic materials and resins. The top five export states to China are Washington, California, New York, Illinois, Texas and Connecticut.

You should also be aware that in a preliminary analysis, the State Department estimates that the above options for partial revocation would require legislation. Seeking legislation would evoke a major congressional debate. There is a significant possibility that some forms of sanctions would not receive Congressional support, particularly in the Senate.

For any of these options, we could consider deferring implementation for a short period of time in order to keep negotiations going.

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Tab 4 contains a more detailed discussion of these options.

4. Imposition of non-MFN sanctions - This option differs from the preceding in that it assumes that MFN sanctions are the wrong way to respond to a Chinese failure to achieve overall significant progress, and that we should find alternate means to retaliate, economic and/or non-economic. To extend the "nuclear weapons" analogy, non-MFN means are better conventional weapons than partial MFN revocations because their use makes it easier to limit the damage to U.S. economic interests, and, hopefully, to minimize the prospects for Chinese retaliation.

However, this option presents a serious credibility problem, in that it is likely to be perceived both domestically and abroad as the United States backing down from a clear U.S. commitment and a confrontation with China. We would need to consider carefully the impact -- not just on U.S. domestic opinion but on other countries. Would it hurt our ability to get further human rights progress with China, for example? Would North Korea interpret it as a sign of U.S. malleability and weakness?

As indicated previously, the types of economic measures which could be taken are identical to measures we might adopt even in the positive scenario of minimal compliance with the Executive Order:

- Oppose China's GATT accession;
- Use specific provisions of Sec. 301 of the 1974 Trade Act concerning restricting workers rights and abusing child/prison labor to limit specific imports of Chinese goods and services;
- Deny agricultural credits and/or Export-Import Bank loans or guarantees;
- Oppose international financial institution loans.

Among the types of non-economic measures which could be considered:

- Terminate or restrict the engagement strategy, including termination of high-level contacts;
- End military-to-military contacts;
- Suspend Joint Commissions; don't establish Joint Defense Conversion Commission.

Tab 5 explains these options in greater detail.

B. Reposition for National Security Reasons (North Korea) - A second scenario envisions that we decide we must renew MFN status, even in the absence of overall significant progress, without adopting any sanctions (economic or non-economic) because of compelling national security reasons. The most likely reason would be to obtain Chinese cooperation (or at least abstention) in the Security Council for a North Korea sanctions resolution. In this case, we will have to do extensive work to reposition ourselves for this switch in policy.

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This would be a much more controversial approach than any of the others discussed in this paper, since it requires the replacement of one policy objective (significant overall progress on human rights) with another objective (obtaining sanctions on North Korea). Therefore, this major switch in policy would need to be carefully explained to the American people, as would the significant risks entailed by a move to Korean sanctions.

C. Other Scenarios - Note that still other developments also could upset our strategy. A major rift between the United States and China over a North Korea sanctions resolution could also increase pressure to revoke MFN. The MFN debate in the Congress has tended, in the past, to be a lightning rod for criticism of any aspect of China's behavior. We can envision a scenario where, even if China achieves "overall significant progress" on human rights, a major effort emerges in the Congress to block or condition MFN because of a Chinese veto of a sanctions resolution. Similarly, if any new evidence emerges before June 3 of Chinese transfer of M-11 missiles to Pakistan, that could become the key issue in the Congress, and we would have to alter our strategy. The possibility of these threats further underscores that this is an unpredictable situation that will require flexibility and a capacity to adapt.

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BOTTOM LINES:
OVERALL, SIGNIFICANT PROGRESS

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- I. Progress Achieved
- II. Necessary Additional Progress: What We Should Tell the Chinese
- III. Necessary Additional Progress: What We Might Accept

I. PROGRESS ACHIEVED

Below is a description of progress on the conditions in the Executive Order as well as those in the accompanying report to Congress. By most accounts, these measures fall short of the "overall, significant" progress required in the Executive Order.

-- PRISON LABOR MOU

Joint Declaration has clarified the issue of access, giving us the right to inspect all suspected facilities within 60 days. If this Joint Declaration is implemented by the Chinese in the months to come, this condition will have been met.

-- FREEDOM OF EMIGRATION

Of about a dozen blocked emigration cases, the Chinese have thus far agreed to resolve about three, and have indicated that they can make further progress on this issue. If the Chinese act as they have suggested they would, this condition will have been met.

-- TAKING STEPS TO BEGIN ADHERENCE TO THE UNIVERSAL DECLARATION ON HUMAN RIGHTS

FM Qian told Secretary Christopher that China supports the principles of the Universal Declaration of Human Rights. The Chinese have also pointed to statements and declarations that indicate support for international human rights principles. In large measure, however, their progress on this condition is really measured by what they do on the others.

-- RELEASING AND ACCOUNTING FOR PRISONERS

Several political prisoners (including Wei Jingsheng and Tibetan Gendun Rinchen) were recently released, but a number of others have been rearrested or detained (including Wei). The Chinese have provided limited information on status of just over half of prisoners provided by A/S Shattuck in October and have promised similar information on imprisoned Tibetans. Adequate progress in this very important area is lacking. Recent additional detentions of dissidents complicates this issue further.

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-- HUMANE TREATMENT OF PRISONERS/PRISON ACCESS FOR
INTERNATIONAL HUMANITARIAN ORGANIZATIONS

The Chinese have agreed to expert-level discussions with the ICRC. Justice Minister Xiao Yang has announced plans to improve prison conditions. Successful expert-level discussions followed by an agreement on access for the ICRC would be very important in meeting this condition.

-- TIBET: PROTECTING DISTINCTIVE HERITAGE AND CULTURE

Although use of Tibetan in schools is reportedly on the rise and the Chinese have assisted (or permitted) refurbishing of monasteries, there has been little progress on the issue of dialogue with the Dalai Lama or his representative, which is considered the most important symbol of movement on this condition.

-- PERMITTING INTERNATIONAL RADIO AND TV INTO CHINA

FM Qian, denying that jamming takes place, has agreed to accept information from us on VOA jamming. Technical talks on this issue would be very helpful in meeting this condition.

-- CONTINUING COOPERATION CONCERNING U.S. MILITARY PERSONNEL
WHO ARE LISTED AS PRISONERS OF WAR OR MISSING IN ACTION
(This condition is not in the Executive Order but is
included in the accompanying report to Congress.)

The Chinese have cooperated with us in efforts to account for Vietnam-era missing soldiers. In particular, they have granted our requests for site surveys.

-- TAKING EFFECTIVE STEPS TO ENSURE THAT FORCED ABORTION AND
STERILIZATION ARE NOT USED TO IMPLEMENT CHINA'S FAMILY
PLANNING POLICIES (This condition is not in the Executive
Order but is included in the accompanying report to
Congress.)

The Chinese have told U.S. officials that physical coercion is not used in family planning. According to reports in the media, a draft Eugenics Law contained provisions that would have coerced mothers to terminate pregnancies in certain cases where fetal development suggested birth defects. This measure did not surface at the recent session of the National People's Congress. It would be very helpful if this law were permanently shelved.

II. NECESSARY ADDITIONAL PROGRESS: WHAT WE SHOULD TELL THE
CHINESE

As we approach the June deadline, the Chinese should be provided with a precise listing of actions to take for MFN extension. In comparison to our previous representations, that listing should be rather modest and close to our bottom line -- that is, close to the minimum necessary for a good faith determination that

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"overall, significant" progress has been made. The listing should include the following elements --

- Prison labor MOU: faithfully implement the commitments they have recently agreed upon, particularly with respect to visits to suspect facilities.
- Emigration: Resolve the seven or eight remaining blocked passport cases.
- Releasing and accounting for prisoners: release of the some fifteen medical cases provided to the Chinese in October; release of some 30 other priority cases that we would select from among some 300 others that were provided to the Chinese in October; Chinese understanding that arrests of dissidents now would make it very difficult to certify progress on human rights.
- Humane treatment: continued discussions with the ICRC and publicly stated willingness to reach agreement on prisoner visits.
- Tibet: Chinese agreement to announce a post-June meeting with the Dalai Lama or his representative along with agreed upon agenda for talks.
- VOA Jamming: Chinese agreement to accept a visit from a technical delegation to discuss the information they have agreed to receive from us on jamming.

III. NECESSARY ADDITIONAL PROGRESS: WHAT WE MIGHT ACCEPT

Even if the Chinese do not take all of the rather modest actions described above, we could still make a determination of overall, significant progress if they make progress in at least some of these areas. To provide guidance on this issue, some illustrative packages of what might constitute the minimum necessary to achieve this goal are described below.

Minimum Illustrative Package #1 (significant prisoner releases, no agreement with ICRC, no set meeting with Dalai Lama or his representatives):

- China has continued to express its willingness to permit visits to suspect facilities within the 60 day period provided in the MOU.
- China has committed to resolving some of the seven or eight blocked passport cases.
- China has released between 20 and 30 prisoners of concern to the USG.
- China is not engaged in a crackdown of activists and does not continue to hold large numbers (dozens) of recently

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detained persons (i.e., those detained at the time of and after the Christopher mission).

- China has indicated that it will keep the door open to discussion with the Dalai Lama and his representatives.

In a "close call" situation, progress on an agreed-to meeting with the Dalai Lama, on ICRC discussions (especially some sort of agreement on prisoner access), on VOA jamming and on release of additional information on prisoners, as well as the absence of reintroduction of Eugenics legislation, will provide additional justification for renewal.

Minimum Illustrative Package #2 (set meeting with the Dalai Lama or his representatives, low prisoner release, no agreement with ICRC)

- China has continued to express its willingness to permit visits to suspect facilities within the 60 day period provided in the MOU.
- China has committed to resolving some of the seven or eight blocked passport cases.
- China has released small numbers of prisoners of concern to the USG.
- China is not engaged in a crackdown of activists and does not continue to hold large numbers (dozens) of recently detained persons (i.e., those detained at the time of and after the Christopher mission).
- China has agreed to meet with the Dalai Lama or his representatives and has agreed with the Dalai Lama on a time and agenda for the meeting.

In a "close call" situation, progress on ICRC discussions (especially some sort of agreement on prisoner access), on VOA jamming and on release of additional information on prisoners, as well as the absence of reintroduction of Eugenics legislation, will provide additional justification for renewal.

Illustrative Package #3 (agreement with ICRC, low prisoner release, no set meeting with the Dalai Lama)

- China has continued to express its willingness to permit visits to suspect facilities within the 60 day period provided in the MOU.
- China has committed to resolving some of the seven or eight blocked passport cases.
- China has released small numbers of prisoners of concern to the USG.

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- China is not engaged in a crackdown of activists and does not continue to hold large numbers (dozens) of recently detained persons (i.e., those detained at the time of and after the Christopher mission).
- China has indicated that it will keep the door open to discussion with the Dalai Lama and his representatives.

In a "close call" situation, progress on VOA jamming and on release of additional information on prisoners, as well as the absence of reintroduction of Eugenics legislation, will provide additional justification for renewal.

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NATIONAL SECURITY COUNCIL

WASHINGTON, D.C. 20506

ACTION

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PER E.O. 13526

2016-0557-M (1.06)

6/1/2023

TO: ROBERT RUBIN
ANTHONY LAKE

THROUGH: SAMUEL BERGER
BOWMAN CUTTER

SUBJECT: Draft of China Strategy Memo to President

I. Introduction

Last year, you succeeded in forging a consensus on China policy for the first time since the events of Tiananmen Square in 1989. Your Executive Order brought together the strong Congressional majority favoring linking MFN trade status to human rights performance and those who preferred the more moderate Executive Order to the far more sweeping conditionality that Congress had passed overwhelmingly in prior years. The Executive Order you issued renewed China's Most Favored Nation (MFN) status until June 3, 1994, but conditioned any further extension on additional human rights progress. The Executive Order mandated progress in two areas: freedom of emigration and compliance with a U.S.-China prison labor Memorandum of Understanding. The Executive Order also required China to make "overall, significant progress" in the following five areas:

- Begin adhering to the Universal Declaration on Human Rights;
- Releasing/accounting for political and religious prisoners;
- Humane treatment of prisoners/prison access;
- Protecting the distinctive heritage and culture of Tibet; and
- Permitting international radio and TV broadcasting.

As we approach June 3, it is apparent that despite some progress, China has not yet complied fully with the conditions in the Executive Order. While it is still possible that the conditions of the Executive Order will be met, this is by no means certain. In short, we are in a difficult position. Securing additional

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POST-JUNE 3 HUMAN RIGHTS STRATEGY

I. INTRODUCTION

Whether or not China meets the conditions of the Executive Order, human rights will continue to play an important role in our bilateral relationship with China. Moreover, our ability to communicate publicly that we have a post-June 3 strategy will enhance the credibility of any actions that you choose to take on June 3.

Our post-June 3 strategy should be based on several elements, including --

- recognition that even if the Chinese meet the conditions of the Executive Order, we will continue our human rights advocacy efforts as their society will not have undergone a fundamental transformation;
- a desire to move the MFN debate from the center of our relationship and, if possible, delink human rights from annual renewal of MFN for China;
- our intention to continue to link human rights with other issues in our bilateral relations, including economic issues outside the annual MFN debate.

II. POST-JUNE 3 STRATEGY IF THE CHINESE ACHIEVE OVERALL, SIGNIFICANT PROGRESS

-- DIPLOMACY

Without cutting off the dialogue we have begun, we would link military, economic, cultural and scientific exchanges to progress on human rights issues. We would also link high-level exchanges (including future meetings between you and President Jiang) to such progress.

-- LINKING BILATERAL BENEFITS TO HUMAN RIGHTS PROGRESS

There are a number of Post-Tiananmen sanctions in effect as well as other benefits that we do not currently provide to China. We would link lifting of these sanctions as well as the other benefits to progress on human rights. Currently sanctioned programs include the U.S. Trade and Development Assistance Program, the Overseas Private Investment Program, the U.S.-Asia Environmental Partnership Program and Multilateral Development Bank lending to China (we currently vote against loans unless they support "basic human needs." Other programs we might consider but have yet to implement include bilateral foreign assistance and agricultural credits.

-- IMPOSING ADDITIONAL SANCTIONS

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We would also consider imposing a range of additional punitive measures if there were further deterioration in the human rights situation in China, including opposing Chinese GATT accession, excluding China from the export enhancement program and restrictions on selected imports of Chinese goods and services due to abuses of worker and human rights.

-- REACHING OUT TO CHINESE "CIVIL SOCIETY" AND CHINESE DISSIDENTS

We would expand our contacts with nascent Chinese civil society. For example, we would encourage exchanges between groups like the American Civil Liberties Union and Chinese academicians dealing with law reform and with human rights.

Moreover, while seeking to avoid confrontations with Chinese officials, we would maintain contacts with a broad range of Chinese citizens working to promote human rights. These should include meetings between democracy activists and visiting U.S. officials. Such contacts not only serve to keep us aware of ongoing developments but communicate U.S. support for the democracy movement.

-- OFFICIAL CONTACTS ON HUMAN RIGHTS ISSUES

We would seek means to expand the bilateral dialogue on human rights. For example, beyond visits to China by John Shattuck, we would consider sending other USG officials involved in human rights issues, such as representatives of the U.S. Civil Rights Commission, the National Labor Relations Board, etc. We would also attempt to encourage dialogue on human rights issues between Chinese officials and U.S. academicians, lawyers and NGOs. Such discussions might be particularly relevant in consideration of human rights issues with a legal/technical dimension, such as reform of laws relating to counterrevolutionary crimes.

-- IMPROVED INTERNATIONAL COORDINATION ON HUMAN RIGHTS ISSUES RELATING TO CHINA

We would increase our efforts to enlist the support of like-minded governments to coordinate international actions on human rights in China. Prior to the G-7 meeting in July, we should seek common positions which could be reflected in a G-7 political declaration.

In addition, the annual March session of the UNHRC is an important vehicle through which to apply pressure on human rights issues and many countries that oppose our MFN-human rights linkage (such as Australia) are more supportive of mechanisms like the UNHRC. The Chinese care deeply about this forum and have invested a great deal of time, energy and resources in defeating UNHRC China resolutions. The Chinese have been successful in this effort due in some measure to poor advance planning and coordination among Western governments. We need to begin organizing our action on this issue earlier and, in particular, before the end of 1994.

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We should also approve complementary demarches and follow-up with the Chinese on the following measures among others:

- Urging visits to China by the UN Special Rapporteur on Torture, the UN Special Rapporteur on Religious Intolerance and/or the Working Group on Arbitrary Detention.
- Urging access for human rights and humanitarian organizations.
- Urging broad NGO access (including access by Chinese NGOs) to the 1995 International Conference on Women to be held in Beijing.

III. POST-JUNE 3 STRATEGY IF THE CHINESE DO NOT ACHIEVE OVERALL, SIGNIFICANT PROGRESS ON THE EXECUTIVE ORDER CONDITIONS

The elements described above would also be applicable for a post-June 3 strategy in the absence of overall, significant progress. However, without such progress, we would confront the question of just what measures we would need to take to demonstrate credibility on the issues surrounding the Executive Order.

The foregoing memorandum discusses in detail sanctions options in the absence of overall, significant progress and that discussion is not repeated here. However, it is clear that a strong U.S. response to Chinese failure to get over the MFN bar would be necessary to make credible the post-June 3 strategy described in Part II, above.

If you are prepared to take action short of full revocation of MFN while publicly acknowledging absence of overall, significant progress, limited trade or other economic sanctions may be a preferred course of action as compared to imposing MFN conditionality (without imposing sanctions) for another year. Limited sanctions are likely to be seen as a greater demonstration of U.S. resolve than reimposition of MFN conditions. Moreover, such sanctions might better enable you to delink human rights from the annual MFN debate, as you would be developing new conditions -- not necessarily linked to the annual MFN debate -- through use of such sanctions.

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001h. report	MFN Revocation, draft. Released in Part, Per E.O. 13526 (2 pages)	ca. 04/12/1994	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Press (Philip J. (PJ) Crowley)
OA/Box Number: 3103

FOLDER TITLE:

China [2]

2011-0516-S

kh596

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 advice 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]

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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]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
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- 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]

THE IMPACT OF MFN REVOCATION

Released in Part

Per E.O. 13526

2016-0557-M (1.08) 6/1/2023 VZ

Complete Revocation Immediately

• Description of Sanction: China's MFN is revoked under Jackson-Vanik. All of China's exports are subject to "column 2" tariffs (i.e., Smoot-Hawley rates). With few exceptions, tariffs on Chinese made products increase by three to fourteen times the current rates. Immediate revocation violates the U.S.-China Trade Agreement, which requires the U.S. to apply MFN rates to China through [December 31, 1994].

• Economic Impact on China: China currently exports \$32 billion worth of goods to the U.S. MFN revocation reduces those exports by [\$19 to \$26 billion, or 65-80% below 1993 levels.] The heaviest burden falls in China on the more market oriented sectors of the economy, such as foreign-invested enterprises, which are most involved in exporting. Chinese job losses associated with revocation are estimated at [19 to 26 million].

• Impact of Sanctions on U.S. Economy, Consumers and Retailers: U.S. consumers would face higher prices for key China exports such as toys, clothing and footwear. Because China tends to produce goods at the lower end of the price range, the burden would fall disproportionately on lower-income consumers. U.S. retailers would incur significant losses due to reduced sales and the costs associated with finding alternative suppliers. [need data here before goes to President: effects on prices, inflation, jobs]

• Additional Impact on U.S. from Possible Counter Retaliation: Most analysts agree that there is a strong likelihood of Chinese retaliation. It is difficult to predict with precision the form this retaliation would take.

EO 13526 1.4c

EO 13526 1.4c

China will single out U.S. products for which alternate suppliers can easily be located, while largely sparing high-tech goods that China needs for domestic development.

EO 13526 1.4c

the Chinese would retaliate by blocking approximately \$4.4 billion in U.S. exports, resulting in approximately 84,000 lost jobs in the U.S. In this scenario, Chinese counter retaliation is substantially less than U.S. retaliation because (1) the U.S. only exports [\$8 billion] in goods to China and (2) China cannot easily substitute approximately half of these goods.

EO 13526 1.4c

Of the \$4.4 billion in retaliation, the U.S. aircraft industry would absorb over half of the export loss (- \$2.3 billion) and corresponding job loss. Aircraft manufacturing is most heavily concentrated in [Washington, Missouri, Kansas] Other key sectors affected would include motor vehicles and parts (\$7 billion);

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industrial and agricultural chemicals (- \$.5 billion); cash - grains and other crops (- \$.3 billion); communication equipment (- \$.2 billion); and plastic materials and resins (- \$.2 billion).

China likely would suspend ongoing bilateral dialogue on human rights, trade and intellectual property.

Complete Revocation Effective [January 1, 1995]

• Description of Sanction: Rather than impose column 2 tariffs immediately, the U.S. announces in June that it will revoke MFN effective January 1, 1995. This scenario does not require the U.S. to violate the U.S.-China Trade Agreement, [which expires on December 31, 1993].

• Distinctions from Immediate Revocation: [Assuming that a negotiated settlement did not occur before January 1, 1995, the impact of this scenario for both China and the U.S. is likely to be generally consistent with immediate revocation. However, the delay in implementation would allow some time for both traders on both sides to seek alternate buyers and suppliers. We are unable to quantify this effect, but it could lessen slightly the impact of sanctions and counter retaliation (assuming China waited until next year to counter retaliate).

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001i. report	Scenarios and Their Effects, draft. Released in Part, Per E.O. 13526 (3 pages)	ca. 04/12/1994	P1/b(1)

COLLECTION:

Clinton Presidential Records
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- 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]

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[This is a very rough cut, compiling data from a number of different sources. We are waiting for further data from Commerce which should help flesh out the impact of various sanctions on the U.S. economy.]

SCENARIOS FOR PARTIAL MFN REVOCATION AND THEIR EFFECTS

Overview

This appendix considers a spectrum of possible economic sanctions, their impact on China, their impact on the United States, and scenarios for counter retaliation by China. Conclusions are drawn largely from an Agency analysis. Obviously, any such analysis is highly speculative. However, the conclusions presented give a flavor for the likely impact on both countries of possible measures.

Several general conclusions can be drawn:

- Many sanctions may require legislation: In a preliminary analysis, the State Department's legal office concluded that legislation likely would be necessary for various forms of "partially" revoking MFN. For example, State believes that a new across-the-board tariff surcharge or a sanction against all Chinese state enterprises would require legislation. New legislation on China would precipitate a major debate in Congress. There is a significant possibility that some forms of sanctions would not pass Congress.
- China is likely to counter retaliate proportionately to any sanctions imposed by the U.S.: On the basis of past instances of Chinese retaliation, available reporting and their current reading of the Chinese leadership -- 1.4(c)
EO 13526 1.4c China is likely to retaliate in a roughly proportionate manner to various forms of U.S. retaliation.
- China is most likely to counter retaliate against U.S. exports that it can obtain from alternate suppliers, such as aircraft, motor vehicles and parts, grain and chemicals. In 1993 the U.S. exported [\$8 billion] worth of merchandise to China. The top ten export states in 1992 were Washington, California, New York, Illinois, Texas, Connecticut, Florida, New Jersey, Tennessee and Pennsylvania. Specific job losses in particular states depend upon the composition and scope of Chinese counter retaliation (discussed below).

Tariff Surcharge Options

- Description of Sanction: Rather than impose column 2 tariffs on China (which generally range from 300 to 1400%

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higher than MFN rates), the U.S. could increase all Chinese tariffs by some lesser degree. For example, the U.S. could increase all tariffs by 50% of their current levels; this would increase the tariff on [shoes] from 6% to 9%. [redacted] 1.4(c) has analyzed surcharges of 25, 50, 100 and 200% of current levels. [The State Department believes these measures probably require legislation.]

• Economic Impact on China: [redacted] EO 13526 1.4c the following decreases in Chinese export earnings:

25% surcharge:	\$.5 to \$ 1.1 billion
50% surcharge:	\$1.0 to \$ 2.1 billion
100% surcharge:	\$4.2 to \$ 8.4 billion
200% surcharge:	\$8.3 to \$16.1 billion

As a rough estimate, [redacted] EO 13526 1.4c each 1 billion in decreased Chinese export earnings results in one million lost jobs in China. Because of a lower degree of export orientation, these sanctions have the least impact on state enterprises. [The greatest job losses occur in the coastal provinces.]

• Impact of Sanctions on U.S. Consumers and Retailers: Lower range surcharges (25 and 50%) might not result in higher prices for U.S. retailers and consumers. At the low end of the range, [redacted] EO 13526 1.4c Beijing might subsidize some exporters to allow them to cut prices -- and thus absorb the cost of higher tariffs. At the high end of the range, subsidization likely would prove too expensive; Chinese goods would increase in price and in some cases be priced out of the market, in either case shifting a higher burden on U.S. consumers.

• Additional Impact on U.S. from Possible Counter Retaliation: Based on its behavior in the past, [redacted] 1.4(c) [redacted] EO 13526 1.4c China is likely to impose damages on U.S. exporters roughly equal to the losses that China will suffer. As discussed above, China is most likely to target goods that it can obtain from other suppliers.

Assuming China retaliates in equal measure, the high-end surcharges would result in Chinese counter retaliation broadly similar to scenario of complete revocation: \$4.4 billion worth of U.S. exports at a cost of approximately 84,000 U.S. jobs. [redacted] EO 13526 1.4c a 25% surcharge would trigger \$1.1 billion in counter retaliation at a cost of 21,000 U.S. jobs. They estimate that a 50% surcharge would trigger \$2.1 billion in counter retaliation at a cost of 40,000 U.S. jobs. Products and states most vulnerable to retaliation are discussed above.

Revocation of MFN for State Enterprises

• Description of Sanction: Rather than revoke MFN for all Chinese products, the U.S. would impose column 2 sanctions only on goods manufactured in "state enterprises."

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This formula has been suggested by some in Congress and from the human rights community. [The State Department believes this option probably would require legislation.] The problems of administering a tariff system based on the factory of origin would be formidable.

- Economic Impact on China: Because state enterprises are less involved in international trade, MFN revocation has a relatively small economic impact on China. EO 13526 1.4c
1.4(c) a \$1.2 billion decrease in export earnings with a job loss in China of approximately 1.2 million.

- Impact of Sanctions on U.S. Consumers and Retailers: A large number of U.S.-funded joint ventures in China are with state enterprises and could be affected by sanctions. Some U.S.-based manufacturers depend upon inputs from state enterprises. We need more information in this area.

- Additional Impact on U.S. from Possible Counter Retaliation: Despite the relatively small economic impact on China, EO 13526 1.4c sanctions targeting state enterprises could elicit a distinct response. Although less involved in exporting, China's state enterprises employ the largest number of Chinese and wield considerable political clout. EO 13526 1.4c these industries would press for swift and forceful counter retaliation.

EO 13526 1.4c counter retaliation would be proportionate the harm inflicted -- approximately \$1.2 billion with a corresponding U.S. job loss of roughly 23,000. In this scenario, however, EO 13526 1.4c China would concentrate its retaliation against those U.S. products with the most political sensitivity, such as aircraft, autos and grain.

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001j. report	Economic and Non-Economic Measures. Released in Part, Per E.O. 13526 (10 pages)	ca. 04/12/1994	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Press (Philip J. (PJ) Crowley)
OA/Box Number: 3103

FOLDER TITLE:

China [2]

2011-0516-S
kh596

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 advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
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Freedom of Information Act - [5 U.S.C. 552(b)]

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April 8, 1994

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Punitive Non-MFN Economic And Non-Economic Measures

Economic Measures

1. Use Section 301 of the 1974 Trade Act to Limit/Restrict Imports of Chinese Goods/Services

- Section 301 includes as "unreasonable acts" restricting worker rights or freedom of association, permitting forced or compulsory labor and failing to set standards for child labor. (These acts are closely related to the Executive Order conditions on prison labor and the Universal Declaration of Human Rights.) Such unreasonable acts must also burden or restrict U.S. trade.
- The usual Section 301 process can be initiated by USTR, following consultations with the foreign country concerned and private sector advisory committees and the possibility of a public hearing. This process could take up to 12 months. The President can decide to telescope the process and move quickly to imposition of sanctions. Criticism from affected groups is likely.
- The use of Section 301 would be more measured than MFN revocation and can be targeted (e.g., product or enterprise specific) to mitigate the impact on U.S. business, Hong Kong, Taiwan, the Chinese private sector, and to increase the impact on the state sector.
- One disadvantage is likely Chinese retaliation.
- Another is concern over precedent; section 301 has been used in the past to remedy specific unfair trade practices that burden U.S. exports, not to further human rights objectives.

2. Deny Export-Import Bank Loans or Guarantees (Including Proposed Non-Sovereign Lending Program)

- Exim activity continued after the Tiananmen Square massacre in 1989.
- Since then, Eximbank's approach has been to balance overall USG China policy with the interests of U.S. exporters.

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Exim makes offers only when transaction decisions are imminent and without which the U.S. bidder would be excluded from consideration. Denial of Exim financing for noncommercial reasons would require a formal "national interest" determination by the Secretary of State.

- Exim-Bank lending is directly to U.S. exporters; total lending for China (loans, grants and guarantees) in FY 1993 was about \$800 million, and over \$605 million to date in FY 1994. Current outstanding exposure for China, as of February 28, is \$2.0 billion, at least some of which might be at risk (e.g., USG guarantees activated by a PRC refusal to make payments to a US exporter).
- There are an additional 20 commitments which have received preliminary approval or are under Exim consideration, with an export value totalling approximately an additional \$2.0 billion. These include support for major export opportunities such as: telecommunications, energy, commercial aircraft, transportation, petrochemicals, and manufacturing. These also could be blocked by a formal "national interest" determination by the Secretary of State.

EO 13526 1.4c

3. Impose Economic Sanctions and/or Restrict Exports Under Section 6 of the Export Administration Act (EAA)

- Section 6 of the EAA provides for unilateral export controls to be imposed for foreign policy (including human rights) purposes. The imposition of new foreign policy controls by Executive action requires satisfaction of a number of procedural and substantive requirements. (Note: the EAA is currently up for legislative extension and revision).
- Section 6 sanctions can be product-specific (e.g., riot-control or other police equipment which could be used repressively) or fully country-based, depending upon how the scope of the sanctions relates to the foreign policy objective being pursued.
- Controls for human rights purposes are already imposed on crime control exports and certain other categories of exports, as required by post-Tiananmen legislation.
- Unilateral restrictions are likely to have limited economic impact on China; alternative suppliers are available.

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- Exports to China could also be controlled under the International Emergency Economic Powers Act, if the President were able to declare a "national emergency" based on an "unusual and extraordinary threat . . . to the national security, foreign policy or economy of the United States." We have not previously addressed the question of whether the human rights situation in China would meet this standard.

- 4. Oppose International Financial Institution Loans or Assistance to China
 - U.S. leverage would only be symbolic, since we lack veto power in either the World Bank (IBRD) or the Asia Development Bank (ADB). To block loans, we would have to organize a multilateral effort.
 - USG already abstains in voting on IBRD/ADB credits for China except in the case of basic human needs. Other key IFI donors have strongly resisted linking loan approval for China to human rights conditions.

- 5. Terminate or Oppose All Forms of Direct Assistance, Excluding that for Basic Human Needs or Democracy Promotion Assistance
 - Direct assistance is primarily through the counternarcotics program. USG provides limited training to China and seeks to obtain/exchange drug intelligence. While it would be possible to suspend this activity, its continuance directly benefits the U.S. through seizures and interdiction, and indirectly sustains China's increased counternarcotics activity, domestically and regionally.
 - The USG has no direct AID programs in China and we do very little democracy promotion in China (what we do is primarily through USIA programs). A primary goal of democracy programs is to promote human rights in China. Blocking future assistance would be of political and economic significance.
 - On humanitarian assistance, Congress voted to cut the 1992 International Development Agency (IDA, associated with the World Bank) contribution by 10% out of disapproval of Chinese policies. IDA responded by reducing spending across the board by 10%. Thus, our cut ended up hurting the poorest of the poor elsewhere as well as in China.

6. Terminate or Oppose Indirect Assistance (e.g., Assistance Funneled Through Multilateral Organizations or NGOs)

- The USG supplies very limited indirect assistance to support joint or cooperative programs, such as the Johns Hopkins SAIS-Nanjing Center for Graduate Education, for which we could cut off funding. These programs, however, generally support the opening of Chinese society to American contacts and values.

7. Do Not Extend Agricultural Credits

- There are currently no credits, but USDA is considering a \$100 million program (tentatively to be announced after June 4). USDA said, in March, that the "overall climate" between the two countries will be a factor in determining whether to go ahead with the credits.
- Agricultural credits benefit the U.S. by making our exports price competitive with those from other suppliers also being provided with credits by their governments (e.g., Canada, EU, Australia). China could purchase these commodities at competitive prices from these alternative suppliers.
- Suspending such credits could energize Congressional opposition to our China policy. However, in the area of international trade, such suspension could alleviate tensions with our trading partners (e.g. Australia).

8. Exclude China from the Export Enhancement Program (EEP)

- EEP assists U.S. agricultural exports by providing a subsidy to the exporter. It is intended to assist U.S. farmers and is not considered a benefit to the importing nation. China is eligible to import wheat, vegetable oil, barley and barley malt under the EEP, as well as dry milk and butterfat under the Dairy Export Incentive Program (DEIP). To date, the PRC has purchased only wheat.
- In the absence of EEP, China could obtain the same products at comparable prices from other suppliers. There might be a small benefit from EEP to China at the margin.
- To withdraw China's EEP allocations would render U.S. exporters uncompetitive in a large agricultural market. However, it could alleviate tensions with our trading partners (e.g. Australia).

9. Oppose Chinese GATT Accession

- The USG position, under a 1992 MOU with China, has been to "staunchly support" China's accession under an acceptable protocol of economic conditions (e.g. market access, intellectual property rights protection, etc.).
- GATT accession is by two-thirds vote; USG does not have a veto.
- China cares deeply about admission to GATT, in particular, as a founding member of the new World Trade Organization (January 1, 1995). USG opposition would be seen as a major move. Such an action would set a serious precedent of using GATT for political purposes.

Non-Economic Measures

1. Punitive Defense-Related Measures

A. **Suspend U.S. Military Cooperation**

- Halt consideration of any U.S. military cooperation (e.g. the proposal to bring a Chinese military scholar to the U.S., to post a U.S. military foreign affairs officer to a Chinese defense academy for language training).
- This would signal a reversal of U.S. policy from last fall to engage the Chinese in a full range of issues.

B. **End Joint Commission on Defense Conversion**

- This Commission was established last October, by then Deputy Defense Secretary Perry, who has retained chairmanship as Defense Secretary. There was one Chinese delegation visit this January.
- This would be viewed as a serious step back by the Chinese who are eager to maintain this high level of contact on military issues.

B. **Withdraw U.S. Defense Attache Or Other DAO Personnel**

- Reducing U.S. military staff in Beijing could harm USG policy of engaging the Chinese on the full range of issues. The Chinese would view such moves harshly.

C. **Restrict or Expel Chinese Military Personnel**

- Forcing the Chinese to reduce the military staff at their embassy in Washington would be seen as a

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reversal of the present policy of engaging the Chinese on the full range of issues of interest to the U.S.. The Chinese would view such moves harshly.

2. Miscellaneous Punitive Measures

A. Selectively Reduce Embassy Staff

- To show displeasure at Chinese inaction on human rights issues, staff at US Embassy Beijing could be formally reduced and/or the ambassador could be formally recalled.
- Reduction of staff or recall of ambassador could harm USG policy of engaging the Chinese on the full range of issues. Chinese would view such moves harshly.

B. Revoke Or Deny Visas to Chinese Government Officials

- Under Sec. 212 (a)(3)(C) of the Immigration and Nationality Act (INA), an alien may be excluded from entering the U.S. if the Secretary of State has "reasonable grounds" to believe that the alien's entry would have "potentially serious adverse foreign policy consequences"
- Under Sec. 212 (f) of the INA, the President may exclude from entry, or impose restrictions on, any aliens or class of aliens trying to come into the U.S., by proclamation, if he finds that such entry would be "detrimental to the interests of the United States." (Such a proclamation was recently issued restricting the entry of Nigerian government officials.)
- The objective of denying entry visas to Chinese officials would be to signify U.S. disapproval of actions to deny human rights improvements. Strict application of any exclusion, while difficult to attain, would be necessary to avoid sending the Chinese mixed signals.
- Chinese retaliation could be expected. Exclusion actions would signal a reversal of the present policy of full engagement.

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DEPARTMENT OF STATE
April 8, 1994

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Draft Notional Human Rights Instruments For China

1. Diplomatic Measures

A. Institutionalizing Official Human Rights Dialogue

- Maintain the dialogue with the Chinese on the full range of human rights objectives. The level, frequency and comprehensiveness of such a dialogue can be varied in relation to or in response to actions by the Chinese.
- The U.S. human rights message should be presented to the Chinese in as many forms as possible, including demarches, official and private visits, public statements and press guidance.
- The human rights dialogue (and the U.S. message) will be most effectively communicated if it takes place across the full range of U.S.-China contacts, including military, trade, economic, customs, counternarcotics, etc.

B. Engaging the U.S. Business Community

- Elicit support for the USG's human rights policy from U.S. businesses and business organizations active in China (e.g. the American Chamber of Commerce). Encourage the businesses and organizations to include human rights in their discussions with the Chinese.

C. Principles of Corporate Responsibility

- The President could appoint a public-private commission to draft voluntary "Principles of Corporate Responsibility" for American businesses in China.
- These principles would focus primarily on worker rights and the appropriate social, cultural and civic roles for American businesses.
- The American business community has adamantly opposed any mandatory "code of conduct" and may also oppose a voluntary set of principles; but some compromise with the business community may be possible.

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- To be truly effective (and lessen any competitive impact), the USG would have to encourage our G-7/OECD counterparts to adopt similar principles.

D. Increase Contacts With Chinese NGOs and Individuals

- Increase meetings with individuals or groups of Chinese, including dissidents, academics, lawyers and nongovernmental organizations.
- As the USG does in all other countries, embassy and visiting officials should continue to seek out and meet with private Chinese citizens and groups in order to gauge public opinion and maintain contact with individuals important to our human rights policy.
- Such contacts carry the risk of Chinese government retaliation against the Chinese interlocutors.

2. Programmatic Measures

A. Targeted Legal Reform Programs

- Both the medium- and long-term goals of a USG human rights strategy for China should be to help the Chinese establish the rule of law in their society. A Chinese society based on law, where there is separation between the party and the government and where an independent legal system can hold the government accountable for their actions, will better observe universal standards of human rights.
- At present, there are no official, USG-funded rule of law programs. We do not have an AID program in China. The only U.S. activity in this area has been through some USIA-funded exchange programs (primarily in support of NGO programs).
- The Chinese government is in the initial stages of a legal reform, and has expressed interest in outside "technical assistance". The USG should take advantage of this interest to provide assistance that is targeted at specific human rights concerns (e.g. application of the Administrative Procedure Act; abolition of administrative detention; increasing lawyers' roles in criminal process).

- U.S. NGOs, most notably the Ford Foundation and The Asia Foundation, have run legal reform programs in China for many years. These programs have focused on legal education, judicial training and legislative drafting. The International Republican Institute, the National Democratic Institute and the American Bar Association have begun or are exploring similar rule of law programs. The USG should encourage the continuation of these programs and insure that they complement our human rights policy.

B. USIA Programs

- Expand the use of USIA's exchange and international visitor programs, Worldnets, Fulbrights and book program, focusing on human rights and democratization.
- Presently, USIA funds a full range of programs in China. However, many are not specifically focussed on human rights issues.

C. Proposed U.S.-China Human Rights Commission

- Proposals have been floated to set up an official or unofficial human rights commission consisting of lawyers, scholars and/or government officials. The commission would address human rights issues, moving them out of direct, bilateral relations.
- In a recent meeting with Cong. Jim McDermott, Shanghai Vice Mayor Xu Kuangdi floated the idea of an unofficial human rights commission made up of lawyers and scholars that could be expanded to include government officials, at the ministerial level, in the future.
- The creation of such a commission could present major problems, however, by moving human rights issue out of official channels and therefore out of the forefront of U.S. policy.

3. Joint Approaches and Regional Initiatives

A. Hong Kong

- Work to strengthen human rights protection and democratic institutions prior to 1997. Explore British support for such efforts.

B. APEC and ASEAN

- Attempt to include human rights concerns in the APEC and/or ASEAN agendas, following approaches taken by CSCE in Eastern Europe, OAS in Latin America.

4. Multilateral Measures

A. UN Resolutions

- Continue to pursue support for resolutions on Chinese human rights at the UN Commission on Human Rights.

B. UN Special Rapporteurs

- Explore the possibility of using existing UN special rapporteurs on torture, religious freedom, women, etc. to keep pressure on the Chinese.

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2016-0557-M (1,14)

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INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: ANTHONY LAKE

SUBJECT: Your Decision to Renew MFN for China with
Conditions

Tomorrow you will sign an Executive Order renewing China's MFN status with conditions that must be met twelve months from now. You can be confident of this decision. It ensures an Executive-led China policy and maximum flexibility to respond to developments in China over the next year. Congress is reassured that, unlike the previous administration, you will reflect their concerns in your dealings with China.

The Chinese made a few, eleventh-hour concessions in a last-minute attempt to forestall conditionality. Yesterday they released prominent dissident Xu Wenli, three years ahead of his fifteen-year sentence for activities during the Democracy Wall movement of 1978-81. This brings the total number of prisoner releases since you took office to ten. China also responded May 25 to specific initiatives outlined by Assistant Secretary Lord during his May 10-11 mission to Beijing, agreeing to: (1) a July visit by the Assistant Secretary for Humanitarian Affairs for a bilateral dialogue on human rights; (2) consultations with the U.S. on a comprehensive nuclear test ban and on nonproliferation in general; (3) a visit by U.S. experts to brief on the revised MTCR guidelines; and (4) discussion of bilateral and multilateral cooperation on environmental issues.

On trade, China made important concessions during the May 24-28 meeting of its GATT Working Party in Geneva. In bilaterals the Chinese told us they were prepared to accept special safeguards against trade disruption, a key condition we and the EC have long sought. For the first time in months they did not insist on Less Developed Country status, which would afford access to favorable, low-income country treatment. Perhaps the biggest news was their announced plans to unify their exchange rate and move to a convertible currency within five years. The positive effect this will have on trade with and investment in China cannot be overestimated. U.S. companies cite the absence of a unified rate and rationing of foreign exchange as a key barrier to free trade.

When we brief the Chinese Ambassador about your decision tomorrow, we will indicate we considered the steps China took over the past few months to address our concerns and that these made the difference between our being able to sustain support for executive rather than legislative conditions. Though progress was not sufficient to obviate the need for conditionality, it was

not inconsequential either and has laid a basis for seeking improved U.S.-China relations.

The Chinese have a long way to go before they meet the standards we set in our diplomatic initiatives and in the Executive Order, especially on human rights. They stepped back from consideration of ICRC inspections of prisons, stating this would be "difficult" under Chinese law. They eschewed forming bilateral working groups on human rights and nonproliferation, and seem unwilling to accept revised MTCR guidelines or provide meaningful answers to our questions on the suspected M-11 transfer to Pakistan.

These are among the issues we shall pursue after your MFN announcement, building on the measures China recently agreed to take. Our next move will be to map out an action agenda to implement the objectives we set on human rights in the Executive Order and our goals on trade and nonproliferation. This agenda will include upcoming issues in the UN Security Council such as the North Korea nuclear problem, and potentially Cambodia.

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
003. memo	Anthony Lake and Robert Rubin to President William J. Clinton re: China MFN. Released in Part, Per E.O. 13526 (5 pages)	05/21/1993	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Press (Philip J. (PJ) Crowley)
OA/Box Number: 3103

FOLDER TITLE:

China [2]

2011-0516-S
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May 21, 1993

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2016-0557-M (1.15)
6/1/2023 VZ

MEMORANDUM FOR THE PRESIDENT

FROM: ANTHONY LAKE
ROBERT RUBIN

SUBJECT: China MFN

As you know, you are required by June 3 to determine whether to continue to grant Most-favored-nation (MFN) trading status for China. This memo provides background on the decision and presents you with an approach preferred by all agencies.

I. Context

A. Relations with China: Since January 20, we have indicated to China repeatedly that MFN renewal would turn on China's improvement in the key areas of human rights, non-proliferation and trade. U.S. concerns were communicated by Secretary Christopher in early March, by Ambassador Roy in Beijing in mid-March and, most recently, by Assistant Secretary Lord during an April 17 trip to Beijing. In each case, the U.S. presented a core list of U.S. demands (e.g., release of political prisoners, Chinese adherence to the Missile Technology Control Regime (MTCR), implementation of U.S.-China agreement on intellectual property). The core list of concerns is included at Tab I.

To date, China's response has been modest. It has taken some positive steps (e.g., it released eight leading religious and political prisoners and signed the Chemical Weapons Convention (CWC)). But these steps fall short of the kind of significant, visible progress that meets the standards you set out in the campaign or fundamentally alters the context of your MFN decision. (An analysis of China's progress in the three areas is contained at Tab II.) In light of this, we recommend, and all involved agencies agree, that the 1994 extension of China's MFN should be made subject to conditions aimed at promoting tangible action by China in key areas of concern.

At the same time, as you noted during the campaign, pushing China to improve its human rights, non-proliferation and trade performance must be balanced with the adverse consequences of isolating China in a way that cuts against political reform or unduly damages U.S. interests. China quickly is becoming one of the world's largest markets. If its reforms continue at their

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current pace, China could grow at a roughly 9% annual rate in the coming years, doubling the size of its economy by the year 2000 to become the third largest in the world behind the U.S. and Japan. Its overall imports and exports could grow from current levels of \$165 billion to \$400 billion by the end of the decade. Chinese cooperation also is important in the UNSC and on issues such as the North Korea nuclear program. The challenge is to fashion an MFN policy that presses China to make real progress, while recognizing its strategic and economic importance.

B. Congress: Our sense is that Congress is willing to follow your leadership in a balanced strategy. Senator Mitchell and Congresswoman Pelosi, who lead the Senate and House efforts, respectively, privately have indicated a willingness to accept executive versus legislative conditions, and to accept more moderate conditions than those contained in past Mitchell/Pelosi legislation. We will need to consult Mitchell and Pelosi on the specifics of this proposal before finalizing it, and may have to make some changes (indicated below) based on their comments.

Other leaders in Congress (e.g., Rostenkowski, Hamilton) argue for no conditions. Hamilton has circulated a "Dear Colleague" letter urging no conditions which, according to Congressman McDermott (D-Washington), will have about 70 signatures by next week.

A large segment of the Congress is looking to you for leadership: they voted for MFN conditionality under Bush - and want to send a tough message to China -- but prefer to use MFN as leverage rather than to revoke it.

We believe there is the opportunity to unite a wide spectrum of Democratic factions, enunciating a balanced policy and overcoming the President's annual China MFN confrontation with Congress that characterized the Bush years.

C. Other Constituencies: In recent years, the business community has argued that MFN revocation would threaten the \$7.5 billion in annual U.S. merchandise exports to China and the estimated 170,000 jobs associated with that, damage Hong Kong (through which approximately 70% of China trade travels) and penalize the booming areas of South China that have been the greatest advocates for liberalization within China. On the other side, Chinese student and human rights groups are convinced that strong MFN conditions are the only lever capable of moving China to make progress in the area of human rights. They believe the U.S. market is too lucrative for China to forego and the risk of losing it will move the Chinese government to improve its human rights record. The approach outlined below probably will not completely satisfy either constituency; they may view it as an acceptable compromise.

II. Recommended Approach

The approach recommended (as agreed by State, DoD, Treasury, JCS, USTR and DoC) envisions that you issue an executive order

extending MFN this year, but conditioning next year's extension on Chinese progress in key areas of human rights. The executive order recommended is contained at Tab III.

A. Elements of Approach: The elements are as follows:

1. Executive Order: Pursuing conditions by executive order not only increases your flexibility but also takes this out of a legislative arena that tends to heighten differences between Congress and the White House and presents China with a divided U.S government they can exploit.

2. Human Rights versus Proliferation/Trade: Denial of MFN under the executive order would apply only to China's failure to make sufficient progress in the human rights area. In the areas of proliferation and trade, other strong remedies are available that provide for tough sanctions (e.g., Section 301 for trade, Helms amendment and export licensing for proliferation); these were used very sparingly by the Bush Administration. MFN denial always has been a blunt instrument; this approach envisions that you will vigorously address the non-proliferation and trade problems with China through the more targeted sanctions that are available in these areas. The executive order [Section 2, Tab III] directs your administration to pursue all statutory and executive authority to address trade and non-proliferation concerns. Mitchell and Pelosi would support this approach; we believe others concerned with proliferation and/or trade concerns (e.g., Biden) also will if they are convinced that you are serious about pursuing other remedies as appropriate, but Congressional consultations with key proponents are necessary.

3. Specificity of Human Rights Conditions: The executive order generally adopts the human rights conditions [Section 1, Tab III] Mitchell and Pelosi have indicated would be acceptable to them. (The Mitchell/Pelosi letter is attached at Tab IV). We have made some of their language more general where specific actions they call are unlikely to be achievable. Our sense is that Mitchell probably would accept the somewhat more general language. Pelosi may not. We need to consult with both of them and consider their proposed changes. On balance, we think the package will present you as being tough, but responsible; as determined to achieve tangible results.

4. Significant Progress: The executive order does not require that China fulfill each of the conditions, but only that it make "overall, significant progress" on all of them [Section 1, Tab III]. This is another area for discussion with Mitchell and Pelosi.

5. Promotion of Objectives: MFN conditionality legislation proposed in recent years has provided that the President shall deny MFN if the enumerated conditions are

not met. The approach was punitive and focused only on past failures. But sanctions make most sense if you conclude they would be effective in influencing future Chinese behavior. The proposed executive order therefore states [Section 1, Tab III] that you should also consider in making your determination next June whether extension of MFN will substantially promote the objectives of the executive order" (i.e. human rights). This language is taken from the current Jackson-Vanik statute which imposes one condition on MFN for non-market economies -- free emigration. This may not be acceptable to Pelosi, who might see it as too wide an "escape clause." However, it provides you with a somewhat broader judgment to make next June -- not only China's progress on human rights to date but also what action will best advance future human rights progress.

B. Variations: We think the approach in the proposed executive order strikes a responsible balance that can satisfy competing Congressional concerns. This approach, however, could be altered to make the human rights conditions either more or less stringent. Somewhat more specific conditions (such as those in the Mitchell/Pelosi letter [Tab IV]) would appeal to human rights/MFN leaders in Congress, but would restrict your flexibility next year. Softer conditions would risk alienating these Congressional leaders (particularly after your campaign statements) but would give you more flexibility next year - and in subsequent years when China MFN probably still will be an issue.

III. M-11 Transfers

Your China MFN decision arises in the context of another troubling development: the possible transfer by China of M-11 missiles or related equipment to Pakistan. [redacted] EO 13526 1.4c

[redacted] EO 13526 1.4c the evidence for delivery of missiles and launchers is strong. Testimony to this effect already has been given privately to the Senate Intelligence and Foreign Relation Committees on the Hill. [redacted] 1.4(c)

[redacted] EO 13526 1.4c

Depending upon the items, transfer to Pakistan could violate China's 1992 commitment to abide by the Missile Technology Control Regime (MTCR) guidelines. There is strong and growing (although not yet conclusive) evidence that the transfer did occur. [redacted] EO 13526 1.4c based primarily on strong circumstantial evidence [redacted] EO 13526 1.4c but there has been no sighting of the equipment on the ground in Pakistan, which is normally required before sanctions under U.S. law have been imposed. In addition, it has not yet been determined that the items are intended for MTCR-class missile programs, which also is required for a violation. The State Department currently has an investigation underway, pursuant to statute.

A formal finding of violation would be significant, because it would subject China to severe retaliation. U.S. law (the

Helms amendment) provides sanctions which could prohibit as much as \$2-3 billion in potential U.S. exports to China annually over the next two years. If China is found to have violated the MTCR, strong U.S. action would be appropriate, and your China MFN decision should be made in the context of this evolving, parallel development. We are examining ways to give you flexibility to retaliate in ways that minimize harm to U.S. economic interests.

At the time of your MFN announcement, we recommend that you announce that an investigation of these sales has been launched to determine whether the law has been violated. This would reinforce the point implicit in your China MFN announcement that there are other sanctions that can address proliferation/trade concerns.

IV. Process

If you agree with the proposed approach, we would begin immediate consultations with Mitchell and Pelosi, particularly on the conditions and the standards contained in the executive order. (Biden should also be consulted initially, because of his strong proliferation concerns.) Once their approval is secured, we would move quickly to consult with other key Democratic leaders: Rostenkowski, Hamilton, Gibbons, Foley, Gephardt, Moynihan and Baucus. Key Republicans also will be consulted: Michel, Dole, Packwood and Danforth. They have blocked conditionality in the past, but Republican ranks have been divided.

If the Congressional consultations are successful, we recommend you announce your China MFN policy next week, flanked by Congressional supporters who had previously been on both sides of this issue. This would demonstrate that we now have a unified American policy toward China, not competing Congressional and Executive policies as has been the case since 1989.

One note on timing: we recommend you make this announcement before Congress leaves for Memorial Day recess next Thursday. Therefore, it is important to get a decision by early Monday, so we can consult with Congress, come back to you if necessary with proposed changes and schedule an announcement.

RECOMMENDATION

That you approve Congressional consultations, as described above, along the lines of the executive order at Tab III.

Approve _____ Disapprove _____

Withdrawal/Redaction Sheet

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001a-report	MFN Trade Status (3 pages)	ea-1993	P1/b(1) VZ 9/21/2023
001b-report	China Human Rights (1 page)	ea-1993	P1/b(1) VZ 9/21/2023
001e-report	China's Emigration (1 page)	ea-1993	P1/b(1) VZ 9/21/2023
001d-report	Renewal of China's MFN Status (2 pages)	ea-1993	P1/b(1) VZ 9/21/2023
001e-report	Economic Effects (1 page)	ea-1993	P1/b(1) VZ 9/21/2023
001f-report	Trade (1 page)	ea-1993	P1/b(1) VZ 9/21/2023
001g-report	China's War on Drugs (1 page)	ea-1993	P1/b(1) VZ 9/21/2023
001h-report	Arms Proliferation (1 page)	ea-1993	P1/b(1) VZ 9/21/2023

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

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- 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]

MFN TRADE STATUS: WHO HAS IT AND WHY

Who Gets MFN?

- o Most of our trading partners receive most-favored-nation (MFN) treatment automatically under U.S. trade law or through accession to the General Agreement on Tariffs and Trade (GATT). Article I of the GATT obliges all GATT members to accord unconditional MFN status to all other members, of which there now are 102.
- o The Trade Act of 1974 denies MFN to any "nonmarket economy" country which the President determines denies or seriously restricts its citizens' right to emigrate. (Poland and Yugoslavia are specifically exempted.) A country subject to this provision may gain MFN status only by fulfilling two conditions:
 - 1) Compliance with the freedom-of-emigration provisions, or waiver thereof (Jackson-Vanik Amendment), and
 - 2) Conclusion of a bilateral commercial agreement with the U.S. providing reciprocal nondiscriminatory treatment.
- o The Jackson-Vanik Amendment to the Trade Act of 1974 allows a nonmarket economy country to receive MFN only if the President determines that it permits free and unrestricted emigration of its citizens. Alternatively, the President may waive the requirements for full compliance if he determines that a waiver will substantially promote the objectives of the freedom of emigration provisions. The President must renew annually the waiver authority for each country, including China.
- o The following communist or formerly communist countries now have MFN:
 - Bulgaria: The President executed a Jackson-Vanik waiver on January 23, 1991, renewed it on June 3, and Bulgaria received MFN trade status on November 22, 1991.
 - China: MFN was accorded February 1, 1980, and has been renewed annually.
 - Czechoslovakia: The President issued a Jackson-Vanik waiver in January 1990, and Czechoslovakia received MFN status on November 16, 1990.
 - Hungary: Hungary was required to have an annual Jackson-Vanik waiver from 1978, when a trade agreement entered into force, until 1990, when it was found to be in full compliance with the conditions of Jackson-Vanik.

MFN TRADE STATUS: WHO HAS IT AND WHY

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Mongolia: The President executed Jackson-Vanik waivers on January 23 and June 3, 1991, and Mongolia received MFN status on November 27, 1991.

Poland: Poland currently benefits from unconditional MFN and is specifically exempted from the Jackson-Vanik Amendment. MFN was temporarily withdrawn in 1982 following the declaration of martial law and crackdown on the Solidarity movement. MFN was restored in 1987.

Yugoslavia: Yugoslavia also is not covered by the Jackson-Vanik Amendment and enjoys unconditional MFN treatment.

Armenia: Armenia is the only former Soviet republic with which we have signed a trade agreement and extended MFN treatment.

Who Doesn't Get MFN?

- o Former Soviet Republics: The United States has signed trade agreements with Russia, Ukraine, Kazakhstan, and Kyrgyzstan; however, unlike Armenia, these states have not yet completed internal ratification procedures. Trade agreements with other former Soviet republics have not been signed.
- o The following countries previously had MFN but have lost it:
 - Afghanistan: MFN status for Afghanistan was suspended by Presidential proclamation effective February 14, 1986.
 - Romania: A trade agreement with Romania is in force but its MFN provisions, originally extended August 3, 1975, have been mutually suspended since 1988.
- o Other communist countries which do not receive MFN status include Albania, Cambodia, Cuba, Laos, North Korea, and Vietnam.

MFN for China

- o The reciprocal granting of MFN was an immediate and fundamental consequence of the normalization of U.S.-China relations in 1979-1980. At that time, China met the requirements of the Jackson-Vanik amendment with regard to the negotiation of an acceptable trade agreement and a commitment on freedom of emigration. China has satisfied the explicit Jackson-Vanik requirement on emigration every year since the initial granting of MFN in 1980.

MFN TRADE STATUS: WHO HAS IT AND WHY

- 3 -

- o Over the past several years, both the Administration and Congress have considered factors other than freedom of emigration, including more general human rights performance, in deciding whether to renew MFN. Broader interests also justify continuing MFN. It has served to promote positive internal change in China through trade and enabled the U.S. to engage China on issues of vital concern, such as human rights, nonproliferation and trade.

- o The situation with any country that has MFN, such as China, is fundamentally different from that with other countries, such as Cuba, which do not have MFN trade status. MFN is already in place and is playing an important role in the relationship. Withdrawal of MFN would, therefore, result in losing gains already made -- in influencing reform, carrying out a dialogue on issues of concern, and continuing trade and investment. Economic losses from MFN withdrawal would be most visible, as U.S. exporters would lose sales to our competitors and U.S. consumers would pay higher costs for Chinese-made products. But other losses to U.S. interests would ensue, including diminution of our ability to promote key U.S. policy objectives.

CHINA HUMAN RIGHTS

- o Our human rights dialogue has made slow but discernible progress since Assistant Secretary Schifter visited Beijing in December 1990. At that time, the Chinese were unwilling to provide information on prisoners, arguing that human rights were an internal affair.
 - Subsequently, we provided the Chinese in June 1991 a list of more than 800 prisoners of human rights interest and asked them for information.
 - Secretary Baker during his November 1991 visit to Beijing devoted more than half his talks to human rights. He received a name-by-name response to the list, divided into categories of imprisoned, released, not suspected, not accused, and not identified.
 - This information, though incomplete, has been useful, and has been shared with Congress and human rights organizations. We have asked the Chinese for additional information.
 - The Chinese maintain they have completed action on all Tiananmen-era dissidents with the announcement earlier this year of releases and relatively-lenient sentences on 21 cases. However, trials of prominent Zhao Ziyang associates Bao Tong and Gao Shan, and perhaps others, may still be pending.

- o We have pressed the Chinese to permit relatives of dissidents to leave China. Prominent spouses were allowed to depart in summer 1991. Some activists, including journalist Dai Qing, scholar Li Zehou, and labor organizer Han Dongfang have received exit permits or been assured of their issuance; others' travel remains blocked.
 - The Secretary was told in Beijing that all those who did not have criminal proceedings against them would be allowed to leave after completing the usual formalities. We intend to ensure that this assurance is adhered to.

- o The President told Premier Li Peng January 31 that China's human rights record was insufficient. We use every senior bilateral meeting to remind the Chinese that human rights is the cornerstone of our foreign policy and that China must release those imprisoned for peaceful expression of their political and religious beliefs.

CHINA'S EMIGRATION AND FOREIGN TRAVEL POLICIES

Emigration

- China's relatively free emigration policies have continued. In FY 1991, 18,051 U.S. immigrant visas were issued in the PRC, a 7.8 percent increase over 1990. The U.S. numerical limitation was fully met. Early figures indicate that the Immigration Act of 1990 will lead to an additional 15-20 percent increase in immigrant visas issued in China this fiscal year.
- The main limit on emigration is the willingness of other nations to absorb Chinese immigrants, not Chinese policy.

Foreign Travel Policies

- U.S. diplomatic posts in China issued 77,615 nonimmigrant visas for travel to the U.S. in FY 1991, a 28 percent increase over the previous year. Also, 39,465 visas were issued worldwide to students and tourists from the PRC, up 17 percent from 1990 and 114 percent from FY 1988.
- We are not aware of any Chinese living in the U.S. who returned to visit China after June 1989 and was prevented from leaving again.
- Foreign business travel sponsored by the Chinese Government rebounded sharply in FY 1991, reflecting an easing of economic austerity imposed in 1988. The number of officially sponsored students again declined slightly in the face of concern about delays in the return of officially sponsored scholars.

Travel Restrictions

- In February 1990, China began to require recent college graduates and fourth-year undergraduates to work for five years before applying for overseas study.
- This has probably forced some students to defer overseas study plans. However, its real impact is unclear since student visa applications continue to increase.
- We are aware of a small number of individuals who have had difficulty in obtaining permission to travel abroad, apparently because of the political activities of their relatives in the U.S. Chinese authorities have indicated a willingness to address this issue and several prominent dissidents or their relatives have been permitted to leave.

RENEWAL OF CHINA'S MFN STATUS

- o Shared Goals on China. Both the Administration and Congress seek greater Chinese respect for human rights, commitment to nonproliferation and fair trade, and a continuation of reform. At question is how to achieve these goals. The President is pursuing a policy that has the best chance of changing Chinese behavior.
- o China Benefits from Contact -- Not Isolation. The most brutal period of communist rule occurred when China was isolated. The "great leap forward" and the "cultural revolution" left a legacy of grinding poverty, starvation and millions of unnecessary deaths. MFN helped China's reforms open China to progressive change and improved living standards for hundreds of millions of Chinese.
- o MFN Promotes Reform. Foreign trade supports economic forces that have been driving reform and encouraging less state control and more personal freedom. Withdrawing MFN would have the greatest detrimental impact on the most market-oriented provinces of China.
 - Chinese who depend on commercial relationships to justify business, social and academic contacts with the U.S. would be grievously hurt. MFN withdrawal would quash such interchange.
- o Need to Use Appropriate Tools. Withdrawing MFN is the wrong tool for pursuing our interests. It doesn't discriminate in its impact. U.S. interests in China and Hong Kong, as well as our domestic economy, will be hurt. U.S. objectives are best served by targeting specific issues and using appropriate tools -- not taking the bludgeon approach of MFN withdrawal.
 - In an effort to promote human rights observance, we have maintained our post-Tiananmen sanctions (weapons sales, munitions list licenses, OPIC and TDP) even when other countries relaxed theirs.
 - Our policy of engagement contributed to China's decision to accede to the Nuclear Non-Proliferation Treaty on March 9, 1992. China also agreed to adhere to MTCR guidelines and parameters on exports of missiles and related technology.
- o The President used his legislative authority to initiate two section 301 investigations to deal with specific trade problems.
 - China signed an agreement on January 17, 1992 that will substantially increase protection of U.S. intellectual property in China. This agreement has the wholehearted support of U.S. industry.

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RENEWAL OF CHINA'S MFN STATUS

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- China has been constructive in our talks to reduce barriers to market access. The deadline for concluding this investigation is October 1992.
- o A Trade War Will Hurt U.S. Business and Consumers. Raising tariffs on Chinese products could provoke trade retaliation. Over \$6 billion in exports of U.S. grain, aircraft, computers, fertilizer, chemicals and machinery will be put at risk -- and so will thousands of American jobs.
 - No other country is withdrawing MFN. U.S. business would be forced to cede its market share to competitors from Japan and Europe. Without MFN, U.S. consumers will also pay sharply higher prices for Chinese-made products. MFN denial would also hurt Hong Kong and our \$7 billion investment there.
 - Hundreds of U.S. companies rely on Chinese components for products they manufacture. Thousands of U.S. jobs will be lost if these components cease to be priced competitively because of a loss of MFN.
 - Chinese retaliation would put at risk virtually all of \$6 billion of U.S. exports, which accounts for 120,000 U.S. jobs.

ECONOMIC EFFECTS ON U.S. OF CHINA MFN WITHDRAWAL

U.S. Business Would Be Hurt

- If MFN is withdrawn, Chinese trade retaliation is certain, including reciprocal loss of MFN status for U.S. exports and possibly other market access restrictions.
- Since no other country would withdraw China's MFN status, U.S. companies would be put at a competitive disadvantage. Losses could include U.S. exports to China of:
 - Aircraft/Aerospace Equipment \$1,083 million in 1991
 - Computers & Electric Products \$1,058 million
 - Fertilizer \$982 million
 - Wheat \$363 million
 - Cotton \$327 million
 - Prof. & Sci. Instruments \$318 million
 - Chemicals \$306 million
- Nearly 1,000 U.S. joint ventures in China with over \$4 billion invested would pay higher duties on U.S.-made components. Their exports to the U.S. would be subject to higher non-MFN U.S. duties.

Consumers Would Suffer

- U.S. consumers and retailers would have to pay sharply higher non-MFN duty rates on imports from China.

	<u>MFN Duty (%)</u>	<u>Non-MFN Duty (%)</u>
Footwear	6.0	35.0
Sweaters	6.0	60.0
Stuffed Toys	6.8	70.0

- Thousands of American jobs in manufacturing, transportation and sales would be lost if prices of Chinese components and merchandise were raised through loss of MFN treatment.

Other Tools Available

- We have ongoing discussions with the Chinese on key economic and trade issues.
- We have made progress in some areas and utilized existing legislation to take action where necessary.
- China has expressed a willingness to stay engaged to resolve our concerns. Withdrawing MFN would seriously weaken our negotiating position on these issues.

STATUS OF TRADE ACTIONS INVOLVING CHINA

Intellectual Property Rights

- o The President designated China for investigation of intellectual property violations in May 1991.
- o On January 17, 1992, China signed an agreement to significantly improve protection for U.S. intellectual property, avoiding retaliation against U.S. imports from China.

Market Access

- o In October 1991, the U.S. began a Section 301 investigation of Chinese restrictions that hinder access to the Chinese market by U.S. firms.
- o Negotiations are now in progress, with a firm deadline for resolution of October 1992.

Maritime Issues

- o The Federal Maritime Commission initiated an investigation of unfair practices restricting U.S. shipping companies in China.
- o China reached an accord with U.S. firms that satisfied FMC concerns and forestalls substantial penalties on Chinese shippers.

Textile Transshipments

- o The U.S. has levied a series of charges against China's textile quotas, totalling over \$100 million, because of illegal shipments.
- o Major ongoing investigations resulted in Grand Jury indictments announced May 6 for fraud in textile trade. Warrants were issued for arrests.
- o We are continuing to meet with China to try to resolve this problem, and are holding our next round of talks in May.

Additional Measures

- o China agreed to observe MTCR Guidelines during Secretary Baker's November trip to Beijing. As a consequence, we lifted the sanctions on computers, satellites and the two Chinese firms March 23, 1992.

CHINA'S WAR ON DRUGS

- o China has experienced a resurgence in narcotics addiction in the last ten years.
 - Opportunities for narcotics trafficking and addiction have increased as an unintended side effect of economic reform and reduced political controls.
 - China's long, permeable border with Burma has facilitated increased shipments of opium and heroin from the Golden Triangle. Record levels of Burmese opium production in recent years have added pressure.
 - Heroin abuse, mainly in southwestern border regions but also in municipal areas, is of growing concern, as is the growth of AIDS among the user population.
- o China has responded by vigorously increasing its domestic anti-narcotics efforts.
 - In 1990, the PRC created a National Narcotics Control Commission to coordinate drug suppression efforts.
 - Narcotics trafficking laws were strengthened in 1990. The laws are toughly enforced, with frequent and well-publicized executions.
 - Drug seizures are up dramatically. Over 1900 kgs of heroin and nearly 2000 kgs of opium were seized in 1991.
 - Public education campaigns and drug rehabilitation efforts have been significantly increased.
- o China signed a bilateral Memorandum of Understanding on anti-narcotics cooperation with the U.S. in 1987.
 - Bilateral training and liaison efforts are increasing.
 - Efforts to boost other cooperation have been hampered by legal delays in returning to the PRC a self-confessed drug smuggler loaned to the U.S. in 1989 as a witness. Chinese officials state that the case has damaged their perception of U.S. reliability as an anti-narcotics partner.
- o China has also strengthened its international efforts to combat drug trafficking. It has been an active participant in multilateral efforts to regulate drug precursor chemicals, and participates in the United Nations drug assistance plan.

CHINA MFN AND ARMS PROLIFERATION

MFN Decision Advances U.S. Interests

- o MFN status gives China an economic stake in cooperating on weapons of mass destruction (WMD) nonproliferation and conventional arms sales; it gives China an incentive to heed U.S. concerns.
- o Loss of MFN would both undercut U.S. influence and increase the value to Beijing of its hard currency earnings from military sales.

Missiles

- o Our intensive dialogue with Beijing on missile export policy has begun to pay off: China's commitment to adhere to the Missile Technology Control Regime (MTCR) Guidelines and parameters took effect March 23.
- o China has not exported MTCR-class missiles since its 1987 sale of CSS-2 medium-range missiles to Saudi Arabia.
- o Ensuring full Chinese MTCR compliance--including with respect to the transfer of dual-use technology--remains a high priority in our bilateral dialogue. We are seeking to accelerate the positive trend in Chinese behavior.

Nuclear

- o China on March 9 acceded to the Nuclear Non-Proliferation Treaty (NPT), the premier international agreement to prevent the spread of nuclear weapons.
- o In response to U.S.-led international pressure, China worked with Algiers and the IAEA to place Algeria's Ain Ousseri research reactor under safeguards.
- o In October, China voluntarily agreed to inform the IAEA of all exports of nuclear material.

Chemical Weapons

- o China is on record opposing chemical weapons (CW) proliferation. It is participating in the negotiation of a CW convention, and it has upgraded its CW export controls.

Conventional Arms

- o China has joined the other Perm Five countries in the Middle East Arms Control (ACME) process to introduce greater transparency and stability into global arms sales.
- o Beijing has recently established a new senior-level agency to control and license arms exports.

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