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H.R. 4590, UNITED STATES-CHINA ACT OF 1994

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H.R. 4590, United States-China Act...

HEARING
BEFORE THE
SUBCOMMITTEE ON TRADE
OF THE
COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES
ONE HUNDRED THIRD CONGRESS

SECOND SESSION

JULY 28, 1994

Serial 103-97

Printed for the use of the Committee on Ways and Means



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**H.R. 4590, THE UNITED STATES-CHINA ACT
OF 1994**

THURSDAY, JULY 28, 1994

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON TRADE,
Washington, D.C.

The subcommittee met, pursuant to call, at 1:08 p.m., in room 1100, Longworth House Office Building, Hon. Robert T. Matsui (chairman of the subcommittee) presiding.

The press release announcing the hearing follows:

FOR IMMEDIATE RELEASE
TUESDAY, JULY 26, 1994

SUBCOMMITTEE ON TRADE #33
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVE
1102 LONGWORTH HOUSE OFFICE BLDG.
WASHINGTON, D.C. 20515
TELEPHONE: (202) 225-3625

THE HONORABLE ROBERT T. MATSUI, ACTING CHAIRMAN,
SUBCOMMITTEE ON TRADE, COMMITTEE ON WAYS AND MEANS,
U.S. HOUSE OF REPRESENTATIVES, ANNOUNCES A PUBLIC HEARING
ON H.R. 4590, THE UNITED STATES-CHINA ACT OF 1994

The Honorable Robert T. Matsui, Acting Chairman, Subcommittee on Trade, Committee on Ways and Means, U.S. House of Representatives, announced today that the Subcommittee on Trade will hold a hearing on H.R. 4590, the "United States-China Act of 1994." The hearing will be held on Thursday, July 28, 1994, in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 1:00 p.m.

In announcing the hearing, Acting Chairman Matsui stated: "I am pleased that, despite our very heavy workload, the Subcommittee will have the opportunity to review publicly with Mrs. Pelosi, the Administration, and other invited witnesses the objectives of this proposed legislation and the possible consequences if it is enacted into law. United States policy towards China is a complicated area and it is important to have as much public debate as possible on this crucial subject."

While oral testimony will be heard from invited witnesses only, any individual or organization may submit a written statement for consideration by the Subcommittee and for inclusion in the printed record of the hearing.

BACKGROUND:

H.R. 4590 was introduced on June 16, 1994, by Mrs. Pelosi, Mr. Gephardt, Mr. Bonior, Mr. Rangel, Mr. Stark, Mr. Lewis of Georgia, Mr. Cardin, Mr. Bunning, et al, and was referred jointly to the Committee on Ways and Means and to the Committee on Rules. The bill provides that, notwithstanding the President's recommendation to extend most-favored-nation (MFN) treatment to all goods imported into the United States from China from July 1994 to July 1995, MFN treatment during this period would be denied to: (1) all products produced, manufactured, or exported by the People's Liberation Army (PLA) and Chinese defense industrial trading companies; and (2) certain products produced, manufactured, or exported by state-owned Chinese enterprises from specifically enumerated categories. In addition, the bill would require the Secretary of the Treasury to consult with and encourage American businesses having significant trade or investment interests in China to adopt a voluntary code of conduct

following internationally-recognized human-rights principles. This bill also would require the President to include in the report he sends to Congress next year, as part of his recommendation for an extension of China's MFN treatment from July 1995 to July 1996, an assessment of the extent to which China has made progress on conditions relating to human rights; the export of goods produced using convict, forced, or indentured labor; unfair trade practices; and weapons proliferation.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Persons submitting written comments for the printed record of the hearing should submit at least six (6) copies by the close of business on Thursday, August 4, 1994, to Janice Mays, Chief Counsel and Staff Director, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written comments for the record of the printed hearing wish to have their statements distributed to the press and the interested public, they may provide 100 additional copies for this purpose to the Subcommittee on Trade office, room 1136 Longworth House Office Building, before the hearing begins.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages.
2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.
3. Statements must contain the name and capacity of the person submitting the statement, as well as any clients or persons, or any organization for whom the statement is submitted.
4. A supplemental sheet must accompany each statement listing the name, full address, and a telephone number where the designated representative may be reached. This supplemental sheet will not be included in the printed record.

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

* * * * *

Acting Chairman MATSUI. This hearing will come to order. Today's hearing will focus on H.R. 4590, Congresswoman Pelosi's United States-China Act of 1994. I would first of all, like to thank the Members in attendance. We will have other members arriving shortly. I would also like to say to the audience that we appreciate your participation here.

I would like to make a few comments before we go to our witnesses. We are going to limit the witnesses on the third and fourth panels to 5 minutes each, but the members and administration representatives who will testify may testify fully.

We must conclude today by approximately 4:15 because the full Committee on Ways and Means intends to mark up H.R. 4590 immediately following the hearing today.

I would like to ask members if any of them have any opening statements they would like to make.

Mr. Coyne.

Mr. Kopetski.

Mr. KOPETSKI. Thank you, Mr. Chairman. I do have a statement that I will just enter into the record, but let the record show that I clearly oppose the legislation.

Acting Chairman MATSUI. Yes. Thank you, that statement will be included in the record, Mr. Kopetski.

OPENING STATEMENT OF HON. MIKE KOPETSKI

Mr. Chairman, I wish I could enthusiastically thank you for conducting today's hearing. I can't. Instead of completing important Ways and Means Committee work on GATT, health care, Superfund financing or even welfare reform; today, we are obliged to protect committee jurisdiction and conduct this hearing on conditioning most favored nation status for China.

Like every Member of Congress, I have the greatest respect for Congresswoman Nancy Pelosi and her tireless efforts to promote human rights improvements in China.

However, I oppose vigorously H.R. 4590, the newest version of legislation to condition China's trade status. Conditioning or denying MFN has been called the nuclear bomb of trade relations. I agree with this contention. And make no mistake, the fallout from this nuclear trade bomb will hurt the Chinese citizens, particularly those in the prosperous south where the entrepreneurial spirit grows daily, and here in America. Thousands of American families will pay a heavy price—high-paying jobs in aerospace, agriculture, and other high-tech industries—for the promise of human rights improvements in China. No one, including the proponents of H.R. 4590, can guarantee this legislation will have the desired human rights effect in China. In fact, many argue this course of action will worsen the plight of human rights in China. Nicholas Kristoff, the former New York Times bureau chief in Beijing recently wrote, " * * * with a struggle underway to succeed Deng Xiaoping, China's 89-year-old ruler, a confrontation between China and the United States could tip the balance to the hard-liners whose campaign platform (within the Politburo) is even more repression. Talk to Chinese peasants, workers and intellectuals and on one subject you get virtual unanimity: Don't curb trade."

I want to take this opportunity to commend President Clinton, both for extending MFN and for his policy of constructive engagement. The Clinton administration has tackled human rights in China head on and at the highest levels. President Clinton met with Chinese President Jiang at the Seattle APEC meeting. On five occasions, Secretary Christopher has met with his Chinese counterpart. Secretaries Bentsen and Espy have both visited China, and Secretary Brown will do so in the coming weeks. Assistant Secretary of State John Shattuck has been to China several times to address specifically human rights, including a personal meeting at the U.S. Embassy with Wei Jingsheng. All of these contacts with the Chinese leadership involved human rights discussions initiated by the United States.

Mr. Chairman, I believe the administration's policy of constructive engagement offers the best hope for long-term, sustained and meaningful human rights improve-

ments in China. China is a nation with a 4,000-year-old culture, and a nation with a history of repelling foreigners. Combine these factors with the succession challenge underway in China and the Chinese response to U.S. "bullying" or punitive trade action should be obvious to all. The notion of the U.S. market bringing drastic and immediate change to China is a fallacy. Chinese leaders, as was recently documented in the Washington Post, have in the past taken drastic measures to solidify their power base, including allowing some 80 million Chinese citizens to perish during the Mao era. The fallacy of the U.S. market will threaten the progress achieved in China over the last two decades and hurt thousands of American families and consumers.

Mr. Chairman, I anxiously await today's testimony and the opportunity to report unfavorably this legislation later today.

[An opening statement by Mr. Crane follows:]

OPENING STATEMENT OF HON. PHIL CRANE

I want to thank the witnesses for joining us today to discuss the new version of Congresswoman Pelosi's legislation.

We met last on this issue in open session at the end of February, when the administration's trade policy toward China was still defined by President Clinton's original Executive order. Debate on this issue has been deep and divisive in Congress. Because the question is how best to achieve the advancement of values that are fundamental to our country, views on China trade policy are strongly held.

To my mind, attaching human rights conditions to MFN for China was a mistake that could never be implemented.

Our interests in this region of the world are simply too great for the United States to disengage. Threatening to completely revoke MFN for China failed to encourage the behavior that we seek from the Chinese Government.

The long debate we have had on China is finally bearing the fruit of sound policy. I welcomed President Clinton's decision on June 2 to extend MFN to China, and to formally delink human rights objectives from the annual extension of MFN. Increased trade with China will strengthen our influence in the region while advancing human rights, and I urge my colleagues to support the President on this important foreign policy issue.

Acting Chairman MATSUI. I would like to welcome our two colleagues, Representative Pelosi from California and Representative Solomon from New York.

We appreciate your involvement here, and although we might differ in our views on the proper means to achieve U.S.-China policy objectives, we appreciate the diligence and the efforts you have been making on behalf of all concerned with the human rights situation in China. You both have been leaders in pursuing human rights progress in China and throughout the world.

Representative Pelosi.

STATEMENT OF HON. NANCY PELOSI, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Ms. PELOSI. Thank you very much, Mr. Chairman.

First, may I thank you for the opportunity to testify today and for your calling this hearing. Because of this hearing and your hospitality to us, once again human rights is in the limelight. For several months following the President's announcement it became unimportant.

We haven't seen much about it in the press so that is why I am particularly appreciative of the opportunity for our legislation to have a hearing. I thank the subcommittee for inviting Father Drew Christiansen of the U.S. Catholic Conference to testify regarding the increase in religious persecution in China and Tibet, and for in-

viting Jeffrey Fiedler of the Laogai Foundation to address China's continued use of forced labor.

It was my understanding that Mr. Gephardt and Mr. Bonior, the coauthors of this legislation, have submitted their statements for the record; and that there is also a statement for the record from the Campaign for Tibet; a representative of His Holiness the Dalai Lama, Lodi Gyari is here today; and testimony for the record from the RFK Memorial Center for Human Rights; Amnesty International USA; and Human Rights Watch testifying about the conditions in China particularly since the President's announcements.

Acting Chairman MATSUI. Without objection, their statements will be included in the record.

Ms. PELOSI. Thank you, Mr. Chairman.



July 28, 1994

Contact: Rachel Lostumbo
(202) 628-4123

China Makes No Progress in Tibet

ICT Supports HR 4590

Last May, President Clinton signed an Executive Order stipulating, among other things, that China take steps to protect Tibet's distinctive religious and cultural heritage by June 3, 1994 in order to continue receiving MFN status. To meet the condition on Tibet, President Clinton and Secretary Christopher called on China to begin negotiations with the Dalai Lama. The President, as well as State Department and White House officials, admit that China made absolutely no progress towards improving conditions in Tibet or commencing substantive negotiations with the Dalai Lama or his representatives. Regardless, President Clinton has renewed China's MFN status.

China must be held accountable for not meeting the conditions put forth in President Clinton's MFN Executive Order.

Over the past year China's policies in Tibet have not improved, and have instead regressed in many respects.

- The Chinese government has not agreed to begin substantive negotiations on the future of Tibet with the Dalai Lama or his representatives and has rejected the forthcoming proposals of the Dalai Lama to enter into negotiations without the issue of independence on the agenda.
- In early May, 1994 China announced a new set of regulations aimed at silencing political dissent. One regulation, clearly aimed at the Tibetans, states that "punishments will now be handed out for...stirring up conflicts between nationalities, hurting the unity of nationalities and inciting separation of nationalities."
- In 1993 there was a sharp increase in political prisoners in Tibet. In Lhasa alone there are now over 400 prisoners of conscience, a more than 30% increase from 1992.
- Repression against Tibetan Buddhist nuns has sharply increased. A recent report indicates that 68 out of 255 political prisoners in Lhasa's largest prison, Drapchi, are women. One 20 year old nun reportedly died in police custody in June as a result of mistreatment while in detention.
- Since 1949, the Chinese have destroyed over 6000 Tibetan monasteries. While some monasteries are now being rebuilt (most with private funds-- those with government funds are only those of "historical significance", i.e. of interest to tourists) the practice of religion remains strictly regulated and controlled by the government.
- The influx of Chinese settlers and entrepreneurs into Tibet continues at an alarming pace, marginalizing Tibetans socially, economically and politically. Demolition of traditional Tibetan homes and buildings has increased dramatically in the few remaining distinct Tibetan parts of Lhasa.
- Last year China launched a propaganda offensive designed to "eradicate ... divide and destroy" international supporters of the Dalai Lama.



Ms. PELOSI. I want to talk about H.R. 4590. As I mentioned, House Majority Leader Gephardt, House Minority Whip Bonior and cosponsored by over 100 Members of House, our bill would revoke most-favored-nation status for products made by China's People's Liberation Army and certain other State-owned enterprises. Senate Majority Leader George Mitchell has introduced identical legislation in the Senate.

Our approach, we believe, is a compromise between those who advocate total revocation of MFN and those who would do nothing or paper over the continuing abuses in China and Tibet.

Why target the Chinese military? Each year American consumers unknowingly subsidize China's military modernization by purchasing hundreds of millions of dollars' worth of consumer products made by companies which are fronts for the People's Liberation Army. The products made by these PLA companies, ranging from AK-47 assault rifles to pharmaceuticals to stuffed toy animals, enter the U.S. market under preferential most-favored-nation tariffs.

Mr. Chairman, this is the same military, as you know, that ran over its own students with tanks, the same military that brutally occupies Tibet, and the same Chinese military that proliferates weapons of mass destruction.

The Defense Intelligence Agency, DIA, has produced a chart, the number is in my testimony, identifying the relationships among import and export organizations in China's defense industrial complex. The DIA says that these PLA front companies are a key, and, "Key to supporting the uniformed services and China's industrial base and to acquiring military and dual use technology. They market products and earn foreign currency to support defense-related research development and operations."

I have a copy of that chart which will probably be referenced additionally in the course of the day. But I can have a small one entered for the record. This is the DIA chart with the names of the defense industrial companies and the names of those companies in the United States.

Acting Chairman MATSUI. Without objection, the chart will be entered for the record.

[The chart referred to will be kept in the committee files due to its size:]

Ms. PELOSI. Thank you, Mr. Chairman.

The huge profits and hard currency earned through these sales are bankrolling the massive modernization and expansion of China's military and the proliferation of weapons of mass destruction to rogue regimes.

Of particular interest I think to this Congress and this committee: North Korea. During a week of meetings in early June, the entire Chinese military hierarchy turned out to greet their North Korean counterparts, declaring the two countries "as close as lips and teeth."

According to Seoul's largest newspaper, these meetings produced a pledge of 85,000 Chinese troops to the defense of North Korea in the event of war and credit assistance to Pyongyang for food and energy credit assistance in cases of U.N. sanctions.

I have references here, but I won't read them all in the interests of time, but they are in the testimony.

If the Defense Intelligence Agency analysts are correct, the Chinese military has aided the development of North Korea's new TD-2 missile by transferring advanced missile technology to North Korea.

China's military companies have sold billions of dollars' worth of ballistic missiles to the Middle East and in the words of CIA Director Woolsey, "China is Iran's principal nuclear supplier." Chinese military companies have sold nuclear and missile technology to Pakistan, including bomb designs and enough weapons-grade uranium for two weapons.

Cambodian Government sources say that according to their intelligence services, in March a new shipment of Chinese weapons worth \$18 million was received by the Khmer Rouge, led by Pol Pot, in violation of the Paris accord on Cambodia that was coauthored and signed by Beijing.

Alone among the nations of the world, China's military is still testing nuclear weapons, including the detonation of a nuclear weapon 5 to 10 times the power of the Hiroshima blast on June 10, just 2 weeks after President Clinton's decision to renew most-favored-nation status unconditionally.

As I mentioned earlier, China alone among the declared nuclear powers is massively increasing its defense spending by 20 percent in this year alone.

China has purchased billions of dollars' worth of highly sophisticated Russian military equipment including SU-27 air superiority fighters and the latest main battle tank.

By continuing to provide preferential MFN treatment for these PLA exports, American consumers are in effect subsidizing China's program of "Guns to Butter to Guns."

We feel that this should end. American consumers should not subsidize China's army with preferential trade treatment.

I am going to talk a little bit about continuing human rights abuses in China and Tibet. Mr. Chairman, in the aftermath of President Clinton's unfortunate, in my view, decision to reward Beijing with complete renewal of MFN without some targeted sanctions and in the absence of the modest improvements in human rights called for in his own Executive order, the human rights situation has worsened.

In written testimony submitted for today's hearing, Human Rights Watch/Asia states that,

In the absence of international pressure, China has steadily tightened the noose on all forms of dissident activity. The authorities in Beijing have apparently calculated that there is no price to be paid for continued political repression in the name of guaranteeing "social stability" at a time when major economic reforms are underway.

For your information, Mr. Chairman, I would also like to submit for the record, but I can't do it until tomorrow because it is embargoed until then, an even more recent human rights—this is per today's testimony, but tomorrow—tonight in Beijing there will be another report released that I would like to have the committee have the benefit of.

Acting Chairman MATSUI. Without objection, the reports will be entered into the record upon receipt.

[The following was subsequently received:]


Human Rights Watch
Asia

HUMAN RIGHTS IN CHINA


485 Fifth Avenue, Third Fl., New York, NY 10017 ☎ 212-661-2909 Fax 212-972-0905

July 29, 1994

Vol 6, No 7

PRESSURE OFF, CHINA TARGETS ACTIVISTS

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In the two months since President Clinton ended the linkage between Most Favored Nation (MFN) trading status for China and human rights, the Chinese government has begun long-delayed trials of human rights and labor activists. In a new and disturbing pattern of arbitrary detention, it has begun to hold leading dissidents in prolonged uncommunicado detention without informing their families of their whereabouts or in some cases, even acknowledging the fact of their arrest; for all practical purposes, the latter have "disappeared." Of the dissidents whose detention the authorities have confirmed, at least one is being held in a newly-built State Security Bureau detention center in the south of Beijing, an indication that the authorities are increasing their use of the State Security apparatus, as opposed to the police, to crack down on dissent. The government has also just promulgated a new set of rules to be enforced by State Security aimed at further restricting the ability of activists to meet, speak and organize and specifically outlawing cooperation with non-governmental organizations (NGOs) outside China considered "hostile." In the absence of international pressure, China has steadily tightened the noose on all forms of dissident activity.

Trial of the "Beijing Fifteen"

On July 14, after more than two years in uncommunicado detention, fifteen political dissidents and labor organizers were put on trial in Beijing. All were accused of belonging to one of three banned organizations: the "Liberal Democratic Party," the "China Progressive Alliance" and the "Free Labor Union of China." They were charged with various types of "counterrevolutionary" offenses -- including plans to drop leaflets on Tiananmen Square using a remote-control toy airplane. Their trial, the largest group trial since the prosecutions of Tiananmen


Human Rights Watch/Asia


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Square-related defendants, had been delayed at least twice, once in September 1993 and once in April 1994.

The trial had first been scheduled just before the International Olympic Committee's vote on Beijing's bid for the 2000 Games in September 1993. Under intense scrutiny, the Chinese authorities postponed the trial by returning the cases to the procuracy for further investigation.¹ In late April 1994, the families were again informed that a trial was imminent, and the date was again postponed in what media reports suggested was an attempt by the authorities to influence President Clinton's decision on MFN status for China.² The fact that, as far as is known, no new indictment was issued in the case since the original one was issued in September 1993 supports the contention that these delays were made for purely political reasons.

One result of the delays was that the fifteen were held in pretrial detention far longer than Chinese law allows (the maximum period permitted is five and a half months) and in clear violation of international standards which guarantee the right of those charged with a criminal offense to be entitled to "trial within a reasonable time or to release."³ Their families saw them for the first time in two years in the Beijing Intermediate People's Court, where the trial was held. The Chinese government's refusal to grant their families access prior to the trial was a violation of Principle 19 of the United Nations Body of Principles for the Protection of All Persons under Any Form of Detention or Imprisonment.⁴

The activities of the defendants were aimed at establishing a peaceful, necessarily clandestine political and labor movement. Most are thought to have pleaded not guilty to the charges against them, while some also challenged the legality of the proceedings. The outcome of the trial, which lasted close to three days, had not been announced at the time this report was written, but convictions were a virtual certainty.

Those facing the most serious charges -- of organizing and leading a counterrevolutionary group and of counterrevolutionary propaganda and incitement -- include former Democracy Wall activist Liu Jingsheng; Hu Shigen, a lecturer at Beijing Languages Institute; Kang Yuchun, a medical researcher in psychiatry; Lu Zhigang, an undergraduate law student at Beijing University; and Wang Guoqi, a printing plant worker. If convicted, these men face a statutory minimum of five years in prison. The other defendants include factory workers, students,

¹ The procuracy, also known as the procuratorate, is the state organ responsible for preparing indictments and prosecutions; ensuring proper law-enforcement by the police (PSB) and judiciary; and, in certain cases, conducting investigations and interrogations in place of the PSB.

² Postponements of trial, when the court returns a case to the procuracy for further investigation, occur very rarely but are allowable under China's Criminal Procedure Law; however, the delay should not exceed one month and a half in normal circumstances, and must be no more than three and a half months even in exceptional cases. In the case at issue, all such time limits were exceeded.

³ Article 9, International Covenant on Civil and Political Rights. China is not a party to the covenant, but the ICCPR represents an internationally-accepted standard against which behavior of governments may be judged.

⁴ General Assembly Resolution 43/173 of December 9, 1988. Principle 19 states, "A detained or imprisoned person shall have the right to be visited by and to correspond with, in particular, members of his family and shall be given adequate opportunity to communicate with the outside world, subject to reasonable conditions and restrictions as specified by law or lawful regulations."

government employees and a law lecturer. More information about the defendants is contained in Appendix 1.⁵

The right of the defendants to legal counsel, as stipulated in the Body of Principles referred to above, have been extensively violated. Under Chinese law, a detainee is denied all access to a lawyer until after the prosecution indictment has been issued and the case is ready to go to trial. But even by September 1993, by which time the trial had already been initially scheduled, none of the "Beijing Fifteen" had been able to engage lawyers. According to a source in Beijing, an official order was issued to various university law departments in the capital banning faculty and students from taking these cases. When the trial opened on July 14, 1994, some of the men had lawyers, while others chose to defend themselves.

There were sixteen men named in the original indictment, most of them detained in May and June 1992. But conditions in Chinese detention centers are notoriously bad, and two of the original sixteen detainees reportedly became so ill that they were released under a special provision called "on bail awaiting trial." Gao Yuxiang, 37, a self-employed worker, was suffering from a mental illness, according to Reuters, while Li Quanli, 43, a Beijing worker, was suffering from unknown ailments. While international pressure on China was at its height, releasing ill prisoners "on bail awaiting trial" became a face-saving way for the Chinese government to free dissidents, and it was extremely rare that anyone so freed would in fact be summoned for trial. In this case, however, Li was called back to stand trial — another possible consequence of the lifting of international pressure.

The charges against the sixteen defendants listed in the indictment include "organizing and leading a counterrevolutionary group," "participation in" such a group and "counterrevolutionary propaganda and incitement." According to the section of the indictment that deals with the Liberal Democratic Party of China, "In their so-called 'political program', they slandered 'the authoritarian communism practiced by the communist party' as 'nothing but a mixture of Chinese feudal autocracy, Stalinist terrorism and Hitlerite national socialism.'"

Along with leaflets calling for free trade unions, for a reassessment of the 1989 democracy movement and at least three issues of the journal, *Freedom Forum*, the defendants are alleged to have prepared a statement on China's human rights situation. This is quoted in the indictment as saying that since 1949 the Chinese Communist Party (CCP) had "exercised bureaucratic monopoly and rule by army and police, imposed an all-round dictatorship over the Chinese people, politically, economically and socially and deprived the Chinese people of their basic human rights." According to the figures in the indictment, the defendants distributed a total of 2,350 of the various publications mentioned, mostly by mail. Among the items of evidence listed is a remote-control model airplane which was to be used to drop "counterrevolutionary handbills" over Tiananmen Square on the third anniversary of the June 4 crackdown in 1992.

It is worth noting that the Chinese government deliberately misled the United Nations in response to inquiries about one of the defendants. Kang Yuchun, who as noted above is a medical researcher at Beijing's Anding Hospital (the main psychiatric hospital in the capital), was secretly arrested on May 6, 1992, and then disappeared. His parents, a peasant couple living on the outskirts of Beijing, had no idea where he had been taken and were unable to find him. In June 1993, Asia Watch (now Human Rights Watch/Asia) reported his case to the United Nations Working Group on Disappearances which then formally requested a clarification from the Chinese government. The government told the Working Group in October 1993 that he was already sentenced — clearly a falsehood since Kang Yuchun only went on trial in July 1994.

Human Rights Watch/Asia (HRW/A) and Human Rights In China (HRIC) believe that all fifteen defendants

⁵ Information on the activities of those on trial is taken primarily from the joint indictment against them, while information on another eighteen detainees listed in the appendix comes from media reports, their families and other sources in China.

are detained for peacefully exercising their rights to freedom of expression and association guaranteed by international human rights law and the Chinese Constitution, and that all should be released immediately and unconditionally.

Intensified Suppression of Dissident Activity

As the trial of those detained in mid-1992 finally began, the Chinese authorities appeared also to have successfully suppressed the most recent wave of unofficial human rights and labor rights initiatives. Since March 1994, at least seventeen organizers or leading affiliates of dissident groups such as the League for the Protection of the Rights of Working People of the PRC (referred to below as "Working People's League") and the Shanghai Association for Human Rights have been rounded up by police and either held without trial or simply made to "disappear" — their detentions unacknowledged or denied. Those detained are the core of China's nascent rights movement and include China's most prominent dissident, Wei Jingsheng. They face either possible criminal charges and prison sentences or else administrative detention ("labor re-education") terms of up to three years, and they, too, should be immediately released.

In the latest known arrest, Sha Yuguang, a signatory of the November 1993 "Peace Charter," which was modelled on Czechoslovakia's Charter 77 and called for human rights improvements and reconciliation between the government and dissidents, was taken from his home "for questioning" on the morning of July 9 in the presence of many witnesses.⁶ When he did not return home, his wife went to inquire about him at the local police station and was told that he had been taken away by officers of the Beijing Public Security Bureau. Like the vast majority of these detainees, his family was not told why Sha was being arrested, under what laws or regulations his detention had been ordered, or where he would be held.

This is the latest manifestation of a new and disturbing development. The authorities appear to be dispensing with any attempt to adhere to the procedures laid out in Chinese laws and regulations governing arrest and detention. In all but one of the seventeen recent cases listed below (i.e. those additional to the "Beijing Fifteen" cases), families have not been told where the individuals are being held, or in some cases, even whether they are being held. Under such circumstances, families of the detained find it even more difficult than usual to come to their aid or intervene with the government on their behalf, since they are turned away from one agency after another.

Close to two months after the disappearance of labor and human rights activist Liu Nianchun (a principal organizer of the "Working People's League"), and despite repeated inquiries from his wife, Chu Hailan, officials of the Public and State Security Bureaus were still denying that they were holding him. "If something bad has happened to him, how are we supposed to know about it?" one official said to Chu. In fact, Liu's arrest was witnessed by the family at the apartment where he was staying and their neighbors. In another case, the warrant for the detention of legal expert Yuan Hongbing was issued by Guiyang Public Security Bureau in Guizhou Province, although he is thought to be still held in Beijing. Officials in Beijing can thus dismiss petitions from his wife, Wang Jinna, telling her to go to Guizhou if she wishes to inquire about him.

In the months leading up to President Clinton's MFN decision, the Chinese authorities did not cease their harassment and detention of dissidents, but the periods of detention tended to be relatively short. The government appeared to be particularly concerned to forestall all possibility of protests on the fifth anniversary of the June 4 crackdown, and thus it was believed that dissidents might be held until some days or weeks after that date had passed. But the people listed in Appendix I have not yet been freed and there have been repeated indications that

⁶ For full text of both the "Peace Charter" and the "Charter of the League for the Protection of the Rights of the Working People of the PRC," see Human Rights Watch/Asia, "China: New Arrests Linked to Worker Rights," March 1994, Vol.6, No.2.

the authorities intend ultimately to prosecute them. For example, Xiao Biguang, a Protestant labor activist detained on April 12, was formally arrested in July - a development which generally indicates that the authorities intend to go ahead with prosecution. Xiao is being held in the new Beijing State Security Bureau detention center, which indicates that he may be charged under the State Security Law. However, when Xiao's wife, Gou Qinghui, asked what the charge against her husband was upon being presented with an arrest warrant with the charge left blank, she was told, "After we have investigated, we will know what crime he has committed."

The attempt of the individuals detained to establish independent labor and human rights monitoring and protection mechanisms is clearly the principal reason for their detentions. The fact that they have attempted to work, as much as possible, within the law and to employ the existing legal system to protect individual rights and gain redress for rights violations has only further alarmed the authorities - directly influencing the latter's enactment of the new "state security" regulations described below.

Other Violations of Due Process

The trial of the "Beijing Fifteen" and the arrests of the other seventeen dissidents were all marked by substantial violations of China's Criminal Procedure Law (CPL). Another recent dissident trial involving major violations of the CPL was that of Gao Yu, a freelance journalist detained in October 1993 on charges relating to "leaking of state secrets." Gao is one of those being held in the newly-built State Security Bureau detention center in the southern part of Beijing. Gao was tried in a secret proceeding on April 20, 1994, but the court then sent the case back to the procuracy, deeming the evidence to be "insufficient" and calling for further investigation. There is, however, no such provision in the CPL: if there was insufficient evidence against her at the time of the trial, Gao should have been acquitted.

In another major dissident case, a group of activists from Lanzhou University in Gansu province were arrested in mid-1992 as part of the same police sweep that netted the "Beijing Fifteen." Accused of "organizing and leading a counterrevolutionary group," known as the Social Democratic Party of China, the detainees were eventually tried in July 1993.⁷ The defendants' families have still not been informed of any outcome of the trial, a year later. According to the CPL, verdicts must be announced within thirty days after a trial has concluded.

New Security Regulations

On June 4, 1994, the fifth anniversary of the Beijing massacre, Premier Li Peng signed into law new rules called the "Detailed Implementation Regulations for the State Security Law." The State Security Law, promulgated in 1993, gave sweeping powers to the State Security Bureau (often referred to as the "Chinese KGB"). The Detailed Implementation Regulations effectively criminalize virtually all of the strategies that rights activists in China have evolved to work openly within the narrow confines of Chinese law. They specifically outlaw the cooperation of activists there with NGOs outside the country and make receiving assistance from any group defined as a "hostile organization" an offense. They define writings or speech harmful to "state security" as "sabotage." The principal objective of the Regulations appears to be to frighten dissidents into halting their activities.

They are perhaps the clearest legal signal to date that far from expanding freedoms as economic reform proceeds, China's rulers are actually regressing on the human rights front. The Regulations show that the State Security Law may be used to prosecute all activities actionable under the "counterrevolution" clauses of the Criminal Code, while avoiding the alarm caused in the international community by the overtly political language of the latter.

⁷ For further details of the Lanzhou detainees and also the full text of the court indictment against them, see Human Rights Watch/Asia, *China: No Progress on Human Rights*, Human Rights Watch, Vol.6 No.3, May 4, 1994, pp.21-22 and pp.28-32.

According to a commentary on the Regulations in the *Legal Daily*, "We should be vigilant against these hostile organizations and hostile elements at home and abroad who try a thousand and one ways to find gaps in the present laws, in an attempt to use so-called legal forms to cover their illegal activities."

The Regulations give the Public Security Bureau and the State Security Bureau responsibility for defining "spy organizations," "enemy organizations" and "spy equipment." No independent review of such determinations is envisaged. Rather than delimiting and defining the already sweeping powers of the State Security Bureau under the vague State Security Law, the Regulations further expand their scope. The Regulations make actionable the exercise of most of the fundamental rights and freedoms laid out in China's Constitution, leaving the definition of 'harm to state security' completely vague and open to political interpretation.

Specific articles in the Regulations are aimed at suppressing freedoms of expression, association, religion and repressing calls for independence from minority groups, such as Tibetans, and at outlawing assistance to Chinese dissident activities, including human rights organizations, either from abroad or from domestic business or other interests. Included among the "other activities sabotaging state security" in the law are "employing the establishment of social groups or business enterprises to harm state security." This is clearly aimed at people who have tried to set up independent organizations, and at the few businesses which have helped support dissident activities or employ individual dissenters. In Chapter Three, "Rights and Obligations of Citizens and Groups in Protecting State Security," not a single right or limitation on the powers of the government organs enforcing the law is mentioned, while the State Security Bureau is given many extraordinary powers over citizens' property and personal freedom and over the actions of other state organs.

Conclusion and Recommendations

The timing of the trial of the "Beijing Fifteen" and the promulgation of the new Regulations is no coincidence. The Chinese government has waited until now to act because to do so earlier would have risked further inflaming diplomatic relations with the United States at a time when President Clinton's decision on continuing China's MFN status was still pending. Clinton's May decision to delink human rights and MFN has left the Chinese authorities with the impression that their repression of dissent will have no negative consequences. Under such circumstances, the Chinese government has felt free to detain the principal movers of the dissident movement, especially those working on the sensitive issue of labor rights.

HRW/Asia and HRIC believe that the Chinese government should release all the detainees listed below immediately. Prior to their release, they should be treated in accordance with two sets of United Nations principles, The Standard Minimum Rules for the Treatment of Prisoners and the Body of Principles for the Protection of All Persons under Any Form of Detention or Imprisonment. Both documents include provisions for regular visits by family members.

The Chinese government should repeal the Detailed Implementation Regulations for the State Security Law and take other measures to remove restrictions on the internationally-recognized rights of freedom of association and freedom of expression.

It should also take steps to ensure that when, as happened in the case of all the detainees mentioned in this process, arrest and detention take place in ways which violate not only international standards but also China's own Criminal Procedure Law, the violators should be punished and the victims afforded appropriate compensation.

Increased transparency is a critical safeguard against abuses of the judicial process; the Chinese government should thus ease restrictions on the domestic and international press and allow greater access to trials and legal documents.

The government should also demonstrate its intent to improve human rights conditions by allowing international humanitarian organizations access to its prisons, labor camps and detention facilities and by inviting two agencies of the United Nations Commission on Human Rights - the Working Group on Arbitrary Detention and the Working Group on Enforced or Involuntary Disappearances - to visit China.

If such changes towards an improvement in China's human rights practices are to occur, pressure from the international community is vital. Again and again, the Chinese authorities have shown by their actions that they are concerned about the opinion of the international community and do respond to criticism of their human rights record.

Accordingly, the leading industrialized countries making up the Group of Seven (G-7) should press Beijing to invite the U.N. Working Groups on Arbitrary Detention and Disappearances to China. They should also agree on a strategy to ensure that recommendations of the Working Groups be implemented, if visits in fact take place.

Leaders of official trade delegations to China should raise cases of political detainees like Wei Jingsheng and other human rights advocates and labor activists with their Chinese counterparts. The forthcoming visit of U.S. Commerce Secretary Ron Brown to Beijing in August could set a precedent in this regard.

Embassies in Beijing should repeatedly request access for observers to political trials.

The Asia-Pacific Economic Cooperation (APEC) summit meeting will take place in Indonesia in mid-November, and this will be a crucial opportunity to highlight human rights concerns in China. The G-7 countries should agree that if Wei Jingsheng and other prominent pro-democracy advocates remain imprisoned at the time of the APEC forum, bilateral meetings between heads of state and President Jiang Zemin will not be possible.

To follow up Chinese Premier Li Peng's controversial visit to Europe last month, the governments of Germany, Austria and Romania which hosted Li should publicly call on the Chinese government to account for the disappeared and to end the arbitrary arrests. During his European tour, Li defended the violent crackdown of June 1989 as "necessary for the stability of China..." The European Union, acting through the German presidency, should issue a statement explicitly rejecting the notion that China's violations of international human rights norms can be justified on the grounds of stability and maintaining its economic reform program.

APPENDIX I

HUMAN RIGHTS ACTIVISTS AND LABOR LEADERS
Trials, Arrests, and Disappearances
March-July 1994¹

On Trial

- CHEN Qinglin, twenty-five, a government cadre from Chifeng County, Inner Mongolia, of Mongolian nationality, was formally arrested on September 27, 1992,² and charged with "actively taking part in a counter-revolutionary group." According to the indictment, he traveled to Xinjiang to recruit members for the Liberal Democratic Party of China. A 1987 graduate of the Beijing Meteorological Institute, Chen worked at the Hangu Saltworks weather forecasting station in Changlu, near Tianjin, before being arrested. During the 1989 pro-democracy movement, he served in a minor liaison capacity for the now-banned Beijing Students Autonomous Federation.

- CHEN Wei, twenty-five, a former student of applied science at the Beijing University of Science and Engineering, was arrested for the fourth time in late May 1992. He was charged with "counterrevolutionary propaganda and incitement" for helping draft two commemorative handbills, "The Spirit of the June 4 Martyrs Lives Forever" and "An Open Letter to All Citizens from the China Unity Democratic Party," and for arranging to hide the handbills and arrange for their distribution in Chengdu. Chen's first arrest came in June 1989, when he was imprisoned for more than eighteen months for leading the student movement at his college. Despite being expelled from school and sent back to his hometown in Sichuan Province, Chen returned to Beijing, where he was detained for the second time in early June 1991, apparently as a preventive measure in advance of the June 4 anniversary. His third arrest was in connection with the funeral of student activist Wen Jie who was imprisoned for eighteen months after June 1989 and who died of cancer on December 20, 1991.

- HU Shigen (also known as HU Shengjun), a thirty-eight-year-old lecturer at the Chinese-Western Comparative Literature Department of the Beijing Languages Institute, was arrested on May 27, 1992, together with GAO Yuxiang, a thirty-seven-year-old street-stall owner at the Hongqiao Agricultural Products Market in Beijing's Xuanwu District. Police reportedly found a large quantity of pro-democracy literature in the two men's possession. Singled out as a "leader" for founding the Liberal Democratic Party of China in January 1991, Hu, originally from Nanchang, Jiangxi Province, was charged with "organizing and leading a counterrevolutionary group" and "counter-revolutionary propaganda and incitement." He allegedly recruited members, called secret meetings, and drafted the

¹ The "Arrests and Disappearances" section of this list includes only human rights and labor activists who are still in detention at the time of this writing. For additional information on the cases cited in this report and for details of the many other individuals arrested in recent months, see Human Rights Watch/Asia, *Detained in China and Tibet: A Directory of Political and Religious Prisoners* (New York: Human Rights Watch, 1994); Human Rights Watch/Asia, "China: New Arrests Linked to Worker Rights," March 1994, Vol 6, No.2; Human Rights Watch/Asia, "China: No Progress on Human Rights," May 1994, Vol 6 No.3.

² All the defendants with the exception of Wang Tiancheng, Li Quanli, and Rui Chaohuai were formally arrested on September 27, 1992.

group's political program and organizational charter. In addition, Hu allegedly drafted a "counterrevolutionary propaganda sheet, 'Statement on the Human Rights Issue in China'" and was involved in the founding of the Preparatory Committee for the Free Labor Union of China for which he drafted a charter and a "Guideline for Action and Work in the Near Future."¹⁰ In addition, he allegedly wrote the handbill, "Concerning the Free Labor Union," 2,000 copies of which were mailed to Beijing's factories and mines. During April and May 1992, he was one of several "plotting" to distribute counterrevolutionary propaganda sheets in Beijing, Shanghai, Wuhan, Chengdu, and Shenyang to commemorate the third anniversary of June 4. Hu also joined a third allegedly counter-revolutionary organization, the China Progressive Alliance.

Gao, originally from Hebei Province, was charged with "actively participating in a counterrevolutionary group" and "engaging in counterrevolutionary propaganda and incitement." Prior to the trial, Gao was reportedly "excused" from standing trial due to mental illness; but he may still face trial later, upon his recovery.

■ **KANG Yuchun**, twenty-nine, a medical researcher at Beijing's Anding Hospital (the main psychiatric hospital in the capital), who received his master's degree in 1991 from the Beijing College of Chinese Medicine, was charged with "organizing and leading a counterrevolutionary group" and carrying out "counterrevolutionary propaganda and incitement." He was accused of being one of the founders, on June 27, 1991, of the China Progressive Alliance (CPA) and of being instrumental in drafting of its political program. In addition, he allegedly helped write the organization's "Temporary Provisions for Recruiting CPA Members," its "Tentative Work System," and its "Temporary Provisions for CPA Fund Management," and he was one of three responsible for *Freedom Forum*, the Alliance's periodical. Kang also joined another dissident group, the Liberal Democratic Party of China.

■ **LI Quanli**, a forty-three-year-old worker at the Electrical Appliances Plant of the Beijing Motor Works, charged with "actively participating in a counterrevolutionary group" was released on "bail awaiting trial" (*qubao houshen*) on November 24, 1992, either because of ill health or following the death of his wife. He was one of four accused of plotting the founding of the Preparatory Committee of the Free Labor Union of China. According to witnesses at the July 1994 proceedings, Li stood trial with the others.

■ **LIU Jingsheng**, forty, a veteran pro-democracy activist and a worker at the Tongyi Chemicals Accelerator Fluid Plant, Tongxian County, Beijing, was charged as a "chief conspirator," for "organizing and leading a counter-revolutionary group" and carrying out "counterrevolutionary propaganda and incitement." So-called reactionary leaflets were allegedly found at his home at the time of his arrest. One of four accused of plotting the founding of the Preparatory Committee of the Free Labor Union of China,¹¹ Liu allegedly helped print and distribute 200 copies of the Free Labor Union of China's political charter. He drafted the "counterrevolutionary" handbill "Propaganda Material on the Preparatory Committee for the Free Labor Union of China," then helped distribute 2,000 copies to factories and mines in Beijing. During April and May 1992, Liu was one of several who drafted two handbills, "The Spirit of the June 4 Martyrs" and "An Open Letter," and planned their distribution in Beijing, Shanghai, Wuhan, Chengdu, and Shenyang to commemorate the third anniversary of June 4. He also joined a second "counter-revolutionary" organization, the China Progressive Alliance, and in Beijing, distributed the "Statement on the Human Rights Issue in China," a Liberal Democratic Party publication. During the 1978-81 Democracy Wall movement, Liu, originally from Hebei Province, was co-editor with Wei Jingsheng of *Explorations (Tansuo)*, an unofficial journal. Arrested along with Wei in March 1979, Liu was called upon to give evidence at Wei's trial that October. Charged only with theft, he was exempted from criminal punishment. After his release, Liu resumed his

¹⁰ Gao was also involved in "plotting the founding" of the Free Trade Union and "deciding to distribute" "An Open Letter" and "The Spirit of the June 4 Martyrs," handbills commemorating the third anniversary of June 4. He later agreed to having them stored at his home.

job as a bus driver and nothing further was heard of him outside China until his arrest in mid-1992.

■ **LU Zhigang**, a twenty-five-year-old undergraduate law student at Beijing University, originally from Shanghai, faced charges of "organizing and leading a counterrevolutionary group" and carrying out "counter-revolutionary propaganda and incitement." He was allegedly one of the founders of the China Progressive Alliance in June 1991, and helped formulate the organization's political program. In addition, Lu helped print 200 copies of the Free Labor Union of China's political charter; and he helped type, print, and mail more than 200 copies of two handbills, "Concerning the Free Labor Union" and "Propaganda Material on the Preparatory Committee for the Free Labor Union of China." Traveling to Shenzhen, he made contact with foreigners from whom he obtained money and a model airplane to be used to distribute the handbills over Tiananmen Square; and he was one of three who were responsible for *Freedom Forum*, a periodical of the China Progressive Alliance.

■ Five others, about whom little is known, have been charged with "counterrevolutionary propaganda and incitement." They are: **RUI Chaohuai**, a twenty-four-year-old worker at the Beijing Construction Materials and Machinery Plant, originally from Tianjin; **ZHANG Chunzhu**, forty-two, originally from Shandong Province, unemployed; **ZHANG Guojun**, a thirty-two-year-old cooked duck shop owner, originally from Liaoning Province; **XU Dongling**, a thirty-eight-year-old native of Hebei Province, and a worker at the Dongbeiwang Paper Mill; and **XING Hongwei**, a twenty-six-year-old Shaanxi Province native, formerly a cadre at the Lide Flour Mill, attached to the Qianjiang Coal Mine in Chengdu, Sichuan Province. Zhang Chunzhu, who, according to the joint indictment, received a five-year prison term for larceny in June 1971, allegedly distributed in Baoding, Hebei Province, the "Statement on the Human Rights Issue in China," prepared by the Liberal Democratic Party. In Beijing, he mailed and distributed 200 copies of the Free Labor Union of China's political charter and he helped type, print, and mail 2,000 copies of other Free Labor Union handbills. Rui, who was formally arrested on November 30, 1992, helped hide copies of two handbills, "An Open Letter" and "The Spirit of the June 4 Martyrs." Xu and Zhang Guojun helped write the envelopes, and Xing helped mail them. The printing was done at Zhang Guojun's shop.

■ **WANG Guoqi**, thirty-one, formerly a worker at the printing plant of the Beijing Languages Institute, was seized on June 22, 1992, at his ex-wife's home in Beijing by uniformed police who produced a formal warrant. It was his fifth detention. The specific charge in the indictment was "organizing and leading a counterrevolutionary group," the Liberal Democratic Party of China. Wang was detained for two years after June 1989 for printing leaflets protesting the Tiananmen crackdown. He was never charged. In early June 1991, he was briefly detained apparently as a government precaution against June 4 anniversary celebrations. Later that year, Wang was detained for questioning along with five others on suspicion of having helped organize the funeral of **Wen Jie** (see Chen Wei above). Wang was detained for a third time on February 29, 1992, while hosting a birthday party for a fellow dissident. Plainclothes police followed partygoers to Wang's apartment at Beijing's China Geological University, and when the dissidents asked why they were being followed, the police promptly laid into them and bloodied their noses. According to the indictment for this trial, he was detained for ten days in the February incident for "picking a quarrel and making trouble."

■ **WANG Peizhong**, a twenty-five-year-old graduate student at the Petroleum Prospecting and Exploration Research Institute, from Shanxi Province, was indicted on charges of "actively participating in a counter-revolutionary group," the China Progressive Alliance, and engaging in "counterrevolutionary propaganda and incitement." He allegedly helped start *Freedom Forum*, a periodical of the China Progressive Alliance, and mailed some fifty copies of the third issue to addresses in Beijing. In addition, Wang was responsible for typing two handbills, "The Spirit of the June 4 Martyrs" and "An Open Letter."

■ **WANG Tiancheng**, twenty-nine, a law lecturer at Beijing University and editor of the college journal *Zhong-Wai Faxue* (*Chinese and Foreign Jurisprudence*), was secretly arrested on November 2, 1991, in Beijing, just prior to leaving for Germany to take up a position as a visiting scholar. Charged, at his formal arrest on December 14, 1992, with "actively participating in a counterrevolutionary group" and carrying out "counter-

revolutionary propaganda and incitement," he allegedly helped write "A Proposal for the Preparatory Committee for the Free Labor Union of China," and two commemorative handbills, "The Spirit of the June 4 Martyrs" and "An Open Letter." Originally from Hunan Province, Wang reportedly was the chief secretary of two underground political groups, the Young Marxism Party and the Democratic Freedom Party, both of which the Public Security Bureau was aware of as early as October 1991. Wang's major academic interest has been Chinese administrative law, which he described at a 1988 conference as "feudal." His article, "Constitution and Human Rights," published in the Beijing University law journal, was based on the theories of the 18th century philosopher Montesquieu, whom he much admires.

Arrests and Disappearances

■ **BAO Ge**, thirty-one, was last seen on June 3, 1994, when he was taken from home shortly before midnight by police officers, who later returned to search his house, confiscating letters and manuscripts. On the morning of his arrest, Bao had mailed an application to the Ministry of Civil Affairs requesting permission to establish a nationwide organization called the Voice of Human Rights. The day before, he had made his intentions known to Western journalists. When Bao's mother refused to sign the search warrant, she was taken to the police station for questioning. By law her signature is not required and it is assumed that taking her and Bao's father, who is suffering from cancer, to the police station was a form of harassment. It is not known how long the two were held. Despite repeated trips by Bao's mother to the Public Security Bureau and other official bodies in Shanghai, she has not been able to find out the charges against him or where he is being held.

Bao had been detained for short periods at least five times between June 1993 and his most recent arrest. At the beginning of March 1994, he was held for two days during the visit of John Shattuck, U.S. Assistant Secretary of State, to Shanghai. On March 24, as a leader in the battle for compensation from Japan for wartime atrocities in China, he was held for twenty-four hours when then-Japanese Prime Minister Morihiro Hosokawa visited Shanghai. On April 9, in connection with the visit of French Prime Minister Edouard Balladur, Bao was roughed up by ten policemen when he refused to leave his house, held for twenty-four hours, and then ordered to stay at home. He was picked up again on April 16 and released that afternoon. One of the authors of a March 1994 19-point "Blueprint for Democratization" calling for democratic change, the establishment of independent labor unions, and reform of the penal system, Bao had been constantly tailed, his phone line had been cut, and from the end of April on, the family home had been under twenty-four-hour surveillance. An active participant in the 1989 pro-democracy movement, Bao did not receive a work assignment after graduating medical school, and he has been unemployed since October 1993, when he was suspended from his duties as teacher and researcher at the Shanghai Medical School ostensibly because of a lack of work.

■ **DAI Xuezhong**, a Shanghai activist, was detained with his younger brother on May 3, 1994. His brother was released after several days, but nothing further is known about Dai Xuezhong's circumstances. Two months earlier, on March 4, Dai was held in connection with the visit of U.S. Assistant Secretary of State John Shattuck. He served a three-year re-education-through-labor sentence for his activities as the Shanghai leader of citizens supporting the 1989 student movement. After his release, Dai took part in a democracy salon that met in a park in Shanghai, and he worked to help victims of the 1989 crackdown. Dai himself was tortured so badly in prison that he is still disabled.

■ **Li Guotao** (previously incorrectly referred to as Li Gaotao), president of the Shanghai Association for Human Rights, was last arrested in May 1994. Nothing further is known about the circumstances of the arrest or his current whereabouts. Li, a computer expert, had been detained earlier, on March 12, after he signed the "Blueprint" (see Bao Ge above). He also was picked up for questioning on October 13, 1993; and he served a two-year sentence for his participation in the 1989 pro-democracy movement.

■ The whereabouts of **LIU Huanwen**, thirty-two, reportedly arrested on July 10, 1994, in Beijing, are

unknown, and police officials have denied any knowledge of him. He apparently was arrested because of his friendship with others, particularly Xiao Biguang (see below), involved in unofficial labor union activities. Both men are Christians. Liu, sentenced to two years' re-education through labor for carrying a cross during the height of the 1989 pro-democracy demonstrations, was released in April 1990.

■ LIU Nianchun, a forty-six-year-old human rights and labor activist, disappeared on May 28, 1994. On July 18, when it was clear that witnesses had seen him being taken away in handcuffs by plainclothes officers from the Dongcheng District Public Security Bureau, officials were still denying that he was in custody. Earlier, on June 8 and June 10, officers at the Wanshousi local police station denied knowledge of his whereabouts. Inquiries by his wife, Chu Hailan, at the Visits and Letters Department of the PSB during the week of June 12, were directed to the Haidian District PSB. Haidian officials stonewalled as did those at the Chaoyang and Sanlitun local police stations, both of which cover Liu's official residence district. On June 28, Chu telephoned a Mr. Tang at the Beijing PSB, Section No.1, Political Security Unit, to ask about Liu. Tang said "I don't know, I'm on vacation." On June 29, a Beijing PSB official told her, "If something bad has happened to Liu how are we supposed to know about it?" During the first week in July, Chu continued visits to PSB offices and to Qincheng Prison to no avail. As early as March 1994, Liu and his family had been routinely followed, threatened, and harassed by either PSB or State Security Bureau officials. On April 7, when Liu went by bus to visit a friend, he was met at his stop by a group of plainclothes police, who threatened him with arrest and took him home under guard. His apartment was under constant and obvious surveillance before his arrest. The apartment house at which he was seized with Zhang Lin (see below) was surrounded by plainclothes officers for the three days prior to the men's arrests.

In late 1993, Liu was instrumental in the drafting of the "Peace Charter," which called for progress towards democratization and respect for human rights in a climate of detente between the government and dissidents. At the beginning of 1994, he helped draft the Charter for the Protection of Chinese Working People's Rights and in February 1994, he co-founded the related League for the Protection of the Rights of Working People of the PRC (Working People's League).¹¹ At one point in early March 1994, after Liu had tried repeatedly to submit an application for official registration to the Ministry of Civil Affairs, he was held twenty-four hours for questioning. Liu's pro-democracy activities extend back to the Democracy Wall period, when he was one of six editors of the literary publication *Today*, closed down by the authorities at the end of 1979. Arrested in 1981 for smuggling out the prison memoirs of his brother, the dissident Liu Qing, and arranging for their publication abroad, he served a three-year term. During the 1989 movement, Liu Nianchun was again an active protester.

■ LÜ Honglai, forty-three, formerly an editor of an underground Democracy Wall magazine, disappeared in Shenzhen in the middle of June 1994, according to a friend he contacted there. Under surveillance in Tianjin around the time of the fifth anniversary of June 4, Lü left immediately afterward for Guangzhou. After his detention became known, his wife traveled to Guangzhou, but all she was able to learn from officials there was that her husband "had a political background and they weren't letting him go." She learned nothing about the reasons for his detention or where he was being held. Lü was one of the initiators of plans for a meeting of former political prisoners, scheduled for the summer of 1993 in Qingdao, to discuss ideas for mutual support and business ventures. The meeting was aborted when police put severe pressure on some of the organizers. During the Democracy Wall period, Lü published a magazine called *Bohai Zhi Bin* (*By Bohai Sea*). For his Democracy Wall activities, he served a four-year term, beginning in 1981, in a re-education through labor camp.

■ SHA Yuguang, formerly an accountant at the Beijing Wireless Factory, in his late forties, was taken from his home by police for questioning on July 9, 1994. When he did not return, his wife inquired at the local police

¹¹ All publicly-identified members of the League - Zhou Guoqiang, Liu Nianchun, Wang Zhongqiu, Zhang Lin, and Yuan Hongbing - have been arrested and are in custody. Another League organizer, law student Wang Jiaqi, escaped from China and is now in the U.S.

station. She was told that Sha had been taken away by officers of the Beijing Public Security Bureau. She was not informed of where, or under what provisions, he was being held, nor of what the charges against him were. She has not been given any written notification of his detention. A signatory of the Peace Charter, Sha had been active in attempts to register the Working People's League, repeatedly accompanying Liu Nianchun to apply at the Ministry of Civil Affairs. Sha's dissident activities extend back to the Democracy Wall period (1978-81), when he edited the unofficial magazine *Zhonghua Si Wu*, (*China, April 5th*). At the end of May 1992, he was picked up for questioning and held until July 10. At his release, he was suspended without pay from his work unit and told he must report regularly to the police about his activities.

- **TONG Yi**, the twenty-six-year-old assistant and interpreter for Wei Jingsheng, and a student activist during the 1989 pro-democracy movement, disappeared on April 5, 1994. The next day, police admitted they were holding her on suspicion of having committed undisclosed "crimes." However, they did not divulge her whereabouts. On April 4, in Beijing, Tong, who had witnessed Wei's arrest, discussed it with reporters.

- **WANG Fuchen**, the thirty-nine-year-old Secretary General of the Shanghai Association for Human Rights,¹² a signatory of the "Blueprint" (see Bao Ge), and a petitioner for human rights to the National People's Congress, disappeared on May 7, 1994. He had reportedly left for a visit to Hainan Province on May 4. Despite the fact that a Foreign Ministry spokesman described him as "a criminal," and despite repeated inquiries by his family, the Shanghai Public Security Bureau has denied any knowledge of his whereabouts. Wang has been detained for his dissident activities at least seven times. In addition to the three-year sentence he received in 1979 for his Democracy Wall involvement, and his arrest on May 3, 1989, for participating in the pro-democracy movement, Wang was picked up by two plainclothes men on March 11, 1994, and held for questioning until March 14. On April 8, he was detained briefly. The next day, during the visit of the French Prime Minister, he was picked up again and held for twenty-four hours during which time he was beaten for twenty minutes by three plainclothes police officers. Upon his return home to house arrest, he found his telephone line had been cut. Earlier, in June 1993, Wang was held briefly to prevent his involvement in activities commemorating the June 4, 1989, crackdown. Wang is self-employed as a small shop owner.

- **WANG Zhongqiu**, a twenty-seven-year-old graduate law student at Beijing University, was detained at the end of May 1994, probably on May 26 or 27, and has not been heard from since. A student of Yuan Hongbing (see below), he was one of the organizers of the Working People's League. No additional information about the circumstances of his arrest are available.

- **WEI Jingsheng**, forty-three, was seized by twenty police officers traveling in seven cars on April 1, 1994, on the road between Beijing and Tianjin. A warrant for his detention was presented. According to Chinese authorities, Wei is under "residential surveillance," a form of house arrest not necessarily limited to the suspect's home. Wei's family has only been told that he is at a "hotel" somewhere just outside Beijing. On April 5, Chinese authorities announced that Wei "was being interrogated and placed under surveillance...because he violated the law on many occasions and is suspected of having committed new crimes when he was deprived of his political rights and on parole." The nature of the "new crimes" has not been described, and reports that Wei was to be tried for "high treason" have been categorically denied by Chinese officials. Moreover, in response to concern expressed by the U.S. government, a Chinese Foreign Ministry spokesperson said the matter was "an internal affair" and had "nothing to do with human rights."

¹² The association applied to register formally with the authorities in March 1993. Over a year later, in April 1994, permission was denied. Regulations require such applications to be processed in no more than one month.

Following his September 1993 release from prison after serving fourteen-and-a-half years of a fifteen-year term for Democracy Wall activities, Wei published articles in newspapers outside China and met with journalists and other dissidents. Days before his arrest, officials said that Wei would be banned from meeting with foreign journalists for three years. In early March, after his release from prison but before his disappearance, Wei was held thirty hours for questioning, then told to leave Beijing. The detention followed his February 27 meeting with U.S. Assistant Secretary of State John Shattuck. The enforced exile reportedly was to prevent his meeting with U.S. Secretary of State Warren Christopher.

■ **XIAO Biguang**, thirty-two, a former associate professor of comparative literature at Beijing University, was detained on April 12, 1994, at an unknown location and was formally arrested on June 12 and is being held at the new State Security Bureau detention center at No.47 Da Hongmen Nanlu in Beijing. Despite her repeated attempts to locate him, his wife, Gou Qinghui, did not learn of his arrest or place of detention until July 8. She still does not know the charges. When Gou was presented with the arrest warrant, the charge was left blank. When questioned about the omission, agents told her, "After we have investigated we will know what crime he has committed." On the evening of Xiao's detention, his home was searched, books and manuscripts confiscated, and his wife asked to sign a "shelter and investigation order" which said he was being detained for "illegal activities." Xiao, who had to surrender his university ID card after 1989 and at the time of his arrest was working in a trading company, is a friend of Yuan Hongbing (see below) and has been active in both the workers' rights movement and the semi-underground Protestant church. Gou herself was taken in for questioning twice, on May 14 and May 27, 1994. Both times her parents were warned not to tell anyone that she had been taken to the police station.

Ever since her husband's arrest, Gou, who teaches at the Yanqing Theological Seminary, has been under constant surveillance. Police have not only interrogated believers who visit her, but have arrested some visitors and forbidden believers to attend her home prayer meetings, which under religious regulations constitute an unofficial house church. She is forbidden to continue her work at the seminary or to attend church meetings. In addition, according to Gou at a pastoral meeting on May 12, 1994, an official from the Religious Affairs Bureau "slandered" Xiao Biguang. Requests by Gou to provide her husband with a bible, clothing and food have been denied.

■ **YANG Zhou**, fifty, a long-time Shanghai human rights activist involved with all attempts in the city to establish independent human rights-monitoring groups, was taken from his home on May 12, 1994, when the house was searched and documents confiscated. Police have not notified his wife of either his whereabouts or the charges against him. Yang has acted as spokesman for Shanghai's unofficial Association for Human Rights and has often spoken out on behalf of detained and imprisoned colleagues. He helped draft the "Blueprint" (see Bao Ge); and is a signatory of the Peace Charter, and a member of the Preparatory Committee of the Workers' Rights League. For his participation in the Democracy Wall Movement in Shanghai, Yang was sentenced in 1979 to three years in prison. Starting in April 1991, he was held for over a year without charge. In 1993, he was detained three times, once for three months. In 1994, before his May disappearance, he was picked up six times. Yang has been beaten by police so badly that his body was permanently scarred.

■ **YUAN Hongbing**, a forty-two-year-old lawyer and Beijing University law professor, was seized somewhere in Beijing on March 2, 1994. Despite repeated inquiries by his wife, Wang Jinna, his whereabouts are unknown. And despite reports that he has been formally arrested, she has not been so notified. When State Security Bureau personnel came to Yuan's home on March 2, they showed his wife a detention order from the Guiyang (Guizhou Province) Public Security Bureau and told her his detention had been ordered by Guizhou State Security organs. At the same time, the officers searched his home, confiscating books and manuscripts. A Public Security Ministry report on March 8 said Yuan was being held on suspicion of "being involved in unlawful acts, inciting turmoil, disrupting social order" or other unspecified "criminal acts." His activities have included involvement in founding the Working People's League; helping to write a petition to the National People's Congress to broaden workers' and peasants' rights; representation of dissident painter Yan Zhengxue in a case charging the Public Security Bureau with Yan's illegal detention and beating, and organizing a petition drive on Yan's behalf; editing the book, *Tides*

of History, one of the first collections of essays by dissenting intellectuals published after the 1989 crackdown. It was banned soon after it appeared in 1992 and Yuan was suspended from his university post. In 1993, he staged a sit-in at the university to protest political interference in academic affairs.

■ **ZHANG Lin**, thirty-one, was seized by plainclothesmen from the Dongcheng Public Security Bureau from an apartment house in Beijing on May 28, 1994, and taken away in handcuffs (see Liu Nianchun above). On June 2, he was sent back under guard to Bengbu, his home town, in Anhui Province. He had been on the run for months. Zhang's wife reportedly was informed that this arrest, his sixth, had to do with his association with foreign journalists. In May 1994, an article about his work as self-styled "professional revolutionary" appeared in the *Washington Post*. That work included his involvement in organizing the Working People's League, his local championing of worker and peasant rights, and his reported plans to stage a symbolic fifth anniversary commemoration of the June 4, 1989, crackdown. During the 1989 pro-democracy movement, Zhang founded the Students Autonomous Union at Bengbu Medical College, led a "Dare-to-Die Corps," made an "extremely reactionary" speech, helped stage sit-ins and went on hunger strike, for all of which he received a two-year sentence on charges of counterrevolutionary propaganda and incitement. Released in March 1991, Zhang, a 1985 physics graduate from Qinghua University, returned home to continue his pro-democracy work. Zhang's wife gave birth to a girl on May 11.

■ **ZHOU Guoqiang**, thirty-four, a lawyer, labor activist, and poet, was arrested along with his wife, **WANG Hui**, around midnight on March 2, 1994. Husband and wife were initially taken to the Beijing Public Security Bureau offices. Wang was released after a week, then re-arrested in April. She has disappeared. Zhou is being held at an unknown location for "shelter and investigation." According to an official Chinese report, he is "under investigation" for "collaborating with hostile organizations and elements both inside and outside the country to carry out anti-government activities." His work as a founder of the 1994 Working People's League, and his role in drafting the 1993 Peace Charter are two such alleged activities. Zhou has also been accused of writing anti-government articles and sending them by unauthorized fax to Hongkong, and of planning to distribute T-shirts with political slogans during National People's Congress sessions in March 1994. In 1993, Zhou acted as exiled labor leader Han Dongfang's lawyer in a suit challenging his expulsion from China, and he was a founding member, with Han, of the 1989 Beijing Workers Autonomous Federation. Since 1989, Zhou has been detained six times.

■ **ZHU Fuming**, in his early thirties, was detained in Shanghai in early March 1994. His whereabouts and the charges against him are unknown. After Zhu, a member of the Shanghai Association for Human Rights, secretly taped a conversation with the police in early 1994, he was picked up for questioning. Later, on the dance floor of a Shanghai disco, he shouted slogans calling for a reversal of the official verdict on the Tiananmen Square crackdown, and was again picked up. A college graduate, Zhu worked for a company which provides information to Chinese citizens wishing to go abroad.

APPENDIX II

INDICTMENT AGAINST THE "BEIJING FIFTEEN"

SUB-PROCURATORATE OF THE BEIJING MUNICIPAL PEOPLE'S PROCURATORATE
(93) CAPITAL/SUB-PROC/TRIAL/NO.74

Defendant **Hu Shigen**, male, aged thirty-seven, born in Nanchang, Jiangxi Province, was a teacher at the Beijing Language Institute before his arrest. Residence: Room 110, Building No.3, Beijing Language Institute. He was arrested on September 27, 1992 and is currently in custody.

Defendant **Kang Yuchun**, male, aged twenty-eight, born in Beijing, was a physician at the Beijing Anding Hospital before his arrest. Residence: 32, Nanwu Village, Sijiqing Township, Haidian District, Beijing Municipality. He was arrested on September 27, 1992, and is currently in custody.

Defendant **Wang Guoqi**, male, aged thirty, unemployed. Residence: 34 Houbajia Village, Dongsheng Township, Haidian District, Beijing Municipality. In June 1989, he was detained and investigated for his part in the disturbances. Then, he wrote a statement of repentance. In March 1992, he was put in administrative detention for ten days for picking a quarrel and making trouble. He was arrested on September 27, 1992 and is currently in custody.

Defendant **Lu Zhigang**, male, aged twenty-four, born in Shanghai, was a student in the Department of Law, Beijing University before his arrest. Residence: Room 28, Building No.37, Beijing University. He was arrested on September 27, 1992 and is currently in custody.

Defendant **Liu Jingsheng**, male, aged thirty-nine, born in Lixian County, Hebei Province, was a worker at Tongyi Chemical Reagent Plant in Tongxian County, Beijing Municipality, before his arrest. Residence: 201 Building No.28, Zhongguan Village, Haidian District, Beijing Municipality. In 1979 he committed the crime of theft and was exempted from criminal sanctions. He was arrested on September 27, 1992 and is currently in custody.

Defendant **Gao Yuxiang**, male, aged thirty-six, born in Sanhe County, Hebei Province, was self-employed before his arrest. Residence: 9 Santiao, Chang Lane, Chongwen District, Beijing Municipality. He was arrested on September 27, 1992 and is currently in custody.

Defendant **Wang Tiancheng**, male, aged twenty-eight, born in Shuangpai County, Hunan Province, was a teacher in the Department of Law, Beijing University, before his arrest. Residence: Room 226, Building No.40, Beijing University. He was arrested on December 14, 1992 and is currently in custody.

Defendant **Wang Peizhong**, male, aged twenty-four, born in Pingyuan County, Shanxi Province, was a graduate student at the Institute of the Science of Petroleum Prospecting and Development before his arrest. Residence: Room 324 Graduate Building of the Institute. He was arrested on September 27, 1992, and is currently in custody.

Defendant **Chen Qinglin**, male, aged twenty-four, Mongolian nationality, born in Chifeng County, Inner Mongolia, was a cadre at the weather station of Hangu Saltworks, Tianjin Municipality, before his arrest. Residence: dormitory of the weather station. He was arrested on September 27, 1992 and is currently in custody.

Defendant **Chen Wei**, male, aged twenty-four, born in Suining, Sichuan Province, unemployed.

Residence: 10-4-2-3, 105 Fengyuxia Street, Central District, Suining, Sichuan Province. In April 1990, he signed a statement of repentance for his crime of counterrevolutionary propaganda and incitement. He was arrested on September 27, 1992, and is currently in custody.

Defendant Zhang Chunzhu, male, aged forty-one, born in Huashan County, Shandong Province, unemployed. Residence: 208 Building 915, Baofusi, Haidian District, Beijing Municipality. In June 1971, he was arrested to a fixed-term period of five years' imprisonment for larceny. He was arrested on September 27, 1992 and is currently in custody.

Defendant Rui Chaohuai, male, aged twenty-three, born in Tianjin, was a worker at the Beijing Building Materials Equipment Plant before his arrest. Residence: 22 Building No.8, Nanshatan, Deshengmenwai, Chaoyang District, Beijing Municipality. He was arrested on November 30, 1992 and is currently in custody.

Defendant Li Quanli, male, aged forty-two, born in Beijing, a worker at the Electric Appliances Plant of the Beijing Motor Works. Residence: 202 Building No.4, Shaoyaoju, Chaoyang District, Beijing Municipality. On November 24, 1992, he was ordered released on bail awaiting trial.

Defendant Xu Dongling, male, aged thirty-seven, born in Suning County, Hebei Province, was a worker at Dongbeiwang Paper Mill, Haidian District, Beijing Municipality, before his arrest. Residence: 408 Building No.915, dormitory of Chinese Academy of Social Sciences, Zhongguan Village, Haidian District, Beijing Municipality. He was arrested on September 27, 1992, and is currently in custody.

Defendant Zhang Guojun, male, aged thirty-one, born in Shenyang, Liaoning Province, was self-employed before his arrest. Residence: 1-3-3, Liu Yingmen, Donggaodi, Fengtai District, Beijing Municipality. He was arrested on September 27, 1992 and is currently in custody.

The Beijing Municipal Public Security Bureau has concluded its investigation of the case of the defendants Hu Shigen, Kang Yuchun, Liu Jingsheng, and Lu Zhigang, who organized and led a counterrevolutionary group, and engaged in counterrevolutionary propaganda and incitement; of the defendant Wang Guoqi, who organized and led a counterrevolutionary group; of the defendants Gao Yuxiang, Wang Peizhong, and Wang Tiancheng, who actively participated in a counterrevolutionary group and engaged in counterrevolutionary propaganda and incitement; of the defendants Chen Qinglin and Li Quanli, who actively took part in a counterrevolutionary group; and of the defendants Chen Wei, Rui Chaohuai, Zhang Chunzhu, Xing Hongwei, Xu Dongling, and Zhang Guojun, who engaged in counterrevolutionary propaganda and incitement, and has transferred the case to this sub-procuratorate for investigation and indictment. The following facts of the crimes committed by the sixteen defendants have been ascertained:

I. Organizing and leading counterrevolutionary groups and actively engaging in counterrevolutionary propaganda.

1. The defendants Hu Shigen and Wang Guoqi secretly plottd and founded a counterrevolutionary group, the so-called "Liberal Democratic Party of China" in January 1991. They then respectively recruited the defendants Liu Jingsheng, Gao Yuxiang, Chen Qinglin, and Wang Tiancheng as members of that group in accordance with the oath and rite the two founders had determined. Between June and October 1991, the defendant Hu Shigen called secret meetings on two occasions at his residence in the Geology University of China, Haidian District, Beijing Municipality. The meetings were attended by the defendants Liu Jingsheng, Gao Yuxiang, Li Quanli, and Chen Qinglin. They discussed and made decisions on the division of responsibilities within the organization. Later, the defendant Chen Qinglin, at the suggestion of Hu, travelled to Shihezi and other places in Xinjiang, in an attempt to find new recruits to enlarge their organization. On December 20, 1991, the defendants Hu Shigen, Liu Jingsheng, Wang Guoqi, and Wang Tiancheng held a "meeting of the key members of the Liberal Democratic Party" at Liu's

residence -- 2 Beilishu Liutiao, Xicheng District, Beijing Municipality. At the meeting, they discussed and adopted the "Political Program of the Liberal Democratic Party of China" and the "Organizational Charter of the Liberal Democratic Party of China," both drafted by Hu. They also decided on code names for the key members and secret methods of liaison. In their so-called "political program," they slandered "the authoritarian communism practiced by the communist party" as "nothing but a mixture of Chinese feudal autocracy, Stalinist terrorism and Hitlerite national socialism." They raised a hue and cry for the "overthrow of the dictatorial rule of the communist party." Defendant Kang Yuchun entrusted Chen Qinglin and others at the weather station of the Hangu Saltworks in Tianjin to type, print and put on computer disc (already confiscated) this "program." In December 1991, the defendants Hu Shigen, Liu Jingsheng, Gao Yuxiang, and Li Quanli held another secret meeting to plot the founding of the so-called "Preparatory Committee for the Free Labor Union of China." The defendant Hu Shigen drafted the "Draft Charter of the Preparatory Committee for Free Labor Union of China and Guidelines for Action and Work Methods for the Near Term." In these documents, they mapped out concrete measures for carrying out the activities of their counterrevolutionary organization.

2. The defendants Kang Yuchun and Lu Zhigang, together with An Ning, Wang Jianping, and Lu Mingxia (prosecuted separately) secretly planned and, on June 27, 1991, formed the counterrevolutionary organization the "China Progressive Alliance." They determined the division of responsibilities among members and recruited the defendant Wang Peizhong. Later, the defendants Kang Yuchun, Lu Zhigang, and An Ning agreed on the political program for the "China Progressive Alliance," i.e., the "Draft Outline of the CPA Program" drafted by An Ning. In that "program," they slandered our present system of socialism as "an authoritarian system of the Chinese communist one-party dictatorship," and clamored for "the termination of the authoritarian system of one-party dictatorship and oligarchy." Having been read by Kang and Lu, the "program" was typed, printed, and put on a computer disc by Wang Peizhong and others. Later, the defendants Kang Yuchun and An Ning respectively wrote such organizational documents as the "Temporary Provisions for Recruiting CPA Members," "Tentative Work System," and the "Temporary Provisions for CPA Fund Management." In January 1992, defendants Kang Yuchun and Lu Zhigang and others travelled to Zhengzhou, Henan Province, to contact An Ning and others and learn about their work in setting up the "CPA Henan Work Committee." They also set up methods and places to make contact with An and others. In addition, the defendants, Hu Shigen and Liu Jingsheng, in order to link up with the counterrevolutionary organization the "China Progressive Alliance," admitted Kang Yuchun and An Ning into the counterrevolutionary group the "Liberal Democratic Party of China" at Kang's home in October 1991. At the same time, Kang Yuchun and others also recruited Hu Shigen and Liu Jingsheng as members of the counterrevolutionary group the China Progressive Alliance.

II. The crime of counterrevolutionary propaganda and incitement

1. In November 1991 the defendant Hu Shigen drafted the counterrevolutionary propaganda sheet the "Statement on the Human Rights Issue in China" on behalf of the Liberal Democratic Party of China. That propaganda sheet maligned the Chinese Communist Party as "having, since coming to power, exercised bureaucratic monopoly and rule by army and police; imposed an all-round dictatorship on the Chinese people, politically, economically, and culturally; and deprived the Chinese people of their basic human rights." An Ning and others printed one hundred copies of the propaganda sheet, which were mailed and distributed by the defendants Liu Jingsheng and Zhang Chunzhu respectively in Beijing and Baoding, Hebei Province.

2. The defendant Hu Shigen in December 1991 drafted the counterrevolutionary leaflet "A Proposal for the Preparatory Committee for the Free Labor Union of China." That leaflet maliciously attacked the Chinese Communist Party, and incited the masses to "actively organize and join free trade unions" by talking about "the Chinese Communists exercising one-party and personal dictatorship." That leaflet was revised by the defendants Lu Zhigang and Liu Jingsheng and was then mailed and distributed by the defendants Liu Jingsheng and Zhang Chunzhu in Haidian, Xicheng, and Chaoyang Districts of Beijing.

3. The defendants Hu Shigen and Liu Jingsheng drafted respectively the counterrevolutionary handbills "Concerning Free Labor Unions" and "Propaganda Materials for the Preparatory Committee for the Free Labor Union of China," which slandered the Chinese Communist Party as having "for the past forty years deprived the workers of their right to organize free trade unions," and incited "the workers to withdraw from official trade unions and join free trade unions." These handbills were typed, printed, and put into envelopes separately by the defendants Lu Zhigang, Liu Jingsheng and Zhang Chunzhu. More than 2,000 copies of these handbills were mailed to factories, mines, and enterprises in Beijing.

4. The defendants Kang Yuchun, Lu Zhigang, and Wang Peizhong made preparations for and started the China Progressive Alliance's periodical the *Freedom Forum* in April 1992. The defendant Wang Peizhong mailed some fifty copies of the third issue of the *Freedom Forum* to addresses in Beijing.

5. The defendants Hu Shigen, Liu Jingsheng, and Gao Yuxiang secretly plotted in April and May 1992 and decided to distribute and disseminate by mail counterrevolutionary propaganda sheets during "June 4," 1992, in Beijing, Shanghai, Wuhan, Chengdu, and Shenyang, thus engaging in counterrevolutionary propaganda and incitement activities. For that purpose, the defendant Lu Zhigang travelled to Shenzhen to make secret contacts with people from outside the country, from whom he received funds for the planned activities and a model airplane for distributing counterrevolutionary handbills over Tiananmen Square. The defendants Liu Jingsheng, Chen Wei, and Wang Tiancheng separately drafted the counterrevolutionary handbills, "The Spirit of the June 4 Martyrs Lives for Ever" and "An Open Letter to all Citizens from the China Unity Democratic Alliance." Those handbills were typed by the defendant Wang Peizhong and some 6,000 copies were printed by the defendant Liu Jingsheng at the cooked duck shop owned by the defendant Zhang Guojun at 51 Weigezhuang Village, Wangzuo Township, Fengtai District, Beijing Municipality. The defendants Xu Dongling and Zhang Guojun also helped write 6,000 envelopes containing the handbills, which they later moved to the defendant Gao Yuxiang's home. Under the instruction of the defendant Chen Wei, the defendants Rui Chaohuai and Gao Yuxiang moved and hid the handbills somewhere else. In the afternoon of May 28 that same year, the defendant Xing Hongwei, as directed by Chen Wei, contacted Rui Chaohuai and took 700 copies of the counterrevolutionary handbills to be put in the mail when he returned to Chengdu, Sichuan Province. It was then he was arrested.

After the above-mentioned defendants committed their crimes, they were tracked down and arrested.

The above-mentioned facts of their crimes are attested to by written evidence, testimony of witnesses, and techniques of forensic science. The facts are clear, the evidence solid, complete, and sufficient to prove the case.

This sub-procuratorate is of the opinion that the defendants Hu Shigen, Kang Yuchun, Wang Guoqi, Lu Zhigang, Liu Jingsheng, Gao Yuxiang, Wang Tiancheng, Wang Peizhong, Chen Qinglin, Chen Wei, Zhang Chunzhu, Rui Chaohuai, Xing Hongwei, Xu Dongling, Zhang Guojun, and Li Quanli brazenly engaged in counterrevolutionary activities in defiance of the laws of the land and with the purpose of overthrowing the political power of the dictatorship of the proletariat and the socialist system. The respective deeds of these sixteen defendants violated Articles 98 and 102 of the "Criminal Law of the People's Republic of China," the activities of the defendants Hu Shigen, Kang Yuchun, Liu Jingsheng, and Lu Zhigang constitute the crimes of organizing and leading counterrevolutionary groups and engaging in counterrevolutionary propaganda and incitement; the activities of the defendant Wang Guoqi constitute the crime of organizing and leading a counterrevolutionary group; the activities of the defendants Gao Yuxiang, Wang Peizhong, and Wang Tiancheng constitute the crimes of actively participating in a counterrevolutionary group and engaging in counterrevolutionary propaganda and incitement; the activities of the defendants Chen Qinglin and Li Quanli constitute the crime of actively participating in a counterrevolutionary group; the activities of the defendants Chen Wei, Zhang Chunzhu, Rui Chaohuai, Xing Hongwei, Xu Dongling, and Zhang Guojun constitute the crime of engaging in counterrevolutionary propaganda and incitement. In order to uphold the authority of the law of the nation, defend the state power of the people's democratic dictatorship and the socialist system, maintain social order in the capital, and severely punish the disruptive activities of criminal

offenders, this sub-procuratorate initiates this public prosecution in accordance with Article 100 of the "Criminal Procedure Law of the People's Republic of China" and calls upon the court to punish the defendants according to law.

This is hereby given to: Beijing Municipal Intermediate People's Court

Procurator Wang Hua jun
Clerk Xin Jian hong

Supplementary notes:

1. The defendants Hu Shigen, Kang Yuchun, Wang Guoqi, Lu Zhigang, Liu Jingsheng, Gao Yuxiang, Wang Tiancheng, Wang Peizhong, Chen Qinglin, Chen Wei, Zhang Chunzhu, Rui Chaohuai, Xing Hongwei, Xu Dongling, and Zhang Guojun are currently in custody at the Beijing Municipal Public Security Bureau Detention House.
2. The defendant Li Quanli is at home and ordered released on bail to await trial (his home address is Room 202, Unit 4, Building No.4, Shaoyaoju, Chaoyang District, Beijing Municipality).
3. Thirty volumes of preliminary hearing files.
4. A list of material evidence and confiscated items appended.

Detailed List of Items Confiscated and Entered as Evidence

I. Of Lu Zhigang's

- | | |
|--|---------------------|
| 1. Deposit book (Five hundred yuan, An Ning) | One |
| 2. Hong Kong dollars | 500 dollars exactly |
| 3. Canon brand photocopier (CanonNP1215) | One |

II. Of Liu Jingsheng's

- | | |
|--|----------------------|
| 1. Photocopies of newspaper articles | One bundle |
| 2. Photocopies of "An Example of the Opposition Experience of a Free Labor Union" | One bundle |
| 3. Hong Kong newspapers | Two |
| 4. Cowhide briefcase (with "China Commercial Bank" written on it) | One |
| 5. Printed letter (Free Labor Union of China Proposal) | 70 copies |
| 6. Printed letter | 759 copies |
| 7. Printed letter | 1034 copies |
| 8. Photocopies of "Organizing Social Parties" | 3 copies |
| 9. Leaflet "The Spirit of the June 4 Martyrs Lives for Ever" | More than 110 copies |
| 10. <i>Encyclopaedia of Postal Codes of China</i> | One |
| 11. Business cards | Those relevant |
| 12. Letterhead paper | Those relevant |
| 13. Notebooks | Four |
| 14. Letters | Those relevant |
| 15. Chaoba brand fast printer | One |
| 16. Oil-based ink | One |
| 17. Leaflets (those the defendant stuck down which were later used to identify his fingerprints) | Those relevant |

III, Of Xing Hongwei's	
1. <i>Renminbi</i> ¹³	95 yuan and 70 cents exactly
IV, Of Gao Yuxiang's	
1. Leaflets "The Spirit of the June 4 Martyrs Lives for Ever" and "An Open Letter to all Citizens"	4480 copies
2. Envelopes	110
3. Stamps (Yunnan Residents Regular Stamps of 10 cent value)	13 sheets and 170 stamps
4. Carbon paper	One box
5. Copying paper	Those relevant
6. Writing paper	Those relevant
7. Business cards	One bundle
8. Oil-based ink	Two tins
9. Prepared Chinese ink	One tin
10. The Hong Kong book, <i>Workers Rise Up</i>	One
11. Letters	Thirteen
12. Ballpoint pens	Four
V, Of Chen Qinglin's	
1. File case	One
2. Leaflets	Those relevant
3. Photo-offset copy of <i>On the Soviet Situation</i>	One
4. <i>Draft of Local Records</i>	One
5. <i>Philosophical Notes</i>	One
6. Notebook	One
7. Book register	Two
8. Computer floppy disc (WanshengMD2-256HD)	One
VI, Of Zhang Chunzhu's	
1. Model mechanical airplane (with empennage)	One
2. Remote control for model airplane	One
3. Parts for model airplane	Those relevant
4. <i>Renminbi</i>	150 yuan exactly
VII, Of Wang Peizhong's	
1. Current account deposit book (containing 3,700 yuan)	One
2. <i>Renminbi</i>	90 yuan exactly
VIII, Of Zhang Guojun's	
1. <i>Renminbi</i>	1,000 yuan exactly
2. Empty envelopes	700
3. Empty parchment envelopes	500
4. Envelopes (already addressed)	76
5. Letters	Two
6. White paper	One bundle
7. Fountain pen (Yongsheng brand)	One
8. Empty envelopes	Ten

¹³ Renminbi is the Chinese currency.

IX, Of Xu Dongling's

1. *Renminbi*
2. *Renminbi*
3. *Renminbi*
4. *Renminbi*

80 *yuan* exactly
100 *yuan* exactly
80 *yuan* exactly
400 *yuan* exactly

X, Of Rui Chaohuai's

1. *Renminbi*

800 *yuan* exactly

APPENDIX III

Chinese Character Name List

鲍戈	Bao Ge
陈青林	Chen Qinglin
陈卫	Chen Wei
戴学忠	Dai Xuezhong
高玉祥	Gao Yuxiang
胡盛伦	Hu Shenglun
胡石根	Hu Shigen
康玉春	Kang Yuchun
李国涛	Li Guotao
李全利	Li Quanli
刘焕文	Liu Huanwen
刘京生	Liu Jingsheng
刘念春	Liu Nianchun
陆智刚	Lu Zhigang
吕洪来	Lu Honglai
芮朝怀	Rui Chaohuai
沙裕光	Sha Yuguang
童屹	Tong Yi
王辅臣	Wang Fuchen
王国齐	Wang Guoqi
王慧	Wang Hui
王佩忠	Wang Peizhong
王天成	Wang Tiancheng
王仲秋	Wang Zhongqiu
魏京生	Wei Jingsheng
肖碧光	Xiao Biguang
邢宏伟	Xing Hongwei
许东岭	Xu Dongling
扬周	Yang Zhou
袁红兵	Yuan Hongbing
张纯霖	Zhang Chunzhu
张国钧	Zhang Guojun
张林	Zhang Lin
周国强	Zhou Guoqiang
朱复明	Zhu Fuming

APPENDIX IV

Detailed Implementation Regulations for the State's Security Law of the People's Republic of China¹⁴

Chapter One

General Principles

Article 1. These detailed rules and regulations are drawn up on the basis of the "State Security Law of the People's Republic of China" (simply rendered as the "State Security Law" hereafter).

Article 2. The relevant regulations in these detailed rules and regulations are applicable when public security organs carry out state security missions in accordance with Section 2 of Article 2 of the "State Security Law."

Article 3. The "organizations and institutions outside the country" referred to in the "State Security Law" include the branch (representative) organizations and branch institutions which organizations and institutions outside the country have established in the PRC.

"Individuals outside the country" include people without Chinese citizenship who live in the PRC.

Article 4. The "agents of espionage institutions" referred to in the "State Security Law" refer to those people engaging in activities which endanger the PRC at the instigation of or commission of an espionage institution or its members, or with their financial support, or people who incite or instigate other people to engage in these activities.

Article 5. The "hostile institutions" referred to in the "State Security Law" refer to the institutions which are hostile to the PRC Government and socialist system characterized by the people's dictatorship, as well as institutions which endanger state security.

The Ministry of Public Security shall identify the hostile institutions.

Article 6. Activities which endanger state security with "financial support" referred to in Article 4 of the "State Security Law" refer to the following activities carried out by organizations, institutions, or individuals outside the country.

(1) Providing funds, locales, or supplies to institutions or individuals in the country for carrying out activities which endanger state security; and

(2) Providing funds, locales or supplies to institutions or individuals inside the country for carrying out activities of endangering state security.

Article 7. The "collusion" activities of endangering state security referred to in Article 4 of the "State Security Law" refer to the following activities carried out by institutions or individuals inside the country.

(1) Plotting or carrying out activities for endangering state security together with organizations, institutions or individuals outside the country;

(2) Accepting the financial support of organizations, institutions, or individuals outside the country, or doing so at their instigation, to carry out activities which endanger state security; and

(3) Establishing ties with organizations, institutions, or individuals outside the country, and obtaining their support and assistance for carrying out activities which endanger state security.

Article 8. The following activities are the "other sabotage activities which endanger state security" referred to in Article 4 of the "State Security Law:"

(1) Organizing, plotting, or carrying out terrorist activities which endanger state security;

(2) Fabricating or distorting facts, publishing or disseminating written or verbal speeches, or producing or propagating audio and video products which endanger state security;

(3) Carrying out activities which endanger state security through establishing social organizations or

¹⁴ This text is a preliminary translation by the Foreign Broadcast Information Service (FBIS), July 14, 1994, of Xinhua Domestic Service in Chinese, July 12, 1994.

business institutions;

(4) Using religion to carry out activities which endanger state security;

(5) Endangering state security through creating national disputes or inciting national splittism; and

(6) Activities of individuals outside the country who disregard dissuasion and meet with personnel in the country who have endangered state security, or who are seriously suspected of endangering state security.

Chapter Two

State Security Organs' Authority in Carrying Out State Security Assignments

Article 9. When it is believed that an individual from outside the country may endanger state security in the PRC after he enters the country, the Ministry of State Security may decide that he be barred from entering the country for a specific period of time.

Article 10. As for the felons who have betrayed the motherland and endangered state security, state security organs may list them as wanted and may pursue and capture them in accordance with Article 6 of the "State Security Law."

Article 11. When personnel of state security organs carry out their assignments according to the law, they may check the belongings of personnel whose identity is unknown and who are suspected of endangering state security.

Article 12. Vehicles which state security organs use for carrying out emergency state security assignments may have special insignia for passage and may be equipped with lights and sirens.

Article 13. When, during inspections, state security organs discover electronic telecommunications equipment or facilities incompatible with the needs for safeguarding state security, they may, in accordance with Article 11 of the "State Security Law," instruct relevant institutions and individuals to handle them with the necessary technical measures, and in the event they refuse to do so, or when they do not have the technical capacity to do so, the state security organs may keep the equipment and facilities in custody after sealing them, and then handle them according to the relevant law and administrative regulations.

Article 14. When personnel of state security organs carry out their assignments according to the law, they should show their inspection identification cards issued by the Ministry of State Security, or other relevant identification cards.

While carrying out their state security assignments, state security organs and their personnel shall strictly abide by the law, and they may not overstep or abuse their authority, or violate the legitimate rights and interests of any institutions or individuals.

Chapter Three

Obligations and Rights of Citizens and Institutions in Safeguarding State Security

Article 15. Government organizations, groups, and other institutions shall accept state security organs' coordination and guidance when educating their personnel on safeguarding state security, or when they mobilize and organize their personnel to guard against and stop conduct that endangers state security.

Article 16. Whenever a citizen discovers an act that endangers state security and reports the act to the institution where he works, the institution shall promptly report the discovery to state security organs. There shall be no delay.

Article 17. Citizens and institutions shall support and assist the maintenance of state security, and they have the right to demand that state security organs and public security organs take effective measures to prevent and stop all acts that infringe upon their legitimate rights and interests.

Article 18. The following acts are the "major contributions" described in Article 5 of the "State Security Law:"

(1) Acts of providing major clues for state security organs to uncover and crack criminal cases which

seriously endanger state security;

(2) Acts of providing major information for state security organs to guard against the occurrence of acts that will seriously endanger state security;

(3) Working in close coordination with state security organs in carrying out state security assignments, and the performance is outstanding;

(4) Acts of safeguarding state security and struggling against criminal elements who endanger state security, and the performance is outstanding;

(5) Acts of educating, mobilizing, and organizing personnel of one's own units in guarding against and stopping acts which endanger state security, and the success is remarkable.

Article 19. The "illegal possession of documents, information, and other items which are state secrets" referred to in Article 20 of the "State Security Law" means:

(1) the possession or holding of documents, information, and other items which are state secrets by personnel who should not have knowledge of the secrets; or

(2) The private possession or holding of the documents, information, and other articles which are state secrets by personnel who may know the secrets but who failed to undergo the formalities to possess them.

Article 20. The "specialized espionage equipment" referred to in Article 21 of the "State Security Law" refers to the following equipment which is essential for carrying out espionage activities.

(1) Hidden audio and photography equipment;

(2) Receivers and transmitters for contingencies, secret codes for one-time use, and tools for writing secret messages;

(3) Electronic equipment for monitoring and intercepting intelligence; and

(4) Other specialized espionage equipment.

The Ministry of State Security is in charge of identifying specialized espionage equipment.

Chapter Four

Legal Responsibilities

Article 21. State security organs may seal, hold in custody, and freeze the tools, money, and articles used to carry out activities which endanger state security, or the budgets, locales, and supplies listed in Article 6 of these detailed rules and regulations, and in light of different situations, state security organs shall confiscate the money and articles that have been sealed, held in custody, or frozen, or refer them to judicial authorities for disposal according to the law.

All the money and belongings which state security organs have confiscated shall be delivered to the state.

All the money and goods acquired through the leaking of state secrets shall be handled according to Article 34 of the "Procedures for Implementing the PRC Law Governing the Preservation of State Secrets."

Article 22. When an act which endangers state security constitutes a crime, the one who committed it shall have his criminal responsibilities investigated, and when the act does not constitute a crime, the unit where he works or the higher competent authorities shall mete out disciplinary actions against him, and the state security organs may also warn and admonish him and instruct him to sign a written repentance.

Article 23. The following acts are the "performance of meritorious services" described in Article 24 of the "State Security Law"

(1) Acts of exposing and reporting other criminal elements who endanger state security, and the reports are factual;

(2) Acts of providing important clues and evidence which endanger state security;

(3) Acts of assisting state security organs and judicial organs in capturing criminal elements who endanger state security, and

(4) Other acts which are important in assisting state security organs in safeguarding state security.

The "performance of major meritorious services" refers to services which fall under the aforementioned categories and which are especially significant for safeguarding state security.

Article 24. He who refuses to provide information -- when evidence proves that he knows other people have committed the crime of endangering state security, or when state security organs are questioning him about the situation and collecting evidence after having been informed that other people have committed the crime of endangering state security -- shall be handled in accordance with the provisions prescribed in Article 26 of the "State Security Law."

Article 25. When state security organs carry out state security assignments according to the law, citizens and institutions are legally obligated to facilitate their carrying out their duties or to provide other assistance, and those who refuse to do so -- and whose acts constitute a deliberate attempt to obstruct state security organs from carrying out their state security assignments according to the law -- shall be punished according to the provisions prescribed in Section Two of the "State Security Law."

Article 26. Those who deliberately obstruct state security organs from carrying out state security assignments according to the law and who cause bodily harm to personnel of state security organs or financial losses are liable for compensation according to the law, and judicial authorities shall punish them according to the provisions prescribed in Section Two of Article 27 of the "State Security Law."

Article 27. Personnel of state security organs shall have their criminal responsibilities investigated according to the law when their negligence of duty, practicing of favoritism, illegal detention, and extortion of confessions by torture constitute a crime.

Ms. PELOSI. Thank you, Mr. Chairman.

According to the Human Rights Watch/Asia, media sources, and testimony submitted today by Amnesty International, last week a major political trial began in Beijing to try 15 political dissidents and labor organizers. All 15 are being held for peacefully exercising rights guaranteed by the Chinese Constitution and the U.N. Universal Declaration of Human Rights, which China has signed.

The trial of the "Beijing Fifteen" is the largest group trial to take place in China since the prosecutions of Tiananmen Square related defendants.

The trial was first delayed until after the vote on Beijing's bid to host the year 2000 Olympics. The trial was then scheduled for April, but was once again postponed until after President Clinton's MFN decision. While the outcome of the trial has yet to be announced, we all know that it is rare for a Chinese court to hand down anything but a guilty verdict. The charges carry a maximum sentence of life in prison. Most of these people are being tried for observing the anniversaries of the Tiananmen Square massacre.

New security regulations: This is very recent and very, very scary. On June 4, just days after the MFN renewal, Chinese Premier Li Peng signed into law new State security regulations. These new laws give sweeping power to the State Security Bureau and according to Human Rights Watch/Asia, this will "essentially criminalize all of the nonviolent strategies that rights activists have been using to try to work openly within the narrow limits of Chinese law."

In addition, according to Reuters, "Under the new regulations, foreign institutions, organizations, and foreigners in China will be considered hostile if they finance, collude with, or engage in subversive activities endangering State security."

Now, that means talking to any human rights activist in China. It is particularly poignant because in his statement President Clinton said that one of the tactics he wanted to use was to support nongovernmental organizations in China which are engaged in promoting human rights.

This June 4 edict says that that would be counterrevolutionary activity on the part of those engaged in the activity as well as the foreigners helping them. These new regulations define writing or speaking harmful to State security as sabotage. According to the Associated Press, the government defines as sabotage "anything that deviates from the ruling Communist Party's stance on any issue."

This is a very dramatic intensification of their campaign and gives more power to the police in terms of dealing with those who are promoting human rights.

We all, I hope, remember Wei Jingshen. You may recall that Deng Xiaoping said "We put Wei Jingsheng behind bars, didn't we? Did this damage China's reputation?" Deng Xiaoping said that in 1979, after the arrest of this prominent leader of the Democracy Wall Movement.

In a disturbing bit of irony, Deng Xiaoping can ask this same question in 1994. After serving 14½ years in prison, Wei Jingsheng, China's most prominent dissident, was arrested once again for speaking out and has not been seen or heard from since.

On February 27, 1994, Wei met with Assistant Secretary of State John Shattuck in Beijing. Wei was detained on March 4, then released the next day. On April 1, while returning from a forced exile in Tianjin to prevent him from meeting with Secretary of State Christopher, Wei was rearrested and, as I said, has not been heard from since.

Just a word to turn my attention now to Tibet. According to Amnesty International and the International Campaign for Tibet, scores of people continue to be detained in China and Tibet for their religious, cultural, and political beliefs. Last month, a 20-year-old Tibetan nun died in a police hospital, reportedly as a result of injuries sustained after a severe beating by prison guards for singing nationalist songs with other nuns on February 11, 1994.

She was serving a 5-year sentence for taking part in a proindependence demonstration on February 3, 1992.

According to recently released Chinese Government documents, the Chinese are engaging in a concerted public relations campaign to undermine His Holiness the Dalai Lama's credibility and his efforts to bring human rights and peace to Tibet. Furthermore, the Chinese have refused to respond to the Dalai Lama's efforts to commence substantive negotiations on the future of Tibet.

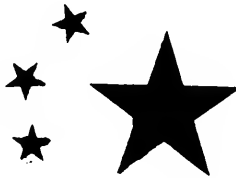
Again with the committee's permission, Mr. Chairman, I would like to submit for the record these documents that I have referred to, recently released Chinese Government documents.

Acting Chairman MATSUI. Without objection, they will be entered into the record.

[The information follows:]

China's Public Relations Strategy on Tibet

**Classified Documents from the
Beijing Propaganda Conference**



A Report by the
International Campaign for Tibet

International Implications

On March 10, 1993, the 44th anniversary of the Tibetan uprising when the Dalai Lama fled to exile, Beijing convened a high-level meeting to coordinate its "external propaganda" on Tibet. The room was filled with "comrades in charge of external propaganda work" from the Tibet Autonomous Region, Sichuan, Yunnan, Qinghai, and Gansu along with central Party leaders, who oversee propaganda work, and officials from Xinhua, China's official news agency. Our record of this meeting consists of three pre-written speeches. A subsequent meeting was held in Lhasa to convey the decisions of the Beijing meeting, and we have one speech delivered by Comrade Tenzin, from that meeting.

The speeches were all classified "jimi," a mid-level classification common for important government documents. The International Campaign for Tibet received four of the documents, No. 3, 5, 8 and the summary speech, indicating that there are at least 5 others which we have not seen. The process of these meetings reveals that policy and strategy on important issues concerning Tibet are controlled primarily by Chinese officials in Beijing, with only a few approved Tibetans participating in the process. We see here a concerted effort to keep Tibetan affairs centralized under Beijing, rather than to allow the different provinces with large Tibetan populations to develop their own messages and strategies which could deviate, and possibly be more liberal, from Beijing's position. We also learn, for the first time, that there is now a External Propaganda Committee within the Central Party Committee. With policies and regulations on many matters devolving into the hands of provincial leaders in recent years in spite of central directives, Beijing is still intent on keeping a tight rein on Tibetan affairs.

What Western readers may find most surprising about these documents is not what they say, but what they don't say. For example, the Dalai Lama's appeal is consistently regarded as being based on his ability to deceive and hoodwink the West. He is cast as a country at war would cast their enemy: as a villain.

Above all, these documents give readers an insight into the minds of the Chinese leadership governing Tibet policy. These documents are intended to set the "party line" on Tibet for external consumption. They will guide the work of hundreds of writers, editors, film makers, diplomats and a range of other Communist Party

officials until at least the Spring of 1994. We can only guess at what the propaganda committee actually believes, and what it is trying to get others to believe. This appears to also be an effort to ensure that the lower level bureaucrats do not deviate from a strict Central Government line and to impress upon them the importance of sticking to that line.

A troublesome implication from the documents is that there appears to be the widespread belief in China that support for Tibet is an anti-Chinese phenomena, not a pro-Tibet one. Is this a tactic promoted by Beijing? Is this what Beijing needs to justify their position to subordinates, and to rally the country against the human rights and independence movement in Tibet? Is this the belief of Deng Xiao Peng or other top leaders? We leave these conclusions for the reader.

The documents reveal more than ever before the degree to which China is trying to portray the West as an enemy on the issue of Tibet, to deflect the fact that it is Tibetans themselves who are calling for Western support. There are constant referrals to "international enemy forces" giving the impression that China has adopted a wartime footing to shore up a problem which it acknowledges is growing and will continue to grow.

Portrayal of the United States

The documents identify the United States and France as the most unfriendly countries with regard to Tibet, characterizing their acts as "especially ugly." China appears to be convinced that Congressional, and other, support for Tibet is simply an outlet for anti-Chinese sentiment, not an attempt to help conditions inside Tibet and support the aspirations of the Tibetan people.

In the summary speech by Zeng, he explains how carefully managed all foreign official visits should be. This will require official US delegations which visit Tibet to rethink their role in light of the Chinese admission that such trips will only be accorded to people who have been carefully chosen, and where significant preparations have been made to ensure political success. Official trips are susceptible to being misrepresented to the Chinese and Tibetan public after the fact, as was the case with Senator Pell. Senator Pell is the one member of Congress specifically singled out in the Documents, and he is said to

have "always been unfriendly to us." Nevertheless, China tried to portray him as agreeing with their policies in Tibet after his trip there.

These documents also openly state that cultural troupes and exhibits will be sent to the U.S. as part of a politically-dominated external propaganda strategy. These cultural initiatives could be hosted by the U.S. government or private institutions. We now see that all cultural exhibits and troupes coming from Tibet are part of a centrally approved and directed political strategy, even though some of the troupes are put forward under the guise of non-governmental entities. Under these circumstances, it will be much harder to justify hosting Tibetan cultural activities from Tibet, some of which will be accompanied by Chinese political leaders. Agencies such as the United States Information Agency who are engaged in cultural exchanges with China will be directly affected by these newly revealed Chinese policies.

Implications for Most Favored Nation Status

These documents are likely to be taken into serious consideration in determining whether China has met the conditions pertaining to Tibet in Clinton's Executive Order conditioning Most Favored Nation (MFN). The MFN condition on Tibet will look at whether China has made efforts to protect Tibet's "distinctive cultural and religious heritage" among other things. While these documents only touch on the treatment of culture and religion inside Tibet, they provide an extensive discussion on the use of Tibetan culture and religion internationally. According to these documents, China will aggressively use Tibetan cultural exchange "as a form of conducting propaganda on the question of Tibet."

The documents present, for the first time, a coordinated and comprehensive strategy aimed at the West, to:

1. Provide a highly regulated and sanitized view of conditions in Tibet;
2. Manipulate and control news coverage of conditions in Tibet by foreign correspondents;
3. Showcase Tibetan culture - approved and packaged by the Chinese government - to the outside world as a form of political propaganda.

Dalai Lama and the Tibetan Government in Exile

The Tibet Government-in-Exile (TGIE), based in Dharamsala, India, may interpret these documents as proving how effective it has been over the years in gaining international support. This could reinvigorate Dharamsala's current efforts and strategy, and give it an opportunity to re-evaluate and revise their progress and strategy.

The documents provide insight into China's level of knowledge about Dharamsala, and indicate that these departments in Beijing have access to little sophisticated intelligence information. For example, the TGIE's response to the White Paper was coordinated by the Department of Information and International Relations, but Zeng referred to the "'Tibet Cultural Studies' of the Dalai Clique" Later Zeng reported to the conference that "the radical group of the Dalai Clique the 'Tibetan Youth Congress' has trained large numbers of armed persons abroad." While training did go on the 1960s and early 1970s, there has not been military training since then by the TYC or anybody else. Zeng's speech also said that there are "hundreds of thousands of Tibetans living abroad" whereas there are only approximately 130,000.

A recurrent theme in the documents is the degree to which the Chinese saw the Kalachakra initiation, held in Sikkim, northern India, as a political threat. The initiation was held in April, 1993. Holding a religious ceremony presided over by the Dalai Lama so close to the Tibetan border is politically much more sensitive than Western observers have believed. It is likely that thousands of Tibetans applied for exit permits, or left without them, causing both political embarrassment for Chinese authorities and destabilization from the return of Tibetans. The initiation itself, and the public activities surrounding it have no overt political content in a Western sense, but for Tibetans - and Chinese authorities - anything to do with the Dalai Lama has major political ramifications. Moreover, Tibetans attending the Kalachakra from Tibet could easily have read, and be in possession of, literature banned inside Tibet such as speeches by the Dalai Lama, or political tracts originating from Dharamsala or the West.

Sino-Tibetan negotiations

The documents provide insight into why there is a stalemate between Beijing and Dharamsala on negotiations. They say that the "nature of the negotiation is that it is an internal affair of China, which is between the Central Government and an exiled religious leader, the purpose of which is to solve the problem of his repatriation." Moreover, it accuses the Dalai Lama of using "negotiation as a smoke screen, anxiously trying to gain some progress in their favor when the old generation of our revolutionaries is still alive and to deceive the international public opinion as well." The Dalai Lama has always tried to avoid having the talks focus on his return to Tibet, and instead focus on the conditions inside Tibet for the Tibetan people.

The reference to making progress while the "old generation of our revolutionaries is alive" is a curious one, because many analysts in the West believe the Tibetans' opportunity for a negotiated solution will grow with the death of the old generation of Chinese leadership. The Dalai Lama, however, continues to make efforts to negotiate with the current leadership. The reference must be to Deng Xiaopeng who made representations to Gyalo Thondup, the Dalai Lama's elder brother, in 1979, and since then, that negotiations are possible.

United Nations

The documents show that Beijing considers the participation of Tibetans and Tibet groups at UN conferences and meetings as a major threat and will put significant resources into countering that threat. Beijing says it had three "major confrontations" with the "Dalai Clique and the international enemy forces" last year at the UN Human Rights Commission in Geneva, the Earth Summit in Rio and the UNESCO conference in Paris. The documents indicate that Beijing will try to block the participation of Tibetans and people supporting Tibet at UN conferences, regardless of their connection to the TGIE, if they are perceived to be politically sympathetic to human rights in Tibet or self-determination for Tibet.

Tibetans in Exile

A major theme throughout these documents is the strategy to "divide and destroy" Tibetans in exile by taking advantage of different factions and luring as many as possible back to Tibet. The primary method of luring them back will be through the economic opening, and the possibility of doing business in Tibet. This will surely pose a significant dilemma to Tibetans in exile because many do want to return, for a variety of political, economic, religious and social reasons. The documents will probably stir a debate among the exiles as to what their position should be on returning.

The Dalai Lama has also been encouraging Tibetans who come out of Tibet to return, if possible, out of the belief that they are more needed inside Tibet to help improve conditions and to counter the demographic threat the growing Chinese population poses.

Much of the information presented in these documents is not new to Tibetans, and the ongoing debate amongst Tibetans in exile is already partially framed around the understanding that returning to Tibet is part of the Chinese strategy to crush the Tibetan independence movement which has a strong base of support in exile. What is new in these documents is the explicit admission by Chinese authorities as to why they want Tibetans to return, and how the new economic opening in Tibet is to be used as a prime factor in luring back Tibetans.

Media Strategy Inside Tibet

These documents present China's external media strategy, but the few mentions made of internal media are quite revealing. Primarily, the documents say that religious issues should be aggressively covered for foreign audiences, but should not be reported inside Tibet. This admission gives credence to the long-standing reports that religion is being used as a showcase for tourism. Religious issues, such as the reincarnation of the Karmapa and news about the search for the Panchen Lama's reincarnation are sometimes carried inside Tibet. However, these documents show that there are specific instructions not to give too much play to such news. Coverage of religious issues in Tibet remains suppressed and limited

out of a policy designed to control the spread and rise of Tibetan Buddhism.

Another domestic issue raised in the documents was the use of exhibits in China designed solely for foreigners. For example, an exhibit on Tibetan history was built at the Palace of Minority Culture in Beijing at "the instruction of top leaders of the Central Committee which is for foreign visitors only." Speeches at the conference exhorted attendees to make fuller use of such exhibits.

Tibet and Taiwan;

The documents show that China is very concerned with public opinion in Taiwan; about Tibet, and resources are directed towards managing that opinion. There is obvious frustration in Beijing that Taiwan; is being soft on the issue at times, and there is an open complaint that Taiwan; is even helping the Dalai Clique financially. The charge that Taiwan; is funding some Tibetan activities in India may quiet some fears in the Tibetan exile community that Taiwanese funding of selected Tibetan communities or projects was a divisive ploy originating partly in Beijing.

Conclusion

China has now embarked on a major cultural and media offensive over Tibet with Western audiences as its main target. This offensive will have dire consequences for Tibetan culture. Dance, opera and musical troupes mentioned frequently in the documents will feature pieces showing the ties between Tibetans and Chinese, and suppress other traditional pieces with other views. Photography exhibits will show happy and healthy Tibetans in traditional garb, and hide the poverty and desperation. Literature depicting the benefits of China's development will be published and dissenting voices will be banned. In short, this propaganda offensive is likely to herald a new era of state censorship and repression of traditional Tibetan culture.

Excerpts of the Documents on Key Issues

- Importance of Tibet for China's World Image*
- Strategy Towards the Dalai Lama*
- Criticism of the United States*
- The United Nations and Non-Governmental Organizations*
- "Eradicating" the Tibetan Opposition*
- Suppressing Negative Domestic News*
- West is "Main target"*
- Overall Strategy on Foreign Media*
- Role of Academics and Research*
- Manipulation of Foreign Media*
- Policy of Dividing Tibetans in Exile*
- Attitude Toward negotiations over Tibet*
- News only for Foreign Consumption*
- Political Use of Cultural Exchanges*
- On Preparing Effective Propaganda Materials*

Importance of Tibet for China's World Image

Looking at it in a bigger picture, the external propaganda work on the question of Tibet has bearing not only on the progress and development of Tibet, but also the image of China as a whole in the world, as well as the creation of a good international environment for the reform, open policy and the construction of the modernization of all China. (Doc. #8)

Strategy Towards the Dalai Lama

The Dalai Clique continues to step up its activities internationally. It has launched its propaganda offensive. In light of the fact that the situation inside our country has developed at a rapid speed and that we have reinforced our external propaganda on the question of Tibet, the Dalai Clique has made some changes in its strategy. In the past, it attempted to achieve its purpose of splitting the country through internal turbulence and external pressure. Since last year, ... they started to demand "negotiations," "returning home" and a "high degree autonomous rule" in an attempt to further seek the "independence" of Tibet. (Doc. #3)

(We) must closely watch the new direction of the Dalai Clique and the international enemy forces on the question of Tibet, study the pattern of Dalai's theories and activities and study their strategy and its changes in order to know them as well as ourselves and be prepared early and engage ourselves in war prepared. (Doc. #8) We should try as much as possible to plan early. Preparations must be made early for events that we know ahead, such as the human rights conferences. ... [W]e should launch our propaganda in whatever country he [Dalai] goes to. (Summary)

As for Dalai himself, he enjoys the status of religious leader and a Nobel Prize Laureate. He has accumulated dozens years of experience of splittist activities and certain international connections. Besides, financially, he is assisted by enemy forces including Taiwan, which has provided assistance for his political activities.

According to analysis, since the beginning of the 1980s, the splittist activities of the Dalai Clique have entered a new cycle. It is still in the process of developing and has yet reached its peak stage. The adjustment of its policy is based on the experience learned from its several decades of splittist activities in exile, the lesson learned from the changes in Eastern Europe and the "success story" of the breaking up of the Soviet Union. Therefore, the Dalai Clique continues to employ two faced tactics to launch offensives targeted inside our region and infiltrate into our internal circle. At the same time, it uses negotiation as a smoke screen, anxiously trying to gain some progress in their favor when the old generation of our revolutionaries is still alive and to deceive the international public opinion as well. (Doc. #8)

Dalai is personally very active in conducting activities. He continues high level lobbying. In the past two years, Dalai visited over thirty countries, among which important officials above the level of foreign ministers of twenty one countries received him. Because of the fact that Dalai was received by Bush and Major, heads of states of two major Western countries, he has been received at high levels in many places. ... It seems that under the cloak of the so-called "Nobel Peace Prize Winner", Dalai has a certain international market. (Doc. #3)

There are different factions within the Dalai Clique, they are, however, unanimous in their political nature and position. They differ from each other in ideological view points and ways of expressing them. Different strategies must be adopted to use their differences, to

deal with them differently in order to divide and destroy them. We should be flexible and adjust our strategies according to changes of situations and improve the art of the struggle against the enemies. (Doc. #8)

Criticism of the United States

The attacks launched by Western enemy forces against us on the question of Tibet have the tendency of being further escalated. Due to the fact that the political and social situations inside our country have greatly improved and that we have initiated measures in handling rioters according to law inside the country, it is hard for Western enemy forces to fuss over other issues. Therefore, they focus more and more on the question of Tibet in their attacks and distortions against us. Last year, the United States and France acted especially ugly [*Chinese: zui wei e lue*] in this respect. In March last year, in order to coordinate the attacks by anti-Chinese forces against at the 48th Session of the Human Rights Conference, the U.S. Senate passed a resolution claiming that "Tibet is an occupied country" and that "the Dalai's exiled government is the legitimate government of Tibet." (Doc. #3)

In November last year, US Senator Pell came to visit. This man had always been unfriendly to us. He had often launched attacks of distortion regarding our human rights record and the question of Tibet at US Congress. During his visit, our relevant department purposely arranged for him to visit Tibet. He had to admit that what he saw was quite different from what he had imagined before. (Doc. #3)

TV programs for external broadcasting should include programs about Tibet. We should broadcast to Europe and America so that our propaganda can directly reach audiences of the Western countries. (Doc. #3)

In the United States they held "conference on Sino-American Relations" together with fugitives such as Yan Jia-qi, Chen Yi-zi, and Su Xiao-kang and so on. Their purpose is to create opportunities to carry out propaganda and attacks. (Doc. #3)

The United Nations and Non-Governmental Organizations

The international enemy forces also use non-governmental organizations to carry out attacks and slanders against us on the question of Tibet. For example at the 48th Session of the United Nations Human Rights Commission and the United Nations World Environment Conference of last year and other international venues, international enemy forces such as "Amnesty International," "International Human Rights Law Group," "Asia Watch" and "Tibet Information Network" in Britain distributed large quantities of material that accuses us of violating human rights. (Doc. #3)

We confronted the Dalai Clique and international enemy forces that support it and achieved good results. Last year there were three such major confrontations. One was at the United Nations Human Rights Commission held between February and March of 1992. ... The second one was the struggle at the United Nations environment Conference. Before the Conference we were told that Dalai would visit Brazil under the name of the "The Earth Summit of Parliamentarians and Spiritual Leaders" with the aim of subverting the presence of our high-level delegation at the conference and pushing the internationalization of the Tibet question. We made arrangements for our propaganda work and assigned people to bring along a lot of propaganda material. ... The third one was the struggle at the UNESCO Conference in Paris in October last year. Faced with the situation that the Dalai Clique and the enemy forces in the West attempted to use the Conference to attack us on human rights record, the question of Tibet, and the reform of prisoners in particular, we decided to ask comrades from the Labour Reform Department of the Justice Ministry to go to prisons in Tibet and video tape the situation of the prisoners. (Doc. #3)

In March last year, in order to coordinate the attacks by anti-Chinese forces against at the 48th Session of the Human Rights Conference, the U.S. Senate passed a resolution claiming that "Tibet is an occupied country" and that "the Dalai's exiled government is the legitimate government of Tibet". According to information, the Dalai Clique and the Western enemy forces are still engaged in active planning in an attempt to continue their attacks on us in the World Human Rights Conference in June of this year. (Doc. #3)

"Eradicating" the Tibetan Opposition

In the whole period of the 1990s, it will not be possible to eradicate splittist forces, yet it may be possible to divide them and tear them apart. We should recognize the obstinate nature of the Dalai Clique as well as the changes of its strategy so as to adopt opposing strategies. (We) should focus on the current struggle and be fully prepared mentally for a long term struggle. (Doc. #8) Different strategies must be adopted to use their differences, to deal with them differently in order to divide and destroy them. (Doc. #8)

Suppressing Negative Domestic News

Taking into account the complexity of the international struggle, in general, the problems existing in our work should not be released to the outside. The news coverage of sudden incidents such as turbulence and demonstrations should be done in accordance with the unified arrangements by the Central Committee. (Doc. #5)

West is "Main Target"

The main targets of the external propaganda work of our region are Western Europe and countries, neighboring countries and Tibetans abroad. With regard to Western Europe, the main work is to repudiate the slanders and attacks by anti-Chinese forces on the question of Tibet so as to clear facts and eliminate misunderstandings. (Doc. #8)

In November last year, the French Parliament ganged up with the "Sub-committee on the Question of Tibet of the European Parliament" and staged an anti-Chinese farce in Strasbourg called the "Trial on the Question of Tibet". The wife of the French President Mitterrand attended it personally to boost its morale, which caused very bad impact. (Doc. #3)

We should also conduct detailed analysis of the different situations of different countries in the world (mainly the Western countries), of the different factions in these countries and all levels of society and their representatives. We should work on them according to their different political background, history, psychological status,

ways of thinking, their different levels of knowledge about us and their attitudes. (Doc. #8)

TV programs for external broadcasting should include programs about Tibet. We should broadcast to Europe and America so that our propaganda can directly reach audiences of the Western countries. (Doc. #3) With regard to the targets of our propaganda, (we) should do a good job with high level people, including parliamentarians of relevant countries. (Doc. #5)

Overall Strategy on Foreign Media

With regard to external propaganda work, unlike other provinces, Tibet should have greater coverage and there should be frequent information about Tibet. (Summary Speech) This year, we should ... launch a tit-for-tat struggle in public opinion against the Dalai Clique and the international forces. Our embassies, consulates and delegations attending international conferences should report back information regarding the activities of the Dalai Clique and the international enemy forces and their attacks against us in good time. (Doc. #3)

On Launching offensives: With regard to the attacks by the West and the Dalai Clique and their frequent activities, our external propaganda should launch offensives. We should expand our spheres of influence, in particular, we should infiltrate our propaganda into the mainstream life of the West. Firstly we should continue to send Tibetan scholars and Tibetan singing and dancing troupes abroad to lecture and perform. Secondly, relevant embassies and consulates should aim at the public opinion and the activities of the Dalai Clique in the countries they are stationed and utilize speeches, picture exhibitions, special articles and other forms to carry out propaganda work, so as to win over officials and people of those countries. Thirdly, TV programs for external broadcasting should include programs about Tibet. We should broadcast to Europe and America so that our propaganda can directly reach audiences of the Western countries. (Doc. #3)

Since the year before last, The United Front Ministry of the Central Committee started a system of joint coordination committee on combating the Dalai Clique. All the concerned ministries and agencies meet on regular basis to share and exchange information, to analyze the situation, to examine and formulate policies, etc., it had a

very good result. Perhaps the United Front Ministry should also consider reinforcing their study on external propaganda work. (Doc. #3) We hope to hold a meeting at the end of this year [1993] to study the external propaganda work on Tibet for next year. (Summary)

Role of Academics and Research

We should organize experts and scholars to write articles and books and use historical facts to declare righteously to the world that Tibet is an inseparable part of Chinese territory. We should promptly recommend works and articles written by foreign scholars that are favorable to us. (Doc. #3) We should strengthen our research.... [T]here are a lot of precious historical information unknown to the outside in the archives in Lhasa which should be explored and utilized to the full. Some of the more convincing materials among them should be sorted out first and put into a handbook to be presented to the outside. (Summary)

Manipulation of Foreign Media

We should attach great importance to the utilizing of outside forces... The utilization of outside forces is a very important part of successful external propaganda. We may select some relatively objective and fair minded persons and journalists to visit Tibet and only request them to report objective facts. Being truthful to facts is very convincing. Thus, many questions the outside has could be solved. ...In utilizing foreign force, we should be open minded on the one hand, and make very careful plans and arrangements on the other. The number of people doesn't have to be large, but the selection must be well made. All the foreigners that we entertain and send to Tibet must have a relatively objective opinion of Tibet. We should use people from abroad to carry out the propaganda on Tibet for us, which is more powerful than we do it. (Summary Speech)

We should reinforce the work of utilizing the power of foreign propaganda. ...By arranging foreign journalists and other people to go to visit Tibet we should be able to use foreign forces to carry our external propaganda and gradually change their mind about us through what they have seen with their own eyes. In particular, this year there should be a breakthrough in terms of visits by foreign journalists stationed in Beijing. We are still considering arranging for a few journalists and foreign journalists stationed in Beijing to

visit Tibet at an appropriate time. In this regard, we should coordinate well with the Foreign Ministry. (Doc. #3)

This year, on the premises of thoughtful planning and careful arrangement, (we) shall choose the right time to properly arrange for foreign journalists and those from Hong Kong, Macao and Taiwan; to visit Tibet. The External Propaganda Committee will arrange for journalists from Hong Kong and Macao and foreign journalists to go into Tibet respectively. (We) hope that the External Propaganda Committee of the Party Committee of TAR will make adequate preparations. (Doc. #5)

(We) made appropriate arrangements for people from abroad to visit Tibet and invited Hong Kong journalists to visit and conduct interviews in Tibet so that through their own eyes and experience they would get to know the actual situations and changes in Tibet. ... [T]ogether with the Propaganda Department of The Hong Kong Party Working Committee, we invited five Hong Kong journalists to visit Tibet last August. According to incomplete statistics, these journalists published six special editorials and over 220 articles with pictures. Their coverage was basically objective and fair. They created a strong momentum of public opinion and had a good impact. (Doc. #3)

(We) should work on those people who have been "invited in," including journalists stationed in China and celebrities. (Doc. #8)

On Chinese journalists : With regard to important delegations, journalists stationed abroad should accompany them so as to provide complete coverage.... Embassy comrades or consulate comrades that accompany these delegations should provide journalists with relevant information so that they will be reported promptly. Important local public response must be reported also.... It is highly necessary for external news agencies to send journalists to Tibet to conduct highlight interviews. ... [T]here shouldn't be high demands regarding the kind of reception they [the TAR and Tibetan provinces] provide. The news agencies should try to solve the problem of funds by themselves as much as possible. But Tibet side should, within their capabilities help to solve some problems such as transportation and so on. (Summary)

Policy of Dividing Tibetans in Exile

This year, we should also further reinforce propaganda towards Tibetans abroad. We should have more contact with them and utilize their deep feeling for their homeland and the facts of the economic and social development and the enhanced living standard of the people to divide and destroy the basis of the Dalai Clique (Doc. #8) There are hundreds of thousands of Tibetans living abroad. These people form the basis of the Dalai Clique. We should try to win them over through our propaganda and our actual work with them, so as to weaken the force of the Dalai Clique. We should try to move them with the development of Tibet and their feeling for their homeland. We should advocate to them minority policy and religious policy, and welcome them to come back. (Summary Speech)

Attitude Toward negotiations over Tibet

With regard to negotiations, (we) insist that Tibet is an inseparable part of China and we adhere to the "Five Principles". The nature of the negotiation is that it is an internal affair of China, which is between the Central Government and an exiled religious leader, the purpose of which is to solve the problem of his repatriation and that of the people who follow him. The solution of the Tibet problem should not be the same as that of Taiwan;. The future of Tibet is national regional autonomy and the realization of socialism. (Doc. #8)

At the same time, it [Dalai Clique] uses negotiation as a smoke screen, anxiously trying to gain some progress in their favor when the old generation of our revolutionaries is still alive and to deceive the international public opinion as well. (Doc. #8)

News only for Foreign Consumption

As to certain important religious events, they should not necessarily be reported at home, but must be fully covered for external propaganda. The consecration ceremony for the Panchen Lama in coming September must be well publicized. (Summary Speech, p.4) More religious contents could be included in external (propaganda), because of its special role, which is also a characteristic difference between external and internal propaganda. (Doc. #8)

[T]he exhibition of the history of Tibet in the Palace of Minorities' Cultures was set up by the State Nationalities Commission under the instructions of top leaders of the Central Committee, which is for foreign visitors only. (Doc. #3)

Political Use of Cultural Exchanges

Important work in cultural exchange, film, television and publication. Using cultural exchange as a form of conducting propaganda work on the question of Tibet is easily acceptable by people of different ideologies, different countries, different races and different classes. It can reach either common people or those at the top. It is very infiltrating and influential. It plays a role of imperceptible influence. (Doc. #3)

[W]e should arrange for more cultural troupes and Tibetan scholars to go abroad to visit. Putting on exhibitions and organizing lectures abroad can achieve good propaganda results. Such propaganda is imperceptible. It could be participated by all the Tibetan provinces. Cultural exchange could be combined with economic and trade activities.... As a result, those two aspects complimented each other and good results were achieved. At present, we don't have enough activities abroad. (Summary)

Three delegations will be formed under the name of the External Cultural Exchange Association of the Autonomous Region, which will be headed by the leaders of the Autonomous Region,, which will visit six countries separately, including Nepal and India, United States and Canada, United Kingdom... (Doc. #8)

Ten Tibetologists will be organized into two groups to visit and lecture in India, Italy and Britain; ... the "Tibetan Artifacts Exhibition" will be held in Britain, Italy and Canada ... the "Tibetan Photography Exhibition" has been invited to open in Argentina, Chile and Brazil ... the Cultural Office of the Autonomous Region, will invite a German cultural troupe to perform in Tibet during the Shoton festival; ... the Radio and Television Department of the Autonomous Region, will produce TV special program "The Enthronement of the Reincarnation of Karmapa ". (Doc. #8)

On Preparing Effective Propaganda Materials

Preparations must be made early for events that we know ahead, such as the human rights conferences. At present, we are usually late in making preparations. (Summary Speech)

We should also keep a close watch of the Dalai's activities and closely study the pattern of his activities so as to design counter strategies. Materials collected in this way have more of a focus. In a word, we must go to war well prepared. One of our shortcomings in the past was that very often we tried to manage in a hurry. When the material was prepared, they were usually out of date. (Summary Speech)

It is said that "Tibet Cultural Studies" of the Dalai Clique is planning on publishing a book to attack our White Paper on the question of Tibet. That shows that our White Paper has hit them at their fatal point. (Doc. #3)

Ms. PELOSI. Thank you, Mr. Chairman.

A report to be released tomorrow which I referenced earlier by both Human Rights Watch/Asia and Human Rights in China, entitled "Pressure Off, China Targets Activists," details these and other troubling human rights developments that have taken place over the last few months. I urge members of the subcommittee to take the time to read this important document, which the chairman has already given permission for us to place in the record. Thank you.

Some say we cannot jeopardize the potential Chinese market of 1.5 billion people—well, 1.2 billion people by denying MFN to products made by the Chinese military and other State-owned industries. To those I would point to the reality of the U.S.-China trade relationship. The United States is the job loser in the U.S.-China trade. Many American jobs have been lost or are at risk through China's unfair trade practices. Indeed, China does not extend MFN to the United States.

In 1993, the United States had total worldwide exports of \$460 billion. Less than 2 percent of our exports were allowed into China. By contrast, over \$30 billion, nearly 40 percent of China's exports poured into the United States last year, resulting in a \$23 billion trade deficit for the United States, second only to Japan. Less than 2 percent of our exports go into China, but 40 percent of their exports came into the United States last year. This year, as you know, the trade deficit is projected to be close to \$30 billion.

The Beijing rulers need preferential access to our markets to fuel China's economic growth and consolidate their grip on power. This gave the United States leverage to say to the Chinese last year: Live up to your international commitments on trade, proliferation and, yes, human rights, or lose preferential trade privileges.

Those who argue that China holds the leverage in our relationship have it upside down. It cannot be that the economic future of the United States of America is inextricably tied to a nation which pays its workers 10 cents an hour and is governed by an authoritarian regime which imprisons and tortures its own people for speaking out for freedom.

A great nation like ours should not trade its values and heritage for access to cheap labor and potential markets, real or imagined. America has a special and powerful message that resonates around the globe. Members of Congress have received a letter from Dr. Frank Lejeur, whom you know as one of the leading Chinese dissidents, and he in his letter and repeatedly he has said to those who say that economic freedom will lead to political freedom, Deng Xiaoping has said that those who expect that to happen will have to wait dozens of generations and China will deal harshly with those who would hasten the process.

H.R. 4590 honors the U.S. commitment by following through with targeted sanctions. These sanctions are crafted in a way so as to send a strong message to the Beijing rulers while encouraging the private sector in China.

Five years ago students in Tiananmen Square quoted Thomas Jefferson, read from our Bill of Rights, and built a Chinese version of the Statue of Liberty. Who among us can forget the courage of the lone man before the tank? In 1989, Americans vowed to stand

with him. We must not abdicate our leadership on promoting freedom and human rights. Our bill is designed to show that the United States does not intend to walk away from the values for which we stand. We must stand with the man before the tank.

Thank you, Mr. Chairman.

Acting Chairman MATSUI. Thank you, Representative Pelosi.

[The prepared statement follows:]

TESTIMONY OF CONGRESSWOMAN NANCY PELOSI
WAYS AND MEANS TRADE SUBCOMMITTEE
HEARING ON HR 4590

July 28, 1994

Mr. Chairman, thank you for the opportunity to testify today on behalf of HR 4590, the U.S.-China Act of 1994.

I thank the Subcommittee for inviting Father Drew Christiansen of the U.S. Catholic Conference to testify regarding the increase in religious persecution in China and Tibet, and for inviting Jeffrey Fiedler of the Laogai Foundation to address China's continued use of forced labor.

Introduced by House Majority Leader Gephardt, House Majority Whip Bonior and cosponsored by over 100 Members of the House, our bill would revoke Most Favored Nation (MFN) status for products made by China's People's Liberation Army and certain other state-owned enterprises. Senate Majority Leader George Mitchell has introduced identical legislation (S 2260).

Our approach is a compromise between those who advocate total revocation of MFN and those who would do nothing or paper over the continuing abuses in China and Tibet.

The Chinese Military

Why target the Chinese military? Each year, American consumers unknowingly subsidize China's military modernization by purchasing hundreds of millions of dollars worth of consumer products made by companies which are fronts for China's People's Liberation Army (PLA). The products made by these PLA companies, ranging from AK-47 assault rifles to pharmaceuticals to stuffed toy animals, enter the U.S. market under preferential Most Favored Nation tariffs.

Mr. Chairman, this is the same Chinese military that ran over its own students with tanks, the same military that brutally occupies Tibet, and the same Chinese military that proliferates weapons of mass destruction.

The Defense Intelligence Agency (DIA) has produced a chart (DIA VP-1920-271--90) identifying the relationships among import and export organizations in China's defense industrial complex. The DIA says that these PLA front companies are a "key to supporting the uniformed services and China's industrial base and to acquiring military and dual-use technology. They market products and earn foreign currency to support defense-related research, development and operations."

The huge profits and hard currency earned through these sales are bankrolling the massive modernization and expansion of China's military and the proliferation of weapons of mass destruction to rogue regimes.

Of particular concern:

North Korea

During a week of meetings in early June, the entire Chinese military hierarchy turned out to greet their North Korean counterparts declaring the two countries "as close as lips and teeth." (Christian Science Monitor)

According to Seoul's largest newspaper, these meetings produced a pledge of 85,000 Chinese troops to the defense of North Korea in the event of war and credit assistance to Pyongyang for food and energy in case of UN sanctions. (Choson Ilbo, Seoul)

If Defense Intelligence Agency analysts are correct, the Chinese military has aided the development of North Korea's new TD-2 missile by transferring advanced missile technology to North Korea. (Wall Street Journal)

Proliferation

China's military companies have sold billions of dollars worth of ballistic missiles to the Middle East and, in the words of CIA Director Woolsey, China is "Iran's principal nuclear supplier." (Congressional Research Service)

Chinese military companies have sold nuclear and missile technology to Pakistan, including bomb designs and enough weapons-grade uranium for two weapons. (Congressional Research Service)

Cambodian government sources say that, according to their intelligence services, in March, a new shipment of Chinese weapons worth \$18 million was received by the Khmer Rouge, (led by Pol Pot) in violation of the Paris accord on Cambodia that was co-authored and signed by Beijing. (Far Eastern Economic Review)

China's Military Buildup

Alone among the nations of the world, China's military is still testing nuclear weapons, including the detonation of a nuclear weapon 5-10 times the power of the Hiroshima blast on June 10th, just two weeks after President Clinton's decision to renew MFN unconditionally. (Washington Post)

As I mentioned earlier, China, alone among the declared nuclear powers, is massively increasing its defense spending -- by 20% this year alone. (Wall Street Journal)

China has purchased billions of dollars worth of highly sophisticated Russian military equipment including SU-27 air superiority fighters and the latest main battle tank, the T80-U. (International Defense Review)

By continuing to provide preferential Most Favored Nation treatment for these PLA exports, American consumers are in effect subsidizing China's program of "Guns to Butter to Guns."

We feel that this should end. American consumers should not subsidize China's army with preferential trade treatment.

Continuing Human Rights Abuses

Mr. Chairman, in the aftermath of President Clinton's unfortunate decision to reward Beijing with complete renewal of MFN without some targeted sanctions and, in the absence of the modest improvements in human rights called for in his own Executive Order, the human rights situation has worsened.

In written testimony submitted for today's hearing, Human Rights Watch/Asia states that "in the absence of international pressure, China has steadily tightened the noose on all forms of dissident activity. The authorities in Beijing have apparently calculated that there is no price to be paid for continued political repression in the name of guaranteeing 'social stability' at a time when major economic reforms are underway."

Trial of the Beijing Fifteen

According to Human Rights Watch/Asia, media sources, and testimony submitted today by Amnesty International, last week a major political trial began in Beijing to try fifteen political dissidents and labor organizers. All fifteen are being held for peacefully exercising rights guaranteed by the Chinese constitution and the United Nations Universal Declaration of Human Rights, which China has signed.

The trial of the "Beijing Fifteen" is the largest group trial to take place in China since the prosecutions of Tiananmen Square-related defendants.

This trial was first delayed until after the vote on Beijing's bid to host the 2000 Olympics. The trial was then scheduled for April, but was once again postponed until after President Clinton's MFN decision. While the outcome of the trial has yet

to be announced, it is rare for a Chinese court to hand down anything but a guilty verdict. The charges carry a maximum sentence of life in prison.

New Security Regulations

On June 4, just days after MFN renewal, Chinese Premier Li Peng signed into law new state security regulations. These new laws give sweeping power to the State Security Bureau and, according to Human Rights Watch/Asia, "essentially criminalize all of the nonviolent strategies that rights activists have been using to try to work openly within the narrow limits of Chinese law."

In addition, according to Reuters, "Under the new regulations, foreign institutions, organizations and foreigners in China will be considered hostile if they finance, collude with or engage in subversive activities endangering state security."

These new regulations define writing or speech harmful to "state security" as "sabotage." According to the Associated Press, the government defines as sabotage "anything that deviates from the ruling Communist Party's stance on any issue."

Wei Jingsheng

"We put Wei Jingsheng behind bars, didn't we? Did this damage China's reputation?" Deng Xiaoping asked this question in 1979, after the arrest of this prominent leader of the Democracy Wall Movement.

In a disturbing bit of irony, Deng Xiaoping can ask this same question in 1994. After serving fourteen and a half years in prison, Wei Jingsheng, China's most prominent dissident, was arrested once again for speaking out and has not been seen or heard from since.

On February 27, 1994, Wei met with Assistant Secretary of State John Shattuck in Beijing. Wei was detained on March 4, then released the next day. On April 1st, while returning from a forced exile in Tianjin to prevent him from meeting Secretary of State Christopher, Wei was rearrested.

Tibet

According to Amnesty International and the International Campaign for Tibet, scores of people continue to be detained in China and Tibet for their religious, cultural and political beliefs.

Last month, a twenty-year old Tibetan nun died in a police hospital, reportedly as a result of injuries sustained after a severe beating by prison guards for singing nationalist songs with other nuns on February 11, 1994. Phuntsog Yangkyi was serving a five-year sentence for taking part in a pro-independence demonstration on February 3, 1992.

According to recently released Chinese government documents, the Chinese are engaging in a concerted public relations campaign to undermine His Holiness the Dalai Lama's credibility and his efforts to bring human rights and peace to Tibet. Furthermore, the Chinese have refused to respond to the Dalai Lama's efforts to commence substantive negotiations on the future of Tibet.

A report to be released tomorrow by both Human Rights Watch/Asia and Human Rights in China, entitled Pressure Off, China Targets Activists, details these and other troubling human rights developments that have taken place over the last few months. I urge Members of the Subcommittee take the time to read this important document.

The Real U.S. China Trade Relationship

Some say that we cannot jeopardize the potential Chinese market of 1.5 billion people by denying Most Favored Nation status to products made by the Chinese military and other state owned industries.

To those I would point to the reality of the U.S.-China trade relationship. The United States is the job loser in U.S.-China trade. Many American jobs have been lost or are at risk through China's unfair trade practices. Indeed, China does not extend MFN to the United States.

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The Beijing rulers need preferential access to our markets to fuel China's economic growth and consolidate their grip on power. This gave the U.S. leverage to say to the Chinese last year: live up to your international commitments on trade, proliferation and, yes, human rights, or lose preferential trade privileges.

Those who argue that China holds the leverage in our relationship have it upside down. It cannot be that the economic future of the United States of America is inextricably tied to a nation which pays its workers 10 cents an hour and is governed by an authoritarian regime which imprisons and tortures its own people for speaking out for freedom.

A great nation like ours should not trade its values and heritage for access to cheap labor and potential markets -- real or imagined. America has a special and powerful message that resonates around the globe.

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Who among us can forget the courage of the lone man before the tank? In 1989, Americans vowed to stand with him.

HR 4590 honors that commitment by following through with targeted sanctions. These sanctions are crafted in such a way as to send a strong message to the Beijing rulers while encouraging the private sector in China.

We must not abdicate our world leadership on promoting freedom and human rights. This bill is designed to show that the United States does not intend to walk away from the values for which we stand.

We must stand with the man before the tank.

Acting Chairman MATSUI. Representative Solomon.

STATEMENT OF HON. GERALD B.H. SOLOMON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. SOLOMON. Mr. Chairman, members of the subcommittee, I really am pleased to have this opportunity of joining the gentlelady from California and other distinguished Members who have submitted written testimony in appearing before you to discuss the issues relating to the renewal of most-favored-nation trade status for China.

I commend you, Mr. Chairman, and members of your subcommittee and full committee for the outstanding job you usually do in dealing with very, very extremely difficult issues before your committee, even though we might disagree the issue before you today.

And let me also apologize for having to run off to the Rules Committee, in just a few minutes, so that we can give you gentlemen some more work to do for the remainder of this week. Let me then ask unanimous consent to submit my written statement, which is no longer necessary to give in depth because of the outstanding testimony by my colleague, Ms. Pelosi, who really has gone into in-depth testimony about the problems we are really concerned about.

Acting Chairman MATSUI. Without objection, your statement will be entered into the record.

Mr. SOLOMON. Thank you.

Mr. Chairman and members, some 5 months ago when this subcommittee conducted a review of the progress, or the lack thereof, that China was making before the President would be required to make his recommendation on whether or not to renew MFN status for another year, I made this statement, and you all were sitting here at the time:

I am convinced that meaningful, dramatic and unprecedented steps will have to be taken by the Chinese Government in order for the President to recommend in good conscience that MFN * * *

Let me say that again.

In order for the President to recommend in good conscience that MFN be renewed.

I went on to say,

Certainly under a continuation of the present circumstances, if the President were to recommend a renewal of China's MFN, I would be prepared to introduce a joint resolution disapproving his recommendation.

And accordingly, Mr. Chairman and members, you know I have done that. Your subcommittee and the full committee did hold a hearing and reported my resolution to the floor with unfavorable recommendation.

Mr. Chairman, let me just say to you that nothing has changed in China since this subcommittee met in February. As a matter of fact, nothing has changed for the better over the past year, as was outlined so well by Mrs. Pelosi, in all of the areas of human rights.

Indeed not a single spokesman inside or outside the administration has come forward to claim that there have been any substantial improvements concerning any of the political and human rights abuses in China that were subject to the President's Executive order of May 28, 1993.

The silence has been truly deafening. In fact, the capitulation to China has been so complete that the President has now put a wall of separation between human rights issues and the renewal of China's MFN. From here on out, according to the administration, the issues of human rights and trade are going to be handled as totally unrelated matters. And guess who the losers are going to be? The oppressed people who have looked to America as a beacon of hope around this world in the belief that some day they might be treated as decent human beings. If delinking trade and human rights becomes our policy, that beacon will no longer exist.

Mr. Chairman, when the resolution of disapproval I introduced is brought to the floor, I hope that Members of this 103d Congress will join those of us in the 101st Congress and the 102d Congress in going on record as being opposed to a further extension of MFN trade status for China.

I recognize of course that the statutory time limit allowed for enactment of a resolution of disapproval is fast running out, which is really why I am here today, Mr. Chairman. That is why other legislative options also need to be pursued, especially if the essential link between improved respect for human rights and the granting of trade concessions is to be preserved.

The gentlelady from California has provided members with another option in her bill that she is testifying on here today, and I am proud to say that I am an original cosponsor of that legislation. And I want to express in the strongest terms possible my hope that this bill will be brought to the floor very soon so that it can be voted on in tandem with my resolution of disapproval.

A timely consideration of her bill is especially important because that bill is focused on exports manufactured by companies controlled by the Chinese military. There is no more telling commentary on the present state of affairs in China than the simple fact, and this should bring it home to all of you, that the Chinese Communist regime is the only important government in the world today which is expanding, expanding the size and the force projection capabilities of its armed forces rather than reducing its military expenditures and commitments.

Now think about that. China stands alone when every other important country, including ourselves, is cutting back. Mao Tse-Tung said, "All power comes from the barrel of a gun." And that statement is still an accurate description of the Chinese Communist regime's understanding of where political legitimacy comes from.

Mr. Chairman and members, let me conclude by saying that it is my hope that my resolution of disapproval, H.R. 373, and H.R. 4590, Ms. Pelosi's bill, will be brought to the floor in tandem prior to the August recess. I am ready to cooperate with you and the Speaker and the bipartisan leadership of the House in working out a way whereby this can be done.

And in my position as the ranking Republican on the Rules Committee, I can assure you that we will be cooperative. However, if something cannot be worked out, and given the fact that the resolution of disapproval is facing a statutory deadline, I will be compelled to offer a privileged motion to bring that resolution to the floor for immediate consideration no later than August 10, 1 week from Wednesday. And that is the Wednesday before August 13,

which is the de facto deadline for me to be allowed to bring up my resolution, as you know, Mr. Chairman.

I sent Speaker Foley last week a letter that explained my position on this, and I would express again my hope that a satisfactory arrangement can be brought up.

Now, Mr. Chairman, about the rules and the timing. You know, I understand that the administration naturally has a different position than perhaps you and some of the other members do. But there is no reason why we cannot have my resolution of disapproval on the floor along with the Pelosi alternative and, out of fairness, an alternative from the administration.

And if they want to offer that as base text—my resolution cannot be amended, as you know, it must stand on its own and be voted on—but once that is disposed of, either passing or failing, then we can take up a base text of the administration, if they have one.

Then we could have the Pelosi alternative as a substitute to that base text. That way at least all sides would be heard, and the House would have worked its will. All that we can ask of you and expect is for every Member of this Congress to be able to work his or her will on the floor of Congress.

So having said all that, Mr. Chairman, I will stick around for a few minutes, if there is a question or two. But I must run up to Mr. Moakley for a little conference before we go back into the Rules Committee.

Acting Chairman MATSUI. Thank you, Mr. Solomon. I appreciate your explanation of the floor situation and of some of the possibilities on the rule. I think your suggestions merit a great deal of thought and I expect we will continue this dialog on them in particular, and on the rule in general.

[The prepared statement follows:]

STATEMENT
BY
REPRESENTATIVE GERALD B. SOLOMON
TO
THE SUBCOMMITTEE ON TRADE

July 28, 1994

Mr. Chairman and Members of the Subcommittee,

I am pleased to have this opportunity of joining the gentlelady from California and appearing before you to discuss some of the issues relating to the renewal of most-favored-nation trade status for China.

Some five months ago, when the Subcommittee conducted a review of the progress --- or lack thereof --- that China was making before the President would be required to make his recommendation on whether or not to renew m-f-n for another year, I made this statement:

"I am convinced that meaningful, dramatic, and unprecedented steps will have to be taken by the Chinese government in order for the President to recommend in good conscience that m-f-n be renewed...Certainly, under a continuation of the present circumstances, if the President were to recommend a renewal of China's m-f-n, I would be prepared to introduce a joint resolution disapproving his recommendation."

Accordingly, Mr. Chairman and Members, I have, in fact, introduced House Joint Resolution 373, which disapproves the President's recommendation.

Nothing has really changed in China since the Subcommittee met in February.

Indeed, not a single spokesman inside or outside the Administration has come forward to claim that there have been any substantial improvements concerning any of the political and human rights abuses in China that were subject to the President's executive order of May 28, 1993. The silence has truly been deafening.

When House Joint Resolution 373 is brought to the floor before the August recess, I hope --- and, indeed, I am confident --- that the Members of this 103rd Congress will join those of the 101st and 102nd Congresses in going on record as being opposed to a further extension of m-f-n trade status for China.

I recognize, of course, that the statutory time limit allowed for enactment of a resolution of disapproval is fast running out. That is why other legislative options need to be pursued.

The gentlelady from California has provided Members with another option, namely H.R. 4590. I am proud to be an original cosponsor of that legislation, and I want to express in the strongest terms possible my hope that this bill will be brought to the floor very soon.

A timely consideration of H.R. 4590 is especially important because that bill is focused on exports manufactured by companies controlled by the Chinese military. There is no more telling commentary on the present state of affairs in China than the simple fact that the Chinese Communist regime is the only important government in the world today which is expanding the size and the force-projection capabilities of its armed forces, rather than reducing its military expenditures and commitments.

China stands alone in this regard, when every other important country is cutting back. Mao Zedong said, "All power comes from the barrel of a gun." And that statement is still an accurate description of the Chinese Communist regime's understanding of where political legitimacy comes from.

Mr. Chairman and Members, I will conclude by saying that it is my hope that House Joint Resolution 373 and H.R. 4590 will be brought to the floor in tandem prior to the August recess. I am ready to cooperate with you and the bipartisan leadership of the House in working out a way whereby this could be done.

However, if something cannot be worked out --- and given the fact that the resolution of disapproval is facing a statutory deadline --- I will be compelled to offer a privileged motion to bring that resolution to the floor for immediate consideration.

I sent a letter to Speaker Foley last week that explained my position on this, and I will express again my hope that a satisfactory arrangement for considering both measures in tandem can be worked out.

Acting Chairman MATSUI. I would like to thank both of you for your testimony. And Mr. Solomon, you leave in the middle of our question and answer period. We certainly understand that you have other commitments on your time.

I would like now to call on Mr. Coyne for questions.

Mr. COYNE. I have no questions.

Acting Chairman MATSUI. Mr. Coyne has no questions.

Mr. Payne.

Mr. PAYNE. No questions.

Acting Chairman MATSUI. Mr. Kopetski.

Mr. KOPETSKI. Mr. Chairman, I do have a couple of questions for Mr. Solomon before he leaves, and I think Mr. McDermott may as well.

Acting Chairman MATSUI. You can yield to Mr. McDermott if you so please.

Mr. KOPETSKI. Why don't I yield to you, Jim?

Mr. MCDERMOTT. Thank you, Mr. Chairman. Jerry, you were here when relationships were opened with the Chinese, were you not?

Mr. SOLOMON. I have been here for 16 years, yes.

Mr. MCDERMOTT. So you were here in 1979. Do I understand that you think that the Chinese Government in 1979 was a good government, an open government that has turned somehow bad, and that the fact that it was just in the middle of a cultural revolution was somehow the time we should go in and offer them MFN, and now we should take it away?

Are you saying the government has gone bad since 1979?

Mr. SOLOMON. I say it has gone from bad to worse. I don't ever think I said it was a good government. Let me just qualify that for 1 minute. You know communism, international communism is a deadly atheistic philosophy which has no respect at all for human rights, indeed for human life itself, so no one could ever say that it was a good government. It was a bad government which has gotten worse.

Mr. MCDERMOTT. So you thought Mr. Nixon was wrong?

Mr. SOLOMON. I did and I had a long conversation with Richard Nixon many times over the issue. I think that playing the China card has certainly prolonged the human rights suffering of 1 billion people in China.

If we had treated China exactly as we had the Soviet Union, if we had not had relations with them, I believe that we would see democracy in China today. Instead of that, for all those years that we were not giving most-favored-nation status to the former Soviet Union and were giving it to the People's Republic of China, we just prolonged the agony of the Chinese people and that is a shame.

Mr. MCDERMOTT. I thank you. I appreciate consistency. I just wanted to be sure that you have always been against them, never thinking we should—

Mr. SOLOMON. Along with Ronald Reagan and George Bush, as well.

Mr. MCDERMOTT. That is all I wanted to know.

Mr. KOPETSKI. Reclaiming my time. When Mr. Solomon and Ms. Pelosi and I had a debate, I asked essentially the same question.

I was as dumfounded as you are on his response, but he is very consistent.

Mr. SOLOMON. Absolutely.

Mr. KOPETSKI. And a great advocate for freedom. We differ on the approaches and the means, but he is a great advocate of freedom of people in the world. Jerry, I was curious about this whole procedure because, as you are aware, your resolution was reported out, I think the vote was 31 to 7 with an unfavorable vote.

Ms. Pelosi's legislation, I think, if I can judge by this committee, that it is not going to be reported out with a favorable report. We have got health care. We have got GATT. We have all kinds of things going on. We are treating this issue in a special process in terms of the substantive legislation that we have before us and the same with the administration piece of legislation.

I think that we ought to just have freestanding pieces of legislation. You wouldn't have any opposition to that, would you, as opposed to substitutes and all this other stuff?

Mr. SOLOMON. Well, that would be fine with me. I was saying that, you know, in order for everyone to be treated fairly and if the administration does have an alternative policy, then certainly put that out on the floor and let's have a vote on that. I just want the House to be able to work its will.

I believe that I know the fate of my resolution to disapprove over in the Senate. I know that Senator Dole opposes it, and I don't think it will ever be acted on in the Senate. But if we can send both bills in tandem, first of all, that is going to send a tremendous message to the hierarchy in the People's Republic of China, and I do believe that the Pelosi amendment will be successful in passing in both Houses and going to the President.

Mr. KOPETSKI. The normal legislative process is that a committee votes on a piece of legislation and you can vote to defeat it in committee, but that is not what the case is going to be in this—in the Pelosi legislation, if I can second guess, you know, how the full Ways and Means Committee is going to act on this.

That is all the questions I have for Mr. Solomon.

Mr. SOLOMON. Could I just say I have great respect for Mr. Kopetski. He has been a leader in human rights in this country for a long time and we appreciate that very much, too, along with Mr. McDermott.

Acting Chairman MATSUI. Did you want to continue?

Mr. KOPETSKI. I have some questions for Ms. Pelosi.

Acting Chairman MATSUI. You can continue. We are operating under the 5-minute rule, so if you would like, you may use your time.

Mr. KOPETSKI. Thank you, Mr. Chairman. I was just curious about a couple of things—

Ms. PELOSI. Mr. Chairman, if I may, without taking from Mr. Kopetski's time before Mr. Solomon runs off, may I thank him for being here today. I wasn't aware that you were going to be here. I thank you for cosponsoring the legislation and for your magnificent leadership on promoting human rights throughout the world.

Mr. SOLOMON. Together we will pass your bill.

Ms. PELOSI. Thank you, Mr. Chairman.

Mr. KOPETSKI. Ms. Pelosi, you mentioned that MFN was a preferential trade treatment. I think we all agree that MFN is normal trading status, and that there are only 8 countries that are denied MFN status and that is because of national security reasons; isn't that not the case?

Ms. PELOSI. But we also know that in the case of a centralized economy, that each year the President must request a special waiver. That is why Mr. Solomon's legislation is on a fast track because China does not automatically have MFN and because the President must request a special waiver and Mr. Solomon has the motion to deny, which is why we are in the situation we are in.

Also many of the countries of the former Soviet Union did not have MFN. According to Jackson-Vanik when we gave them MFN, part of the arrangement was that they would give us MFN. So this trade relationship is unusual in several respects in that China does not give us MFN. We give it to them and we do so under a special waiver each year.

Mr. KOPETSKI. I was just curious about your position. Therefore are you going to be supporting Mr. Solomon's motion?

Ms. PELOSI. I will support Mr. Solomon's motion, yes.

Mr. KOPETSKI. When Winston Lord, the Assistant Secretary of State was here about 6 months ago, I asked him if any study had been done on the effect of our withdrawing MFN status to China in terms of human rights actions in a negative sense that the Chinese may take as one form of retaliation.

He responded to my complete surprise that the State Department had done no analysis, they are sort of guessing what actions the Chinese Government may take against its own citizens in this instance. We really don't know what they would do, so it could be that they continue the progress they have made on many fronts in human rights or they could retreat and withdraw.

Do you share that concern?

Ms. PELOSI. Well, first, I would say that I would have to look hard and long to see the progress that they have made on human rights in terms of people being allowed to express their political opinions, profess their religious beliefs, or to write about either of those subjects in exercising freedom of the press.

I do know this: That the Chinese Government because it has such a trade surplus with the United States, up to \$30 billion this year, an ever growing and increasing trade surplus since 1989, and because the Chinese hierarchy needs access to the U.S. market where, as I mentioned in my testimony, 40 percent of their exports, 40 percent of their exports come to the United States and they may be exporting more in the future to fuel their economic growth.

I do know that while the Chinese regime does not like capitalism and they don't like democracy, they do need the money and the hard currency. And there are those who believe that they would not risk losing that hard currency. And that in China, there is a division even among those in the government about Tiananmen Square, that in order to put Tiananmen Square behind them, many believe they must free the prisoners and stop the continued repression.

So they say if we do that, then we will have better opportunities with the rest of the world. The hardliners take the view that there

is nothing to justify freeing prisoners because capitalism, being what it is, business will drive the issue and they have proven correctly that the President has agreed with that position that in the interests of trade, we would not make any concessions on human rights.

Mr. KOPETSKI. And therein lies the question that is before this committee in terms of the effectiveness of the action. As you are probably aware, what the Chinese sell to us are textiles and goods where the American consumer could say we are going to buy American; we are going to buy from the Indians or some other nation.

What we sell to them are value-added products that President Clinton and Secretary Reich are trying—Mickey Kantor are trying to get the rest of the world to buy in a very competitive marketplace whether it is aerospace or high-technology equipment and greatly value-added products, but it is not as if we control those products.

As you are aware, if we don't sell telecommunications to them, the Canadians, the French will gladly do it. We don't want to sell—if we don't want to sell aerospace products to them, the French will gladly do it and the Taiwanese and everybody can step in and sell this and trade is a two-way street. We will lose American jobs, good-paying jobs with health care benefits, pensions, you know. The estimate today is 200,000 high-paying, high-skilled American jobs.

Ms. PELOSI. Is there time to respond, Mr. Chairman?

Acting Chairman MATSUI. Yes.

Ms. PELOSI. I see the red light on, because I very much welcome the opportunity to respond to Mr. Kopetski's question.

The fact is that the gentleman named some areas where the Chinese do allow our products to go into China. Basically, as you are well aware, as this committee is well aware, there are barriers to market access for most products made in America.

You named technology, electronics, aerospace, some refrigeration, that is approximately—there may be one other category. There are about five categories where the Chinese will receive our products. By and large, as I mentioned, most products made in America are not allowed in the Chinese market and using your figure of 200,000—usually they say 180,000—\$9 billion—just less than \$9 billion of U.S. products going into China, multiply that by 20,000, and you have 180,000 jobs.

By the same token, the \$24 billion trade deficit that we suffer, the \$30 billion trade deficit will probably be for 1994 multiplied by 20,000 brings us to a 600,000 job loss. We are the job losers, I contend, in this trade relationship.

In terms of intellectual property, a subject that is dear to the heart of people in my State, in terms of intellectual property, the head of the International Phonographic Society has said that unless China is reined in, the cassette industry will be destroyed. Destroyed. Not only are the Chinese counterfeiting and pirating our intellectual property in that regard, they are exporting, exporting U.S. intellectual property which they have pirated at untold thousands of jobs in that regard and an industry at risk.

So when we talk about this, we have to talk about not only the jobs which exist in terms of products going to China from the Unit-

ed States, but we have to talk about lack of opportunity of other products made in America going there. And further to that point, I just wanted to add that I think the administration hopefully can make some progress with the Chinese open market access issues, intellectual property issues and the rest, but, up until now, the Chinese have been a lot more talk on that subject and a lot less action than the American worker is entitled to in terms of having a fair relationship.

As I said earlier, China does not grant us most-favored-nation status and I am sure in the course of questions, we will have more opportunity to talk about the trade and job figures unless the Chairman wants me to continue now.

Acting Chairman MATSUI. I thank the gentleman, Mr. Kopetski. Does Mr. Hoagland want to inquire?

Mr. HOAGLAND. No, thank you.

Acting Chairman MATSUI. Does Mr. Neal wish to inquire?

Mr. NEAL. No, thank you, Mr. Chairman.

Acting Chairman MATSUI. Mr. Crane.

Mr. CRANE. I don't have a question. Nancy and I have our honest disagreements. I commend her for her commitment to her cause and it is not that we disagree on the objectives of human rights.

I think it is on the way to achieve that. One of the things that impressed me in a visit to China was the dynamic economic activity going on and this is especially true in southern China. About 2 weeks after my visit there, Deng Xiaoping went down to southern China and saw the dynamic activity firsthand and applauded; Leninist capitalism was the term he used.

I said that is probably the original oxymoron. But the fact of the matter is that economic liberalization has improved the living conditions very dramatically for millions and millions of the Chinese people. And to be able to have an American presence where we can communicate, where we can encourage economic liberalization is a positive force for human rights whether Deng Xiaoping wants to call it Leninist capitalism or whatever if we can encourage this kind of development we are making a positive contribution in the area of human rights. That is not to say the Chinese are not guilty of political sins. I certainly understand where you are coming from, Nancy, and I commend you for your commitment to the good fight.

Ms. PELOSI. Thank you, Phil.

Mr. CRANE. But I respectfully disagree with the way you propose to achieve the objective.

Ms. PELOSI. Thank you, Mr. Crane. Although you didn't ask a question, I would really like to respond to your comment, and that is, I think it was before you came, I referenced that that same Deng Xiaoping has said that economic reform will only—it will take—he said exactly:

It will take dozens of generations for economic reform to lead to political reform and we will deal harshly with those who try to hasten that process.

Unfortunately, economic reform does not always lead to political reform if there is a Communist regime standing in the way of it, so that is what our problem is and that economic growth that you see—much of it is based on exploitation of the worker as well as exploitation of the environment. So I think this is a big issue for us in our relationship with China.

And you said you respected my commitment to human rights. The commitment is to human rights certainly, but also to fairer trade and a safer world. Our concern those of us who are on this legislation, is about the proliferation of weapons that China is engaged in as well as the unfair trade practices to the detriment of the American worker, in addition to the gross human rights violations that exist there.

But I respect what you said and we have an honest difference of opinion on this.

Mr. CRANE. One more point I would make. I disagree with Deng Xiaoping's contention about how many generations we are talking about that might be involved. The Chinese are very brilliant people.

Ms. PELOSI. I agree.

Mr. CRANE. And I found it puzzling going back a generation ago to believe that any Chinese person would ever buy off on Leninist dogma or Karl Marx. I mean it is just too stupid.

It had been tried and repudiated centuries before Marx ever came up with the idea, but the thing that struck me also is that there is a generation after Deng Xiaoping and that these are essentially pragmatists.

You have got 33 million Communists in a country of 1.2 billion people. Thirty-three million and they are getting a free ride at the top of the heap because they are committed to the State religion. The fact is they have an understandable motive for wanting to perpetuate themselves in the free ride condition they enjoy. I see it as a little bit like the tradition of the royal family in Great Britain, that if I can trace my ancestry to Henry VIII, you owe me a castle and a free ride.

The fact is they are exploiting the same thing essentially, and I am convinced that as the economic conditions improve, you are going to see those people again for very pragmatic reasons making concessions over time. Not as quickly as I would like or you would like, but concessions over time.

The alternative is people starving to death in Moscow and freezing in the middle of winter. In these conditions, people care less whether they have a vote. It was conditions like that that in 1923 in Germany laid the foundation for a charismatic leader on a white horse to promise hope and salvation and the people fell for it.

As I say, we have our honest disagreements and I respect you, Nancy, and keep up your commitment.

Ms. PELOSI. Thank you, Mr. Crane. Without addressing your comparison of the monarchy in England to the Communist regime in China, let me set that aside, and just say it doesn't have to be a choice between something to eat and being able to profess your faith.

I honestly think you believe that as well, but I do. When you talked about the free ride that the 33 million Communist Party members are getting in China, indeed even some of them are getting a free ride on a gravy train, and that was one of the reasons why 1 million people were in Tiananmen Square because of the corruption at the top of the hierarchy and the Communist Party, corruption of family members and the regime and in the Party and in the military.

And much of the money that you see coming to the United States looking for investment is money that has been siphoned off by these families for investment abroad, not in China. On one day the Wall Street Journal talks about the capital flight from China to the United States, and the next day it says too bad there isn't enough money to invest in improving the environment in China.

Well, there is not a lot of profit, I guess, in that for the cadre kids and the families of the hierarchy, so they seek a higher yield to that capital abroad, but that capital flight is a real disservice to the people of China. I know you want to help by raising the economy there.

Acting Chairman MATSUI. Thank you, Mr. Crane.

Mr. McDermott, you wanted to inquire.

Mr. MCDERMOTT. Yes. I watched the debate the other night between you and Mr. Kopetski, and there was a question I wanted to ask which I would like to pose and let you respond to it.

At the end of the First World War, we put the Germans and the Japanese in a position where we isolated them from the rest of the world. Their response to that was to develop a coterie of nations around themselves which laid the basis for the Second World War and the ultimate event that started the Japanese was the cutting off of oil.

At that time, there were people in this country who decided that that must never happen again. The response and the reason they did—or the reason they felt that was that they felt that free trade was the only way to keep peace in the world, and they set up the World Bank, the International Monetary Fund, and GATT.

Those were the institutions that were set up right at the end of the Second World War. And I guess I don't really understand what you hope to achieve. If you are going to support Mr. Solomon's proposal, it seems to me that is moving in the direction of trying to isolate the Chinese until they change in some way.

If they don't change, then you were just going to let them be isolated and let them continue to build the hegemony that they are clearly capable of doing now, and it seems to me that leads not to peace, but to really increasing tensions both in the Asian area between China and India, but also the United States and China.

Ms. PELOSI. I guess your question is twofold: Why am I supporting Mr. Solomon's resolution and—

Mr. MCDERMOTT. Do you think isolating China will get the effect you want?

Ms. PELOSI. First of all, I don't think that anybody in this body wants to isolate. I am blessed as I know you are, Mr. McDermott, by a tremendous Asian-American population in your district as I am in mine. Thirty percent of my district is Asian-American, mostly Chinese-American, and we all know that we are going to have a brilliant future with China economically, politically, diplomatically, culturally, and in every way.

But for us to ignore the repression that—Tiananmen Square was an incident, but it pulled away the mask of what was going on there. It made it unavoidable for us to recognize what was going on in China. It seemed a small thing to raise a tariff on a sweater in order to save some lives and free some prisoners in China.

And in fact I contend that if the administration, the Bush administration and the Clinton administration had made the message very clear to the Chinese what our commitment was, we wouldn't even be having this meeting today because the Chinese would have freed those prisoners and made some concessions. It was only with the mixed message that the Chinese received that they didn't really have to do anything that they didn't. But isolation is not what targeted revocation is about.

I promised my colleagues 1 year ago when I asked them not to vote for Mr. Solomon's amendment on the floor, for 2 years Mr. Solomon's passed the House of Representatives. Last year President Clinton signed an Executive order. I went to the floor. Many of our colleagues who had been in the majority before voting for Solomon said "why are you not supporting Solomon or even your own bill this year."

"So confident am I," said I, "that the President will honor his Executive order that if he does not, I will support Mr.—I will vote for Mr. Solomon's resolution next year, so confident am I that he will honor his Executive order." You know the rest.

And therefore I am voting for Mr. Solomon's resolution. Mr. Solomon said what we all agree on is the political reality. This is the legislation that has a chance in the Senate and in supporting Mr. Solomon, I am supporting in principle what we want to do in terms of saying that if we worry about intellectual property, we might as well also worry about intellectual rights.

We would issue sanctions against China for violation of intellectual property rights, why can't we issue sanctions against China for violations of intellectual people's lives? That is what this is about. It is not about isolation. It is not about punishment. It is about leverage. It is about saying that, yes, we are free traders. I, as you, voted for NAFTA.

I don't know if you were here during the textile bill. I supported President Bush on sustaining his veto on the textile legislation, and I come from an area that was built on trade from its very origins so, yes, I understand and support trade and free trade, but that doesn't mean that we can't at some time when we have leverage, use it to make the world safer and make the trade fairer and make the political climate freer as well. Our breach with China is proliferation, trade, and human rights. And I think—

Mr. MCDERMOTT. If the Chinese response to this is to stop their students from coming to the United States, 45,000 students who come, will you then be further ahead, do you think.

Ms. PELOSI. The Chinese will not stop their students from coming because that is a tremendous resource to them.

Mr. MCDERMOTT. How do you know what they are going to do?

Ms. PELOSI. One of the ways we shaped our bill last year was that we put on conditions, which are even less this year, which were reasonable and achievable. One of the things that the Chinese Government needs is our knowledge, our technology in order for them to prevail, and when Mr. Kopetski talks about them buying from other countries, yes, they will in some cases, but not in all cases, because I have a great deal of confidence in American technology. We know how superior it is and the Chinese do, too.

So maybe they have opportunities elsewhere in some arenas, but not in all, and their access to our educational system is only an advantage to the Chinese. They take back our knowledge and intellectual property legitimately and they take back also more ability to build their industrial base.

That is their goal. That is what this is about.

That is what the Defense Intelligence Agency talks about by saying their main thrust is to build their technological industrial base so that they can prevail economically in the world. So it is about leverage; it is not about isolation. It is about a great future with China, siding with the Chinese people and not being accomplices to their repression and also not having the U.S. consumer unwittingly subsidize the military which crushed the students in Tiananmen Square, brutally occupies Tibet and is engaging in the proliferation exercise with rogue countries.

Mr. MCDERMOTT. We obviously disagree.

Thank you.

Acting Chairman MATSUI. Thank you.

Mr. Levin, do you wish to inquire?

Mr. LEVIN. I don't have any questions, thank you.

Acting Chairman MATSUI. Thank you.

Nancy, may I ask you a question about the issue of leverage?

Ms. PELOSI. Yes, please.

Acting Chairman MATSUI. I think you answered Jim's question by saying that it is not a question of isolation, it is a question of leverage.

When the Secretary of State went to China, in February or March, many of us were troubled by the impression that the Chinese were not responsive to his message. This willingness to call the Secretary's bluff, if you will, was particularly disturbing since there is 22 percent of the world population in China, 1.2 billion people.

I believe it was Treasury Secretary Lloyd Bentsen who made the observation, I think it was in March of this year in Los Angeles, that the Chinese will need about 1 trillion dollars' worth of additional infrastructure over the next decade, the equivalent, he noted, to building 18 Santa Monica freeways a day.

According to the Commerce Department, the Chinese now have approximately 40 million homes that are wired for cable television. We don't want the Chinese to jam Voice of America and Radio Free Asia, but the fact remains that 40 million homes are getting cable television from Hong Kong and other countries around the region. In other words, not even by jamming international broadcasts, can the government in Beijing stop communication with the West and with other countries in the East.

AT&T is now bidding on a \$60 billion contract to double the number of homes in China equipped for telephones. Presently, only 2 out of every 100 homes in China have telephones. The Chinese want to make it 4 out of every 100. Accomplishing that would be the equivalent of every year for the next 6 years, rebuilding a new Pacific Telesis network.

AT&T says it needs to be part of the consortium that does that work in China because if it is not, the French, the Japanese, or others will go in and we will lose our technological advantage.

China has a trade surplus of \$22 billion with the United States. That may go up to \$28 or \$30 billion, as I understand it, this year. How can we narrow this gap without expanding our exports to China through deals such as that sought by AT&T?

Can we afford not to have a commercial presence in China? That is the first question. I wonder if we really have leverage in this area.

Ms. PELOSI. If what you are saying is the converse is true, that we cannot stand up for human rights in the largest country in the world because we might not participate in a consortium, I think we are playing right into the Chinese hands.

First of all, part of AT&T's problem was they had a bad deal on the Chinese—on some switches they sold them a few years ago. They had to make up for lost ground because the Chinese felt the switches weren't good and that is expensive. That was a footnote, a side bar to the main thrust of our question.

As I say, I have confidence in the ability of our country to produce the kind of technology and the kind of delivery of infrastructure properties if that is what you call an infrastructure—projects that I think the Chinese will stay with the best deal.

But as I said to you earlier, we have talked about leverage, not about punishment. There are people in the regime who need the encouragement of countries outside of China to support improvement in human rights. All the jobs that you might create in China, because many of the jobs that you are talking about now, while they may produce some jobs in the United States, involve a great deal of technology transfer to China.

Where we are producing jobs in China, American brandname products made in China for Chinese consumption, you know that the Chinese can insist upon that, whatever it is. Aerospace and McDonnell Douglas said just recently they are looking at complete planes to be made in China, so that is not even way down the road in the future, it is when they decide to do it. So all of this is not a translation into U.S. jobs. But it misses the point, it misses the point to say that in order for AT&T to have bigger—Bechtel, you name it. I have almost every one of them headquartered in my district, or significantly represented in my district, whether it is importers, exporters, infrastructure builders and the rest, or small businesspeople, there is a great deal of commerce between my district and China, so I say to you, it shouldn't be that this, the greatest country in the world, should have to give up our values, turn our head away when we see that—when you say that we want AT&T to win this contract and we might jeopardize it if we talk about human rights.

Let me propose it this way: Supposing we find out in 6 months, supposing we find out in 6 months, my colleague, the Chinese have not made improvements in intellectual property, as you know, the Trade Representative's office has taken the office and we will see by the end of the year if there are to be sanctions against China for violations of intellectual property.

Do you think at the end of the year we should say, well, we would have issued sanctions because of the violations of intellectual property, but we won't because AT&T or Bechtel or another com-

pany might lose a contract in China. Should we abdicate all trade leverage because of the scenario that I just painted Mr. Chairman?

Acting Chairman MATSUI. Let me—

Ms. PELOSI. I think not. I think, in other words, we have to draw a line here at some place.

Acting Chairman MATSUI. Obviously we differ on the leverage issue. Let me put it another way.

Hughes and IBM are in China now. The reality is that what these firms are doing there, particularly in the southern coastal region of China, is creating a middle class. China is becoming more entrepreneurial.

In fact, I guess there was a Wall Street Journal piece in March of this year that really highlighted the fact that many Chinese in the southern part of the country are now criticizing their government. They feel very liberated. They are talking about buying consumer goods, about traveling to other countries. Each year, 45,000 Chinese students go to Stanford, UCLA, USC, Harvard, Yale, and many State and community colleges throughout the United States. These students go back to China and they have a different view of the world.

All that—commerce, engagement, consultations—seems to have an impact. I know that the Chinese-American people with whom I have spoken in California have suggested that they appreciate the commerce and contact the United States has with China because this helps disseminate Western ideas.

Ms. PELOSI. Certainly. I agree with that. My Chinese-American community has a lively interest in the communication and travel to China and indeed we just erected on the MFN anniversary of the Tiananmen Square crackdown, we erected a statue in Portsmouth Square in Chinatown. A statue of the Goddess of Democracy which the Chinese students had erected in Tiananmen Square.

So we have a commitment to human rights and promoting them in China as well as the rest of the world, and we have a love of China and great prospects for the future in that relationship. But those people, many of the wealthier people who do a great deal of business with China, are not as concerned about human rights as many of the grassroots people.

But the fact is when you—I would answer your question this way, Mr. Matsui, Mr. Chairman, by saying this: If you shine a light on China, if you looked at China, you can find whatever you wish. You can find economic development in the southern provinces. I contend you will see exploitation of the environment and the work force there as well, but, nonetheless, you will also see what you said, some economic progress for some people who are involved in commerce there.

You will also—you can see some improvement in living standards among other Chinese in other parts of China, some. But if you shine that bright light, too, you will also see very serious repression. You will see the exploitation of the work force to the *n*th degree. That is what the China regime fears most, the discontent of the workers and in this past year there were hundreds and hundreds and hundreds of labor disputes and strikes in China, some of which resulted in loss of life, but you didn't read about it in the

paper because we don't read about that anymore. It isn't important anymore.

So while, yes, you can say that somebody visited southern China and they saw development there, of course, we all have and we all did. But that doesn't mean that the serious repression is still not there, that the grip of the Communist Chinese regime is not tightening further on those who disagree as in their new edict with the Communist Party on any issue.

So let's concede, that, yes, there are some people whose living standard may be raised, but I contend that that doesn't—that by and large most of the people in China that are in the labor force see a great deal of corruption in this economic growth. They see their higher-ups, the professional level managerial level benefiting in a not honest way.

This corruption and the unfair labor practices are what will make part of the change happen in China. So while you can see some bright spots, it is just like saying I am healthy all over, I just happen to have cancer of the foot, well, that is very serious. And in China I contend that it is even more pervasive than just confined to one part of that magnificent body that is the country of China manifested by the incredible spiritual dynamic population of China.

So, yes, you may see that. Now, if China were a smaller country like Taiwan or South Korea, then I think you could make a case that the growth of the middle class would soon lead to a change if that middle class and that economic growth is allowed to lead to political reform.

But as I have said over and over, the rulers there have said that they will not let that happen. That is why, that is part of the motivation, and I know you are interested in what is our motivation, for us to say we want to give some encouragement to the moderates in the regime who say we have to treat our people differently. We have to free those who are arrested for the practice of their religion and their right to speak, or freedom of press, et cetera.

That is why the accession is very important to every one of us here. Because, as I said before, it will lead to a safer world. Democracies or those governments that allow their people to be free make better neighbors. They don't roll tanks into neighboring countries and hopefully that is what we will see in the accession in China. What we are doing now is not in furtherance of increasing and encouraging the moderates.

Mr. KOPETSKI. Mr. Chairman, could I ask?

Acting Chairman MATSUI. I think we are going to have to move to the next panel. But go ahead.

Mr. KOPETSKI. Ms. Pelosi, you raised this point the other night because of size, like in South Korea you said because it was a smaller country, we didn't necessarily need to bring sanctions such as removing MFN from it because it is a smaller country and the middle class could develop faster and whereas with China, it is such a large country, this is the approach that we ought to take.

Ms. PELOSI. That was not my point. That wasn't my point.

Acting Chairman MATSUI. Hold on. Mr. Kopetski, we have three other panels and we have another 2 hours, and we need to finish this. I realize that debate could go on for a while so if we could per-

haps move to the next panel. I want to thank Representative Pelosi for her testimony and for her patience. She was here for 1 hour and 15 minutes testifying and answering questions and we greatly appreciate that.

Thank you, Nancy.

Ms. PELOSI. Mr. Chairman, once again thank you very much for holding this hearing and thanks to the members of the committee for participating.

Thank you, Mr. Chairman.

Acting Chairman MATSUI. Thank you.

Now I would like to call the second panel. From the U.S. Department of State, Peter Tomsen, Acting Assistant Secretary for East Asian and Pacific Affairs; and Hon. John Shattuck, Assistant Secretary for Democracy, Human Rights, and Labor; from the Office of the U.S. Trade Representative, Hon. Charlene Barshefsky, Deputy U.S. Trade Representative; from the U.S. Department of Commerce, Hon. Jeffrey Garten, Under Secretary of Commerce for International Trade.

As I indicated at the outset of the hearing, the four members from the administration may summarize their statement or they may read it or state it fully for the record. At this time, I would like to call Peter Tomsen, the Acting Assistant Secretary for East Asian and Pacific Affairs.

Mr. Tomsen.

STATEMENT OF PETER TOMSEN, ACTING ASSISTANT SECRETARY FOR EAST ASIA AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. TOMSEN. Mr. Chairman, thank you for the opportunity to testify here today on the President's MFN decision and the future of our relationship with China. I think it is important to recall where we were 1 year ago on this issue to fully understand where we are today and where we intend to go.

One year ago, the administration set out to build a bipartisan consensus for China policy and put an end to the 4 years of divisive debate on MFN. After close consultation with Congress, the President signed the May 28, 1993, Executive order. The Executive order was welcomed by both the Congress and the executive branch as a workable approach which set realistic, attainable goals in the human rights area and delinked trade and nonproliferation issues from the annual MFN review for China.

The President followed up the Executive order by approving an expanded strategy of comprehensive engagement with China. The strategy seeks to employ high-level engagement and various incentives and disincentives to further our core goals of advancing human rights, nonproliferation, and trade objectives as well as securing Chinese cooperation on global and regional issues such as the North Korean nuclear program.

The U.S. national interest is served, Mr. Chairman, by friendly relations with a China which is strong, stable, prosperous, and open. The President's MFN decision and his subsequently announced engagement strategy recognized that, historically, senior level meetings have played a key role in encouraging China to accept U.S. positions in our areas of core concern.

One of the main objectives of our engagement strategy was to remind China that its failure to adopt and fulfill international norms in human rights as well as nonproliferation and trade is responsible for the continuing problems in the relationship.

The engagement strategy produced some tangible results. It began the most intensive human rights dialog any administration has ever had with the Chinese. Many of those dissidents released this year, including two leading Tiananmen activists, Wang Juntao and Chen Ziming, would probably not be free today absent our strategy of engagement with the Chinese. The engagement strategy also strengthened implementation of the prison labor MOU and institutionalized our progress on prison labor in a statement of cooperation. China for the first time began a dialog with the International Committee of the Red Cross concerning prisoner visits.

This is something that our government and NGOs have been working on for 78 years with the Chinese. The Chinese announced public support and praise for the Universal Declaration of Human Rights. While our dialog on human rights improved, however, China's human rights performance still fell short of expectations.

As the President's report to the Congress states, China met the two mandatory conditions of the May 28 Executive order on emigration and compliance with the bilateral agreement on prison labor exports. However, China did not make overall significant progress in the other areas outlined in the Executive order.

In considering whether to renew China's MFN status, the key question was how, in light of the fact that some progress was made but not all the Executive order's standards were met, the United States could best advance human rights and other vital U.S. interests with China. The President decided to renew China's most-favored-nation trade status because he concluded that this approach offers the most effective means to promote the full range of U.S. interests with China, including human rights, strategic and economic concerns over the long term.

Extending MFN will promote broad engagement between the United States and China not only through economic contacts, but also through cultural, educational and other contacts. These contacts combined with continued aggressive efforts to promote human rights which Assistant Secretary Shattuck will address are more likely to encourage the constructive change in China that we seek than continued MFN human rights linkage.

At the time of his decision, the President also articulated clearly his commitment to continue to pursue vigorously our human rights policies in China. In view of continuing human rights abuses, including limits on free speech, restrictions on religious freedom, and religious and cultural repression in Tibet, he extended sanctions imposed by the United States following the Tiananmen events. He also imposed effective May 28 a ban on imports of munitions from China consisting principally of guns and ammunition. In 1993, those weapons numbered over 100 million. These imports were projected to total approximately \$200 million in 1994.

Linking MFN and human rights was the right policy last year. We put the spotlight on human rights in China as never before. We achieved a number of tangible results. That policy of linkage has

now reached the end of its usefulness. It is time to embark on a new path.

We will continue to pursue human rights as an important foreign policy objective with the Chinese. Deputy Secretary Talbott has just done so in his July 24 meeting with Chinese Foreign Minister Qian in Bangkok. We are implementing new initiatives to strengthen our human rights focus, including expanded broadcasts to China, efforts to establish voluntary principles for U.S. businesses, support for civil society in China, and engaging others in the United Nations and elsewhere in efforts to improve human rights in China.

We plan to broaden our bilateral human rights dialog. We are urging the Chinese to conclude an agreement with the ICRC concerning prisoner visits, release political and religious prisoners, and open an early serious dialog on Tibet with the Dalai Lama or his representatives.

We are also moving ahead on the trade and economic fronts in support of American businesses and jobs. China's participation in last year's APEC meeting was an important opportunity for an exchange between the President and his Chinese counterpart to advance our goals. We expect that a similar opportunity will arise this November in Jakarta. Also, we are already pressing ahead on our bilateral trade agenda having just completed several sets of negotiations on IPR, trade in services, and GATT. In fact, a team is in Geneva today discussing with China and other GATT members China's accession protocol. The China trade minister visited Washington earlier this year and Secretary Brown will lead a Presidential trade mission to China in August.

We will also continue to monitor China's compliance with international nonproliferation norms and encourage it to expand its nonproliferation commitments. We are seeking to convince China to enter into an internationally binding agreement to adhere to the missile technology control regime similar to agreements that we have negotiated with others.

We are encouraged that the Chinese agreed to attend multinational meetings on a ban of the production of fissile material for nuclear weapons purposes. We will pursue with China its commitment to conclude a comprehensive test ban treaty in 1996. We will also press at high levels for China's support and sponsorship of our nonproliferation initiatives in South Asia. We will continue to consult closely with China in pursuing a solution to the North Korean nuclear issue.

Against this background, we have been asked to look at H.R. 4590, the United States-China Relations Act of 1994. May I reiterate now what we said in our letter to Chairman Gibbons of July 15 and, Mr. Chairman, with your permission, we would like to submit that for the record.

Acting Chairman MATSUI. Without objection, the document will be included in the record.

Mr. TOMSEN. Thank you, very much.

[The letter follows:]

United States Department of State

Washington, D.C. 20520

JUN 28 1994

Dear Mr. Chairman:

The Administration strongly opposes H.J. Resolution 372, which would deny China most-favored nation (MFN) trade status in 1994. Such action would isolate China, set back U.S. interests and undermine U.S. goals, including in the human rights area.

China is a permanent member of the U.N. Security Council, a nuclear power and an influential member of the international community. It represents a huge potential market and is one of the world's major civilizations. China's cooperation is essential to dealing with the global challenges of non-proliferation, the environment, population, refugees and narcotics traffic.

Withdrawal of MFN would harm the wrong people in China -- the entrepreneurs, businessmen, reformers and their political patrons -- the progressive forces we seek to nurture. Hong Kong, China's principal trade conduit and major foreign investor, would also be severely damaged. Our own \$9 billion in exports to China would be greatly reduced -- resulting in loss of American jobs -- through Chinese reprisals. Opportunities for American business and workers to increase their sales of goods and services to the growing Chinese market would be adversely affected -- meaning foregone growth in U.S. exports and employment.

The President decided to renew China's most-favored-nation (MFN) trade status because he concluded that this offers the best way to promote over the long term the full range of U.S. interests with China, including human rights, strategic and economic concerns.

The President's May 1993 Executive Order and intense human rights engagement over the past year did produce some positive results. China met the two mandatory conditions on emigration and compliance with the bilateral agreement on prison labor exports. China, however, did not make "overall, significant progress" in all the areas outlined in the Executive Order, although some progress was made. Secretary Christopher candidly made this point in his report to the President.

The Honorable
Sam M. Gibbons, Acting Chairman,
Committee on Ways and Means,
House of Representatives.

In view of continuing human rights abuses--including a crackdown on free speech, restrictions on religious freedom, and religious and cultural repression in Tibet, the President extended sanctions imposed by the United States following the Tiananmen Square events. He also imposed a ban on imports of munitions from China, consisting principally of guns and ammunition that became effective May 28. These imports were projected to total approximately \$200 million in 1994.

We still have very serious concerns about human rights abuses in China. In considering whether to renew China's MFN status, the key question was how, in light of the fact that some progress was made but not all of the Executive Order's requirements were met, the United States could best advance human rights and other vital interests. Extending MFN will promote broad engagement between the U.S. and China, not only through economic contacts but through cultural, educational and other contacts. These contacts, combined with aggressive efforts to promote human rights, are more likely to encourage constructive change in China.

Linking MFN and human rights was the right policy last year and achieved some tangible results. We put the spotlight on human rights as never before. Taking into account these results and other vital U.S. interests, the President decided it was time to move on to a new phase in our human rights strategy. We will maintain human rights as an essential part of our engagement with China but in a broader context.

We will continue to pursue human rights as an important foreign policy objective and are planning new initiatives to strengthen the current focus. The annual review of China's emigration record, which is required by the Trade Act of 1974 (the Jackson-Vanik amendment) for China to retain its MFN trade status, will remain and will continue to provide an opportunity to review the overall relationship with China, including human rights. But we do not intend to link MFN renewal to human rights.

The Administration believes that the President's decision will allow us to build on the human rights progress already achieved, and advance other vital interests with China--cooperation on North Korea and regional security, non-proliferation, drugs, alien smuggling as well as opportunities to expand jobs and economic growth through increased trade. The President's decision on MFN reflects that concern for balance.

In the long run, sound U.S. - China relations are of vital importance not only for our mutual prosperity and welfare but for international peace and stability. By his decision President Clinton has placed America in the best possible position to move toward these goals.

The Office of Management and Budget advises that from the standpoint of the Administration's program there is no objection to the submission of this report.

I hope this information is useful to you. If you require any further assistance, please do not hesitate to contact me.

Sincerely,

Wendy R. Sherman

Wendy R. Sherman
Assistant Secretary
Legislative Affairs

Mr. TOMSEN. The administration strongly opposes this bill which would deny China MFN trade status for many products now imported into the United States from China. Such action would set back U.S. interests and undermine U.S. goals including those in the human rights area.

We believe the sanctions we have put in place are appropriate. Imposition of the broader sanctions proposed in the United States-China Act would undermine our goals in China.

Mr. Chairman, in the interests of expediting these proceedings, allow me to summarize briefly some of our objections to H.R. 4590 which my colleagues from USTR and Commerce will elaborate on in their testimony.

We believe the bill understates the impact of U.S.-China trade. Imports into the United States of the "unqualified" goods, listed by tariff number in the bill actually came to about \$14 billion in 1993 and could reach \$17 billion in 1994. Cutting off this magnitude of trade from China would surely inspire reprisal. The resulting de facto trade war would seriously hurt American exports to China and American jobs that depend on these exports. More than 150,000 jobs are supported by American exports to China.

The bill isn't practical. Under the definition of State-owned enterprises in the bill, almost all enterprises in China would be construed as being State-owned enterprises. The legal snarls involved in clearing up disputed designations would mean chaos for U.S.-China trade.

Mr. Chairman, again, I would like to expedite my statement and just conclude now because most of it is economic and my colleagues will also be addressing this topic.

We believe the President's decision to delink MFN and human rights is the right one and in the best interests of the United States. The administration's policy has already moved our relationship with China forward in a number of vital areas including human rights.

It has the potential for continuing to do so in all aspects of our foreign policy: Human rights, trade, nonproliferation, and global and regional issues. Each of these standards of policy is crucial. No one aspect should hold the others hostage. Each should be pursued with vigor. We are confident that this approach will reap the most benefits for U.S. interests in our relations with China.

Thank you, Mr. Chairman.

Acting Chairman MATSUI. Thank you, Mr. Tomsen.

[The prepared statement follows:]

**TESTIMONY OF PETER TOMSEN
ACTING ASSISTANT SECRETARY OF STATE
U.S. DEPARTMENT OF STATE**

Thank you for the opportunity to testify here today on the President's MFN decision and the future of our relationship with China. I think it is important to recall where we were a year ago on this issue to fully understand where we are today and where we intend to go.

A year ago the administration set out to build a bipartisan consensus for China policy and put an end to the four years of divisive debate on MFN. After close consultation with Congress, the President signed the May 28, 1993 Executive Order. The Executive Order was welcomed by both the Congress and the Executive Branch as a workable approach which set realistic, attainable goals in the human rights area and delinked trade and non-proliferation issues from the annual MFN review for China.

The President followed up the Executive Order by approving an expanded strategy of comprehensive engagement with China. The strategy seeks to employ high level engagement and various incentives and disincentives to further our core goals of advancing human rights, non-proliferation and trade objectives as well as securing Chinese cooperation on global and regional issues, such as the North Korean nuclear program.

The U.S. national interest is served by friendly relations with a China which is strong, stable, prosperous, and open. The President's MFN decision and his subsequently announced engagement strategy recognized that, historically, senior-level meetings have played a key role in encouraging China to accept U.S. positions in our areas of core concern. One of the main objectives of our engagement strategy was to remind China that its failure to adopt and fulfill international norms in human rights, as well as non-proliferation and trade, is responsible for continuing problems in the relationship.

The engagement strategy produced some tangible results. It began the most intensive human rights dialogue any administration has had with the Chinese. Many of those dissidents released this year, including two leading Tiananmen activists, Wang Juntao and Chen Ziming, would probably not be free today absent our strategy of engagement with the Chinese. The engagement strategy also strengthened implementation of the Prison Labor MOU and institutionalized our progress on prison labor in a "Statement of Cooperation." China, for the first time, began a dialogue with the International Committee of the Red Cross on prisoner visits, and announced publicly support and praise for the Universal Declaration of Human Rights. While our dialogue on human rights improved, however, China's human rights performance still fell short of expectations.

As the President's report to the Congress states, China met the two mandatory conditions of the May 28 Executive Order on emigration and compliance with the bilateral agreement on prison labor exports. China, however, did not make "overall, significant progress" in the other areas outlined in the Executive Order.

In considering whether to renew China's MFN status, the key question was how, in light of the fact that some progress was made but not all the Executive Order's standards were met, the United States could best advance human rights and other vital interests with China. The President decided to renew China's most-favored-nation (MFN) trade status because he concluded that this approach offers the most effective means to promote the full range of U.S. interests with China, including human rights, strategic and economic concerns, over the long term.

Extending MFN will promote broad engagement between the U.S. and China, not only through economic contacts but through cultural, educational and other contacts. These contacts, combined with continued aggressive efforts to promote human rights which Assistant Secretary Shattuck will address, are more likely to encourage constructive change in China we seek than continued MFN - Human Rights linkage.

At the time of his decision, the President also articulated clearly his commitment to continue to pursue vigorously our human rights objectives in China. In view of continuing human rights abuses -- including limits on free speech, restrictions on religious freedom, and religious and cultural repression in Tibet -- he extended sanctions imposed by the United States following the Tiananmen Square events. He also imposed, effective May 28, a ban on imports of munitions from China, consisting principally of guns and ammunition. These imports were projected to total approximately \$200 million in 1994.

Linking MFN and human rights was the right policy last year. We put the spotlight on human rights in China as never before. We achieved a number of tangible results. That policy of linkage has now reached the end of its usefulness. It is time to embark on a new path.

We will continue to pursue human rights as an important foreign policy objective with the Chinese. Deputy Secretary Talbott has just done so in his July 24 meeting with Chinese Foreign Minister Qian in Bangkok. We are implementing new initiatives to strengthen our human rights focus, including expanded broadcasts to China, efforts to establish voluntary principles for U.S. businesses, support for civil society in China and engaging others -- in the UN and elsewhere -- in efforts to improve human rights in China. We plan to broaden our bilateral human rights dialogue. We are urging the Chinese to conclude an agreement with the ICRC concerning prisoner visits, release political and religious prisoners and open an early, serious dialogue on Tibet with the Dalai Lama or his representatives.

We also are moving ahead on the trade and economic fronts in support of American business and jobs. China's participation in last year's APEC meeting was an important opportunity for an exchange between the President and his Chinese counterpart to advance our goals. We expect that a similar opportunity will arise this November in Jakarta. We are already pressing ahead on our bilateral trade agenda, having just completed several sets of negotiations on IPR, trade in services and GATT. In fact a team is in Geneva today discussing with China and other GATT members China's accession protocol. The Chinese Trade Minister visited Washington earlier this year and Secretary Brown will lead a Presidential Trade Mission to China in August.

We will also continue to monitor China's compliance with international non-proliferation norms, and encourage it to expand its non-proliferation commitments. We are seeking to convince China to enter into an internationally binding agreement to adhere to the Missile Technology Control Regime similar to agreements executed by Ukraine and Russia. We are encouraged that the Chinese agreed to attend multinational meetings on a ban on the production of fissile material for nuclear weapons purposes. We will pursue with China its commitment to conclude a Comprehensive Test Ban Treaty in 1996.

We will also press at high levels for China's support and sponsorship of our non-proliferation initiatives in South Asia. We will continue to consult closely with China in pursuing a solution to the North Korean nuclear issue.

Against this background, we have been asked to look at H.R. 4590 "The United States - China Relations Act of 1994." May I reiterate now what we said in our letter to Chairman Gibbons of July 15. The Administration strongly opposes this bill which would deny China most-favored nation (MFN) trade status for many products now imported into the United States from China. Such action would set back U.S. interests and undermine U.S. goals, including in the human rights area.

We believe the sanctions we have put in place are appropriate. Imposition of the broader sanctions proposed in the United States - China Act would undermine our goals in China.

It is extremely difficult to assess exactly what products are covered under the Act. Administration estimates of the "unqualified goods" covered by the Act come to about \$17 billion. This is nearly half of Chinese exports to the United States in 1993 and an amount which would undoubtedly result in retaliatory sanctions from the Chinese. Such a de facto trade war would result in a tremendous loss of American exports and jobs and would clearly not be in our national interest. More than 150,000 American jobs are supported by exports to China.

The definition of State Owned Enterprise (SOE) in the Act can be read to encompass almost the entire industrial base of China. An SOE is defined as any business which receives subsidies from the Government, whose assets are "... owned by the Government" or whose "purchases of inputs ... are part of a central or regional plan." There is very little private property in China, and that is difficult to distinguish from government controlled property, almost all companies may be labelled SOE's. Many inputs such as power, water, and transportation are sold at lower rates to Chinese firms as opposed to foreign firms. There are many companies that, because of special relationships with provincial or central governments receive preferential treatment for railroad cars; all these may be considered subsidies. The implication is that virtually all Chinese firms could be construed as being SOE's.

The Act would require government hearings to determine which Chinese entities are SOE's -- requiring close examination of tens of thousands of Chinese enterprises. Such an effort would be enormously expensive and draw resources from other important work. The court cases to resolve these definitional questions alone could conceivably hold up implementation of this Act for years. The result would be chaos for US - China trade. The Act would be difficult to implement even if we had the willing cooperation of the Chinese Government. Should this bill become law, we would have just the opposite. Chinese officials could quickly find ways to issue licenses which would evade the bill -- again generating a huge volume of court cases to decide whether the licenses were valid.

In the chain of manufacturer, wholesaler, exporter, the bottom tiers are most often the township and village enterprises the bill specifically protects. Unfortunately, the upper levels of the chain, especially the exporters, are largely tied in to central or local governments. Imposing an embargo on those exports will choke off demand for products from the township and village enterprises and others representing positive forces of local initiative which we are trying to support.

Finally, we oppose section six of the bill because of its potential intrusion on the President's constitutional responsibility for the conduct of the nation's foreign relations.

We believe the President's decision to delink MFN and human rights is the right one, and in the best interests of the U.S.. The Administration's policy has already moved our relationship with China forward. It has the potential for continuing to do so in all aspects of our foreign policy; human rights, trade, non-proliferation and global and regional issues. Each of these strands of policy is crucial. No one aspect should hold the others hostage. Each should be pursued with vigor. We are confident that this approach will reap the most benefits for U.S. interests in our relations with China.

Acting Chairman MATSUI. At this time we will go to Mr. Shattuck.
John.

STATEMENT OF HON. JOHN SHATTUCK, ASSISTANT SECRETARY FOR DEMOCRACY, HUMAN RIGHTS, AND LABOR, U.S. DEPARTMENT OF STATE

Mr. SHATTUCK. Thank you very much, Mr. Chairman. I would like to thank you and your colleagues for the opportunity to appear before you today to express our views concerning human rights in China, 2 months after the President's decision to extend MFN.

That decision reflects many and varied U.S. interests concerning China—human rights, commerce, arms control, and cooperation on global issues. When the President made the decision he said,

As we engage the Chinese on military, political and economic issues, we intend to stay engaged with those in China who suffer from human rights abuses. The United States must remain a champion of their liberties.

As you know, Mr. Chairman, the President's decision was the product of thorough discussion and analysis throughout the U.S. Government. It was a difficult decision, but it represents an opportunity to build a constructive and future-oriented approach to our human rights objectives in China.

Let us make no mistake. China did not achieve "overall significant progress" on human rights last year, although it did meet the two mandatory requirements set out in the President's Executive order. The President decided to renew China's MFN status because he concluded that this offers the best way to promote the full range of U.S. interests in China as well as, most importantly, protecting human rights. That is why the President's decision should be supported and efforts to overturn it should be opposed.

There is no doubt, Mr. Chairman, that the human rights situation in China remains serious. The Chinese authorities continue to imprison or detain Chinese citizens who have sought to exercise internationally recognized freedoms of speech, association, or religion. The most prominent recent example, and one that we have repeatedly protested, publicly and privately, is that of Wei Jingsheng, a leader of the democracy movement, who was recently released after more than 14 years in prison, only to be detained in March shortly after Secretary Christopher's visit and my meeting with him. He remains in detention until today, without having been charged, so far as we know. Scores of other human rights and democracy activists have also been similarly detained in recent months.

New public order regulations were adopted by the National People's Congress Standing Committee on May 12 and went into effect July 13 upon publication in China's Legal Daily. These regulations formally codify existing broad powers of the Ministries of State and Public Security to identify and crack down on dissidents.

In my testimony, I have described some of their features. They are in fact regulations which in many respects codify what the Chinese organs of public security have been doing or have been claiming the authority to do since 1949.

In contrast, the Chinese Government has recently passed a State compensation law, which, among other things, would allow pris-

oners to sue the authorities for mistreatment, an issue which I raised in my discussions in Beijing this past March. We will watch closely to see whether and how these reform measures are implemented and enforced.

Mr. Chairman, there is no doubt that human rights practices in China continue to fall far short of internationally-accepted norms. In response, the President's policy aims to cultivate the synthesis of economic growth in civil society that will foster human rights. With that as our starting point, the President's human rights policy toward China proceeds with six major objectives: To intensify and broaden our bilateral dialog on human rights issues such as releasing prisoners of conscience and ending religious and cultural repression in Tibet; to build on the positive influence of America's business presence in China and work cooperatively with the business community seeking to promote human rights; to support efforts enabling the Chinese people to participate in the worldwide exchange of information and ideas; to help those in China seeking to foster the growth of a civil society; to support the rule of law, legal reform, and the building of new institutions of justice that are consistent with human rights; and to work multilaterally with our allies to reinforce support for internationally recognized human rights in China.

In the area of freedom of information, the Voice of America has now expanded its Mandarin-only programming.

Acting Chairman MATSUI. John, if you would allow us to vote, we have 5 minutes to vote now, then we have a 5 minute vote right after that, so I assume we will be back in approximately 15 minutes. I apologize for interrupting you. I think it is best to take a 15-minute break at this time. Thank you.

[Recess.]

Acting Chairman MATSUI. Will the hearing please come back to order? I apologize on behalf of the members of the subcommittee and myself. There may be another vote in a few minutes because we are going to final passage. Nevertheless, we will continue. I would ask Mr. Kopetski to vote and then come back. Then I will vote and come back. I apologize again to all of the witnesses, including those that follow the current panel, for these delays.

I think, Mr. Shattuck, you were testifying when we recessed so if you would like to resume, please go ahead.

Mr. SHATTUCK. Thank you, Mr. Chairman, and I was just beginning to describe the elements of the President's human rights policy looking forward coming from the decision of May 26.

In the area of freedom of information, the Voice of America has now expanded its Mandarin-only programming adding a new broadcast, almost 40 percent of which is exclusive programming calling in to Washington. Planning is underway for a VOA radio-television simulcast dealing with current events in China, the first phase of which will hopefully go on the air in September. Meanwhile the planning process for Radio Free Asia is also underway.

We are working within an interagency process in the U.S. Government, as well as with NGOs, to develop means of increasing our support for social organizations and legal reform efforts in China. In the multilateral area, we are encouraged by the plans of the new U.N. High Commissioner for Human Rights to conduct a mission

to China, and we look forward to his report to the U.N. Human Rights Commission, as well as to a resolution on China, at the next session of the U.N. Human Rights Commission. We would of course hope that Chinese progress on human rights would make raising such a resolution at the Commission unnecessary. I might incidentally say, we championed the creation of the U.N. High Commissioner for Human Rights at last year's U.N. General Assembly to create such a position.

The administration has also begun discussions with U.S. businesses and the NGO community on how to support our human rights objectives in China. Leaders of American business communities whose activities in China already contribute to both economic and political liberalization, will be asked to work with the administration to develop a voluntary set of principles regarding the activities of American business firms to advance human rights in China.

Other witnesses today are expressing their views as to how best to use the economic dimension to promote respect for universally recognized human rights in China. While we do not agree with the approach of legislative proposals before the House, we fully share the conviction that trade relations between the United States and the People's Republic of China present a range of opportunities through greater engagement for the advancement of human rights and economic development in China. Meanwhile of course the sanctions imposed by the United States in response to the Tiananmen massacre remain in place, and the President has banned the import of munitions from China.

It bears repeating, Mr. Chairman, that these forward-looking elements of our approach to human rights are meant to supplement and amplify the human rights concerns that we are continuing to raise in our human rights dialog with China—which Deputy Secretary Talbott just last week engaged in. And, I have requested an opportunity to meet with my counterpart at any time of the U.N. General Assembly. These issues involve releasing religious and political prisoners, access to prisoners for humanitarian groups, including the Red Cross, ending the religious and cultural repression of Tibet, and other issues.

We must take the long view and engage the Chinese Government over time and in many ways to achieve these goals. With human rights goals well integrated into our multifaceted relationship with China, we plan to support the brave men and women working so assiduously for the realization in China of internationally recognized human rights.

Thank you very much, Mr. Chairman.

Acting Chairman MATSUI. Thank you, Mr. Shattuck.

[The prepared statement follows:]

**TESTIMONY OF HON. JOHN SHATTUCK
ASSISTANT SECRETARY OF STATE DEMOCRACY, HUMAN RIGHTS, AND LABOR
U.S. DEPARTMENT OF STATE**

Mr. Chairman, I would like to thank you for the opportunity to appear before you today to express the views of the Clinton Administration concerning human rights in China, two months after the President's decision to extend MFN.

As you know, on May 26, the President announced his MFN decision as part of a multifaceted China policy, that reflects many and varied U.S. interests concerning China--commerce, arms control, cooperation on global issues and human rights. The President said at the time, "as we engage the Chinese on military, political and economic issues, we intend to stay engaged with those in China who suffer from human rights abuses. The United States must remain a champion of their liberties."

Mr. Chairman, the United States shares major economic and security interests with Asia. These interests are best served if the region becomes more democratic and human rights are better protected. Our shared interests are served in the long run by respect for the rule of law, freedom of speech, assembly and religion, and by the accountability of government to its citizens. To achieve these objectives consistent with our overall strategic and economic interests we are taking steps to strengthen our relations with Asia.

It is in this context that the President's decision to renew China's MFN status should be viewed.

As you know, Mr. Chairman, this decision was the product of thorough discussion and analysis throughout the U.S. government. It was a difficult decision, but it represents an opportunity to build a constructive and future-oriented approach to our human rights objectives in China.

Let us make no mistake. China did not achieve "overall significant progress" on human rights last year, although it did meet the two mandatory requirements set out in the President's Executive Order. The President decided to renew China's MFN status because he concluded that this offers the best way to promote the full range of U.S. interests in China. That is why the President's decision should be supported, and efforts to overturn it should be opposed.

There is no doubt, Mr. Chairman, that the human rights situation in China remains serious. The Chinese authorities continue to imprison or detain Chinese citizens who have sought to exercise internationally recognized freedoms of speech, association or religion. The most prominent recent example, and one that we have repeatedly protested, publicly and privately, is that of Wei Jingsheng, a leader of the democracy movement, who was recently released after more than fourteen years in prison, only to be detained in March shortly after Secretary Christopher's visit and my meeting with him. He remains in detention until today, without having been charged, so far as we know. Scores of other human rights and democracy activists have also been similarly detained in recent months.

New Public Order Regulations were adopted by the National People's Congress Standing Committee on May 12 and went into effect July 13 upon publication in China's Legal Daily. These regulations formally codify existing broad powers of the ministries of state and public security to identify and crack down on dissidents. I will describe some of their highlights.

These regulations bar foreigners such as journalists, diplomats, and business people (including those living in China) from having "unauthorized meetings with those who have carried out or are seriously suspected of carrying out activities harmful to state security." Indeed, the authorities may ban from China for a certain period any overseas individuals regarded as likely to carry out activities

"endangering state security." The regulations also prohibit "carrying out activities which endanger state security through establishing social organizations or business institutions." While the Chinese organs of public security have operated in this fashion since 1949, the regulations provide new formal authority to do so in 1994.

In contrast, the Chinese government has recently passed a state compensation law, which, inter alia, would allow prisoners to sue the authorities for mistreatment, an issue I raised in my discussions in Beijing this past March. We will watch closely to see whether and how these reform measures are implemented and enforced.

Mr. Chairman, there is no doubt that human rights practices in China continue to fall far short of internationally-accepted norms. But in response, we aim to cultivate the synthesis of economic growth and civil society that will foster human rights. With that as our starting point, the President's human rights policy toward China proceeds with six major objectives:

To intensify and broaden our bilateral dialogue on human rights issues, such as releasing prisoners of conscience and ending religious and cultural repression in Tibet;

To build on the positive influence of America's business presence in China and work cooperatively with the business community in seeking to promote human rights;

To support efforts enabling the Chinese people to participate in the worldwide exchange of information and ideas;

To help those in China seeking to foster the growth of a civil society;

To support the rule of law, legal reform and the building of new institutions of justice that are consistent with human rights;

To work multilaterally and with our allies to reinforce support for internationally recognized human rights in China.

In the area of freedom of information, the VOA has now expanded its Mandarin-only programming, adding a new broadcast, almost 40 percent of which is exclusive programming calling in to Washington. Planning is underway for a VOA radio-television simulcast dealing with current events in China, the first phase of which will hopefully go on the air in September. Meanwhile, the planning process for Radio Free Asia is also underway.

We are working within an interagency process in the U.S. government, as well as with NGOs, to develop means of increasing our support for social organizations and legal reform efforts in China.

In the multilateral area, we are encouraged by the plans of the new UN High Commissioner for Human Rights to conduct a mission to China, and we look forward to his report to the UN Human Rights Commission, as well as to a resolution on China, at the next session of the UN Human Rights Commission. We would, of course, hope that Chinese progress on human rights would make raising such a resolution at the Commission unnecessary.

The Administration has also begun discussions with U.S. businesses and the NGO community on how to support our human rights objectives in China. Leaders of the American business community, whose activities in China already contribute to both

economic and political liberalization, will be asked to work with the Administration to develop a voluntary set of principles regarding the activities of American business firms to advance human rights in China. Simply put, Mr. Chairman, respect for human rights can be advanced in China if the best practices of American businesses are followed by the business community there.

Other witnesses today are expressing their views as to how best to use the economic dimension to promote respect for universally recognized human rights in China. While we do not agree with the approach of some legislative proposals before the House, we fully share the conviction that trade relations between the U.S. and the PRC present a range of opportunities through greater engagement for the advancement of human rights and economic development in China. Meanwhile, the sanctions imposed by the U.S. in response to the Tianamen massacre remain in place, and the President has banned the import of munitions from China.

It bears repeating, Mr. Chairman, that these forward-looking elements of our approach to human rights in China are meant to supplement and amplify the human rights concerns that we are continuing to raise in our human rights dialogue with China--releasing political and religious prisoners; access to prisoners for humanitarian groups, including the Red Cross; ending the religious and cultural repression of Tibet, and other issues.

We must take the long view and engage the Chinese government over time and in many ways to achieve these goals. With human rights goals well-integrated into our multifaceted relationship with China, we plan to support the brave men and women working so assiduously for the realization in China of internationally recognized human rights.

Acting Chairman MATSUI. Ambassador Barshefsky.

STATEMENT OF HON. CHARLENE BARSHEFSKY, DEPUTY U.S. TRADE REPRESENTATIVE, OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Ms. BARSHEFSKY. Thank you, Mr. Chairman. May I say what a pleasure it is again to be before the committee and I would ask that my full statement be admitted to the record.

Acting Chairman MATSUI. Without objection, it will be so admitted.

Ms. BARSHEFSKY. Mr. Chairman, in making his decision to renew MFN trade status for China, the President firmly expressed the administration's commitment to continue its efforts to improve fundamental human rights in China. The Clinton administration continues to believe that China must take essential steps toward improving its human rights policy and the administration is committed to the elimination of human rights abuses in China.

In that regard, we all agree that improving human rights in China is a top priority. We differ only in the means most appropriate to achieve the goal, not over the goal itself. The administration does not believe that enactment of H.R. 4590 would further the objective of improving human rights in China.

On specific human rights issues, I defer to my colleagues from the State Department. I would note that revocation of MFN for China, even if limited only to MFN tariff status for State enterprises or those of the Chinese army, would harm our bilateral trade and human rights interests.

As the administration's letter to this committee dated July 15 details, H.R. 4590 would be virtually impossible to implement. The letter outlines insurmountable problems in the identification of State enterprises and in enforcement. I have reviewed some of these issues in my full statement, and I won't belabor them here.

While the administration strongly opposes enactment of H.R. 4590, it is strongly supportive of and has put forward a solid program for the improvement of human rights in China.

Mr. Chairman, USTR and your committee have worked closely over the years in developing and implementing our trade and economic agenda with China. I have just returned this week from a very intensive and extensive meeting in Beijing as well as in Hong Kong and Jakarta.

With your permission, I would like to use this opportunity to update the committee with respect to four key trade issues in particular in our bilateral relations with China. Those are intellectual property rights enforcement, market access for goods, services access, and China's bid for GATT accession.

With respect to intellectual property rights, as I have previously indicated to the committee, China has by and large very good laws. The difficulty is that there is virtually no enforcement of those laws. It is now estimated that U.S. industries are losing up to \$1 billion a year for piracy of copyrighted works, including audiovisual works and software.

Indeed, it is now estimated that piracy rates in China on software run at nearly 100 percent and those for copyrighted literary and audiovisual works run at between 90 and 100 percent. On

June 30, China was cited for intellectual property rights violations and the administration initiated a special 301 case, the results of which will be decided at the end of December.

In the interim, we have provided China with a paper which can be used as a basis for agreement and that paper outlines three elements. First, we have asked China to take immediate effective action to curb rampant IPR piracy, targeting especially manufacturers and distributors of infringing products.

Second, we have asked China that it develop a more effective IPR enforcement regime that has effective deterrents to infringement, that eliminates conflicts of interest in the system, that creates an effective border enforcement regime, and so on.

And third, we have asked that China open its markets to products with intellectual property content, including audiovisual and published works. High demand in China for U.S. audiovisual works and software coupled with market access restrictions itself is an inducement to piracy and therefore market access is also an essential element to a revision in China's IPR enforcement regime. We are continuing to hold negotiations with the Chinese on the enforcement of intellectual property rights with the aim of achieving an agreement on a strict enforcement regime.

And the second issue I would like to update the committee on is our market access agreement for goods. By and large, China's implementation of the 1992 market access agreement has been good, although there are some notable exceptions. It has increased the transparency of its trade regime. China has removed thousands, literally thousands of nontariff measures, although a number of nontariff measures remain and these must be phased out.

China has significantly liberalized the quantitative restraints in a number of areas of key interest to U.S. business, including electronics products and heavy machinery, but there is more to do. China has also further opened its markets to big ticket items of interest to U.S. companies.

I made it clear in my meetings in Beijing that in 1994 we look forward to progress in six areas under the market access agreement. First, improvement in transparency in China's trade regime particularly at the provincial level. Second, the further implementation of the remaining 400 nontariff measures. Third, the liberalization of quantitative restraints.

Fourth, the establishment of a viable administrative appeals process. Fifth, the complete elimination of import substitution as a trade policy. And last, the use of sound science when applying sanitary and phytosanitary standards to U.S. agricultural products. Our negotiators are now working with China to attempt to achieve these goals.

The third area that I would like to update the committee on is on our negotiations in market access for services. These negotiations, as in the other bilateral areas, intertwine heavily with China's GATT accession bid. We have asked that China liberalize substantially its services market which now remains largely closed to U.S. business, other than on an extremely limited experimental level.

We are now in the process of negotiating the liberalization of China's insurance regime, distribution, advertising, tourism, com-

munications, audiovisual, and other services. We expect, for example, that China will license more foreign insurance companies to operate in China on a nationwide basis. We expect China to open its enhanced telecommunications sector and its distribution system to U.S. companies.

And we expect to see a liberalization of access to U.S. audiovisual works. That is critical not only in the context of services trade, but in the context of ending IPR piracy. A further vital component of our services agenda with China is the improvement in its domestic business climate. We have asked that China create a nondiscriminatory environment within which both foreign and domestic Chinese firms can compete on an equal footing. Adherence to basic investment principles such as right of establishment and national treatment are critical.

The last area that I would touch upon is China's GATT-WTO accession bid. Our bilateral agenda with China mirrors in many respects the issues that we face in the GATT-WTO negotiations. China and the United States, as well as other contracting parties, have a responsibility to ensure that China's accession is based on solid economic commitments.

Maintaining basic multilateral disciplines in a uniform manner is the bedrock of the GATT-WTO system. In proceeding with China's accession, the commercial interests of the United States and the viability of the multilateral trading system must take precedence and China must be held to rigorous standards. By the same token, however, as is the case with all other applicants, the United States is prepared to demonstrate appropriate flexibility.

China has set an ambitious deadline for completing the accession process. The pace of accession depends in large part on China and on the commitments it is willing to undertake. We are not interested in setting artificial deadlines; we just want to get it right. We are, however, interested in seeing China as a member of the GATT-WTO, and we intend to work closely with China.

The United States and our other trading partners have concerns about China's commitments to some of the basic GATT obligations. Contracting party concerns include full transparency of laws and regulations, national treatment, the granting to foreign firms of trading rights, and ensuring that foreign exchange is not used as a trade barrier.

China must commit to liberalize progressively its markets to services; it must submit a reasonable schedule on agriculture, and it must protect intellectual property rights. In order to attempt to accomplish these aims, we are continuing on an extremely intensive schedule of bilateral and multilateral negotiations with China.

In conclusion, Mr. Chairman, while the administration strongly opposes H.R. 4590, it is strongly supportive of and has put forward a solid agenda for the improvement of human rights in China.

And as for trade, the administration proposes to move forward in our efforts to establish a mutually beneficial reciprocal trade relationship. We have a historic opportunity to expand our trade relations with China and to help create hundreds of thousands of high-wage jobs here in the United States through increased exports.

We have a great stake not only from a global strategic perspective, but also from a domestic perspective in opening China's markets, in ensuring that China plays by the rules, and in integrating China on an economically sound basis into the world trading system. We will make every effort to see that this happens.

Thank you, Mr. Chairman.

Mr. KOPETSKI [presiding]. Thank you, Ambassador.

[The prepared statement follows:]

STATEMENT OF
AMBASSADOR CHARLENE BARSHEFSKY
DEPUTY UNITED STATES TRADE REPRESENTATIVE
ON TRADE POLICY TOWARD CHINA
BEFORE THE
HOUSE WAYS AND MEANS
SUBCOMMITTEE ON TRADE

July 28, 1994

In making his decision to renew Most Favored Nation (MFN) trade status for China, the President firmly expressed the Administration's commitment to continue its efforts to improve fundamental human rights in China. The Clinton Administration continues to believe that China must take essential steps toward improving its human rights policy and is committed to elimination of human rights abuses in China.

In that regard, we all agree that improving human rights in China is a top priority of this Administration. We differ only over the means most appropriate to achieve that goal, not over the goal itself. The Administration does not believe that enactment of HR 4590 would further the objective of improving human rights in China. On specific human rights issues, I defer to my colleagues from the State Department. I would note that revocation of MFN for China -- even if limited to MFN tariff status for state enterprises or those of the Chinese Army -- would harm our bilateral and human rights interests.

The bill, as drafted, could not be implemented effectively if it were to become law. The U.S. government does not have the capability or the resources to identify and target in a meaningful way products exported by state enterprises or by those of the People's Liberation Army. Of course, the Administration has already banned exports to the United States of guns and ammunition that are produced by the Chinese Army or its subsidiary organizations.

Before I turn to the approach that the Administration has pursued -- with some success -- on trade policy, I would like to review some of the reasons why we believe that the approach taken in the bill to target state enterprises and those of the Chinese army would simply not work.

In the course of drawing up a list of products that could have been subject to 100 percent tariffs as a part of the 1991 Special 301 investigation on China's intellectual property rights practices, USTR attempted to implement the approach taken in the bill -- to target the products of state enterprises. Despite our best efforts, we found that it was impossible to do. The "retaliation list" that was published in the Federal Register on December 2, 1991 does not represent a list of products produced by state enterprises.

Instead, USTR discovered that, while products of state enterprises could be identified in some cases, in general they could not be separated from products produced by joint ventures or companies run by foreign entrepreneurs and be subject to increased tariffs. For its part, the Customs Service has neither the resources or the ability to identify the vast majority of products made by state enterprises. Were the Administration to take this approach, it would do direct damage to U.S. joint ventures or to the reform elements in China who we would most like to see succeed. Worse, it would harm our trade interests -- while doing relatively little to further our goals in human rights.

It is even more difficult to isolate products produced by factories owned or operated by the PLA. According to some estimates, the PLA has interests in up to 30,000 enterprises in China. So far, U.S. analysts have been able to identify three for

which there are identifiable products produced for export. Even there, to affect roughly \$170 million worth of exports, more than \$9 billion in trade would be affected.

In the majority of instances in today's China, the neat lines between "state enterprises," "military enterprises," and "non-state enterprises" have disappeared. China is in the midst of a prolonged transition to a more market-oriented economy and determining ownership of enterprises is often difficult -- even for the Chinese. It would therefore be impossible to draw up a list of targeted enterprises that would genuinely meet the intentions of the bill.

For their part, genuine Chinese state enterprises would find it easy to defeat the purposes of the bill. In light of the multiplicity of new subsidiaries and various forms of other Chinese enterprises now subordinate to state enterprises, the temptation to commit fraud would be overwhelming. The ability of the Treasury Department to draw up an accurate list of state enterprises would be sorely tested. In sum, while the Administration does not support enactment of HR 4590, we stand ready to work with Congress on the important goal of enhancing human rights in China.

TRADE POLICY

The Administration has several goals that it wishes to achieve on trade with China. First and foremost, we intend to pursue market opening initiatives for U.S. goods and for services. U.S. business should have access to the Chinese market comparable to that available to our trading partners in the United States. In addition, we must work to ensure to the maximum extent possible that China accepts the rule of law as it applies to trade -- that is, that China's trade and economic policies are consonant with international norms.

China's Market Potential

China is now the fastest growing economy in the world. In 1993, its economy grew at an official rate of 13 percent, with growth in the booming cities along the east coast growing at even higher rates.

Over the past decade, China's global trade has grown on average by more than 12 percent annually -- twice the rate of world trade growth -- increasing from less than \$40 billion in 1980 to almost \$200 billion in 1993. While changes in accounting methods have reduced the ostensible size of China's foreign reserves, they still formidable. In trade terms, China is no longer a poor nation.

China needs the products and services that U.S. companies are the best in the world at providing. In addition to supplying China with wheat, fertilizer, and wood -- products that we have long sold to China -- the mix of products that we now export is dominated by the high-technology sectors in which we excel. For some U.S. companies, China is already their most important market and likely will be for the next decade.

In short, the boom in China's economy, support for change within China's leadership, and the enormous potential of China's market for U.S. companies provide the United States with a rare opportunity to press for open and fair markets in China. If we wait, we may find that our industries are placed at a permanent disadvantage in relation to those of our trading partners.

TRADE NEGOTIATIONS WITH CHINA

China maintains one of the most protectionist trade regimes in the world. It has put in place multiple, overlapping non-tariff barriers to imports and maintains prohibitively high tariffs. While China's export regime has undergone a remarkable transformation over the past decade, turning China into one of the world's most formidable export engines, China's import regime

remains in part the creature of central planners and state bureaucrats. And China's market for services remains closed to all but a few companies that are allowed in only on an "experimental basis." China has taken impressive strides forward in liberalization of its trade regime since late 1993, and we expect further movements this year.

Trade Agreements. The trade agreements that we have signed with China represent important steps toward creation of a solid framework for the U.S.-China trade relationship. The intellectual property rights Memorandum of Understanding (MOU), signed in January 1992, commits China to establishment of a world-class legal structure for the protection of intellectual property. The market access MOU, signed on October 10, 1992, commits China to make sweeping changes in its import administration over a five year period. Current discussions on market access for services and business facilitation and negotiations over IPR enforcement are aimed at addressing the interests of U.S. companies and building a solid foundation for the future. Let me take each one in turn:

Intellectual Property Rights. Protecting intellectual property is vitally important if U.S. industries are to maintain their comparative advantage in the high-tech sectors they dominate. The Chinese have taken a number of positive steps to implement the 1992 IPR Agreement by changing and strengthening IPR laws and regulations. Although Chinese leaders have recognized the importance of protecting intellectual property, there is virtually no enforcement of these laws. As a result, there continues to be rampant piracy of U.S. IP products. In addition, China has a number of non-transparent regulations and practices that inhibit the legitimate import of U.S. IP products. Therefore, on June 30, Ambassador Kantor announced the initiation of a Special 301 investigation on China's IPR enforcement practices and market access for U.S. IP products. This investigation will run for six months.

Piracy of copyright and trademark works is endemic in China and the Chinese government has done little to bring it under control, much less eliminate it. China does not have an effective IPR enforcement agency and deterrents to piracy are woefully inadequate. Clearly, on enforcement, China lags well behind most countries in the region.

The International Intellectual Property Alliance notes that piracy in China of software, books, audio records, and music and motion pictures remains serious. They estimate that, in 1993 alone, U.S. industries lost upwards of \$800 million to copyright piracy alone last year. In addition to market barriers, the absence of effective IPR protection is the greatest hindrance to access to China's market by the recording, motion picture, computer software, and other industries.

In order to resolve the IPR issue, we have asked China to:

- Take immediate, effective action to curb rampant IPR piracy, targeting especially manufacturers and distributors of infringing products, including trademarks;
- Develop a more effective IPR enforcement regime that has effective deterrents to infringement, eliminates conflicts of interest in the system, creates an effective border regime, and so on;
- Open China's markets to IP products, including audiovisual and published works.

We are continuing to hold negotiations on enforcement of intellectual property rights, with the aim of reaching agreement on a strict enforcement regime.

Market Access Agreement: China's implementation of the 1992 market access Agreement has been commendable, although some important exceptions remain. In the Agreement itself, China committed over a five year period to a major reform of its import regime. That includes elimination of 90 percent of all non-tariff barriers -- such as import licensing requirements and quotas, increased transparency, elimination of the use of import substitution, and an end to the use of sanitary and phytosanitary standards as barriers to agricultural imports.

China has taken important strides toward making its trade regime more transparent. China has published a large number of trade rules and regulations in the past year, so many that it has become difficult to keep track of them all. China nonetheless has a long way to go before its trade regime, and its trade institutions, are truly transparent. We are particularly concerned that China's provinces apply Beijing's trade laws and regulations uniformly and that the provinces' trade regimes are transparent.

China has made a major commitment to eliminate non-tariff barriers. Since the end of 1993, China has reduced to 400 from the several thousand the number of GATT-inconsistent non-tariff barriers. That is a major achievement and China should get credit for it, but more needs to be done. By reducing these barriers, China will open markets for computers, medical equipment, heavy machinery, textiles, steel products, chemicals, pharmaceuticals, and other products.

China has not yet resolved our concerns about the use of sanitary and phytosanitary standards as barriers to imports of agricultural and live animal products. We expect China to move expeditiously to resolve these issues, in accord with the Agreement.

In 1994, we look forward to further transparency in China's trade regime, elimination of non-tariff measures, the liberalization of quantitative restrictions on products in the MOU, the establishment of a viable administrative appeals process, and the complete elimination of import substitution as a trade policy. Our negotiators are now working with China to achieve these goals.

Market Access for Services: Market access for services is another, integral, part of the U.S. bilateral trade agenda with China. China's services markets today are still largely closed. While limited experiments are underway, and a variety of extra-legal services ventures have started, legitimate access for U.S. companies in most instances is not available.

We have asked that China commit to substantial liberalization of its insurance, distribution, advertising, travel, communications, audiovisual and other services. As I noted earlier, these liberalizations are in China's own interest. We expect, for example, that China will license more foreign insurance companies to operate in China on a national treatment basis, will open its enhanced telecommunications sector and its distribution system to U.S. companies, and will liberalize access to its audiovisual markets.

U.S. companies have much to contribute to China's economic development and prosperity. China cannot make the leap from a labor intensive economy to one with a higher technology base without considerable participation by foreign firms in its services sectors.

Finally, a vital component of our services agenda with China is improvement of its domestic business climate. Consistent with the obligations that China will assume under the GATT/WTO, we ask that China create a non-discriminatory environment within which both foreign and Chinese firms compete on an equal footing. Adherence to basic investment principles, such as the right of establishment and national treatment along with rights to conduct associated activities in a similar manner, would go a long way

toward that end.

Textiles: In January, we reached a landmark agreement with China on textiles and apparel. The agreement was one of the most difficult to achieve among all of our bilateral textile agreements. We accomplished a number of important goals in this agreement, most prominently, the basis to restore stability and predictability to our bilateral textile trade with China -- our single largest supplier of textiles. In addition, we strengthened our commitment to prevent the circumvention of our textile quotas, and established a system of triple charges for any illegal transshipments. Recently, for example, we charged China's quotas in two categories after determining that they had engaged in transshipments. We are proceeding to cooperate with China in the implementation of the agreement to improve administrative arrangements, such as the restoration of an electronic visa verification system, that will help China administer its quotas.

GATT/WTO: The United States is committed to "staunchly support" China's accession to the GATT/WTO and to work constructively with China and other GATT/WTO contracting parties to achieve -- in the words of the 1992 market access Agreement -- an "acceptable protocol" of accession.

Because China's foreign trade regime is so strong -- averaging 25 percent growth over the past five years -- China and the United States, as well as the other contracting parties, have a responsibility to ensure that China's accession is based on solid economic commitments. Maintaining basic multilateral disciplines is the bedrock of the GATT/WTO system. In proceeding with China's accession, the viability and vitality of the multilateral trading regime must take precedence and China must be held to the same rigorous standard that all new applicants to the GATT/WTO will be held. By the same token, as is the case with other applicants, we are prepared to demonstrate the appropriate flexibility.

China has set an ambitious deadline for completing the accession process. China has stated that it wants to be an original member of the WTO. The pace of accession depends, in large part, on China and the commitments that it is willing to undertake as an important member of the multilateral trading system. We are not interested in setting artificial deadlines, we just want to get it right. And, we intend to work intensively with China to do just that.

The United States -- and certainly other contracting parties -- have concerns about China's commitment to some basic GATT obligations. Contracting party concerns include full transparency of laws and regulations -- as well as uniform application of these laws and regulations in the provinces -- national treatment, granting foreign firms trading rights and assuring that foreign exchange is not used as a trade barrier. China must commit to the progressive liberalization of its services markets, submit a schedule on agriculture, and protect intellectual property rights.

If China accedes to the GATT/WTO on anything less than solid commercial terms, or without firm commitments to take further reform measures, not only will the United States be hurt, but our partners will be economically disadvantaged. Nor will our goal of seeing China better integrated into the world trade system be achieved. Therefore, in addressing China's protocol, we intend to identify each issue that needs to be addressed, and work to achieve realistic, pragmatic solutions.

Conclusion

In conclusion, while the Administration opposes HR 4590, it is strongly supportive of -- and has put forward a solid agenda for -- the improvement of human rights in China.

As for trade, the Administration proposes to move forward in

our efforts to establish a mutually beneficial, reciprocal trade relationship. We have an historic opportunity to expand our trade relations with China and to help create hundreds of thousands of high wage jobs here in the United States through increased exports. We have a great stake, not only from a global, strategic perspective, but also from a domestic perspective, in opening China's markets and ensuring that China plays by the rules. We will make every effort to see that this happens.

Mr. KOPETSKI. And I do appreciate the efforts this administration has made in enforcing trade agreements and in insisting upon fair trade between nations. I think it is an early hallmark of this administration and your office, of course, has been in the midst of that, and I compliment you and your staff for that effort.

Ms. BARSHEFSKY. Thank you very much.

Mr. KOPETSKI. We will now hear from Mr. Garten, who is Under Secretary for International Trade. You have a 5-minute rule imposed here this afternoon.

STATEMENT OF HON. JEFFREY E. GARTEN, UNDER SECRETARY OF COMMERCE FOR INTERNATIONAL TRADE, U.S. DEPARTMENT OF COMMERCE

Mr. GARTEN. Thank you for the opportunity to appear before this committee on this vital subject. An awful lot has already been said so I think I can be quite brief. I also just returned from a week in China, having visited Beijing and Shanghai and also having spent some time in Hong Kong.

As the other witnesses have said, the issue here is not the support of human rights. This administration places human rights at the very top of its priorities. The issue is really how to further both human rights and our other interests in China.

I see two major challenges ahead. The first is to work with China toward a fuller integration into all aspects of the global international system particularly with regard to security and with regard to the world economy.

Second, I think we have to pursue the commercial interests of the United States extremely aggressively. In my view, China will be the competitive battleground of the rest of this decade and into the early 21st century.

The possibilities for American firms are tremendous, reaching into the hundreds of billions of dollars of projects. The implication for job creation in the United States is equally promising with many high-grade jobs at stake, jobs which would come from exports in such sectors as telecommunications, transportation, and power generation.

In our view, the legislation which is being proposed is not conducive to advancing either set of objectives. We believe it will set back the possibilities for more broadly influencing China in the world system. We believe it will not advance the cause of human rights.

We believe it will be a body blow to U.S. competitiveness in an already intensively competitive market. And finally we do not believe that the provisions are workable. It is not going to be feasible by any stretch of the imagination to make the separation between firms in which the PLA is involved or between State-owned and private sector firms in China.

The legislation also discusses the question of a so-called code of conduct for American businesses. As the President said, the administration is committed to working with American business toward a set of principles for doing business in China. We fully support that effort. We have been consulting vigorously with American businesses and with the human rights community toward that end.

The one major point I would like to make in this area is that American firms are already doing a tremendous amount to better

the living standards in China. While I was there this previous week, I spoke to quite a few firms and I spoke to quite a few Chinese officials about this subject. We have also been doing research in the United States.

And I think that, according to any reasonable criteria, whether it is health and safety standards, whether it is Workman's Compensation, whether it is equal opportunity, whether it is improving the quality of life of Chinese employees, whether it is providing training, American firms are way ahead of any of their competitors. This progress which has already been made and this contribution that American firms are already making to the betterment of the human condition in China must be taken into account however we proceed.

Thank you very much.

Acting Chairman MATSUI. Thank you, Mr. Garten.

[The prepared statement follows:]

TESTIMONY OF HON. JEFFREY E. GARTEN, UNDER SECRETARY OF COMMERCE FOR INTERNATIONAL TRADE

Mr. Chairman, I would like to thank you for the opportunity to appear before you and the Committee this afternoon to discuss H.R. 4590, the United States-China Act of 1994.

It is my understanding that this proposed legislation would deny MFN treatment to (1) all products produced, manufactured, or exported by the People's Liberation Army (PLA) and Chinese defense industrial trading companies and (2) certain products produced, manufactured, or exported by State-owned Chinese enterprises from specifically enumerated categories. In addition, the bill would require the Secretary of the Treasury to consult with and encourage American businesses to adopt a voluntary code of conduct. The bill would also require annual assessments of progress on the human rights front, unfair trade practices, and weapons proliferation.

Let me say at the outset that Secretary Brown, I myself, and the Department of Commerce place progress on human rights and improvements in the human condition in China—and elsewhere—at the very top of our priorities for the kind of world we aspire to see as this tumultuous century draws to a close. Neither the goal nor its ranking among other objections is at issue. The big question is, "How best to achieve it?"

In the case of China, in particular, we believe that the approach articulated by the President is the best course of action and should be given the maximum chance to work. This includes increased broadcasts to China, increased support for non-governmental groups working on human rights in China, a voluntary set of principles for business activity with China, and a ban on import of munitions from China.

The President's policy also recognizes that expanded trade is among our most effective tools for bettering the lives of Chinese citizens. This is unquestionably the case to anyone who has been to China recently, and particularly to anyone who has witnessed the dramatic changes in China over the past decade which have come with economic growth, increased entrepreneurship, and increasing standards of living.

It is essential, in my view, to keep in mind our overall objectives with regard to China, including the betterment of the human condition there.

First, because China is so important to peace and stability we need constructive relationships with it across the board—in the political, security, and economic/commercial realm.

As part of this goal, it is very much in our interest to work closely with the Chinese leadership on the major problems of the day—from North Korea to improving the global environment, from expanding world trade to strengthening the United Nations.

Second, it is critical that we understand the true nature of our commercial interests in China. We have all heard of the hundreds of billions of dollars for megaprojects being constructed or planned. Although the Commerce Department is constantly updating its projections, however, I don't want to play a numbers game here. The points on which all experts agree are as follows:

On top of the 150,000 jobs now involved in exporting to China, there could be many tens of thousands added in the near future—in fact, multiples of what we have now. I need not remind this Committee of the importance which exports now play in the health of the U.S. economy—in growth of GDP, in the vitality of our key industries, and, most important of all, in the generation of higher-paying jobs. America is an underexporter compared to its enormous potential, and the Chinese market is our single most important opportunity in the decades ahead. I'd like to underline in this regard that the sectors which we are emphasizing most will lead to highly skilled jobs. These sectors include telecommunications, transportation, power generation, environmental technology, and financial services—all corresponding to the massive infrastructure needs in China.

The ability of our firms to do business in China is a pivotal element in the global strategy of many of them, due to the large contracts and the economies of scale.

This is a critical moment. China's infrastructure is being built now. In a society where personal relationships are crucial to doing business, those firms which get the contracts to build the first metros, the first digital switching systems, the first new airports, the first auto plants, and the first private power stations will have advantages lasting into the next century.

China is already the most fiercely competitive battleground anywhere in the world. U.S. firms have been handicapped by the uncertainty of the MFN issue, and by the heavily subsidized financing provided by Germany, France, and other governments.

We are running large trade deficits with China. Every indication is that these will remain for some time to come. We will, of course, be vigilant to use our laws against unfair trade practices whenever they are relevant. As you may know, we have been seeing a larger number of such cases, and have been enforcing our laws aggressively. However, our main means of offsetting these trade deficits is to expand exports—and only the most vigorous efforts on the part of American companies, supported by their government in the context of our new national export strategy, will suffice.

In my view, H.R. 4590 would undercut all of our objectives. It would immediately impede our chances of broad, constructive ties with China. It would not advance human rights. And it would deal a body blow to our ability to compete with our rivals for the Chinese market.

The consequences of enacting H.R. 4590 would rebound against the United States in many other ways. The key provisions are fundamentally unworkable. It is not feasible to identify and separate PLA or State-owned companies from the rest in a society where the PLA could own upward of 30,000 companies and where the State owns, controls or subsidizes nearly the entire economy. We would not have the resources in the administration even to make a good faith effort. To tie ourselves in knots over a goal which cannot be achieved would be bad policy and would be the subject of derision in China and throughout Asia generally.

The proposed legislation would also lead to retaliation by China not just in the form of denying future contracts to U.S. firms, but also by restricting existing sales. Our key exports are in aircraft, automobiles, chemicals and farm products, and all could be hit.

In addition, imposition of higher tariffs on certain imports from China, as the bill contemplates, would have the greatest impact on low-income Americans who are the major purchasers of Chinese products.

Let me say a word about the role of American business in China. There is no question that our firms can have a major impact on Chinese society. Our brand of capitalism, and its extension abroad, is one of our greatest assets. Nowhere is this more true than in China now.

In his decision regarding MFN extension, President Clinton called for a discussion of a voluntary set of principles for business activity in China. The administration is now consulting broadly in the business community and in the human rights community. We fully support this effort. A few key background points, however, are in order.

First of all, it should be acknowledged that U.S. firms have already had a highly positive effect on life in China. The highest American standards are already being passed on—in the form of better health and safety standards, better compensation, prohibitions against egregious labor practices, better training programs providing for enhanced opportunities for Chinese workers, and, of course, the transmission of American values about human decency, individual choice, and freedom of expression. Based on my travels through China, it is clear to me that U.S. firms are way

in front of all their competitors when it comes to attention to betterment of the lives of their Chinese employees.

All this notwithstanding, it would be debilitating to our competitive position to impose any rigid provisions on the behavior of American firms. They are already moving in the right direction. The Chinese environment and cultural and institutional setting is highly complex and in flux, however, and for Washington to try to fashion the wrong type of procedures for companies which are on the ground and engaged in an intensive battle for critical markets would be highly counter-productive.

This is not the place to discuss in any detail the kinds of policies we need to focus on in the future when it comes to China (and, I would add other Big Emerging Markets, too). But some of the discussions we have had within the administration and with Chinese officials are instructive.

For example, in the context of the Joint Commission on Commerce and Trade, chaired by Secretary Brown and his Chinese counterpart, we are initiating a program in commercial law which will help the Chinese build a civil society that helps them to become a full part of the world community. We have hopes of opening a commercial center in China which will facilitate U.S. business dealings, and showcase the very best of American products, technologies, and ideas. We are looking for new ways to augment the extensive training efforts that U.S. firms are already making to enhance the opportunities for Chinese workers.

Many of these and other initiatives can unfold only in close consultation with Congress and with your support. The point I wish to make is that we are taking a very expansive perspective of what commercial relationships are all about, recognizing that we should support and encourage a wide variety of commercial reforms in China, and that helping Chinese managers and workers is a central part of the effort.

In late August Secretary Brown will lead a Presidential Mission to China composed of 20-25 American business leaders and representatives of different parts of the administration. It is his hope to help set the tone for the post MFN era in U.S.-China relations. The message he will deliver will stress our human rights concerns, the importance we attach to our political and security ties with China, the need for greater access to Chinese markets on the part of U.S. firms, the positive role that American firms can and do play in building a just society in China, and the broader possibilities for long term commercial ties. The trip will be an extension and implementation of the broad based message that President Clinton articulated in his decision on MFN.

We are convinced that this approach is by far our best chance to realize the full range of American interests—including a better human rights situation in China.

Thank you very much, and I'd be happy to answer any questions you might have.

Acting Chairman MATSUI. I want to thank all four of you for your testimony. I would like to make an observation, to which Mr. Shattuck might want to respond. John, I am one of those who believe very strongly that what happened, I believe it was this February in China, to you and the Secretary was truly beyond your control.

I know there were some press stories indicating that your meeting with leading Chinese dissidents may have created difficulty in your meetings with Chinese officials. I frankly feel that that notion is incorrect. I think the Chinese had every intention of creating such difficulty, regardless of whom you met with while there.

My concern over U.S. policy toward China really goes all the way back to the original Executive order decision. I have always felt that if the Chinese do not comply by the end of the year, with our bilateral agreement on protection of intellectual property, we would certainly impose sanctions on them. There has been no such certainty on the penalty for China's failure to comply with the Executive order on human rights progress.

This difference is rooted in the perception held by many countries that the use of sanctions is an appropriate response to achieve a trade, as opposed to a nontrade, objective.

If in fact the United States should impose sanctions on China because of its violation of our IPR agreement, there may be tension and there may even be reciprocal retaliatory action by China, but that would be an acceptable means for dealing with a trade problem. There are generally accepted standards in the eyes of many countries worldwide on such use of sanctions.

In contrast, there is no general acceptance among nations, at this time, that trade can be used as leverage to encourage human rights progress. The few times linking trade and human rights has worked, have been cases in which we have used trade sanctions by imposing embargoes. The embargoes against South Africa is one such case, which, in my view is not at all analogous to the China case.

In the case of China, we have the Community of Nations working with us as we did with South Africa. On South Africa, we also had the United Nations on our side. Mr. Kopetski and others have pointed out that if we were to break off trade relations with China, other countries would not only not follow our lead, but they would immediately go in and fill the vacuum.

In the case of South Africa, the Community of Nations had a great deal of leverage and, as I indicated, we do not really have that with respect to China because its market is of such great value to so many countries.

The administration embarked upon the course of linking trade with human rights and as a result, we ended up with a policy that is difficult to implement. Given all that, do you think that the policy is one that really worked. You all testified that we used this policy, it had value, and now we want to go on to a second stage. I think a number of us question the conclusion that this policy worked. Perhaps you can respond.

Mr. SHATTUCK. Mr. Chairman, that is a complicated series of points that you made. I will focus on the last one in particular. As the President said when he made his announcement on May 26 the policy did work. It worked in the sense that it focused a spotlight on China's human rights record as had never been done before.

I would take slight issue with one of your comments, and it is related to my observation just now, and that is with respect to general standards. There are general standards for human rights. There are universal internationally-recognized human rights principles which have received the adherence of governments all over the world in terms of their claims.

Acting Chairman MATSUI. If I could just interrupt you, I wasn't suggesting that the standards aren't generally accepted standards, and perhaps I made a misstatement. But what I meant to say is that trade sanctions are an acceptable remedy to deal with human rights. There are not generally-accepted standards among the Community of Nations that this exists.

Mr. SHATTUCK. Excuse me. I misunderstood.

But I think the way in which it worked and, indeed, I think this is the projection forward of the President's policy as well, is that the importance of human rights in President Clinton's foreign policy is well established. It was probably given more emphasis in this instance than in many others, but we need to take account of the spotlight that was focused, and the results that occurred.

Mr. Tomsen mentioned the release of the two leaders of the Tiananmen Square movement. I would take note of an extraordinary development which we are going to continue very much to pursue. I am referring to discussions between the Chinese Government and the International Committee for the Red Cross on access to prisoners. This is a fundamental element of human rights advocacy. Many governments around the world have agreed to such access as a way of looking into situations of mistreatment of prisoners.

The ongoing effort to protect and preserve the unique religious and cultural integrity of Tibet, and to promote a dialog between the Chinese Government and the Dalai Lama and his representatives was greatly intensified last year. This is very actively a part of our work. I think these issues have been put more on the bilateral agenda between the United States and China than they ever would have been had it not been for the President's policy.

On the multilateral front, which of course is an element of the President's policy looking forward, there are many opportunities for working with other nations and with China in a constructive way to seek improvement in human rights in China. Certainly when I mentioned that in the U.N. context it is important, but so also is it important to work with other nations in regional contexts.

And I think the President's policy of engaging China across-the-board on a wide range of issues, including human rights, gives us the best chance of engaging ASEAN and other countries, in the promotion of human rights in China in the period ahead. So I would say the policy has worked. And in some respects what we are seeing in terms of its continuation, vis-a-vis the spotlight and the intensity of the work on human rights—comes out the decision that the President made.

Acting Chairman MATSUI. You know, my thought on this is that China is like any other nation. A lot of people envision China as being kind of a backward country with a lot of peasants running around the countryside, but China is like any other country. And I think one of the real problems with the strategy that was used is that maybe we did not quite understand that.

I would use the analogy of the current tensions between Great Britain and Ireland. I would not expect the Speaker of the House of Representatives to say we should cut off MFN status for England until the problems with Northern Ireland are solved. We know that England is a very civilized nation. The English read our newspapers; they know the complexities of our economy, the interconnection, there is 45 billion dollars' worth of two-way trade between England and the United States.

I would hope that those in the administration, particularly in the State Department, would begin to understand Asia a little better, for example, that these people think like we think, that when they are threatened, they will react the way we react. We get angry when somebody tries to interfere with us. I think quiet diplomacy is preferred to public pressure.

For example, with respect to the caning of the American citizen in Singapore, we might have been more successful in reducing this penalty if we had relied on quiet diplomacy. Then you would not have had a situation in which a nation would have had to prove

that it was not going to back down in the face of a threat by a big country such as the United States.

I do not know if you have a comment on that, but it just seems that from a strategy point of view, we have an obligation to assume that the Asian countries will react as the European countries would if the United States makes provocative statements toward them. That does not mean that we should not engage the Asian countries, but we should do this through back channels, at least initially.

Mr. SHATTUCK. Well, I think there is certainly room for a wide range of forms of diplomacy in our human rights and other diplomatic endeavors. Nowhere is that more clear than in the case of human rights work in Asia. I would agree with a good deal of what you say in terms of the need to tailor as precisely as possible strategic plans to address these issues from country to country and situation to situation.

But I think it is important to keep the wide range of tools available in the settings that they are appropriately to be used in. I think the President has thought a great deal about this, and in fact his decision on May 26 reflects the depth of his thinking on the subject.

Acting Chairman MATSUI. Thank you. My comments are not meant to be overly critical. I am interested in maintaining a dialog on where I think we are going. I want to continue to work with you, because I think, frankly, that over the next few years we will be dealing more and more with countries that we have to make an effort to understand, in terms of their culture, the way they think, et cetera. We have to try to deal with these countries on the basis of equality.

Mr. Kopetski.

Mr. KOPETSKI. Thank you, Mr. Chairman. I really applaud the President for what is I think his toughest, most courageous political decision that he has made to date in foreign policy. I think finally we are going to get to a true comprehensive China policy. I want to get at some of the facts, however.

Mr. Tomsen, would I be far off the mark if I said that in terms of armed sales, the Chinese sell about 600 million dollars' worth of armaments, and though I wish they sold zero, but the fact is they are selling about 600 million dollars' worth and the United States is selling something in the neighborhood of 24 billion dollars' worth; and so if you want to find the bad guy out there in the world, it is the United States is No. 1, France is No. 2, Great Britain is No. 3?

Mr. TOMSEN. Well, there are two aspects to the answer here. One is we are very concerned about the types of weapons that China sells, like for instance, missiles, and—

Mr. KOPETSKI. I am very concerned about that, but let me—

Mr. TOMSEN [continuing]. And chemicals. And Iran, we can't go into detail here, but that is one aspect; which weapons does China sell which other nations don't.

Second, our weapons sales also are tied into our national interests, of course. We sell weapons not only for commercial purposes, but also it helps us in terms of furthering our national security interests.

Mr. KOPETSKI. We can rationalize this, and I am sure they can rationalize it, but in terms of the fact of who is providing other nations in the world weapons that kill people, we are the bad guys, No. 1. You can't characterize it as bad guy. I am sorry. We are No. 1.

Mr. TOMSEN. I would just rush to add, Mr. Congressman, that we are not criticizing China for selling weapons. We are criticizing China for selling certain types of weapons.

Mr. KOPETSKI. Well, I am criticizing both countries for selling any weapons, all right? I get to do that.

Second, in terms of our MFN policies, we deny MFN, which we all know is a misnomer because it really means normal trading relationship, but we deny normal trading relationship with 13 nations. Of those 13 nations, if you go down the list, it seems to me that the primary reason we do that is because of a national security interest, not because of a human rights primary interest. Now, there is human rights involved, maybe secondarily or part of national security. Is that a fair statement?

Mr. TOMSEN. I think it is very fair. Like Cambodia, for instance, under the old regime, we denied MFN because of the atrocities and its way of doing business, plus other reasons.

Mr. KOPETSKI. Like we do Iraq and Iran today?

Mr. TOMSEN. Yes.

Mr. KOPETSKI. So for Mr. Solomon's legislation, this is something out of the usual in terms of U.S. policy; isn't that correct?

Mr. TOMSEN. Yes. To deny MFN, yes.

Mr. KOPETSKI. Is there any question but that the United States and China have been great partners in negotiating together to get the North Koreans to maintain their legal obligation under the NPT?

Mr. TOMSEN. Yes.

Mr. KOPETSKI. I mean it is a true partnership?

Mr. TOMSEN. Well, Bob Gallucci was just there, our negotiator, leading up to the third round which will take place on August 5 between North Korea and the United States. He just stopped in Beijing. We had very thorough consultations with the Chinese. I am not sure we have a confluence of approach across the board, but we are working together and we are consulting together.

Mr. KOPETSKI. But they do have different insight, because they are Oriental as opposed to our Occidental approach; is that a fair statement?

Mr. TOMSEN. Yes. They also have different—certain difference in geopolitical outlook, as well.

Mr. KOPETSKI. Of course. The West's hands historically are not clean in terms of China in my estimation. I mean it was us, the West, that introduced drugs into China at the turn of the century; it was the West that stood by during the bombings of Shanghai in the 1930s and the atrocities that were committed by the Japanese in the 1930s. And that is, you know, to me not a pretty part of American-British history. It is also true that as we saw in the Post two Sundays ago that under Mao there were 80 million Chinese who starved to death and were put to death because of his policies. Do you think that China, in terms of human rights, is better off

today since President Nixon opened the doors, even though it was during the cultural revolution?

Mr. TOMSEN. Yes. There is no doubt that individual Chinese citizens, as well as institutions, have more control over their own lives than at that time. It was a disaster before.

Mr. KOPETSKI. And what about since 1989?

Mr. TOMSEN. That is debatable. In the economic dimension, I would say yes. But in the political—on the political side, like for instance in Tibet, Mr. Congressman, but also in other areas, there has been some backsliding.

Mr. KOPETSKI. OK. And in terms of Tibet, and that is really a troubling area to me, and I think to the United States and also to the Chinese, have there been meetings between representatives of the Dalai Lama and the People's Republic of China?

Mr. TOMSEN. There have been. There were in the 1950s, and there were several meetings in the 1980s, before Tiananmen. A dialog was going, it was successful. However, that was one of the casualties of Tiananmen, and despite our efforts and the efforts of others, the Chinese Government has not chosen to resume that dialog.

Mr. KOPETSKI. Mr. Chairman, could I just ask one more question?

Acting Chairman MATSUI. Let's make it very quick, because we have two more panels and our time is really running out. We have a 5 o'clock markup of the bill. I apologize to the members and also to the witnesses.

Please proceed, Mr. Kopetski.

Mr. KOPETSKI. Thank you, Mr. Chairman.

Acting Chairman MATSUI. Excuse me. Does anybody have a question for Ambassador Barshefsky. If not, I would like to excuse her now. I understand you are meeting with some foreign negotiators today, Ms. Barshefsky, I will therefore excuse you now.

Ms. BARSHEFSKY. Thank you so much, Mr. Chairman.

Thank you, members of the committee.

Mr. KOPETSKI. Mr. Chairman, I will ask the question, but she may be the most appropriate to answer. We will see what happens here.

In section 6 of the bill on page 17, the President is required to ensure that members of GATT take similar actions with respect to this. How practical, realistic is that, that our GATT partners would also impose some sort of trade sanction on China unless and until they improve their human rights conditions? Let's zero in on France and Taiwan and—or not Taiwan, but Europe, Japan.

Mr. SHATTUCK. I think probably that question can best be answered by our colleagues, here. I could certainly give you my answer. We are actively working with those countries, but in terms of the GATT position I think that is something that those who are representing the economic agencies are probably in a better position to answer.

Acting Chairman MATSUI. I understand that Mr. Garten has a 4 o'clock meeting that he is going to be late for no matter what happens, and so, perhaps after this answer, he may be excused as well, unless any Member has a question or objections. Mr. Garten.

Mr. GARTEN. I just want to be sure I—I thought you were addressing the question to Ambassador Barshefsky. You are asking whether section—

Mr. KOPETSKI. Section 6 of the bill, how realistic is it to ensure that the President can ensure that other members go along with imposed trade sanctions until China moves on human rights?

Mr. GARTEN. I think it is very unlikely.

Mr. KOPETSKI. Thank you.

Acting Chairman MATSUI. Mr. Hoagland will inquire.

Mr. HOAGLAND. No questions.

Acting Chairman MATSUI. Thank you, Mr. Hoagland.

Mr. Levin will inquire.

Mr. LEVIN. Thank you. Mr. Chairman, I will try to be relatively brief, but I think it would be useful for someone to ask some pointed questions of the witnesses here, and since there aren't others here to do that, I am going to do so. I might have anyway, because I am one of those who is really not sure what the next step is.

And I have looked forward to this hearing, interrupted as it has been. I must confess I understand the decision. I would be happier if there were some acknowledgment of the difficulty of it, and that there is another side to this story, especially when you shift from one policy in year one to another in year two.

I think there may be good reason, but at least it is wise to acknowledge that there is—that it was an open question, or it was an issue that deserved to be argued vigorously on both sides. Because I think arguably the MFN decision of 1 year ago made some sense to keep the pressure on, the decision to make it conditional, and I think it can be argued that it may be on balance now better to try something different. But I think we need to acknowledge that we are not so sure what we are trying now is going to work either. So when we talk about linkages now reaching the end of its usefulness, for example, Mr. Tomsen, I dare say if Tiananmen Square occurred tomorrow, you might not use that language, right?

Mr. TOMSEN. That would throw up an entirely different situation.

Mr. LEVIN. OK. So what I think you mean to say, or you mean to say that in the context of where we think or you think things are today, not that linkage under no circumstances would have been a wise policy? And again, I really am not sure, and I try to read up on one of those who favored the linkage with conditionality. I am very worried about continuing conditions in China, both within China and within Tibet.

What you are proposing is that instead of conditionality, the policy become the synthesis of economic growth and civil society that will foster human rights. So let me ask you about that quickly. It is not very concrete. That was Mr. Shattuck, that was your language. And now let me go back, Mr. Tomsen, to what you say we are going to do. Expand broadcast to China. We are doing that, right?

Mr. TOMSEN. Expand what?

Mr. LEVIN. I am on page 4. Expand—

Mr. TOMSEN. Oh, yes, that is correct.

Mr. LEVIN. We are doing that. Efforts to establish voluntary principles for U.S. businesses. Now, how far along are we with that?

Mr. SHATTUCK. Mr. Levin, let me answer that. Let me, if I may, go back to one point that you made earlier, because I think when you were out of the room and I was delivering the opening part of my statement, I did say that this is a very difficult decision for the President and there were—there are obviously many issues that needed to be addressed, and I can assure you, as I am sure my colleagues here would also, that there was a very thorough and extremely broad-ranging discussion and debate of the ways in which this issue needed to be addressed.

Mr. LEVIN. I know that.

Mr. SHATTUCK. It is not an easy question.

Mr. LEVIN. The testimony really doesn't reflect that, but—I mean the written testimony. I fully accept that. And your dedication to the issues are beyond question.

Let me ask you specifically, and I will take just a couple more minutes and then we will finish.

Efforts to establish voluntary principles; now, where would you say that is?

Mr. SHATTUCK. Well, I think that—

Mr. LEVIN. This is for any one of the three of you.

Mr. SHATTUCK. Let me give an answer, and then perhaps my colleagues would like to amplify it. The National Security Council and the National Economic Council are working very closely on this with the State Department and the economic agencies. There have been several meetings. The President's own interest in pursuing the establishment of a voluntary set of principles is very clear.

The human rights community has been consulted, and the business leadership, particularly of businesses active in China, has been consulted. I think the goal is to bring out the best practices that American businesses are engaged in in China to develop what would be a voluntary set of principles drawing on those best practices.

They range not only in the human rights area as we are rather narrowly discussing it here, but in the area of employment practices and training practices, health and safety practices, and the like. These efforts are very much at the top of the President's agenda for his future human rights policy. I don't know whether—

Mr. LEVIN. You expect to have something, some comprehensive, concrete program in place or being put in place by U.S. businesses within a reasonable period of time?

Mr. SHATTUCK. Yes. And I think the key here is the active and voluntary participation of U.S. businesses under the leadership of the President and his administration.

Mr. LEVIN. All right. I will skip over support for civil society in China, because I am not quite sure what that means, and maybe you could tell me. But time is short.

Tell me concretely, tell us, engaging others in the United Nations in efforts to improve human rights in China, we plan to broaden our bilateral human rights dialog. Now, 1 year ago plus, it was felt that wasn't enough, that we had to do some conditional linkage. And this problem has been raised before. Now, concretely, what is being done?

I mean one of the problems is other nations haven't joined in, and that is used as an argument for us not to use MFN, because

other nations will simply take advantage of it. Now, what is going on in just if you would a few words and tell us what you think that dialog might look like in concrete results, say 2 years from now. How is it going to be different?

Mr. SHATTUCK. Well, the dialog is broadened in two dimensions. First, I think it will be conducted not only in the Office of the Assistant Secretary for Human Rights, but indeed, there will be other visitors to China, other forms of our broad engagement with other parts of the government, also reinforcing the human rights message in some very concrete ways and areas.

I mentioned in my prepared statement the case of Wei Jingsheng who is now continuing in prison without charges as best we know. He and others who have been detained would have their cases raised by not only the dialog that goes on at the Assistant Secretary level, but at other levels, as well. And indeed, that has occurred. Deputy Secretary Talbot just met with Chinese Foreign Minister Qian Qichen at the ASEAN Ministerial Summit in Bangkok, and human rights was very prominent in his bilateral discussions with China. I think that is an example of the kind of thing we expect to do more of.

Mr. LEVIN. Have you brought in any other countries?

Mr. SHATTUCK. Yes, I was going to get to that. The second dimension is other countries. And in that context I think the opportunity to work with other countries is enhanced by our own engagement with China in the fashion that the President has outlined in his May 26 decision and policy. This is true, certainly in the context of the United Nations and the U.N. Human Rights Commission, but also in regional settings, where our own engagement with China would be reinforced by the engagement of others who would be able to raise some of these same points. That is very actively being pursued through the ASEAN context, as well as in the United Nations.

Mr. LEVIN. Thank you, Mr. Chairman, for your indulgence.

Acting Chairman MATSUI. Thank you, Mr. Levin. I would like to thank all four of the panelists from the administration. I appreciate their testimony, and I know, as Mr. Kopetski has said, how difficult the decisionmaking process on China MFN policy and the decision itself was for all of you and for the President.

So we thank you for your participation today and look forward to working with you in the future. Thank you.

Mr. GARTEN. Thank you, Mr. Chairman.

Mr. SHATTUCK. Thank you, Mr. Chairman.

Acting Chairman MATSUI. At this time we have two additional panels, but what we intend to do with panelists is to combine both panels. So panels three and four at this time will be combined.

We have Nicholas Lardy, director and professor of the Henry M. Jackson School of International Studies, University of Washington; Harry Harding, senior fellow at the Brookings Institution, foreign policy studies program; Jeffrey Fiedler, director of the Laogai Research Foundation; and Father Drew Christiansen, director of international justice and peace of the U.S. Catholic Conference.

Professor Lardy has a plane to catch, and we want to apologize to all four of you for the fact that you have been here now 3 hours. Professor Lardy, perhaps we could hear your testimony first, and

then members could ask you questions, because I think you have a plane that leaves at 5:15 out of Dulles Airport, if I am not mistaken. So if you could testify and then we will proceed with the other three witnesses immediately after.

STATEMENT OF NICHOLAS R. LARDY, DIRECTOR AND PROFESSOR, HENRY M. JACKSON SCHOOL OF INTERNATIONAL STUDIES, UNIVERSITY OF WASHINGTON; AND FORMER VISITING FELLOW, INSTITUTE FOR INTERNATIONAL ECONOMICS

Mr. LARDY. Thank you very much, Mr. Chairman. I want to thank you for inviting me to testify today. I would like to submit my statement for the record. And there is also a short additional piece for the record which is taken from a recent publication of the National Bureau of Asian Research.

Acting Chairman MATSUI. Without objection.

Mr. LARDY. Thank you. I would like to summarize my statement.

I think many of these judgments have been expressed by other witnesses, but I would like to really underline four major themes.

First, I think that if this bill was passed, it would substantially set back U.S.-China relations. It would undermine the prospects for the comprehensive engagement strategy toward China advanced by President Clinton that we have heard articulated, at least in abbreviated form, by earlier witnesses.

Second, in response to a comment that Congresswoman Pelosi made, I do not believe that this bill is a reasonable compromise between the President's Executive order on the one hand and Congressman Solomon's bill on the other. I think this bill is so sweeping in its proposed action that it would almost certainly result in significant Chinese retaliation against U.S. imports and an overall downward spiral in bilateral U.S.-China trade and economic relations and thus the more broadly defined bilateral relationship.

Third, contrary to what its proponents claim, I think if this bill were enacted, it would substantially set back the prospects for improvements in China's human rights conditions. I think the best prospect for enhancing human rights in China is through increasing rather than decreasing our ties with China and the economic dimension of that I think is quite important.

Fourth, I would like to underline what was mentioned by a couple of the earlier witnesses. That is, in its present form, this bill is entirely unworkable. It ignores the complexities of China's reforming economy; it asserts erroneously, in my judgment, that one can distinguish easily among various categories of Chinese firms based on their ownership. I would just point out that there are more than 8 million Chinese enterprises in the manufacturing sector in China alone.

Only about 100,000 of these can clearly be identified as State-owned, and there are only a relative handful that, I believe, would be judged as purely private by the standards of a market economy. Almost all of the rest of the 8 million are inbetween somewhere. They are inbetween these two extremes. In this intermediate zone there is a complex array of different ownership arrangements that are not always well defined or even clearly understood, even in China. Similarly, on the trading company side, there are many,

many complex arrangements; it is a rapidly evolving situation. The idea that we could easily identify those that have defense industrial ties I think is misleading.

So I think if this bill were passed, it would undermine these promising efforts that are now underway to encourage further reforms of China's trading system. I don't think it is a compromise; I don't think it is workable, and I don't think it advances human rights.

Now, in my remaining minute or two, I would like to make a couple of comments on some of the earlier remarks by Congressman Pelosi and try to shed some light on some of the important issues that she raised. First of all, she said that the China market was almost irrelevant for the United States, it only took 2 percent of our export products. The fact of the matter is that China is our 10th largest export market once you take into account what we are selling to China that goes through Hong Kong that our Commerce Department does not count as an export to China; so No. 1, it was our 10th largest export market last year.

Second, since 1990 it has been far and away the most rapidly growing of any market that the United States has anywhere in the world.

Third, the prospects are for substantial additional U.S. exports to that market, because of the \$1 trillion that the Chinese are going to import between now and the end of this decade. That is, over the next 6 years China will import \$1 trillion in capital goods, goods in which I believe the United States has a strong comparative advantage—the sectors have been mentioned: Transportation equipment, telecommunications, computers and so forth.

Finally, I would like to disagree completely with Congressman Pelosi's statement that our trade with China is a net job loser. I think this is fundamentally mistaken and misleading.

It fails to take into account that a very large portion of our increased bilateral trade deficit with China is a consequence of China's very open investment environment, the fact that very large numbers of firms in Hong Kong and Taiwan have moved their manufacturing to China. We now import those products from China. They are counted as Chinese exports.

But the fact of the matter is, as our deficit with China has gone up, our deficit with Taiwan and Hong Kong have gone down very, very substantially. Most of the increase in our imports of products from China do not reflect lost jobs in the United States.

Most of these goods were once produced elsewhere outside the United States. China has low cost labor. It is taking over production of these labor-intensive goods. It is part of a natural evolutionary process of what some call dynamic comparative advantage.

So I believe it is a complete misrepresentation to suggest that the deficit, which is large and I think likely to grow, represents a net job loss situation for the United States. I think that the evidence, the economic evidence, is really quite the contrary.

Thank you very much.

[The prepared statement follows:]

Testimony before the
House Ways and Means Committee
Trade Subcommittee
on H.R. 4590,
The United States-China Act of 1994

Nicholas R. Lardy
Director
The Henry M. Jackson School
of International Studies
The University of Washington

I would like to thank Chairman Matsui for inviting me to testify before the Trade Subcommittee of the House Ways and Means Committee on the subject of The United States-China Trade Act of 1994. For the record I would like to submit a copy of my contribution to *MFN Status, Human Rights, and U.S.-China Relations*, a study published earlier this month by the National Bureau of Asian Research.

As the Congress examines the United States-China Trade Act of 1994 I believe that there are four factors that should be borne in mind.

First, in my judgment The United States-China Act of 1994, if passed, would substantially set back U.S.-China relations and undermine the prospects for the comprehensive engagement strategy toward China advanced by President Clinton. The long term goal of the United States should be to try to integrate China more fully into the world economy. As outlined in my paper submitted for the record, the United States should offer economic incentives to encourage the Chinese government to make further reforms of their trading system that would facilitate their early entry into the World Trade Organization (WTO). In recent months the Chinese, as part of their effort to meet the necessary conditions for participating in the WTO, have made very substantial additional reforms of their trading system. We should seek to build on this momentum, not pass legislation that would undermine the very real progress that has been made.

Second, this bill is not a reasonable compromise between President Clinton's executive order extending China's MFN Status in the US market for an additional year and the resolution introduced by Congressman Solomon calling for a disapproval of the President's executive order. This bill is so sweeping in its proposed action that it would almost certainly result in significant Chinese retaliation against US imports and an overall downward spiral in bilateral U.S.-China trade and economic relations. Discontinuing nondiscriminatory trade treatment for China's state-owned enterprises would significantly reduce well over half of China's exports, substantially reducing China's foreign exchange earnings. For reasons outlined in the study I have submitted for the record, the Chinese would have little choice but to substantially curtail their imports. These cuts almost certainly would be directed disproportionately at goods produced by US firms.

Third, contrary to what its proponents claim, if enacted this bill would substantially set back the prospects for improvements in China's human rights conditions. Enactment of this bill would reduce significantly China's ability to export to the United States and, in turn, this would dramatically reduce the attractiveness of China as a site for foreign direct investment. Inward capital flows would fall, exports would fall, and China's leadership would be confronted with the prospect of adjusting to a vastly different external economic environment. Increasing rather than decreasing trade and investment ties with the rest of the world are more likely to lead to a more pluralistic political system in China and ultimately a more favorable human rights environment. In this respect I believe the bill under consideration is fundamentally flawed.

Fourth, in its present form this bill is unworkable. Ignoring the complexities of China's reforming economy, it asserts that state-owned enterprises and defense industrial trading companies are a clearly delineated categories of firms that can be readily identified. The reality is far more complex. The Chinese economy is the third largest in the world and in the manufacturing sector alone there are more than eight million enterprises. These enterprises range across a spectrum from about one hundred thousand that are closely supervised and directed by government agencies,

which by anyone's definition would be state-owned, to a relative handful that could be considered fully private by market economy standards. Thus the vast majority of firms fall in between these two extremes. In this intermediate zone there is a complex array of ownership arrangements that are not always well defined or clearly understood, even in China. By the criteria set forth in the bill, virtually all enterprises in China could be considered state-owned. For example, China's tax code requires that all firms pay a significant portion of their profits to the state. Under the terms of the bill all such firms would be classified as state-owned. Applying the same criterion to the United States, one would conclude that the US economy is dominated by state-owned enterprises. The conclusion would be erroneous in both cases. In short, this bill fails to take into account the complexities of China's evolving economy and simply asserts that the Department of the Treasury can determine which firms are state-owned and which are not.

Similarly, the bill ignores the complexity of China's evolving trading companies. At the start of economic reform in the late 1970s all of China's foreign trade was in the hands of twelve companies that were wholly owned subsidiaries of the Ministry of Foreign Trade. By the late 1980s the number of firms authorized to carry out foreign trade transactions had soared to more than 5,000. Most had only the most tenuous ties with the central government and the Ministry of Foreign Trade. Subsequently, a campaign reduced the number of these firms to only 3,673 by August 1991. Since then, in a development that should be applauded, the numbers have again expanded to reach around 7,000 by late 1993. Even the authority to authorize foreign trading has been significantly decentralized, a trend that the US and others should regard as highly positive. Among these trading companies are many firms that have varying degrees of affiliation with the Chinese military and related agencies. Since the number and specific identities of these firms are constantly changing, it is quite unlikely that the Department of the Treasury would be able to identify which among these firms are "defense industrial trading companies."

In summary, if passed this bill would undermine very promising efforts to encourage further reforms of China's trading system. Second, the bill is not a reasonable compromise between the President's Executive Order continuing China's MFN trading status in the US market and the resolution disapproving of the President's action which, if passed, would immediately end China's MFN status. Third, it almost certainly would be counterproductive in meeting its announced objective of improving human rights conditions in China. Finally, in its present form the bill ignores the complexities of China's evolving market economy and would be difficult if not entirely impossible to administer.

From MFN Status, Human Rights, and U.S. China Relations,
NBR ANALYSIS, Volume 5, No. 1.

MFN DENIAL: THE ECONOMIC CONSEQUENCES

Nicholas R. Lardy

President Clinton announced on May 26 that he would renew China's Most-Favored-Nation (MFN) trade status with the United States and that future renewals would no longer be linked to human rights conditions in China. An analysis of the economic consequences of a discontinuation of China's MFN status in the U.S. market provides the context for the President's decision. It also assists to evaluate proposals of congressional critics of the President, who have said they will support legislation that, if passed, would both eliminate MFN status for specific products or sectors and base China's MFN trade status for nontargeted sectors on human rights conditions.

A complete or substantial end to China's MFN trade status in the U.S. market could be expected to lead to a downward spiral in the bilateral economic relationship, affecting not only Chinese exports to the United States but also Chinese imports of U.S. goods and U.S. investment in China. Judging the likely effect of a discontinuation of MFN trade status only for specific sectors or products is more difficult, but would likely have qualitatively similar effects. Before discussing the basis for these judgments it is important to understand what is at stake for each side.

What is at Stake for China?

Since economic reforms began in China in the late 1970s, foreign trade has emerged as a major engine of growth for the Chinese economy. China's foreign trade has expanded half again as rapidly as in the pre-reform period, and the rate of economic growth has similarly accelerated. The linkage between these two developments has been increasingly apparent since the mid-1980s, when the commodity composition of China's exports began to shift dramatically away from primary product exports, particularly crude oil, toward manufactured exports, particularly labor-intensive products such as garments, footwear, toys, and other light manufactured goods.¹ These light manufactures exploit China's comparative advantage in labor-intensive products. Increased production and export of these goods leads to increased efficiency of resource use and thus faster economic growth.

The expansion of China's exports, from less than \$10 billion in 1978 to more than \$90 billion in 1993, would not have been possible without the United States. Over this decade and a half the United States emerged as China's single largest export market. The United States imposed an embargo on trade with China at the time of the Korean War, which was not lifted until 1972. Because Chinese goods were not immediately eligible for MFN status in the U.S. market after the embargo was lifted, the level of China's exports to the United States remained relatively small. In 1979 U.S. imports of Chinese goods were around \$600 million, less than five percent of China's total exports.²

¹ Nicholas R. Lardy, "Chinese Foreign Trade," *The China Quarterly*, September 1992, pp. 691-720.

² Nicholas R. Lardy, *China in the World Economy*, Washington, DC: Institute for International Economics, 1994, pp. 30, 74.

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By the end of 1980 the United States and China had restored formal diplomatic relations and signed a bilateral trade agreement, as well as bilateral agreements covering civil aviation and shipping. Most important was the bilateral trade agreement, which was initiated in May 1979 and officially signed in July 1979. The Carter Administration had delayed submitting the agreement to Congress for approval, in order to provide the time to seek assurances from the Soviet Union that it would liberalize its emigration practices. That assurance would have allowed the U.S. government to seek MFN status for China and the Soviet Union simultaneously. After it became clear that this effort was not working, President Carter submitted the trade agreement with China to the Congress for approval on October 23, 1979. It was passed by the House and Senate on January 24, 1980. Thus China gained MFN status in the U.S. market for the first time in 1980. After that China's exports to the U.S. market grew rapidly. In 1980 exports almost doubled to reach \$1.1 billion. By 1993 the volume reached \$31.5 billion, over a third of China's total exports.

What is at Stake for the United States?

China is already more important to the United States than is indicated by its rank in 1993 as America's 12th-largest export market, absorbing \$8.8 billion of U.S. produced goods, less than two percent of total U.S. exports. Three factors underlie this judgment.

First, data compiled by the U.S. Department of Commerce, such as those cited above, do not include U.S. goods first sold to Hong Kong and then reexported to China. In 1993 these reexports reached almost \$3 billion. Indeed in each year since the late 1980s official data have understated U.S. exports to China by fully one third.³ Taking reexports into account China was the tenth-largest export market of the United States in 1993.

Second, and more important, since 1990 China has been the fastest growing export market for U.S. firms. In recent years U.S. exports to developing country markets have grown about five times more rapidly than exports to developed country markets. U.S. exports to China almost doubled, from \$4.8 billion in 1990 to \$8.8 billion in 1993, far and away the most rapid increase in U.S. exports to its larger developing country markets. For example, the cumulative expansion of U.S. exports to China was more than twice as great as the growth of exports to Mexico, Taiwan, Singapore, or Hong Kong and several times the growth of exports to South Korea over the same period.⁴

Moreover, the increase in China's imports over the coming years is likely to make it one of the largest sources in the world of increased demand for imports, particularly for the capital goods in which the United States has a strong market position. For the rest of the 1990s East Asia is expected to contribute between 35 and 45 percent of incremental global imports.⁵ China alone, whose imports grew by almost \$25 billion in 1993, is emerging as the single largest source of trade growth in East Asia. Between 1994 and 2000 China is likely to import one trillion U.S. dollars in capital goods such as transportation, telecommunications, computing, and power generation equipment.

Finally, a stable trade relationship with China is an absolute precondition for strengthening U.S. regional trading ties in Asia and promoting broader economic cooperation within the region. The discontinuation of MFN status for China would mark a decisive setback in the Clinton Administration's policy of developing the Asia-Pacific Economic Cooperation (APEC) forum as a key component of this regional strategy.

³ *Ibid.*, p. 77.

⁴ *Ibid.*, pp. 117-118.

⁵ Vinod Thomas and Tamar Manuelyan Atinc, "China: Assuming its Global Trading," Paper presented at the International Symposium on China's Foreign Economic and Trade Strategies in the 1990s, Beijing, May 11-14, 1994.

The Loss of MFN

The loss of MFN in the U.S. market would subject Chinese goods to tariffs five to ten times as high as those these goods currently face. Thus the prices of Chinese goods in the U.S. market that were no longer eligible for MFN tariff rates would rise dramatically, resulting in substantially lower sales. The World Bank recently estimated that China's exports to the United States would fall by at least 42 percent and perhaps by as much as 96 percent if China's MFN status in the United States were discontinued.⁶ Applying these proportions to bilateral trade in 1993, if MFN status had not been granted to China in the U.S. market, China's exports to the United States would have been from \$13.2 billion to \$30.2 billion less than they actually were.

Inevitably the decline in Chinese sales to the United States would reduce U.S. exports to China. Particularly in the short run, China would not be able to sell elsewhere all of the goods it would no longer be able to sell in the U.S. market. For example, China's exports of garments to major markets, except Japan, are controlled by quotas administered under the Multifiber Agreement (MFA). These quotas are already binding in all markets so increased exports would not be possible, even if China were willing to cut its prices.

The loss of up to \$30 billion in export earnings would lead to a decline in Chinese imports of similar magnitude. China, which had an external debt of \$86 billion at year-end 1993, would be both unable and probably unwilling to attempt to increase its external borrowing in order to maintain its present level of imports in the face of dramatically declining export earnings.

U.S. exports to China would probably fall by an even greater proportion than the above analysis suggests, for two reasons. First, China almost certainly would retaliate against a U.S. discontinuation of its MFN status by specifically reducing its imports of U.S. goods. In short, where possible Chinese importers would substitute purchases of goods made by Japanese and European competitors in order to impose significant economic costs on the United States.

Second, the resulting downward spiral in bilateral economic relations would reduce the future flow of U.S. foreign direct investment into China. That could occur either because U.S. firms might find Chinese officials more reluctant to approve their joint venture projects or because U.S. firms, anticipating that they could become the object of Chinese pressure, would be less interested in exploring investment opportunities in China.

Over time reductions in U.S. investment in China would have a substantial effect on bilateral trade flows as well. Although it is not well understood in the West, a growing share of China's foreign trade is generated by foreign-invested firms.⁷ In 1993, for example, foreign-invested firms exported products valued at more than \$25 billion, more than one fourth of all of China's exports. And foreign-invested firms imported goods valued at about \$42 billion, more than one third of all of China's imports.⁸ These imports were of two types: the machinery, equipment, and other capital goods going into foreign-invested firms; and the parts and components these factories processed or assembled for sale either on the domestic market or for export markets. The extent to which foreign-invested firms are engaged in processing and assembly is frequently underestimated. For example, in 1993, 84 percent of all joint-venture exports were processed products.⁹

Since foreign partners in joint ventures tend to import capital goods and parts and components from their home markets, any diminution in U.S. investment in China would tend to lead to lower U.S. exports than would be expected if China's MFN status were not disrupted.

⁶ World Bank, China: *Foreign Trade Reform*, Washington, DC: The World Bank, 1994, pp. 157-158.

⁷ Foreign-invested firms include equity joint ventures, contractual joint ventures, and wholly foreign-owned firms.

⁸ Lardy, *China in the World Economy*, op. cit., pp. 72, 116.

⁹ Zhao Ge, "The Role and the Future of Foreign Invested Enterprises in China's Foreign Trade," *Guoji Shangbao (International Business)*, March 17, 1994.

In sum, a discontinuation of China's MFN status in the U.S. market could be expected to reduce bilateral trade for three reasons. Most immediate would be a dramatic reduction in Chinese sales in the U.S. market. Second, Chinese purchases of U.S. goods would decline sharply, both because of reduced export earnings and probably because of specifically targeted Chinese retaliation against goods produced in the United States. Third, the resulting downward spiral in the bilateral relationship would almost certainly have a depressing effect on U.S. direct investment in China, which in turn would reduce bilateral trade flows, particularly U.S. exports, below the levels that otherwise would have occurred.

An elimination of MFN trade status for goods produced by China's state-owned factories or for specific goods produced predominantly or exclusively by state-owned or military factories would have qualitatively similar results. The precise magnitude of the effects obviously would depend largely on the scope of the targeted sectors.

Recommendations for U.S. Policy

President Clinton's decision to renew China's MFN trade status and to delink future renewals from human rights conditions in China, unless overturned by congressional action, promises to set the stage for improved bilateral relations, including economic relations. Particularly when coupled with the March 1994 decision to liberalize substantially export controls on computers, electric power generation equipment, and other technologies, the renewal of MFN trade status for China in the U.S. market should further stimulate bilateral trade flows.

While the President specifically articulated the view that a policy of continuing engagement with China would best advance human rights and other interests the United States has in its relationship with China, his announcement does not envisage using either MFN or other trade policies as tools to encourage further reform of China's foreign trade system.

China's permanent MFN status in the U.S. market and other trade policies should be linked specifically to China's compliance both with the bilateral economic agreements on intellectual property, trade in textiles, prison labor, and so forth, and with international trading rules of the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO), scheduled to replace the GATT at the beginning of 1995. This linkage, in the long run, would effectively promote American interests in a more pluralistic and humanitarian China as well as advance U.S. economic interests in China and the region more broadly. The recent history of other countries in East Asia suggests that economic liberalization stimulates increased political pluralism and eventually more democratic political systems. Thus the United States should seek to engage China further in the world economy. This could be most effectively accomplished by working for China's early entry into the GATT, which would commit it to further major reforms of its trade policies and practices.

Specifically, the United States should offer to apply the ten-year phaseout of the Multifiber Agreement in exchange for maximal reductions of tariffs and nontariff barriers by the Chinese in the final package negotiated on China's participation in the GATT. The phaseout is designed to eliminate all textile quotas currently outlined in the agreement, but it does not apply to non-GATT members such as China. Since the Jackson-Vanik Amendment to the Omnibus Trade Act of 1974 precludes granting permanent MFN status to China, the United States will initially have to invoke Article 35 of the GATT agreement, the so-called nonapplication provision. Thus, unless it is agreed to in a side bilateral agreement negotiated at the time China's participation in the GATT begins, China will not automatically benefit from the ten-year phaseout of the Multifiber Agreement that is a key part of the Uruguay Round of GATT negotiations. Indeed, in the absence of such a side agreement it is almost certain that China's exports of garments and textiles to the United States would decline as the quota agreements holding back exports from other suppliers were phased out. Since apparel

and textiles is China's single largest category of exports to the United States, offering to apply the phaseout of the MFA with respect to China could be an important instrument to gain reductions in Chinese tariff and nontariff barriers.

Second, the United States should agree to provide China permanent MFN status as soon as it is evident that China is in compliance with the protocol governing its participation in the GATT as well as other bilateral economic agreements with the United States. This means that the executive branch would have to seek congressional approval for the repeal of the Jackson-Vanik Amendment as it applies to China. Already it is anomalous that the amendment applies to China. The requirement for the annual renewal of MFN status originally was envisaged as applying only to nonmarket economies that restricted emigration. But China's economic reforms have now proceeded so far that one can at least question whether China falls into the nonmarket economy category. By 1993, for example, only five percent of retail sales and 15 percent of the sales of machinery, equipment, and other capital goods took place at state fixed prices. As reform was getting underway in 1978 these percentages were 97 and 100 percent, respectively. And successive administrations, including that of President Clinton, have acknowledged that the flow of Chinese from China to the United States is restricted primarily by U.S. immigration policy, not Chinese emigration policy. In recent years China has exhausted fully the annual numerical limitation imposed by the U.S. government.¹⁰

Summary

President Clinton's renewal of China's MFN trading status and his delinking of future renewals from human rights conditions in China, unless substantially altered or overturned by congressional action, should simultaneously lay the foundation for growing Sino-American trade and, in the long run, improvements in human rights conditions in China. The logic underlying the renewal suggests that the United States should do more than simply renew China's MFN trading status. China's further engagement in the world economy would be facilitated by its participation in the GATT. The United States should offer to apply the ten-year phaseout of the MFA to China in exchange for further reforms of China's trading system, in order facilitate its participation in the GATT. As a further incentive for China to undertake these reforms, the U.S. government should pledge to seek permanent MFN status for China as soon as it is evident that it is in compliance with the protocol governing its participation in the GATT. □

¹⁰ Lardy, *China in the World Economy*, *op.cit.*, p. 100.

Acting Chairman MATSUI. Thank you very much, Dr. Lardy.

Mr. Kopetski.

Mr. KOPETSKI. Doctor, I really appreciate your testimony. I would like to get the facts on this whole debate.

Mr. Chairman, this is a good point I think to raise the CBO draft letter that we got in terms of PAY-GO where they say that it is indeterminate to figure out the cost, although they do say that the pay-as-you-go procedures are affected and come under this act. Now, I have never accused CBO of playing politics here, but this is the closest I have ever seen them come, and I think that before we vote on this in the full committee, they ought to take a stab at it, because you know, the fact is this will cost money, and there has got to be a funding mechanism alongside of them.

Acting Chairman MATSUI. Thank you.

Mr. Hoagland.

Mr. HOAGLAND. No questions.

Acting Chairman MATSUI. Dr. Lardy, I have reviewed your recent book, a copy of which Mr. Bergson very graciously sent to me. In fact, your book has been circulated all over the Hill. I think it is an excellent piece of work and I greatly appreciate your scholarship and insight. I think the Members who have had a chance to read the book appreciate it also.

You did not spend much time in your book on the topic of China's human-rights record. I think you spent a lot of time analyzing the economic impact of revoking China's nondiscriminatory trading statutes. That is not to say that human rights was not a concern.

I think the thrust of the book was to talk about China's economy and China's place in the world. You did mention earlier in your statement today that cutting off trade with China would set back human rights in that country. Perhaps you can discuss that a little further in terms of how you reached that conclusion and what you mean specifically.

Mr. LARDY. Well, I do believe that our best method of gradually moving China toward a more pluralistic society, one that will ultimately have a much more favorable environment for human rights, is one of further economic engagement in the world. I think the development of the middle class, some of the things we were talking about earlier this afternoon, the development of modern telecommunications technology, the flow of ideas, are inevitably going to change China in ways that cannot be fully anticipated.

But I think the general direction is clear. I certainly would never want to be in a position of predicting any specific outcomes by any specific dates. But I would say in response to Congressman Pelosi's repeated quotation of Deng Xiaoping about 12 generations, this is exactly what you would expect to hear from Deng Xiaoping. Of course he has no intention of encouraging fundamental change in China's political system, he wants to postpone that change as long as possible. But I think his ability to do so is very, very substantially less than 12 generations.

I am very confident in predicting it is going to be much, much faster than that. But I don't think we can say by a certain date we will have certain evolution, certain particular characteristics. But I have no doubt about the fundamental underlying processes of more rapid economic growth, rising incomes, broader education, the

emergence of a middle class. Once you start to introduce choice on such things as jobs and where you are going to live, and that has come to China more and more, soon you will have people demanding choice in a whole range of other areas.

I don't mean by tomorrow afternoon or next year, but ultimately I do think that introducing choice in a variety of economic areas creates inevitable pressures for choice in the political arena as well. Now, I think it is going to be very difficult for the regime to accommodate this kind of change.

I don't disagree with anything that has been said by the human rights advocates. This government will arrest people that advocate the overthrow of the government. They will be put in jail and they will have treatment that bears no resemblance to what we would wish for them. I think that is going to continue. But I do think that the long-term effect of further economic engagement is predictable and inevitable.

Acting Chairman MATSUI. How do we deal with the problem of dissidents being arrested and literally the hundreds of observers of ceremonies commemorating the 5-year anniversary of the Tiananmen Square incidents? How do you deal with that in a country like China? What does the United States do?

We can go to the United Nations, we can try to get others in the Community of Nations to work with us on this, but what can we really do to try to call attention to the human rights problems in China? The administration has come up with a number of approaches; perhaps these will work, perhaps they will not work. But what do you suggest?

Mr. LARDY. Well, I think the steps that have been outlined, those that were outlined in Ambassador Shattuck's testimony and in his prepared statement I think are the right things to be doing. I think shining publicity on these cases, attempting to enlist other countries in bringing these concerns forward I think is very, very important.

I think the main problem that we have had in recent years, quite frankly, is the Chinese perceive that the United States is the only country that cares significantly about these issues. I don't think that is the case. But I think what we need to do is to have a process that brings other countries along in the process.

It probably won't ultimately lead to all of these countries revoking China's MFN status in these various markets. That I agree would be quite unlikely. But there are many forms of pressure that fall short of that that could be productive in terms of changing the treatment of specific individuals or general categories of dissidents and other people carrying out activity that the regime is unhappy about.

But I do think these will never be effective if they are pursued unilaterally by the United States and the Chinese can repeatedly say only the United States cares about this. So I think the multilateralization of this process is a very, very important one, and it is certainly one that was mentioned in Ambassador Shattuck's prepared statements and I think he also mentioned it in his opening remarks.

Acting Chairman MATSUI. Ambassador Barshefsky talked about the unworkability of the approach, in the legislation proposed by

Congresswoman Pelosi. You mentioned that 8 million businesses in China are State-owned at this time; very few are in the private sector. There is a transformation going on, as well.

I have heard from some who have suggested that some of these 8 million State-owned companies are now moving toward privatization, some through the establishment of joint ventures with private foreign companies.

How do you come up with a definition that one is run by the PLA and one is run by the state and another one is run as a private sector enterprise? Is that possible with respect to Chinese firms at this time?

Mr. LARDY. I don't really think it is at this time. I think we can always identify a few extremes that meet well defined characteristics. But as I pointed out in my remarks, the vast majority of firms fall somewhere inbetween under ownership arrangements that are undergoing very, very dramatic changes, and they vary regionally, by sector, and by product. So that it is an enormously complex mix. And I think the general tendency is certainly the one that you have indicated.

Narrowly defined State-owned firms produce less and less of total output. At the beginning of reform they produced about 80 percent of all manufactured goods. Last year they were down to about 45 percent.

So the strictly defined State-owned sector has shrunk dramatically already in the first 15 years and I think it will continue to shrink for several more years. But most of the new output that is being produced is coming from collective firms in which the State has some influence and varying degrees of ownership. But again, it is very complex, it varies over time, it varies by region and product and so forth.

And the thrust of the bill I think is mistaken in assuming that everything is black and white. Most of this on ownership in China is what I would call gray, and doesn't clearly fall in one category or the other, but rather is in this intermediate zone where everything is changing.

Acting Chairman MATSUI. Thank you very much, Dr. Lardy. Mr. Hoagland.

Mr. HOAGLAND. Have you a plane to catch, Dr. Lardy; that right?

Mr. LARDY. Yes.

Mr. HOAGLAND. Let me begin by thanking you for traveling from the west coast for this testimony. I appreciate it and it is very helpful.

Mr. LARDY. I am happy to be here.

Mr. HOAGLAND. I was interested in your argument that the sort of items covered in the bill would go considerably beyond the simple definitions of produce, manufacture, exported by the People's Liberation Army for the Chinese defense industrial training company or exported by a State-owned enterprise. It is clearly not the intent of the authors to cover as many companies, though, as you think this act would be construed to cover.

Mr. LARDY. Well, on the trading side, I think it is quite clear that this act would cover at least half of all Chinese exports, and probably significantly more, for the simple reason that many goods that are produced in what I would call the quasi-private sector are in

the end exported by State-owned firms. The State still has a considerable advantage in terms of knowledge and experience in the trading arena. Many non-State companies sell their goods to State-owned trading companies that then sells the goods on international markets. So if access to the U.S. market was cut off for these trading companies, it would rebound to the disadvantage of this evolving quasi-private sector in China.

Mr. HOAGLAND. But if the definitions were limited so that it were sort of narrowed down to what we assume the author's intent is, would the bill then be acceptable to you, or would it be objectionable on other grounds?

Mr. LARDY. Well, I think I would have to see exactly how—what the language would be and what the criteria would be. I think there is a grave risk in that bill, as it is written. It will almost certainly produce retaliation that will disadvantage U.S. firms and give a comparative advantage to firms in Europe, Japan, and elsewhere, and do absolutely nothing to advance the cause of human rights in China.

Mr. HOAGLAND. But do you have any arguments in opposition of the bill that are not based on this expansive definition of the terms of the bill?

Mr. LARDY. Well, as I indicated, in addition to the question of workability, I think that any significant reduction in MFN would lead to retaliation by the Chinese. The President's Executive order, which bans the import of certain kinds of ammunition and weapons, will not provoke any significant retaliation. But I think once you move beyond some very, very well defined categories of goods to something broader that has to do with ownership and so forth, that you are going to be in a situation in which a significant portion of Chinese production is impacted, and in which there will then be retaliation against U.S. firms.

Mr. HOAGLAND. But even if it were narrowed way down, do you think it would still be counterproductive?

Mr. LARDY. Well, I guess you would have to ask counterproductive for what purposes?

Mr. HOAGLAND. Well, for, you know, encouraging China to evolve to a democracy, which is the interest all of us have.

Mr. LARDY. Let me make a point that hasn't been made that I think is worth making and that has to do with the question of defense-oriented or defense-controlled or defense-owned firms. I think one of the most encouraging things about China is the fact that defense industries have been dramatically transformed.

This is one of the most successful conversion programs anywhere in the world. Something on the order of 60, 70, maybe as much as 80 percent of the goods they are producing now are civilian goods and a significant portion of them are exported. I think we should be encouraged that the Chinese military has a major stake in China's opening to the outside world.

I am of course like others, discouraged by sales of specific weapons, such as missiles, and by military sales to specific countries. But I think the general picture that was portrayed by Congressman Pelosi is fundamentally misleading. China's military is a force for modernization, for opening up the country and they have successfully converted a very, very large portion of their defense estab-

ishment and have a stake now in China's interaction with the world economy.

Mr. HOAGLAND. Thank you.

Acting Chairman MATSUI. Thank you very much, Dr. Lardy. I know you came all the way from the State of Washington yesterday or today, and that you will be flying back soon. So we want to thank you very much for your time and certainly your expertise in this area. We look forward to working with you in the future as well. We will undoubtedly be doing more hearings in this area and other areas in which you have expertise. So thank you.

Mr. LARDY. Again I want to thank you for inviting me and for your generous comments on the book that the Institute for International Economics published and also for allowing me to lead off on this panel and to be questioned first. Thank you very much.

Acting Chairman MATSUI. Thank you.

Dr. Harding.

**STATEMENT OF HARRY HARDING, PH.D., SENIOR FELLOW,
FOREIGN POLICY STUDIES PROGRAM, THE BROOKINGS
INSTITUTION**

Mr. HARDING. Chairman Matsui, ladies and gentlemen, it is a great honor for me to appear before you this afternoon. I do so, of course, in my private capacity. My statement should not be interpreted as reflecting the views of the Brookings Institution, its trustees or its staff. As my written testimony, I have submitted a short essay that I wrote for Congress a few weeks ago on China's most-favored-nation status. With that essay as part of the record, my oral statement can be relatively brief.

Like all of the rest of us, I am dismayed by the slow pace of political reform in China. The gap between a dynamic economy and a relatively ossified political system is one of the most serious problems confronting China today. The issue before us this afternoon is how the United States can best advance its interest in steady and successful political reform in China. Which policies are likely to be the most effective? Which ones will prove counterproductive?

The bill before you, H.R. 4590, represents a new approach to the promotion of human rights in China. In effect, as Ms. Pelosi said earlier, the bill's sponsors are trying to find a middle ground between the Bush administration's seeming indifference to Beijing's human rights record and the Clinton administration's unrealistic threat to revoke China's most-favored-nation status altogether. Although I respect the intentions of the bill's sponsors, the bill has such serious shortcomings that I cannot recommend its passage.

First of all, the bill would be almost impossible to enforce. It would remove most-favored-nation status from certain goods on the basis of the ownership of the enterprises that produce or export them. Our experience with Chinese prison labor exports shows how difficult it is to know the legal background of any particular factory.

Moreover, it would be relatively easy for State, military and national defense enterprises to evade this regulation by nominal privatizations, by forming joint ventures with foreign partners, or by exporting their goods through private firms or third countries.

Second, although less harmful than the complete revocation of China's most-favored-nation status, the bill will still be **damaging** to American interests. If this bill is adopted, China is almost certain to retaliate, thus reducing both American exports and American jobs. China's willingness to cooperate with the United States on international issues will also decline.

Moreover, rather than winning the admiration of ordinary Chinese, this bill will exacerbate the rise of nationalism among many urban residents who increasingly view American pressure on human rights not as a disinterested attempt to promote democracy, but rather as a selfish effort to keep China weak and unstable.

Most important, the bill will be ineffective. It will have but limited impact on the Chinese economy, thus precluding any possibility that it can force Beijing to improve its human rights record. Instead, critics of reform will be able to argue for even tighter controls over political life, so as to preclude any unrest produced by layoffs or slowdowns, and blame their crackdown on American pressure. The bill is still based on the inaccurate premise that the threat of American economic sanctions can produce meaningful changes in China's human rights record.

In the 5 years since the Tiananmen crisis, we have been offered three flawed policies: The Bush administration's indifference toward human rights in China, the Clinton administration's ill-advised threat to revoke China's most-favored-nation status if Beijing's human rights record did not improve, and now a bill that while trying to find the middle ground would prove ineffective, costly and impossible to enforce. It is time I think for a different approach, as part of the more balanced and comprehensive policy toward Beijing that I have outlined in my written statement.

Our approach must be based on the recognition that the far-reaching changes we hope for, as opposed to the cosmetic gestures of the sort we obtained in the last year, will be less the consequences of immediate external pressure than of long-term domestic dynamism. That dynamism in turn will be fostered not by reducing economic and cultural contact with China, but by expanding it.

As President Clinton has belatedly acknowledged, our strategy for promoting human rights in China should therefore not center on our annual review of Beijing's most-favored-nation status. Instead, we need to identify more appropriate instruments for encouraging political reform. These include regular monitoring of China's human rights record by both the U.S. Government and private organizations, maintaining regular bilateral and multilateral dialog with Beijing on human rights, linking lending by international financial institutions to China's human rights record, expanding international radio and television broadcasting to China and expanding funding to the nongovernmental American organizations that are conducting academic cultural and philanthropic activities in China.

The Clinton administration has promised us a comprehensive and balanced policy toward China twice: Once in March 1993, during Winston Lord's confirmation hearings before the Senate Foreign Relations Committee, and again this past May when the

President announced his decision to renew China's most-favored-nation Status. Fulfilling that commitment is long overdue.

It is now the responsibility of the Congress to ensure that the administration formulates and implements such a policy, which offers the best hope of advancing the full range of American interests in China.

Thank you, Mr. Chairman.

[The prepared statement follows:]

**TESTIMONY OF HARRY HARDING
THE BROOKINGS INSTITUTION**

Chairman Matsui, Ladies and Gentlemen:

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- First, the bill would be almost impossible to enforce. It would remove most-favored-nation status from certain goods, on the basis of the ownership of the enterprises that produce or export them. Our experience with Chinese prison labor exports shows how difficult it is to know the legal background of any particular factory. Moreover, it would be relatively easy for state, military, and national defense enterprises to evade this regulation by nominal privatization, by forming joint ventures with foreign partners, or by exporting their goods through private firms or third countries.

- Second, although less harmful than the complete revocation of China's most-favored-nation status, the bill will still be damaging to American interests. If this bill is adopted, China is almost certain to retaliate, thus reducing both American exports and American jobs. China's willingness to cooperate with the United States on international issues will also decline. Moreover, rather than winning the admiration of ordinary Chinese, this bill will exacerbate the rise of nationalism among many urban residents, who increasingly view American pressure on human rights not as a disinterested attempt to promote democracy, but rather as a selfish effort to keep China weak and unstable.

- Most important, the bill will be ineffective. It will have but limited impact on the Chinese economy, thus precluding any possibility that it can force Beijing to improve its human rights record. Instead, critics of reform would be able to argue for even tighter controls over political life so as to preclude any unrest produced by layoffs or slowdowns, and blame the crackdown on American pressure. The bill is still based on the inaccurate premise that the threat of American economic sanctions can produce meaningful changes in China's human rights record.

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It's time, I think, for a different approach, as part of the more balanced and comprehensive policy toward Beijing that I have outlined in my written statement. Our approach must be based on the recognition that the far-reaching changes we hope for -- as opposed to the cosmetic gestures of the sort we obtained in the last year -- will be less the consequence of immediate external pressure than of long-term domestic dynamism. That dynamism, in turn, will be fostered not by reducing economic and cultural contact with China, but by expanding it.

As President Clinton has belatedly acknowledged, our strategy for promoting human rights in China should therefore not center on our annual review of Beijing's most-favored-nation status. Instead, we need to identify more appropriate instruments for encouraging political reform. These include regular monitoring of China's human rights record by both the U.S. government and private organizations, maintaining regular bilateral and multilateral dialogue with Beijing on human rights, linking lending by international financial institutions to China's human rights record, expanding international radio and television broadcasting to China, and expanding funding to the nongovernmental American organizations that are conducting academic, cultural, and philanthropic activities in China.

Indeed, there may now be some aspects of human rights in which Beijing is prepared to move forward, such as strengthening the legal system, combatting corruption, improving the quality of the civil service, increasing the role of provincial and national legislatures, and experimenting with more democratic institutions at the grass-roots level. While hardly representing an adequate or exhaustive program of political reform, these are still areas in which Americans might be able to work cooperatively with the Chinese government, rather than in opposition to it.

A voluntary code of conduct for American businesses operating in China could also play a role. I would hope that the business community would take the initiative in developing such a code, not just for China, but for all countries in which human rights are at issue. In turn, I also hope that the rest of us will understand that the American business community is not the cause of China's human rights problem, but in fact is potentially part of the long-term solution: promoting successful market-oriented economic reform, and exposing Chinese to new ideas.

The Clinton Administration has promised us a comprehensive and balanced policy toward China twice -- once in March 1993, during Winston Lord's confirmation hearings before the Senate Foreign Relations Committee, and again this past May, when the President announced his decision to renew China's most-favored-nation status. Fulfilling this commitment is long overdue. It is now the responsibility of the Congress to ensure that the Administration formulates and implements such a policy, which offers the best hope of advancing the full range of American interests in China.

BEYOND THE PRESIDENT'S DECISION ON MFN:
THE NEED FOR A COMPREHENSIVE POLICY TOWARD CHINA*

Harry Harding

Just before the Memorial Day weekend, President Clinton reached his long-awaited and controversial decision concerning the annual renewal of China's Most-Favored-Nation (MFN) status. In his executive order of the previous year, the President had listed seven conditions that he hoped China would meet in order to secure an extension of its MFN treatment. This May, Mr. Clinton was only able to certify that Beijing had met two of those conditions: freedom of emigration and compliance with a bilateral agreement governing the export of prison labor products to the United States. He forthrightly admitted that, despite concessions on some issues, China had not made significant overall progress on the five remaining conditions, including adherence to the Universal Declaration on Human Rights, releasing or accounting for prisoners arrested for the peaceful expression of their political or religious beliefs, permitting international inspections of conditions in Chinese prisons, granting greater autonomy to Tibet, and halting the jamming of international radio and television broadcasts to China.

Although China's human rights record had not significantly improved between May 1993 and May 1994, the President did not carry out his earlier threat to revoke Beijing's Most-Favored-Nation status. Instead, he argued that the United States should consider the full range of its interests in China, including security and trade as well as human rights, in formulating its policy toward Beijing. He suggested that engagement, rather than isolation, would offer the best chance of promoting sustained progress toward achieving American objectives in China. And, on that basis, Mr. Clinton announced not only that he was renewing China's MFN status for another twelve months, but also that he would not consider human rights issues when reviewing China's tariff treatment in subsequent years.

Instead of using the annual renewal of Beijing's MFN status as the principal lever for encouraging political reform in China, Mr. Clinton declared his intention to employ other policy instruments. These include continuing the sanctions still in effect since the Tiananmen crisis of 1989, banning the import of munitions from China, increasing American broadcasting to China through Radio Free Asia, supporting nongovernmental organizations that are promoting the creation of a civil society in China, and urging the American business community to develop a voluntary code of conduct to govern its operations in China. The President had apparently intended to endorse an additional option—the establishment of a bilateral Sino-American commission on human rights—until former President Jimmy Carter rejected his invitation to serve as the American cochairman.

President Clinton's decision on MFN raises three questions for both Congress and the American public:

- Should Congress pass a resolution of disapproval, reversing the President's decision?
- Alternatively, should Congress enact legislation that, while not revoking China's MFN status, would impose lesser economic sanctions on Beijing?
- And, perhaps most important, how can the United States best implement the President's decision to use instruments other than MFN to pursue the full range of American interests in China?

**Should Congress Revoke China's
Most-Favored-Nation Status?**

Under law, Congress has the authority to adopt a resolution of disapproval that would overturn the President's decision to renew China's MFN status. In turn, the President can veto such a resolution. But if Congress can override his veto through a two-thirds vote in both houses, then China's MFN status would be immediately revoked.

Were the United States actually to take such a step, the precise impact on American interests would not be easy to forecast. Beijing would have to decide how strongly to react, and the United States would then have to determine whether to respond to any Chinese retaliation. Depending on these interrelated decisions taken in the two capitals, the impact of revocation could be limited, or could be substantial. Similarly, it is hard to know how quickly the damage to Sino-American relations could be repaired. Absent a significant improvement in China's human rights record, it would be extremely difficult to restore Beijing's Most-Favored-Nation status once it had been revoked.

*Harry Harding is senior fellow in the Foreign Policy Studies Program at the Brookings Institution. His most recent book is *A Fragile Relationship: The United States and China Since 1972*.

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Although restraint on both sides could prevent a complete breakdown in the relationship, it is highly likely that U.S.-China ties would remain severely strained for some time to come.

But even though the severity and duration of the impact remain uncertain, the overall direction of Sino-American relations following the revocation of China's MFN status is clear enough. On balance the costs would far outweigh the benefits, not only on security and economic issues, but on human rights as well.

A decision to remove China's Most-Favored-Nation status would have its most immediate impact on our economic ties with China. To begin with, it would increase the cost to American consumers of imports from China. A recent World Bank study has estimated that increased cost at around \$14 billion. That cost might be reduced, however, if Chinese exporters or American importers could adjust to the higher U.S. tariffs by cutting their costs or absorbing their losses. Moreover, the cost would be temporary if American importers could find alternative sources of supply, at roughly equal cost, either at home or abroad.

Furthermore, the revocation of Beijing's MFN status would put at risk the \$3 billion in utilized American investment in China, the \$8.8 billion in U.S. exports to China, the jobs of the estimated 175,000 workers who produce those exports, and the possibility of substantially greater exports in future years as the Chinese economy continues to grow. Beijing could choose to reduce its import of American goods, harass American projects in China, and make the United States the supplier of last resort for the foreseeable future. The level of damage to American exports, investments, and jobs would depend on the severity of the Chinese retaliation; the duration of the impact on U.S. exports would depend, in part, on the ability of American exporters to find alternative markets. The consequences of these losses for the overall American economy would be minimal, but their effect on particular plants, corporations or states that have a large stake in commercial ties with China could be substantial.

There would also be considerable damage to U.S. security interests in China. The withdrawal of MFN status would inevitably suggest that the United States was adopting a more confrontational relationship with Beijing. This would give China less incentive to cooperate with the United States on international issues. Beijing's recalcitrance on regional issues like Korea would be constrained by its desire not to offend other nations, especially in Asia, that share American interests. China might therefore focus on issues involving controversial peacekeeping operations coming before the United Nations Security Council, where it could exercise its veto without paying a substantial international price. It is also likely that Beijing would adopt a less flexible policy toward Taiwan's attempt to expand its international relationships, so as to forestall any Taiwanese move toward independence during a period of Sino-American tension.

Moreover, to the extent that Chinese leaders conclude that only a powerful China would be respected by the United States, the withdrawal of Most-Favored-Nation status would reinforce the program of military modernization that has been under way in China since 1991. Similarly, rather than winning respect and admiration from urban Chinese, such a decision would exacerbate recent tendencies toward nationalism and anti-Americanism among urban Chinese, who increasingly view U.S. pressure on human rights not as a disinterested attempt to promote democracy, but rather as a selfish effort to keep China weak and unstable.

Finally, the United States would find itself divided from its friends in both Asia and Europe. Hong Kong and Taiwan would suffer significantly from a decline in trade or investment between the United States and China, given the extensive role that they both play as middlemen in the Sino-American economic relationship. In addition, although some of our allies remain highly critical of the violation of human rights in China, none of them believes it appropriate to link Beijing's trading status to its human rights record, and none would follow the United States in this course of action. If Washington were to revoke Beijing's Most-Favored-Nation status, it would discover that it was the United States, not China, that was isolated from the rest of the world on this particular issue.

Against these costs and risks, the proponents of revoking China's MFN status identify two possible benefits from such a decision. Is it not possible, they ask, that withdrawing China's MFN status would either persuade Chinese leaders to begin a program of political reform or else impose a high economic price on their refusal to do so?

In fact it is difficult to make a persuasive case that withdrawing China's MFN status would promote either human rights or economic reform in China. To be sure, liberals in China would certainly blame the government for mismanaging the relationship with America and would urge political reform as a way of restoring normal economic ties with the United States. And yet many of these same progressive Chinese warn that a crisis with the United States would redound to the advantage of their conservative rivals. Critics of reform would be able to use the economic dislocations produced by the trade dispute as a pretext for reasserting administrative supervision over the economy. They would also argue for even tighter controls over political life so as to preclude any unrest produced by an economic slowdown, and would target those controls against those who had contacts with, or who had shown sympathy for, the United States. Meanwhile the underlying factor promoting political liberalization—market-driven, outwardly oriented economic reform—would be slowed, although by no means halted.

Nor is it easy to argue that the Chinese government would pay an intolerable price for its refusal to undertake political reform. It is true that the loss of Most-Favored-Nation status would significantly reduce China's exports. The World Bank has estimated those losses at between \$7 and \$15 billion, with the actual amount determined by the ability of Chinese exporters to cut their prices to compensate for the increased American tariffs, by the elasticity of demand for Chinese goods in the United States, and by China's ability to find alternative markets

in other countries. But the net effect on China's overall trade balance would probably be significantly less than this, since the drop in exports to the United States would be paralleled by a decline in imports of the components and raw materials used to produce those exports.

China might suffer more serious losses on the investment front. Higher U.S. tariffs would discourage further projects to manufacture labor-intensive goods for the American market, of the sort that have been popular among entrepreneurs from Hong Kong and Taiwan. In addition the revocation of Beijing's MFN status would increase the uncertainties surrounding the prospects for China's economic reform and political stability, also putting a damper on incoming foreign investment. However, since there would still remain significant interest in projects to provide infrastructure or to tap the growing domestic Chinese market, the flow of incoming foreign investment is unlikely to dry up altogether.

In short, the economic damage to particular localities, enterprises, and workers, particularly in southern China, would be significant. But the general impact on the Chinese economy and the central government would be limited, and certainly not unbearable at a time of considerable economic overheating.

On balance, therefore, a decision to revoke China's Most-Favored-Nation status would lead to substantial economic and strategic costs to the United States without any clear countervailing benefit to American interests. In effect, we would be shooting ourselves in the foot just because the situation in China was not improving as rapidly as we might like. The only questions would be how serious the wound, and how long it would take to heal.

Should Congress Attempt to Impose Lesser Economic Sanctions on China?

As it became increasingly clear that the revocation of China's MFN status would have many costs and few benefits, there was growing interest in finding more circumscribed ways to punish Beijing for failing to improve its human rights record. In the months leading up to the President's decision, four alternatives were under discussion in Washington. Although superficially attractive each of those options is significantly flawed:

- *A higher tariff for the products of enterprises owned by the Chinese government.* While one of the most precisely targeted of these four alternatives, this option is also one of the least feasible. America's experience with Chinese prison labor exports shows how difficult it is to know the legal background of any particular exporter. Moreover, it would be relatively easy for state enterprises to export their goods through private firms or third countries or to form joint ventures with foreign partners so as to evade this American regulation.
- *A higher tariff for products of enterprises owned by the Chinese military.* Again, such a provision would be far easier for the Chinese to evade than for the United States to enforce. Nor is it clear why the military should be singled out for punishment when it was the Chinese Communist Party, not the army, that was responsible for the decision to use force to suppress the demonstrations in Beijing in 1989. At a time of rising concern about China's potential military power, and of growing military influence in domestic Chinese politics, the United States should be expanding, rather than reducing, its linkages to China's armed forces.
- *A higher tariff for particular export commodities that are primarily the product of state enterprises.* This option would be much more enforceable than an attempt to target state or military enterprises directly. But there remain two shortcomings: first, it would require careful research to determine which commodities are primarily produced by state enterprises; and second, those commodities would probably constitute only a small portion of China's overall exports to the United States, thus minimizing the impact of this sanction.
- *A higher tariff for all Chinese imports, but at a level lower than the punitive Smoot-Hawley tariffs that would otherwise apply if China lost its Most-Favored-Nation status.* This would be the simplest option to define and administer, but its impact on China would be unselective, rather than focused on any particular industry or commodity. It would also run the greatest risk of severe Chinese retaliation.

Shortly after the President announced his decision to renew China's MFN status, several prominent Democrats—Representative Nancy Pelosi, House Majority Leader Richard Gephardt, House Majority Whip David Bonior, and Senate Majority Leader George Mitchell—introduced legislation to impose lesser economic sanctions on Beijing. Their bill includes several of the partial measures listed above. First, it would deny Most-Favored-Nation status to any good produced or exported by enterprises owned by the Chinese army. Second, it would also remove Most-Favored-Nation status from a select set of goods (principally apparel, footwear, machinery, plastics, and furniture), but only those that are produced or exported by state-owned enterprises. The secretary of the treasury would have the burden of determining which companies in China are state or military enterprises, and which are not.

Each of these limited sanctions, including those contained in the Pelosi-Mitchell bill, has its own particular disadvantages. But the more basic point is that none of them promises any significantly different mix of costs and benefits than does the complete revocation of China's Most-Favored-Nation status. To the extent that China retaliated against them, any of these alternatives would still harm American economic and security interests, although probably

not as much as the full removal of China's MFN status. At the same time, however, they would do less damage to the Chinese economy than full revocation of Beijing's MFN treatment, and therefore have even less chance of forcing a change in China's human rights policy or placing an intolerable economic burden on the Chinese government. We would still be shooting ourselves in the foot, although we would be more likely to cause a superficial wound than to do grievous damage.

How Should the United States Implement the President's Decision?

Given America's frustration at the lack of progress in China's human rights record over the last twelve months, it would have been tempting to retaliate by revoking or modifying China's Most-Favored-Nation status. But sound policy is not made out of pique. Rather than terminating Beijing's MFN status out of a misplaced desire to preserve American "credibility," or adopting a flawed and unworkable compromise so as to accommodate competing domestic interests, we need a sensible policy toward China that takes into account the full range of American interests and identifies the most effective ways of achieving them.

President Clinton is to be commended for adopting such an approach in May, when he renewed China's MFN status and refused to impose any significant trade sanctions against Beijing. Now the Administration must demonstrate that it has indeed developed a policy toward China that is more comprehensive, balanced, and effective.

That policy should begin with a statement of the U.S. purpose in China. Like some of its predecessors, the Clinton Administration has tended to describe the American interest in China by a set of adjectives that portray the kind of country we would like China to be. Although that adjectival string has changed somewhat over the years, it has generally included such terms as "strong," "secure," "prosperous," "peaceful," "stable," and "democratic" as components of the American interest in China.

In fact, U.S. objectives in China can be expressed more adequately in complex sentences than in simple adjectives. One such formulation of those interests is as follows:

- We would like to see a China that is prosperous and can therefore provide a better standard of living for its people, but whose economic growth does not degrade its own environment or that of its neighbors.
- We would like to see a China that is actively engaged in world commerce, but that abides by accepted international trading standards and whose economy is open to exports and investment from other countries, including the United States.
- We would like to see a China that is secure and that can provide for its own defense, but that behaves responsibly in international affairs and whose military preparations do not threaten the stability of the Asia-Pacific region.
- We would like to see a China that increasingly respects the political and civil rights of its people and that steadily builds responsive and accountable political institutions, but that does not devolve into chaos or fragmentation in the course of reform.

In addition, we have another set of interests that are closely related to our policy toward China:

- We prefer that Taiwan's future be determined peacefully, in a way mutually acceptable to all parties concerned. It is also in our interest that Taiwan increase its participation in the international community, so as to reflect the island's considerable economic significance.
- We want Hong Kong to remain prosperous, autonomous, and democratic as it returns to Chinese sovereignty in 1997.
- On all these questions—from mainland China to Taiwan, and from trade to human rights—we want to be in a position to work in concert with the rest of the international community, rather than to find ourselves at cross-purposes with our friends and allies.

On the basis of such a statement of purpose the United States can reassure Beijing that we share common interests in some areas, while having divergent objectives in others. Although we intend to pursue our interests even where they differ from China's, we do not seek a confrontational or adversarial relationship with Beijing. Indeed if China is prepared to accommodate our interests, we are prepared to accommodate theirs. Despite our differences, our aim is for a cooperative reciprocal relationship.

That kind of relationship, in turn, requires sustained, high-level engagement with Beijing on all major issues, rather than treating China with an attitude of malign neglect, as occurred in the early months of the Clinton Administration. This engagement should involve not only an effort to deal with problems and crises, but also the identification of common interests and the seizure of opportunities to achieve them. It should also include greater official and unofficial contact with China's localities, in recognition of the dramatic decentralization that is occurring in China's political system.

The promotion of human rights, as noted above, is one of America's objectives in China. But our policy in this area must recognize that the far-reaching changes we seek—as opposed to the cosmetic gestures we obtained in the last year—will be less the consequence of immediate external pressure than of long-term domestic dynamism. That dynamism, in turn, will be fostered not by reducing economic and cultural contact with China, but by expanding it.

As President Clinton belatedly acknowledged, our strategy for promoting human rights in China should therefore not center on our annual review of Beijing's Most-Favored-Nation status. Instead we need to identify more appropriate instruments for encouraging political reform. These include maintaining regular bilateral and multilateral dialogue with Beijing on human rights, linking lending by international financial institutions to China's human rights record, expanding international radio and television broadcasting to China, and expanding funding to the nongovernmental American organizations that are conducting academic, cultural, and philanthropic activities in China.

Indeed there may now be some aspects of human rights in which Beijing is prepared to move forward, such as strengthening the rule of law, combating corruption, improving the quality of the civil service, increasing the role of provincial and national legislatures, and experimenting with more responsive political institutions at the grass-roots level. While hardly representing an adequate or exhaustive program of political reform, these are still areas in which American organizations might be able to work cooperatively with the Chinese government, rather than in opposition to it.

Although the promotion of human rights is an important American objective, President Clinton was correct to make clear that it cannot be our only aim in China. In the commercial realm, we must continue to press Beijing to provide greater access to its market for American exporters and investors and to offer better protection for intellectual property rights. On international security matters, our interest is that Beijing fully comply with international nonproliferation regimes, increase the transparency of its military modernization program, and participate constructively in the management of such regional problems as the Korean Peninsula, Cambodia, and the South China Sea. On these issues, restrictions on technology transfer, limitations on international lending and aid, and targeted sanctions against Chinese exports can appropriately be used as instruments to pursue our objectives in China.

The United States should reassure China that we would neither support a unilateral declaration of independence by Taiwan nor tolerate the unprovoked use of force by the mainland, but hope instead for a negotiated solution that is mutually agreeable to both sides. In the meantime, the United States should continue to send cabinet-level officials to Taiwan to discuss economic issues and should support Taiwan's membership in international economic organizations under formulas that do not challenge Beijing's "one China" principle. We should also show moderation in American arms sales to Taiwan if we expect China to show restraint and responsibility in its own exports of military equipment.

In Hong Kong, we need to make sure that we are doing whatever is feasible and appropriate to promote the territory's autonomy, prosperity, and democracy as it returns to Chinese sovereignty in 1997. The American interest in the future of Hong Kong can be symbolized by regular high-level official visits to the territory. Beyond this, we must accelerate the negotiation of new bilateral agreements with Hong Kong in such critical areas as legal cooperation, investment protection, and civil aviation if we are to ensure that our ongoing commercial and political relationships will continue after 1997. We also need to make clear to Beijing that the present American commercial ties to Hong Kong can remain vibrant only if the territory enjoys the high degree of democracy and autonomy guaranteed by the Joint Declaration and the Basic Law.

As already noted, targeted sanctions will sometimes be necessary and appropriate instruments to promote U.S. objectives in China. But these levers are more effectively wielded firmly but quietly, rather than through continuous public pressure. In addition, while we will necessarily continue the annual review of China's Most-Favored-Nation status for the time being, we should consider withdrawing it only if there were serious and sustained retrogression in China's performance on human rights, market access, and security issues. We should not use the annual review to seek incremental progress on human rights or other issues.

Finally, we also need to offer China positive incentives to be cooperative. We should make clear that, as the Sino-American relationship improves, we are prepared to take steps to respond to China's interests. These might include removing some of the remaining sanctions imposed against Beijing after the Tiananmen crisis of 1989, resuming bilateral summit meetings, establishing a modest American aid program and an export-promotion scheme for China, and relaxing controls on technology transfer. We can also offer a longer-term renewal, or even the indefinite extension, of China's Most-Favored-Nation status once Beijing has begun to accommodate American concerns.

Conclusion

During its first 18 months in office the Clinton Administration took the wrong approach in its policy toward China. Its policy focused almost exclusively on the differences between the two countries, was chiefly preoccupied with human rights, and employed the least appropriate instrument—threatening to revoke Beijing's Most-Favored-Nation status—as the principal lever for promoting political reform. It also operated on the mistaken assumption that the best way to deal with China was through unrelenting public pressure, without embedding American demands in a broader relationship containing cooperative elements.

Fortunately the Clinton Administration finally came to the realization that such an approach was proving counterproductive. President Clinton was wise to renew China's MFN status and was equally perceptive not to impose partial economic sanctions against Beijing. Congress should support both of these decisions, without attempting to either revoke or restrict China's Most-Favored-Nation status. But Congress can appropriately insist that the Administration follow through on its commitment to implement a comprehensive, balanced, and effective policy toward China.

Acting Chairman MATSUI. Thank you, Dr. Harding.

We will go to Mr. Fiedler, then Reverend Christiansen, and then open it up for questions.

Mr. Fiedler.

STATEMENT OF JEFFREY FIEDLER, DIRECTOR, LAOGAI RESEARCH FOUNDATION AND SECRETARY-TREASURER, FOOD AND ALLIED SERVICE TRADES DEPARTMENT; AFL-CIO

Mr. FIEDLER. Mr. Chairman, my name is Jeff Fiedler, and I serve as a Director of the Laogai Research Foundation. I would like to enter my full statement in the record.

Acting Chairman MATSUI. Without objection.

Mr. FIEDLER. Then I will abbreviate my remarks.

I really want to focus on two issues—forced labor, Chinese compliance with the MOU, and the issue of the PLA and identifying the PLA, because we have heard a great deal today about the insurmountability of the search, of the stretch of the imagination and the misleadingness of sanctions on the PLA and the difficulty our government has in identifying them.

But, first, the issue of the MOU.

The MOU was certified by the Secretary of State as being complied with after they had testified before this committee about the lack of satisfactory progress that had been made, only a few months before. And what in fact they certified was the Chinese willingness to reach another agreement that said they would do what they originally said they intended to do 18 months prior.

The Secretary of State in effect certified a nonevent. Harry Wu, the executive director of the Foundation, spent 5 weeks inside China, at considerable risk to his own life, and documented 27 more camps, named two U.S. companies explicitly; and the Customs Service referred to the U.S. Attorney for prosecution a case that they investigated for 1 year, one we had brought to it.

The Chinese are still, sir, sending forced labor products into the United States on a regular basis.

Let me address the question of the Chinese military. The premise of everybody's argument that I hear today and that we hear around town: It is unenforceable, you can't find them. The argument is interesting and it is also untrue.

Late in 1993, we organized an operation inside China and negotiated with the PLA and China North Industries and other Chinese industrial defense companies for 6 weeks inside their companies. The PLA gave us this book, which we have translated, which lists over 100 PLA companies which export goods.

Ms. Barshefsky in her written testimony says that a U.S. analyst—I am not sure at the Trade Office or the Defense Department or the State Department—has found three PLA companies that export. Mr. Chairman, the People's Armed Police are located in Southfield, Mich.—Poly Technologies, which reports to the general staff of the PLA, has its U.S. headquarters in Atlanta, Ga. There are eight subsidiaries in Orange County, Calif. associated with China North Industries. CATIC, which sells missiles, is located in El Monte, Calif. There are trading companies owned by the Chi-

nese industrial complex in Secaucus, N.J. And that is just what is in the United States, not what is in China.

At the October Export Commodities Fair 1993, in Guangzhou, the Xinshidai delegation, that is, the new delegation which is the umbrella through which the Chinese industrial defense companies export, which includes the PLA, had 250 companies with products on display for export. They are all listed here.

Now, if our government can't find three, I daresay that the real reason that they are saying that it is unenforceable and unimplementable is that there is a lack of political will to go after the PLA with targeted sanctions. The President has eliminated guns and ammunition. He has already agreed in principle to target the PLA. Now we are only talking about how much we target the PLA.

But to argue that we cannot identify them is to say that our government and our intelligence community is either incompetent or not directing any of its resources into understanding the PLA. I find both of those alternatives unacceptable. The third, I find shocking, which is that they are being disingenuous.

I think that H.R. 4590 is carefully crafted to target and find the middle ground and not to disrupt economic reform in the country, and to target those, especially the PLA, who are most deserving of sanctions. Nick Lardy said a moment ago that the PLA is a force for modernization. I find that extremely difficult to believe as it is primarily a force for repression of the people of Tibet, the People's Armed Police guard the Laogai and execute prisoners; and a short 5 years ago, sir, this force for modernization murdered its own people in Tiananmen Square.

Thank you.

Acting Chairman MATSUI. Thank you. Mr. Fiedler.

[The prepared statement follows:]

TESTIMONY OF JEFFREY FIEDLER
 DIRECTOR, LAOGAI RESEARCH FOUNDATION AND
 SECRETARY-TREASURER, FOOD & ALLIED SERVICE TRADES DEPT., AFL-CIO
 TO THE SUBCOMMITTEE OF TRADE, WAYS AND MEANS COMMITTEE
 U.S. HOUSE OF REPRESENTATIVES
 ON
 U.S. - CHINA ACT OF 1994

July 28, 1994

Mr. Chairman, my name is Jeffrey Fiedler and I serve as a Director of the Laogai Research Foundation, an organization devoted to exposing the human rights abuses of the Chinese Gulag. The Foundation's Executive Director is Hongda Harry Wu, a former political prisoner who spent nearly 20 years in the Laogai.

I am here today to testify in support of H.R. 4590, the United States-China Act of 1994, which would impose sanctions on products produced by the People's Liberation Army and Defense Industrial Companies, and certain other products of Chinese state enterprises.

There is no need to catalog for this Committee the abuses of human rights that the Chinese government continues to visit upon workers, farmers, intellectuals, students, religious believers, and the people of Tibet. About this there is no dispute.

I will focus my brief comments principally on two areas: the failure of the Chinese to comply with the Memorandum of Understanding on prison labor, and the practicality of implementing the proposed sanctions on the PLA, Defense Industry Companies, and certain state enterprises.

First, forced labor. The President's Executive Order of 1993 which conditioned renewal of MFN for China contained a provision stating that MFN could not be renewed unless the Chinese complied with the MOU.

This provision became known as a "must do" condition. It was not a might do, should do, will do, will maybe do, or will do sometime in the future. It was a must do. The Secretary of State certified that the Chinese had complied. He certified a non-event.

The MOU was signed in August of 1992 and the United States very quickly requested to visit a number of forced labor camps and asked the Chinese for information on others. The information provided by the Chinese was non-responsive and most visits were denied. The one visit which was conducted was a joke. The Chinese would not allow U.S. authorities into production areas of the prison. The U.S. requested a re-visit and was denied.

Over a year went by before Secretary Bentsen visited China. State Department and Customs officials testified before Congress during this period that Chinese compliance was less than satisfactory.

During the Secretary's visit it was announced that China and the U.S. has agreed to amend the MOU. Visits were announced -- nearly 18 months after originally requested. The Agreement was signed in March.

The Secretary of State, in his report to the President, certified that the Chinese have complied with the MOU. This was a cynical manipulation of reality. The Administration cited the willingness of the Chinese to sign a new agreement to amend an agreement that had never been complied with as evidence of compliance.

This was done shortly after Harry Wu had returned from his third harrowing trip to China to document the Laogai and its continuing export of forced labor products. He spent more than five weeks taking hours of video and thousands of photographs of 27 forced labor camps at considerable risk to his life. Following his return we named two U.S. companies as receiving forced labor products. Around the same time, following a year long investigation based upon information revealed by the Laogai Research Foundation, the U.S. Customs service presented another case for prosecution to the U.S. Attorney in Buffalo.

Mr. Chairman, The Laogai in China is the world's most extensive network of forced labor camps. It has destroyed millions of people in the last forty years, and continues to be the cause of the most systematic abuse of human rights in China and Tibet. The Laogai is also an economic machine which continues to export its slave labor products throughout the world, including the United States.

The Chinese failure to comply with the MOU is one of the principal reasons H.R. 4590 needs to be passed.

The Bill is carefully crafted to target sanctions on the People's Liberation Army and Defense Industrial Companies, and certain state enterprises, thus minimizing interruption of the economic reforms taking place in China.

The PLA and Defense Industrial Complex are most deserving targets of sanctions. The PLA murdered thousands of their own people five years ago. They continue to occupy Tibet and repress its people. They sell missiles to rouge nations like Iraq and Iran, target ICBM's at the United States,

and are engaged in a massive effort to modernize so as to be better able to project their force in Asia. The sale of consumer products in the United States allows them to earn hard currency with which to buy new weapons and advanced technology from other countries.

The President, to some extent, agrees they are a worthy target. This order bans the importation of all guns and ammunition from China. The PLA and China North Industries, a major manufacturing arm of the PLA, are China's producers of weapons. H.R. 4590 goes farther than the President's action but is in keeping with his recognition that the PLA should be sanctioned.

As I understand it, the basic argument against sanctioning the PLA is that it would be impossible to implement. This is a most interesting argument.

The premise is that PLA and Chinese Defense Companies cannot be identified. This is simply not true. For the past year I have been studying Chinese military business operations and have easily accumulated the names of hundreds of their companies from Chinese government directories, business publications in Hong Kong, Trade Show Directories (the Chinese military companies display their wares in the same areas of shows and list their names in a special section of the show directory), computer databases, and even in directories published by the U.S.-China Business Council. Many of these directories can be found on the shelves of the Library of Congress. The PLA's principal trading company, Xinxing, which has an office in Hong Kong, even provided us with a listing of their principal export production companies.

Taking these hundreds of names the U.S. Customs Service can track shipments into the U.S. through their database of Customs entry forms and use other databases of import information which are commercially available.

Also, there are numerous categories of products which are produced either primarily, exclusively or significantly by the PLA or Defense Industrial Companies. These products are exported from certain ports and not others, thus making circumvention of U.S. sanctions difficult or uneconomical.

The U.S. Government could also gather information from U.S. corporations such as Boeing, McDonnell Douglas, AT&T, Allied Signal, and many others which have extensive business relationships with Chinese Defense Industrial Companies.

There are a number of PLA companies operating in the United States like Poly Technologies which is in Atlanta; CJA Equipment in Southfield, Michigan which is owned by the People's Armed Police (the organization which guards the forced labor camps, executes prisoners, and brutalizes the people of Tibet); and nearly a dozen subsidiaries of Norinco in Southern California, which imports chemicals, toys, guns, outdoor lights, ceiling fans, exercise equipment, and dozens of other products.

There is no question that a significant portion of PLA and Defense Industrial Export-oriented production companies can be identified. I think it is really a question of whether the Administration is inclined to do it.

To be sure, 100% success would not be achieved. But if difficulty of implementation and 100% success were the criteria for the passage of legislation in this country then the work of the Congress would be very different. I suspect the Internal Revenue Code, drug laws, and federal criminal codes would not meet the test.

The arguments I hear from people in the business community are most disturbing. For years we have been hearing about how business knows who they are dealing with, that they visit every factory and know that forced labor is not being used to produce their products. Now when sanctions are proposed against the Chinese military the business community does not know for sure with whom they are doing business. If this is true, the implications are truly staggering.

But I know it is not true. They know with whom they are dealing. Some of those opposing H.R. 4590 are using the implementation question as cover for not having to confront the political problems of appearing to support the People's Liberation Army.

The question of implementing sanctions against certain state enterprises is similar to that faced in dealing with the PLA. In fact, information about state enterprises is even more widely available than data on the military.

Chinese export production is still largely handled by state enterprises, not private companies or joint ventures. But again, the question is not whether 100% success can be achieved, but rather whether an acceptable level can be attained. While the U.S. Government would have to devote time and effort to implementing these sanctions it could succeed -- given the political will.

Thank you.

Acting Chairman MATSUI. Reverend Christiansen.

STATEMENT OF REV. DREW CHRISTIANSEN, S.J., DIRECTOR OF INTERNATIONAL JUSTICE AND PEACE, U.S. CATHOLIC CONFERENCE

Reverend CHRISTIANSEN. Mr. Chairman, thank you for your invitation to speak before the committee about the repression of religious liberty in China and about the U.S. Catholic Conference's support for the United States-China Act of 1994. We believe that the Pelosi bill is an appropriate and needed vehicle to making U.S. policy in defense of human rights in China effective.

The restriction of religious liberty in the People's Republic of China is a grave human rights concern, and we trust that the Congress of the United States is ready to stand with us in defending religious freedom.

In speaking in defense of religious liberty, the conference intends to speak on behalf of all persecuted believers, for Buddhists in Tibet, for Muslims in Central Asia, for members of Protestant House Churches, as well as for the Catholic Church in China.

Allow me to suggest the dimensions of the problem. It is estimated that 200 million Chinese have some connection with organized religion. Of that number, about half, or 100 million, are Buddhists. Of the 8 to 12 million Catholics, 4 million belong to churches connected with the government-sponsored Catholic Patriotic Association. As many as 8 million belong to the underground church in communion with Rome.

Similarly, about 5 million Protestants belong to the post-denominational official church and upwards of 15 million belong to the burgeoning House Church movement, which has met with especially harsh persecution in recent years and, especially, in recent months.

Commenting on religious liberty in the Far East during his annual address to the diplomatic corps last January, Pope John Paul II noted with reference to China that believers are denied the right to organize themselves in conformity with the law of the Church or to maintain normal contacts with the Holy See. The same is true for those experiencing the difficult condition of living and practicing their faith in secrecy.

The representative of the Holy See to the U.N. Human Rights Commission reported earlier this year that there still exist too many situations where every manifestation of belief and any participation in certain religious communities is forbidden. Believers cannot come together to celebrate the liturgy, nor freely disseminate their writings; and they are sometimes forced into the harsh condition of clandestine existence and even persecution and imprisonment.

To be sure, the religious situation in China is complex. Much of the repression of religious liberty in recent years has arisen out of the initiatives of local officials. Increasingly, local actions are a response to the decrees by the central authority. The variability of the religious situation, however, should not prevent us from responding to the general deterioration of the religious situation in China since last fall.

In particular, the publication of the decrees last winter and again this spring, which restricted religious activity and granted local authorities wide powers to penalize unapproved religious activity without judicial process, establish a legal climate hostile to the free exercise of religion. That legislation is all the more worrisome because it would well serve as a warrant for further religious persecution, allowing police to regulate and punish religious groups with impunity.

Following the President's decision, the Catholic Conference's Committee on International Policy voted on June 9 to continue to press actively for human rights in China and to support congressional initiatives to impose heavier penalties on China for violations of human rights and religious liberty.

The bill currently sponsored by Representatives Pelosi, Gephardt and Bonior meets the standards of significant economic penalties set forth by Bishop Daniel Reilly, our International Committee Chairman in his May 24 statement. On behalf of Bishop Reilly and the Committee on International Policy, I offer the Catholic Conference's endorsement of the bill.

The President's decision of May 26 to separate human rights performance from trade considerations is a setback not only in the case of China, but in the long term, it is also a setback for human rights diplomacy because it eliminates an important tool this country can use in promotion of human rights.

I submit that by relinking trade and human rights conditions, the United States-China Act of 1994 goes a long way toward formulating a policy toward China which goes beyond rhetoric and public posturing to build an effective strategy for the promotion of basic human rights and religious liberty for the people of China. It is far-seeing strategy which future generations will applaud.

May I ask, Mr. Chairman, that the full text of my remarks be entered in the record.

I thank you for your attention.

Acting Chairman MATSUI. Without objection, your statement will be entered into the record.

[The prepared statement follows:]

TESTIMONY OF REV. DREW CHRISTIANSEN, S.J.
UNITED STATES CATHOLIC CONFERENCE

THE UNITED STATES-CHINA ACT OF 1994 (HR 4590)

My name is Drew Christiansen. I am the director of the Office of International Justice and Peace of the United States Catholic Conference, the social policy arm of the Roman Catholic bishops of the United States. Thank you for your invitation to speak before the Committee about the repression of religious liberty in China and about our support for H.R. 4590. We believe that the United States-China Act of 1994 is an appropriate and needed vehicle for an effective U.S. policy in defense of human rights in China.

From the church-sponsored human rights commissions in Latin America in the 70s to the defense of worker rights in Eastern Europe in the 80s, the Catholic Church has made the defense of human rights the cornerstone of its service to the world community. The restriction of religious liberty in the People's Republic of China remains a grave human rights concern, which we trust the Congress of the United States is ready to stand with us in defending religious freedom.

In speaking in defense of religious liberty, the Conference intends to speak on behalf of all believers: for Buddhists in Tibet, for Muslims in Central Asia, for members of Protestant house churches as well as for the Catholic Church in China. Historically, religious liberty and the rights of conscience played a vital role in the emergence of human rights and democracy in the West. They were central to the Church's policy in Latin America in the 1970s, and were a key factor in the fall of totalitarianism in Eastern Europe in the 1980s. For the past three years, the United States Catholic Conference, with the help of many others, has made religious liberty in China a priority for the 1990s.

Allow me just to suggest the dimensions of the problem. Though statistics are hard to come by, it is estimated that 200 million Chinese have some connection with organized religion. Of that number about half or 100 million are Buddhists. Of the 8 to 12 million Catholics, 4 million belong to churches connected with the government-sponsored Catholic Patriotic Association. Another 4 to 8 million belong to the underground church in communion with Rome. Similarly, about 5 million Protestants belong to the "post-denominational" official church and upwards of 15 million belong to the burgeoning "house church" movement which has met with especially harsh persecution in recent years.

For the period leading up to the millennial Olympic Games decision last fall, there appeared to be a gradual relaxation of pressure on religious groups, with the release of many church leaders from prison. In addition, there were signs of progress towards normalization of ties between China and the Holy See. Since that time, however, there seems to have been an upsurge of religious persecution. New restrictions on religious activity have been legislated, and talks on normalization are once again at an impasse.

Commenting on religious liberty in the Far East during his annual address to the diplomatic corps last January, Pope John Paul II noted with reference to China that believers "are denied the right to organize themselves in conformity with the law of the Church or to maintain normal contacts with the Holy See. The same is true," he added, "for those experiencing the difficult condition of living in secrecy." These conditions, of course, have worsened with recent legislation restricting the activities of religious groups and forbidding their support by co-religionists in other countries.

In similar fashion, on the 17th of February, the representative of the Holy See to the UN Human Rights Commission declared that "there still exist too many situations where every manifestation of belief and any participation in certain religious communities is forbidden. Believers cannot come together to celebrate the liturgy, nor freely disseminate their writings, and they are sometimes forced into the harsh condition of clandestine existence, and even persecution and imprisonment."

Why this hostility to religion? With the waning of Marxism, the reasons seem less and less ideological. Some suggest that antagonism to religion on the part of the government is the result of the fear of foreign influence: fear of American evangelicals in the case of the house churches; fear of the Dalai Lama's international standing in the case of Tibet; fear of the radicalizing power of Islam in the case of Muslims; and in the case of the underground Catholic church, fear of Rome.

The exiled Jesuit bishop of Canton, Dominic Tang, offers another explanation. "The party's claim extends far beyond the natural demand of governments for loyalty and patriotism," he has said. "In short, the government claims authority over each Chinese soul. And it reserves its special venom towards those whose rejection of this claim has any institution behind it."

To be sure, the religious situation in China is complex. Much of the repression of religious liberty in recent years has arisen out of the initiatives of local officials. There are also regions, like Shanghai, where there is a considerable degree of open religious activity. In addition, a few seminarians have been permitted to study in the United States. To confuse things further, Rome has recognized some Catholic bishops associated with the Patriotic Association; but at the same time their communication with the Holy See remains seriously impaired.

The variability of the religious situation, however, should not prevent us from responding to the general deterioration of the religious situation in China since last fall. In particular, the publication of decrees last winter and again this spring which restricted religious activity and granted local authorities wide powers to penalize unapproved religious activity without judicial process establish a legal climate hostile to free religious practice.

That legislation would appear to allow wide latitude for official action against religious groups. Given the persecution of Protestant house churches and other groups which has taken place during the last year or more, that legislation is all the more worrisome, because it could well serve as a warrant for further religious repression, allowing police to regulate and punish religious groups with impunity.

In view of negative developments in the religious situation during the past year, and especially with the enactment of restrictive legislation in the months leading up to President Clinton's decision on Most Favored Nation status, the United States Catholic Conference in a May 24 statement gave its strong support to "the application of significant economic penalties to China for repeated and recently intensified violations" of religious liberty and human rights.

We were therefore greatly disappointed by the President's positive evaluation of the human rights situation in China and his decision to renew Most Favored Nation status for China with only minor economic penalties for that nation's human rights violations.

Following the President's decision, the Conference's Committee on International Policy voted June 9 to continue to press actively for human rights in China and to support Congressional initiatives to impose heavier penalties on China for violations of human rights and religious liberty. The bill currently sponsored by

Representatives Pelosi, Gephardt and Bonior (HR 4590) meets the standard of "significant economic penalties" set forth by Bishop Daniel Reilly, our International Committee chairman, in his May 24 statement. On behalf of Bishop Reilly and the Committee on International Policy, I offer the Conference's endorsement of the bill.

The bill is an appropriate measure for asserting the primacy of basic human rights in international affairs. The United States has led the world in making human rights a legitimate component of foreign policy. Human rights policies require both ordinary and exceptional means for their implementation.

The trade sanctions which would be imposed under the bill are exceptional, but they are not excessive. They represent a genuine balance between securing human rights and advancing other vital interests in a way the Administration's May 26 decision failed to do. The assignment of serious economic penalties will make clear the fundamental commitment of the American people to basic human rights and the free exercise of religion.

In addition, the proposed sanctions are appropriately targeted against products produced by the government or the military, institutions directly connected with the continued violation of rights. The penalties for offenses against human rights are suitably borne by those responsible for their commission. While sacrifices by third parties are sometimes appropriate in the defense of freedom and human dignity, these proposals seem to us to minimize the inconvenience on the American public, business and private investors.

Economic penalties become necessary when other measures have failed or conditions become so aggravated that more assertive action is required to oppose them. In the case of the People's Republic of China, HR 4590 is also a needed remedy because over a span of years, but especially in the half year leading up to President Clinton's May 26 decision, other tools of diplomacy have failed to effect improvement in China's performance. In many ways, the situation regarding religious liberty in China as well as the observance of other human rights is worse now than when President Clinton issued his Executive Order of May 28, 1993.

For the estimated 200 million Chinese and Tibetans affiliated with organized religion, the last half-year especially has seen signs of an increase in repression and efforts at state control of

religion. Over and over again we have witnessed feints at reform followed by new signs of persecution.

There appears to be no let up in harassment. Bishops, priests and laypeople are detained, released and in a short time arrested again. Others are released only to be confined and mistreated in nursing homes or, in some cases, to disappear altogether.

Catholics are forbidden to organize themselves like Catholics elsewhere, and contact with church people from other countries is denied or severely restricted. In addition, couples are forced against their beliefs to undergo sterilization and abortion. Just this week the People's Daily announced a renewed government campaign to "hold population growth to the official limit"--a policy which can only mean more repression.

The president's decision May 26 to separate human rights performance from trade consideration is a setback not only in the case of China. In the long term, it is also a setback for human rights diplomacy, because it eliminates an important tool from the set of tools this country can use in promotion of human rights.

In a public hearing here in Washington last May, I commented:

We [at the USCC] are concerned that the Administration sometimes seems to take trade more seriously than any moral principle. None the less, we do not believe that any one policy exhausts the range of morally responsible positions on human rights in China, nor does the moral integrity of US policy ride on any single policy formulation. What matters is that the United States find the means not only to assert its moral convictions, but even more that it commit itself to a strategy which will effectively promote basic rights and religious liberty for the people of China.

I submit that by re-linking trade to human rights conditions the United-States China Act of 1994 goes a long way towards formulating a policy towards China which goes beyond rhetoric and public posturing to build an effective strategy for the promotion of basic human rights and religious liberty for the people of China. It is a far-seeing strategy which future generations will applaud.

Thank you for your attention.

Acting Chairman MATSUI. I thank you for your testimony, Reverend.

Reverend, we have a letter from the State Department, and of course Mr. Tomsen testified today that if this bill were to go into effect, as much as \$17 billion in imports from China into the United States would be affected. It would be my guess, and I think Dr. Lardy, Dr. Harding, and those in the administration all have said that that would probably result in China retaliating, and we would probably enter into a trade war. I suppose that is why both Dr. Harding and Dr. Lardy and the administration feel that there is not much difference between the Solomon resolution and the Pelosi bill in terms of ultimate effect. Both would basically cut off trade between the two countries, and should that happen, I would imagine there would be diplomatic ramifications as well. There would probably be a fractioning of other bilateral relationships in addition to the United States-China relationship.

The United States and China then would isolate each other, and other countries would continue to engage in trade and commerce with China, including Japan and the Latin and European countries. How would that scenario serve the long-term goal of religious freedom in China?

Reverend CHRISTIANSEN. Well, Mr. Chairman, we don't think that trade alone will bring about improvement in human rights in China. I think there is a long history of a struggle for religious liberty and other human rights and political liberties that had to parallel the development of free markets, and they need to go side by side; and we think that there are situations in the past and situations in the present in which free markets have coexisted with authoritarian States. We don't think that trade necessarily brings about liberalization.

Certainly our defense of human rights and religious liberty in Eastern Europe in the 1980s brought about a situation which opened up political liberties and also the free market in that area. We think that we need to keep pressing on religious liberty and that the measures of the administration are wholly insufficient for doing that.

Acting Chairman MATSUI. My point is that trade relations would be severed, but it would not stop there. Other relations between the United States and China, which are very fragile right now but starting to redevelop, would be cut, too.

I cannot imagine—maybe you would disagree—the Chinese then suggesting student exchange programs continue. We probably would not want to do that if the situation got very, very hostile. So, trade would not be the only thing affected.

Bilateral relations between the United States and China in general would suffer. That is really where the danger is, in terms of having a negative impact on human rights and religious freedom.

Reverend CHRISTIANSEN. We have not seen any advantage in trade in the religious situation in China. The religious situation has worsened, especially since the Olympic decision of last year. And negotiations with the Holy See over normalization of relations are dead in the water. There has been no progress in those areas.

There is no progress in Tibet. I think that the people in Tibet, the 200 million believers in China would see this bill as an act of

solidarity with them; and we ought to stand alongside the people who stand for the whole range of our values, not just for our commitment to open markets.

Acting Chairman MATSUI. Dr. Harding, could you comment on that?

Mr. HARDING. I think there are several things to comment on, Mr. Chairman.

First of all, I want to disassociate myself from the \$17 billion figure in Mr. Tomsen's testimony. The only way one can get that figure is to assume that all of the American imports from China in the specified categories of goods are produced or exported by State-owned enterprises or military enterprises, and we know that is not the case.

The problem is, nobody really knows what the impact on American imports from China would be under this bill. The data simply do not exist. But it would probably be significantly less than \$17 billion. I think you would have to reduce that figure by at least 50 percent or maybe 75 percent to get a sense of the true impact of this particular bill on trade.

We are dealing, of course, with one of the most knotty questions: The relationship between economic modernization—and here we are talking about a more outward-looking and market-oriented economic modernization than we have ever seen in China in modern times—on the one hand and political liberalization on the other. And we are talking about probabilities. There is absolutely no guarantee that in the short- or middle-term economic development and modernization, or even if it is market-oriented, is going to produce democracy or greater political freedoms. But I would submit that the odds of that are better than trying to use economic sanctions to achieve the same ends, at least in the case of China.

So I think it would be disingenuous of us to promise any guarantees. We are playing the odds. And my judgment is that, given the progress that we have seen granted not in this last 6 months or the last 12 months, but in the last 12 to 15 years—there is a dynamic at work that we should try to foster in order to promote greater political liberalization and respect for human rights in China.

Acting Chairman MATSUI. Mr. Fiedler, I was not under the impression that our administration witnesses stated that they could not identify PLA-owned businesses. Rather, they indicated that they would not be able to identify goods coming from PLA-identified companies, unless they were able to get within the companies. That is the first point.

The second, I thought, was that there is some ambiguity about the definition of a PLA firm. I believe the administration witnesses said that there are some you can identify, but there are some that constitute hybrids. For example, there are State-owned, PLA-controlled firms involved in joint ventures with private firms, perhaps even private U.S. firms.

Is that ambiguity a problem and how would you recommend that the administration deal with it in the context of this legislation?

Mr. FIEDLER. Let me answer your first question.

Charlene Barshefsky actually says explicitly: So far, U.S. analysts have been able to identify three for which there are identifi-

able products produced for export. And that is with direct reference to the PLA.

Now, just through a commercially available database in the United States, I can give you hundreds of shipments that are coming in from the PLA, from the PLA's trading company. They have their own list. It is just very clear, mainline PLA companies are actually fairly easy to identify since they have said their major export companies are 100, and listed them.

There have been statements made that there are 30,000 PLA companies. Yes, that is correct; a couple little ones here—you know, a PLA machine shop that doesn't export.

Chinese defense industrial companies represent a slightly different problem from the PLA and, yes, they do have some joint ventures. We found a joint venture with an Israeli company producing toys and selling them to the Smithsonian. So that some are joint ventures is not at all impossible.

But you will never reach 100 percent perfection. The question is, will you get a substantial number of companies in a meaningful sanction and the answer to that question is yes, and without the great angst and effort that has been represented to you here today.

Acting Chairman MATSUI. I hate to ask Dr. Harding to comment on that, but I really am interested in having a dialog. Dr. Harding, I just wonder what you think. I do not mean to ask one person and then have the other respond, but I do want to know if that is the case.

Mr. HARDING. I would make two points. One is that up until now, the PLA and the national defense industry have had no need to dissimulate, they have had no need to cover their tracks. My concern is that, once they have this need, under this legislation, their ability to evade the new American law will be much greater than our ability to catch them.

My second point refers to the question that Mr. Hoagland was asking when Nick Lardy was here: Is this my only objection to this legislation? No, it is not. Even if I felt that it was enforceable, I would still object to the bill on the other grounds that I mentioned—that it would be costly to a variety of American interests without offering any significant hope that it would actually improve the human rights situation in China. Indeed, it offers some reason for concern that it would make things worse, rather than better. So that even if we set aside the administrative aspects of the proposed legislation, I would still find it to be costly and counterproductive.

Acting Chairman MATSUI. Thank you. I thank all three of you.

Mr. KOPETSKI.

Mr. KOPETSKI. Thank you, Mr. Chairman.

Reverend Christiansen, you made a comment that something happened as a result of the Olympic decision. Was that the congressional vote that you are referring to?

Reverend CHRISTIANSEN. Not the congressional vote, but the decision of the Olympic Committee not to hold the Olympic games in Beijing.

Mr. KOPETSKI. What happened?

Reverend CHRISTIANSEN. There had been overtures to the Holy See about normalization of relations that then died. Religious re-

pression, especially against the House Churches but also against the Catholic community, are increasing in cities. Traditionally, the persecution came in the countryside, but it is moving into the urban areas. I was just talking to Ambassador Shattuck. He said it was new knowledge to him.

Mr. KOPETSKI. Do you think there was a relationship there?

Reverend CHRISTIANSEN. Oh, yes. I think very much that there was a desire on the part of the Chinese to negotiate. When we would talk to the embassy and others, everyone would say, well, this is just Olympic diplomacy. They wanted to get the Olympic games, and once that carrot was withdrawn, then things hardened up and indeed have gotten worse.

I think the question of the kind of legal climate that has now been set that is hostile to religion and allows religious activity to be arbitrarily handled by the police with no judicial review is really a hardening of the situation that we haven't seen in many, many years.

Mr. KOPETSKI. That is exactly our point, that those of us who champion human rights efforts in this country and abroad are afraid of with revoking MFN or doing something that effectively—as the Pelosi legislation does effectively—revokes MFN status, that they will retaliate, as you are saying that they did with the Olympic situation.

So—in fact, I asked Winston Lord this very question about 6 or 8 months ago, whether anybody, whether the CIA or the State Department had done an analysis to determine what the political implications would be within China if we revoked MFN, and to my astonishment they had not done this analysis.

You know, the fact is that they could retaliate, that doing this could backfire, could set human rights progress—and there has been in some areas—could set it back rather than move forward.

You know, we have a Western mind. I mean, China has been closed, deliberately so, for nearly 4,000 years. And the first time they ventured out into the world, they got, not slapped down, but bombed back into isolationism because of the atrocities that occurred in the 1930s, you know; and we, the West, stood by and watched that occur, you know, to over 20 million people.

So we have a great legitimate concern, on my part, at least I do, that if we take this action, it will actually be a step backward in human rights advancements in China.

Mr. Fiedler, the question I have, now the folks that would implement this law between USTR and the Customs Office and the State Department, they say that this is unworkable legislation. Now, you think, you know, that it is.

Now, whom do we believe here, the people that will be charged with implementing it or yourself?

Mr. FIEDLER. Myself. Given the choice, I suppose I would have to say myself.

I mean—I have not, by the way, found the U.S. Customs Service or the U.S. State Department particularly interested in enforcing forced labor statutes simply because of the linkage to their policies. I have talked to the Customs guys, but they don't want the work. It is not a career-enhancing move.

We are not talking here about catching 100 percent of this stuff. Right now, sir, we have three people who are in Hong Kong and China—four, four Americans and maybe three Chinese nationals, Hong Kong nationals, looking into the entire question of textile illegal transshipments for China—Vietnam, the Philippines, and Pakistan—so one could argue that we are not very interested in catching it; and they are not able to. So the Customs Service's competence to catch it, I think, is seriously questionable if they don't have—if they don't have a mind to do it or the resources to do it.

Mr. KOPETSKI. Let me ask you this: Now, most of the goods—I think the two largest categories of imports are toys and textiles. Now, the American consumer can make a big statement about human rights conditions in China just simply by not buying them. Now, what I am most concerned about, in addition to the human rights issue, is American jobs because what we are selling to them is high-value equipment.

What do I say to the machinists in the Northwest and the communication workers that work for AT&T, say, look, I am sorry but you know we adopted—you lost your job to a French manufacturer or Japanese manufacturing worker because we adopted this piece of legislation and they retaliated and, guess what, you didn't get—you know, you, Boeing, or you, AT&T, didn't get the contract. You are shut out of that market. You are shut out of the job.

What do I say to those people?

Mr. FIEDLER. I will answer your question two ways. One, let me make a statement that no number that has been put out on jobs is really a true number.

Mr. KOPETSKI. On either side or just the one side?

Mr. FIEDLER. Any side's number because, first of all, Boeing does 2 billion dollars' worth of aircraft with China. Boeing itself says that saves them 10,000 jobs. OK. Under the \$20,000 per billion figure it ought to be 40,000 jobs.

250 million dollars' worth of cereal does not create 5,000 jobs in the Midwest grainfields.

So that issue aside, the real numbers, I will repeat to you what Lane Kirkland said when he was asked that question: The American labor movement has never and will never base the creation of jobs upon the exploitation of people anywhere in this world.

Mr. KOPETSKI. Well, you know, that is very good and, you know, an appropriate statement, but if the issue before us is—you know, if we have got an ineffective policy that could backfire in terms of human rights, that is, a unilateral action whereby American jobs will be lost to the French or the Japanese, you know, that says to me it doesn't meet the tests that Mr. Kirkland has laid out there.

Mr. FIEDLER. Let me answer it this way again then.

In fact, we don't like to lose jobs. You know, we don't like to lose jobs, and every trade decision that has been made by the United States in the last 20 years has cost us jobs. So that if, in fact, the motivation here is jobs, then we would have quite a different policy in exercising our foreign trade, No. 1.

That is No. 2. I don't think that there is a foreign policy decision that can be cited that didn't negatively affect, unfortunately, someone's job in the United States.

Mr. KOPETSKI. Well, that is a whole different hearing.

Mr. FIEDLER. No, we are talking about a foreign policy decision here.

Mr. KOPETSKI. Well, I think foreign policy decisions can enhance jobs within the United States, and so I don't think we want to get into that debate and relive NAFTA. But thank you. Thank you.

Acting Chairman MATSUI. Would you repeat what you just said about the jobs situation?

Mr. FIEDLER. Would I repeat?

Acting Chairman MATSUI. I am sorry.

Mr. FIEDLER. OK. I said basically three points.

Every foreign policy decision that we make in some way affects jobs in the United States. If we don't trade with Iran and Iraq, we cost some jobs. I still have to go to the machinists and say, OK, now we are not selling these nuclear materials to Iraq, so I am sorry you are going to lose your job.

We have made a lot of decisions in the United States over the years that some of us would argue cost people jobs, like we made a decision not to really have much of a garment or textile industry because it could be made cheaper somewhere else. That cost millions of jobs, or half a million jobs.

So every decision that is made costs somebody a job. It may create someone else one, OK. But it costs somebody, I always have to explain to someone. It doesn't make them feel any better that Mary down the street got a job because of exports to China when somebody lost their job through imports from China.

He asked me what I was going to say to these people who were losing their jobs. I talk to them all the time.

Acting Chairman MATSUI. I think it is a known theory that any time you have change in the economy, you may gain a job or you may lose a job.

Mr. FIEDLER. It changes daily. And it is also affected by foreign policy decisions very regularly.

Acting Chairman MATSUI. Absolutely.

Mr. KOPETSKI. Well, I guess, Mr. Chairman, you know, if you had a closed market, and because of foreign policy decisions, all of a sudden that market is now open to your product, you are going to gain jobs; and what we have to realize as a Nation is that jobs are finite only if markets are finite. And that is what this administration has been trying to do is expand markets.

Mr. FIEDLER. We would like to open up the Chinese market. As Congresswoman Pelosi explained this morning, it is not open.

Acting Chairman MATSUI. Let me thank all three of you—Reverend Christiansen, Mr. Fiedler, and Dr. Harding. Your patience was very much appreciated—you were here at 1 o'clock—and we look forward to continuing to work with you. Thank you.

[Whereupon, at 4:52 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

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**STATEMENT OF
THE AMERICAN FOREST & PAPER ASSOCIATION (AF&PA)**

**SUBCOMMITTEE ON TRADE
WAYS AND MEANS COMMITTEE
U.S. HOUSE OF REPRESENTATIVES**

THE UNITED STATES - CHINA ACT OF 1994 (H.R. 4590)

The American Forest and Paper Association (AF&PA) strongly supports the extension of Most Favored Nation (MFN) trade status to the People's Republic of China (PRC) and endorses President Clinton's decision to delink human rights from the annual extension process. We oppose any measure that will undermine the future ability of our two nations to engage "in a growing web of political cooperation and contacts."

AF&PA represents approximately 550 member companies and related trade associations (whose membership is in the thousands). Our members grow, harvest, and process wood and wood fiber, manufacture pulp, paper and paperboard products from both virgin and recovered fiber, and produce solid wood products. As a single national association, AF&PA represents a vital national industry which accounts for over 7 percent of total U.S. manufacturing output.

The U.S. forest and paper products industry employs about 1.4 million people, and ranks among the top 10 manufacturing employers in 46 states, with annual wages paid of about \$46 billion. The industry generates sales of about \$200 billion annually. With exports of \$17 billion in 1993, the industry makes an important contribution to the U.S. balance of payments. Exports have been, and will remain, the future growth segment for our industry. The U.S. forest products industry has been ranked among the most competitive in the world.

The PRC represents a significant market for U.S. forest products and extension of the PRC's MFN status can lead to significantly enhanced export opportunities for U.S. producers of wood, pulp and paper products. Because China is deficient in forest resources, with limited potential for expanding its own fiber supply, its need for imported wood, pulp and paper products is expected to increase substantially as it pursues its commitment to economic and industrial expansion.

In 1993, U.S. exports to China of wood products totalled \$106 million. In the same year, exports of pulp, paper and paperboard products exceeded \$155 million, in addition to more than \$14 million worth of recovered paper for recycling by China's paper and paperboard mills.

The China market is especially important for some specific product lines. For example, it represents the largest national export market for U.S. kraft linerboard. In 1993, kraft linerboard exports to China were valued at more than \$80 million. In addition, a major portion of U.S. kraft linerboard exports to Hong Kong -- almost \$100.5 million -- is reshipped to China.

The U.S. forest products industry is highly competitive in international markets. Our international competitors are very aggressive and they would benefit from continued unilateral attempts to condition expanded trade and economic cooperation on U.S. judgments regarding China's human rights performance:

- Denying U.S. importation of specified "nonqualified" Chinese-made goods will be impossible to enforce and likely will lead to retaliation against U.S. goods exported to China.

The structure of China's economy makes it virtually impossible to distinguish goods produced by a state-owned enterprise from those that are not. Nonetheless, HR 4590 specifically identifies wood and paper products as "nonqualified" goods. Thus, although the amount of wood and paper products imported into the United States from China is relatively insignificant, our industry becomes a key target for retaliation.

- **Like our colleagues in other sectors of American business, we believe the imposition of a U.S. Government-sponsored code of conduct for companies doing business in China would be particularly harmful to our competitive position.**

Any formalized set of principles governing U.S. business activities -- even if it is voluntary -- will give competitor nations the advantage in the China market. It will impose restraints on U.S. businesses not shared by our competitors, and will cause China to look for other suppliers, for the following reason: A set of principles that touches on highly sensitive political activities will undermine individual companies' efforts by creating the appearance in China that U.S. companies, in violation of Chinese law, are acting as agents of our government. Once again, the end result will be to penalize U.S. companies.

Our members who do business in China see tangible proof every day that China's free market economic reforms have led to expanded freedom and improved standards of living for the Chinese people. We share the President's conviction that America's commercial engagement with China must continue. U.S. trade and investment are important long-term positive forces for human rights and democracy. Any action that would destabilize the ability of American companies to trade and invest in China would actually diminish our effectiveness as "agents of change," to the detriment of our mutual goals.

As President Clinton pointed out when he extended China's MFN status, the linkage of trade and human rights is a policy that has "outlived its usefulness" and only threatens American exports, jobs, and national security.

Thank you for your consideration of our views.

STATEMENT OF ESTRELLITA JONES, AMNESTY INTERNATIONAL USA

My name is Estrellita Jones. I coordinate the Asia program in the Washington Office of Amnesty International USA. I wish to thank the Committee for the opportunity to submit this statement today about the current status of human rights in the People's Republic of China and in Tibet, US human rights policy regarding China, and recommendations to the Clinton Administration.

Amnesty International does not take a position on whether to link human rights with any type of sanctions. Therefore we do not take a position on HR 4590, the U.S.-China Act of 1994.

However we do strongly advocate ending human rights abuses in China. Accordingly we have actively pressed the Clinton Administration to pursue a strong, clear human rights policy towards China.

President Clinton to his credit acknowledged this past May that China did not achieve overall significant progress in key human rights areas as outlined in his Executive Order. However nothing could have been further from the truth when the President cited as "progress" China's "adherence to the Universal Declaration of Human Rights" A statement from a Chinese official supporting this Declaration does not translate into progress.

Despite rapid economic changes in recent years in China, which has led to increased freedom and some relaxation of social controls, there has been no fundamental change in the government's human rights practices. Dissent in any form continues to be repressed. In fact, recent regulations passed into law this year threaten to further squash freedom of speech and association and religion. In addition, since September 1993 there has been an unprecedented rise in death sentences and executions, including for such non-violent offenses as theft and embezzlement. In 1993, 77% of the world's executions were carried out in China; 2564 were sentenced to death and at least 1419 people were executed. Even these shocking figures probably fall drastically short of the true number, which Chinese officials guard as a "state secret." This, coupled with the widespread practice of unfair trials, makes use of the death penalty particularly heinous.

Current Events

Let me cite a few recent events that highlight the seriousness of the human rights problems in China and Tibet today:

--Last month, a twenty-year-old Tibetan nun, Phuntsog Yangkyi, died in a police hospital, reportedly as a result of injuries sustained after a severe beating by prison guards for singing nationalist songs with other nuns on February 11, 1994. Phuntsog Yangkyi was serving a five-year sentence for taking part in a pro-independence demonstration on February 3, 1992.

--On July 14, a major political trial began in Beijing to try the fourteen prisoners of conscience who have been detained for more than two years on charges of "counter-revolution." This is the first major political trial in Beijing since 1991 and the defendants are the largest group of prisoners of conscience to be jointly tried in many years. The trial has been postponed several times since September 1993, apparently due to foreign policy considerations, and will be a test of how the authorities are prepared to deal with political dissenters in the future. The verdict is not expected for another two weeks, although in China, the verdict is usually decided before the trial by political authorities.

--In May of this year, the National People's Congress -- China's parliament -- passed a set of supplementary provisions to the Security Administration Punishment Act (SAPA), an existing law on public order offenses. Among the new provisions are restrictive regulations regarding the registration of social organizations; disobeying "supervisory provisions" while under surveillance, probation, or parole, etc.; using secret societies or feudal superstitious beliefs to disturb public order, harm people's health or swindle them; and spreading rumors or using similar methods to incite disturbances of public order. Several of the new public order offenses appear to be aimed at cracking down on members of ethnic groups who call for national independence, and political and other dissidents.

--This month (July), new implementation rules to the 1993 State Security Law were also approved, including rules against: 1) distributing facts or disseminating speeches or audio or visual materials that endanger state security; 2) carrying out activities that endanger public security through establishing social organizations or business institutions; 3) using religion to carry out activities that endanger state security; 4) endangering state security through creating national disputes or inciting national "splitism."

--Some 200 prisoners were recently discovered to be held in a labor camp near Tianjin and at Beijing Prison No.2; they were convicted of criminal or political offences for their activities during the 1989 protests and sentenced to terms of imprisonment after unfair trials.

--This year, in the months leading up to the fifth anniversary of the 1989 massacre at Tiananmen Square, Amnesty International received several reports of detentions stemming from peaceful expression of democratic beliefs including the following:

- a) One of China's most famous dissidents, Wei Jingsheng, was detained on April 1, 1994 following his meeting with Assistant Secretary John Shattuck. He had previously been released in September 1993 after serving fourteen and a half years in prison.
- b) Five members of the Shanghai-based Human Rights Association -- Li Guotao, Dai Xuezhong, Yang Zhou, Wang Fuchen, and perhaps Yang Qingheng were detained in April and May of 1994.
- c) Wang Zhongqiu was taken into custody at the end of May 1994 and has not been heard from since. He was an organizer in a recently formed labor rights group, the League for the Protection of the Rights of the Working People.
- d) On May 28 Liu Nian Chun was detained in connection with his founding of the independent organization the League for Guaranteeing Laborers Rights. He had been under surveillance for some time and had been questioned by authorities.
- e) Zhang Lin, a former pro-democracy activist who had been imprisoned in 1989, was re-arrested on June 2, 1994 for unknown reasons.
- f) On June 3, leading dissident Bao Ge was arrested after sending an open letter to the Chinese government asking that a national human rights organization be set up. According to his sister, he had been under close surveillance and questioned several times since March 1994.
- g) Liu Huan Wen was rearrested on July 10, 1994, probably because of his association with dissidents involved in workers rights. He had previously been imprisoned for carrying a large cross during the 1989 Tiananmen Square demonstrations.

Scores of people continue to be detained in China and Tibet for their religious, cultural and political beliefs.

Eleven Tibetan nuns from Garu Nunnery north of Lhasa were arrested on June 14, 1993 for taking part in a peaceful pro-independence demonstration that unofficial sources in the city said never occurred; it is believed that they were arrested before they managed to begin the protest. According to unofficial sources, the eleven nuns, all between the ages of 18 and 25, were sentenced to terms ranging from two to seven years. The sentences passed against four of the nuns is not known.

Numbers of Political Prisoners

Amnesty International welcomes the release of a number of dissidents over the years; however, thousands of other political prisoners continue to be held and new ones detained. Chinese authorities acknowledge holding over 3,000 prisoners convicted of "counter-revolutionary" offenses, and this staggering number does not include those held for political reasons but convicted of other offenses; nor those held under various forms of administrative detention without charge or trial; nor those detained for long periods of time pending trial. The number of political prisoners held under these provisions is believed to be much greater. During the 1989 crackdown, for example, many of those arrested were convicted of such offenses as "disturbing the public order" or "hooliganism," and sentenced to terms entirely out of line with the seriousness of the offenses they were convicted of.

Unfair Trials and Administrative Detention

Few safeguards exist in China to ensure that the right to fair trials is upheld. For years, legal scholars in China have called for an end to the near-universal practice of "verdict first, trial second." In political trials the right to defence is limited and trial procedures fall far short of international standards for a fair trial. Furthermore, Chinese citizens are subjected to "administrative detention," a system of imprisonment without trial for a term of a few days to several years. Anyone considered a "threat to public security" but not legally criminal can be subject to "administrative detention."

Religious Suppression

Religious activity in China is closely monitored. Two new national regulations on religious activities came into effect on January 31, 1994. Though some guarantees are included, the new regulations also consolidated restrictions on religious activities which were already imposed under a number of local regulations issued in recent years. One of the provisions, entitled "Regulations on the Management of Places of Religious Activities" in effect makes it difficult for religious groups without official approval to obtain registration. The regulation also states that religious activities conducted in unregistered places may be considered illegal and those involved with them punished. Furthermore, Article 4 of the Regulations bans religious activity which "undermines national unity and social stability."

Since 1993, over 30 Protestant and Catholic leaders have been detained or placed under restriction, and scores of other Christians have been detained for short periods and released, usually after paying heavy fines. Among those detained for several days were seven foreign Christians and several of their Chinese associates, for violating the new "Provisions on Managing Foreign Nationals' Religious Activities within the Boundaries of the People's Republic of

China." In another instance in July and August of 1993, six Protestant preachers from Anhui province were arrested for their peaceful religious activities and are reportedly held in a labor camp. At least four of the six preachers are known to have received terms of re-education through labor. Further information on repression of the religious freedoms of Chinese Christians is outlined in Amnesty International's March 1994 report "China: Protestants and Catholics Detained Since 1993."

Torture

Torture and ill-treatment in detention remain endemic in China and Tibet, and visits by the International Committee of the Red Cross have yet to materialize. Methods of torture include beatings; being burned with cigarettes; assaults with electric batons or stun guns including to the mouth and genitals; use of handcuffs, shackles, and chains, often with tightening devices to compress the flesh for long periods of time; suspension by the arms or feet; use of the "shackle board," by which a prisoner is handcuffed to the four corners of a wide board and left there for long periods (some prisoners who were left shackled to the board continuously for several months are mentally disturbed as a result); confinement in dark or tiny cells; being forced to adopt painful or exhausting physical postures; deprivation of sleep or food; exposure to extreme heat or cold; prolonged solitary confinement; and force-feeding of prisoners on hunger strike.

A written appeal dated November 1993 by political prisoners held in Hanyang Prison in Hubei Province came to light only this year. The appeal records in devastating detail the harsh, degrading treatment, torture, lack of access to medical care, and slave labor that the prisoners are forced to endure. Many prisoners, the appeal states, "struggle on the brink of death," and others have lost their physical or mental health. One such prisoner, Yao Qifa, has been forced to make match boxes under pressure for so long that he now constantly repeats the motions of his work.

In Tibet, the abuses are no less harsh; I have cited above the recent death of Phuntsog Yangkyi, the 20 year-old nun. Political detainees are routinely tortured in Tibet.

United States Policy

Since President Clinton decided to de-link human rights and most-favored nation trading status, and promised a "continuing aggressive effort in human rights", it remains unclear today what constitutes the Administration's human rights policy towards China and Tibet. Equally troubling is the Administration's failure to make human rights policy, since the MFN decision, an integral part of the overall US engagement with the PRC. This is particularly evident as the Administration aggressively pursues its economic and strategic interests, leaving human rights floundering on the periphery.

As a result, China as well as other countries are likely to conclude that Clinton's commitment to human right issues cannot be taken seriously.

In renewing MFN trade status to China, President Clinton announced certain actions that would be part of a human rights policy, including increased support for Non-Governmental Organizations (NGOs) in China, increased radio broadcasts into China, and working with businesses to establish a voluntary code of conduct. While we welcome efforts by offices and individuals of the US Government to develop such human rights initiatives, many have not yet been attained, and in no way can they be regarded as constituting a human rights policy. Furthermore, these

efforts taken collectively do not assure the significant position that human rights deserves in overall US policy.

Regarding the US Government's efforts with corporations to develop a voluntary code of conduct, the business community has yet to cooperate in endorsing such a code. This is especially troubling in light of the fact that businesses loudly proclaimed their support of human rights policies during the intense MFN-human rights debates, but now refuse to put action behind their words. The business's hypocrisy and irresponsibility cannot be condoned.

The current human rights policy is a shadow of its former shape. Gone are the days when the Administration understood the significance of Assistant Secretary Shattuck's meeting with famous political prisoner Wei Jinguoheng. Gone are the days of a policy with clear purpose and direction: when Assistant Secretary Winston Lord and other US officials unequivocally told Chinese officials that the US was serious about human rights issues.

It is imperative that the Administration construct a clear and strong human rights policy as part of US-China relations in this post-MFN era. It will send a powerful message to Asian governments and elsewhere that Clinton's credibility in the human rights arena is once again restored. Otherwise, a blow to respect for universal principles of human rights would be dealt if a major power such as the PRC continues to practice egregious human rights violations with little price to pay.

Recommendations

As Amnesty International appealed to the Administration over a year ago to develop a clear, consistent and specific human rights policy towards China, we continue to do so today. Accordingly, AI urges the United States government to:

--ensure at highest levels that human rights is an integral part of US foreign policy formulation and implementation; that the President personally make this a reality.

--ensure that human rights is a part of meetings between high-level American and Chinese officials. For example, Secretary Ron Brown in his upcoming visit to China should include human rights on his agenda. Amnesty International welcomes the report that Deputy Secretary of State Strobe Talbott discussed human rights issues with Chinese officials at the ASEAN meeting. Congress should ask both these officials what results are to be achieved from these contacts. Amnesty International USA, the Robert F. Kennedy Memorial Center for Human Rights, and the Lawyers' Committee for Human Rights will meet next month with Secretary Brown and Robert Rubin of the National Economic Council to discuss human rights in China and the Secretary's upcoming trip.

--speak out vigorously and regularly on behalf of recent incidents in China and Tibet involving arrests, trials, ill-treatment, and squashing of basic freedoms. There has been public silence on human rights by the President since his decision on MFN.

--urge in bilateral meetings that other nations press China to improve its human rights record, and that other nations make human rights a more substantive part of their relations with China.

--lead a vigorous effort to raise abuses in China and Tibet at the UN General Assembly and the UN Commission on Human Rights.

--press the PRC government to make headway in its talks that would allow access by the International Committee of the Red Cross to detention centers in the near future.

--press the PRC to allow Tibetan women to attend the World Conference on Women in Beijing next year.

--urge the PRC to undertake basic systemic reform in order to end human rights abuses. This includes prosecuting those committing torture and taking steps to ensure fair trials.

I enclose a summary of our recommendations submitted to the Administration a year ago. They are as relevant today as they were last year.

Thank you, Mr. Chairman.

Amnesty International's Recommendations for Improving Human Rights In China

February 1993

China's human rights record is abysmal.

Below are Amnesty International's human rights concerns in China, and specific recommendations the government of the People's Republic of China can implement to improve its human rights record.

At the present time there is much debate in the Congress and Administration about what guidelines to establish by which to monitor any progress in the human rights situation in the PRC.

We urge the U.S. government to ensure that the recommendations below become part of the basis for evaluating efforts by the Chinese government to improve its human rights practices.

Systematic Use of Torture

Torture of detainees is endemic in Chinese detention centers and prisons; torture is more widespread now than a decade ago. Although China became a party to the UN Convention Against Torture in 1988, the government has not taken effective measures to diminish the risk of prisoners being tortured or ill-treated.

To end torture:

- Grant detainees access to lawyers, relatives and doctors of their choice immediately after detention and regularly thereafter.
- Introduce fundamental legal safeguards for prisoner's rights; and a mechanism to ensure these safeguards are applied.
- Establish an independent national commission of inquiry into torture to undertake a thorough investigation of the circumstances in which torture occurs.
- Ensure that alleged torturers are prosecuted whenever there are reasonable grounds to believe that an act of torture has been committed.
- Introduce human rights training for all officials involved in arrests, interrogation of suspects and the administration of justice. As part of such training, it must be made clear that torture is prohibited under international law and that limits must be placed on the use of instruments of restraint, police implements and weapons.
- Open detention centers to inspection, by the International Red Cross and other international humanitarian groups.

Lack of Due Process

Few safeguards exist in China to ensure fair trials. Legal scholars within China have called for an end to the near-universal practice of "verdict first, trial second." Thousands of political prisoners do not have access to lawyers of their own choosing, do not meet with their government-assigned lawyers until several days before the trial, sometimes until the trial itself, and cannot call witnesses for the defense.

Hundreds of thousands of Chinese are subjected to "administrative detention," a system of imprisonment without trial for a term of a few days to several years. Anyone considered a "threat to public security" but not legally a criminal can be subject to "administrative detention."

To Ensure Due Process:

- Implement trial procedures consistent with international standards for fairness, as set out in the International Covenant on Civil and Political Rights. Review the system of "verdict first, trial second" to eliminate this practice.
- Allow international observers to attend trials.
- Review the system of administrative detention with the intent to repeal laws used to detain political or religious dissidents without charge or trial. Administrative detention should not be used to circumvent the safeguards of a fair criminal justice system.
- Thoroughly review the cases of those in administrative detention and release uncharged political detainees if they are not to be charged with a recognizable crime and given fair and prompt trials.

Accountability for Extrajudicial killings

Over 1000 people were killed in the wake of the Tiananmen Square incident of 1989; in Tibet, scores were killed or injured in the last few years during demonstrations, many of which were non-violent.

To End Killings by Security Forces:

- Issue clear instructions to law enforcement officials against the use of firearms or lethal force, except in situations involving imminent threat to life.
- Independently and impartially investigate reports of killings by security forces in China and Tibet and make public the methods and results of the investigations.
- Provide compensation to victims of killings.

Prisoners of Conscience

Since 1989, thousands of people have been detained and sentenced for expressing or pursuing political views or religious activities. Victims include Tibetan nationalists and members of Muslim ethnic nationalities in Xinjiang who took part in demonstrations advocating independence. Hundreds of religious prisoners, particularly Christians, are detained for three years or more in "administrative detention" for preaching, distributing religious material, or attending services at underground "house churches." Of the pro-democracy demonstrators arrested since 1989, hundreds, possibly thousands are still detained. Many are serving extremely long sentences, including life terms.

To end the practice of detaining prisoners of conscience:

- Unconditionally release prisoners of conscience, including prisoners held since the early 1980's as well as those detained in connection with the demonstrations that have taken place since 1989.
- Account for the thousands who have been detained over the last several years in connection with demonstrations and political activities.

<h3>Use Of The Death Penalty</h3>

Defendants can be put to death for such offenses as theft, embezzlement, highway and train robbery and murder. The last 2 years have seen a dramatic increase in the use of the death penalty in China. On January 9, 1993 alone, at least 356 death sentences were handed down; 62 executions took place that day. During the month of January 1993, 1891 death sentences were handed down; 1079 persons were executed. The true figures of death sentences and executions are believed to be much higher.

The rise in death sentences and executions is partly due to the series of anti-crime campaigns launched by the government since the 1989 crackdown against pro-democracy protesters.

To end the death penalty:

- Ensure prisoners charged with an offence punishable by death are guaranteed free access to lawyers of their choice and to fair trials, and that rights of accused are protected at all stages of the judicial process.
- Ensure those sentenced to death have the right to seek pardon or commutation of sentence.
- Stop such degrading and inhuman practices as mass sentencing rallies and the parading of prisoners prior to execution.
- Ensure the scope of the death penalty does not extend beyond the "most serious crimes"; take steps towards total abolition of the death penalty, including restriction of the number of offences punishable by death.

The United States-China Act of 1994
HR 4590
Statement of
Representative David E. Bonior
Hearing Before the Committee on Ways and Means
Subcommittee on Trade
July 28, 1994

Thank you, Mr. Chairman and Members of the Committee, for giving us this opportunity to address the Committee.

Our legislation, called the United States-China Act of 1994, delivers a simple message: Human rights matter. They matter because the US has an obligation to stand up for freedom and democracy around the world. And they matter for economic reasons as well.

A country that suppresses its own people often suppresses its people's wages. A country that doesn't respect its people's fundamental human rights certainly doesn't respect their economic rights.

But when we unconditionally extend MFN to all industries and all sectors in China, we condone the pitifully low wages and the use of prison labor that are the hallmark of much of the Chinese economy. And in doing so, we are forced to compete on terms that undercut American workers and American jobs.

Commerce Department figures provide plenty of evidence to prove it. US-China trade is greatly imbalanced in favor of China. Our merchandise trade deficit with China grew to \$23 billion last year, and will hit \$30 billion this year.

The US-China Act of 1994 targets a portion of that trade imbalance by revoking MFN for all products produced, manufactured, or exported by the People's Liberation Army and Chinese defense industrial trading companies. It also revokes MFN for certain products produced by other state-owned enterprises. In total, it would impact about \$5 billion worth of Chinese exports to the US.

Let's be clear what this bill is not about. It doesn't propose that we eliminate Most-Favored-Nation trading status for China altogether. It doesn't hang a "Keep Out" sign on the US border for Chinese products. And it doesn't turn our backs on the Chinese market.

It demands instead that we use the economic leverage of trade arrangements-like MFN to promote human rights and democracy around the world, and thereby boost rather than undermine our own standard of living here at home.

And our legislation says that if you want to produce toys, toasters, or tennis shoes with cheap labor in the sweatshops of the Chinese Army, the United States is not going to underwrite it and we're not going to force our workers to compete with it.

Most importantly, our legislation stops the US subsidies that now support the authoritarian regime in Beijing. And it stops the pipeline of profits that China's military has used to brutally silence those who have had the courage to fight for freedom and democracy.

The President was right last year when he issued his executive order challenging China to make progress on human rights. By any reasonable accounting of China's record, they have not met that challenge. And now it's time they pay the consequences.

The bill uses our economic leverage to promote human rights, democracy, and a higher standard of living for working people by telling the Chinese government that if they want to do business with the United States, they have to respect their own people. Only then can we compete on the quality of the product and not on the misery and suffering of the people who make it.

NEWS FROM THE HOUSE MAJORITY LEADER

For Immediate Release
July 28, 1994

Congressman Richard A. Gephardt
H-148, U.S. Capitol

TESTIMONY BY MAJORITY LEADER RICHARD A. GEPHARDT
ON H.R. 4590 TO SELECTIVELY REVOKE CHINA'S M.F.N. STATUS
COMMITTEE ON WAYS AND MEANS

Mr. Chairman: Several weeks ago, President Clinton stated that he wanted to extend China's Most Favored Nation status. At that time, he recognized that China had not made substantial overall progress toward promoting human rights. I believe the President is sincere in his desire to achieve that progress. But I do not believe the Administration's policy -- one which tries to separate trade and human rights -- goes far enough toward achieving the crucial goal that we share. I believe that meaningful trade sanctions are both appropriate and necessary.

As we mark the fifth anniversary of the tragic June, 1989 massacre in Tiananmen Square, we must remember what is at stake in this debate -- a status quo that costs American dollars, and Chinese lives. It is my belief that we must not ratify that status quo by continuing China's M.F.N. status. We must stay the course that was originally outlined in the President's June 1993 Executive Order, and follow through with our strongly held beliefs. We must not abandon that course by advocating a policy of delinking trade and human rights, for doing so means abandoning our deepest values and, indeed, our self interest.

I strongly believe that the moral component of this debate cannot be overstated. When a trading decision strikes at the very heart of the values upon which America was founded -- when the stakes are as high as life, liberty, and justice -- we simply must take action. We have to speak for the Chinese people who have been silenced by their own government. Freedom of speech, freedom of assembly, freedom of movement, freedom from religious persecution, freedom from oppression -- these are not privileges of the powerful, but the rights of all people.

The message we must send is that our trade policy reflects our values -- and values our people.

That is why I was proud to co-sponsor H.R. 4590 introduced by Congresswoman Pelosi. This bill will revoke Most Favored Nation status for goods that are made or exported by the People's Liberation Army. It will also remove our trade preferences for goods made by State-owned enterprises and defense companies.

By selectively removing China's trade preferences -- and by carefully targeting those who have the power to change the policies -- we stand the best chance of making real progress.

At the same time, we're asking the Treasury Secretary to work with American businesses that have strong interests in China, to encourage them to set more of an example. We want these businesses to adopt a voluntary code of conduct -- to respect human and workers' rights, to reject indoctrination and discrimination in the workplace, and to oppose the use of forced labor and prison labor.

Some believe we should just renew China's M.F.N. status -- that China will make more progress toward human rights if we permanently "de-link" trade and human rights, and abandon our economic leverage altogether.

But ultimately, when we pretend we can separate trade from human rights, we're only fooling ourselves. America's moral and economic interests are inseparable, indivisible. When we offer preferential trade to countries that lack respect for the basic rights and interests of their own people, we get hurt as well -- morally and materially. Political and economic rights cannot be neatly separated from each other, because the two are directly, integrally linked.

China's failure to adequately offer human rights to its people, to end prison labor exports, and to engage in other reforms has a direct and immediate impact on our workers and their wages. How can the U.S. compete with a nation that exports the products of prison labor? How can we compete with a nation that refuses to adopt even modest labor provisions? Given these unfair practices, is it any wonder our trade deficit with China is expected to grow from 23 to 30 billion dollars this year? This has an adverse impact on American jobs and our standard of living. So does the fact that China does not grant M.F.N. to the U.S., and bars most of our products from its markets.

And this deficit may grow even larger. In June, China's External Trade Minister, Wei Yi, indicated that now that the President has permanently extended M.F.N., Beijing may stop sending annual buy-American missions to the U.S. -- their crucial, good faith efforts to make sure that trade is a two-way street. At least their minimalist efforts in this area had been a step in the right direction.

Some say the use of trade privileges is a blunt, ineffective tool with which to curb human rights abuses. Better to pursue our interests through quiet diplomacy, they say. But when we press China for improvement in areas where they benefit from unfair trading practices, we do have an effect. Good examples of this are the areas of textile issues and intellectual property rights. When we clearly showed our willingness to press an issue, and used a threat of sanctions or further action, China responded. To completely abandon our economic leverage when American exports and jobs are at stake, and when we know it can produce important results, just doesn't make any sense.

In closing, I want to emphasize again how important it is to send a powerful message to Beijing. H.R. 4590 is in our moral interest, and it is in our economic interest as well. America can be a powerful force for progress, but only if our policies lift up the people of China, instead of allowing them to be dragged down, and our workers in turn. Our bill would help to accomplish this.

Thank you very much.

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HUMAN RIGHTS WATCH/ASIA

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Statement submitted to the Ways and Means Committee on
 Human Rights in China
 July 28, 1994
 Mika Jendrzeczyk, Washington Director
 Human Rights Watch/Asia (formerly Asia Watch)

Two months ago, President Clinton announced he was ending the linkage between Most Favored Nation (MFN) trading status for China and human rights. We were dismayed by the President's decision to abandon the use of economic leverage as a way of pressing for human rights improvements and by the arguments he presented for that decision. Furthermore, we do not believe that the President's "new initiatives" on human rights amount to a program that is either "vigorous" or "aggressive", as the President promised.

Since the MFN decision, the Chinese government has begun long-delayed trials of human rights and labor activists. It has ignored its own criminal procedure laws by holding major dissidents in prolonged incommunicado detention. Their families have not been informed of their whereabouts and these detainees have, in effect, "disappeared." This is an ominous, new development. In addition, the government has just issued a new set of state security regulations that further restrict the ability of activists to meet, speak, and organize. These regulations signal a major setback to the hesitant moves made by the legal establishment to reform the criminal justice system.

To summarize, Mr. Chairmen, in the absence of international pressure, China has steadily tightened the noose on all forms of dissident activity. The authorities in Beijing have apparently calculated that there is no price to be paid for continued political repression in the name of guaranteeing "social stability" at a time when major economic reforms are underway.

Recent Human Rights Developments

Tomorrow, together with another organization called Human Rights in China, we will be publishing a report ("Pressure Off, China Targets Activists") documenting human rights developments over the last few months. I would like to briefly describe our main findings and conclusions:

Trial of the "Beijing Fifteen"

After more than two years of incommunicado detention, fifteen political dissidents and labor organizers were put on trial in Beijing on July 14, 1994. They were accused of belonging to one of three banned organizations and of working to establish a peaceful political and labor movement. All of them were charged with various "counterrevolutionary" offenses. This was the largest group trial to take place in China since the prosecutions of Tiananmen Square-related defendants.

The trial was originally scheduled to take place just before the vote on Beijing's bid to host the International Olympic Games in the year 2000, but was put off until after the Olympics decision. This past April, family members were again told that a trial was imminent, but it was again postponed in what media reports suggested was an attempt to influence the MFN decision. As far as we know, there has been no new indictment issued since the original one put forth in September 1993; this would appear to reinforce the notion that the motives for the delays were purely political.

While the outcome of the trial has yet to be announced, convictions are virtually certain.

Among those facing the most serious charges, each of which carries a maximum sentence of life in prison, are former Democracy Wall activist Liu Jingsheng; Hu Shigen, a lecturer at Beijing Languages Institute; Kang Yuchun, a medical researcher; Lu Zhigang, an undergraduate law student at Beijing University; and Wang Guoqi, a printing plant worker.¹ Others put on trial include students, factory workers, government employees, and a law lecturer. Most were detained in May and June of 1992.²

The defendants were accused of distributing leaflets calling for free trade unions, for a reassessment of the 1989 pro-democracy movement, and of preparing a statement on China's human rights situation. (Attached to our forthcoming report is the text of the actual indictment against the "Beijing Fifteen" issued by the Sub-Procuratorate of the Beijing Municipal People's Procuratorate, and a detailed list of "Items Confiscated and Entered as Evidence" including copies of Hong Kong newspapers, letters, ink, an encyclopedia of Chinese postal codes, leaflets, carbon paper, and ballpoint pens.)

All fifteen individuals are being held for peacefully exercising their rights to freedom of expression and association -- rights guaranteed by international human rights law and by the Chinese Constitution. They should all be immediately and unconditionally released.

Arrests and "Disappearances"

In recent weeks, the Chinese government has actively suppressed a wave of unofficial human rights and labor rights initiatives. Since March 1994, when a series of arrests took place prior to Secretary of State Warren Christopher's ill-fated Beijing visit, at least seventeen organizers or leading affiliates of dissidents groups have been picked up by the police and either held without trial, or simply made to "disappear." The authorities either deny or refuse to acknowledge their detentions.

Among those "disappeared" are the core of China's nascent human rights and labor rights movement arrested in Beijing, Shanghai, and Shenzhen. They face possible criminal charges and prison terms, or could be sentenced administratively to "labor re-education" terms of up to three years. All of them, we believe, should be immediately and unconditionally freed.

In the months leading up to the President's MFN decision, detention and harassment of dissidents continued, but the periods of detention tended to be relatively brief. The government seemed most anxious to prevent protests on the fifth anniversary of the June 4th, 1989 massacre. But many of those arrested in the run-up to June 4th have not been freed, and there are indications that they all may be ultimately prosecuted.

It is now apparent that the principal reason for the detentions is that these individuals were trying to exercise their right to freedom of association, raise awareness of human rights and obtain redress for rights violations. They are considered dangerous as a result and have been targeted for persecution accordingly.

Our new report provides detailed information on those arrested and "disappeared" since March 1994 -- information we have also supplied to the U.N. Working Group on Enforced or Involuntary Disappearances and to the Working Group on Arbitrary Detentions, both agencies of the U.N. Human Rights Commission in Geneva.

The most recent known arrest took place on the morning of July 9, 1994 when Sha Yuguang, a signatory of the "Peace Charter" issued last November (modelled on Czechoslovakia's Charter 77), was taken from his home "for

¹ They are each charged with organizing and leading a counterrevolutionary group and of counterrevolutionary propaganda and incitement. The banned organizations are the "Liberal Democratic Party", the "China Progressive Alliance", and the "Free Labor Union of China."

² For background on the fifteen defendants and the underground pro-democracy groups, see "China in 1993: One More Year of Political Repression", Asia Watch, November 1993 (Vol. 5, No.20).

questioning." When he did not return home, his wife asked about him at the local police station and was told that the Beijing Public Security Bureau had arrested him. Like most of these detainees, his family was not told why Sha was being arrested, or under what laws or regulations his arrest had been ordered, nor where he would be held. This is a new and disturbing pattern, as the authorities blatantly ignore the procedures laid out in Chinese laws and regulations that govern arrests and detention. They simply come and take you away, and your whereabouts remain unknown.

This has been the fate of China's most prominent dissident, Wei Jingsheng. Wei was arrested on April 1, 1994 and has not been seen or heard from since. In September 1993, after spending nearly fifteen years in prison for criticizing Deng Xiaoping and calling for democracy in China, he was released as part of China's bid to host the Olympics. But Wei continued to speak out for human rights after his release. In fact, he almost single-handedly brought new life to the dormant pro-democracy movement in China. In March 1994, the authorities slapped a three year ban on his meeting with foreign journalists.

On February 27, 1994, Wei met with Assistant Secretary of State John Shattuck, and the Chinese government later accused Shattuck of committing a criminal offense by seeing him. As a result of that meeting, Wei was detained on March 4, then released the next day. During Secretary Christopher's visit to Beijing in March, Wei was forced into exile in Tianjin to prevent him from meeting Christopher. As he was returning to Beijing on April 1, he was pulled from a car by some twenty police officers; his office was searched; and a few days later, his office assistant and translator, Tong Yi, was also picked up by the police.

The government has announced that Wei is being interrogated because he was suspected of committing undefined "new criminal offenses." Chinese officials have denied reports that Wei would be put on trial for "high treason," and a foreign ministry spokesperson insisted the matter was "an internal affair" and had "nothing to do with human rights."

We are deeply concerned that Wei and his assistant could, at any time, be put on trial and thrown back in prison, or sent to a labor camp. All of Wei's peaceful activities since his release last September -- including articles published abroad, press interviews, and meetings with foreigners -- are clearly protected by the Universal Declaration of Human Rights which, according to President Clinton, the Chinese government has pledged to uphold.

New Security Regulations

On June 4, 1994, Chinese premier Li Peng signed into law new rules called the "Detailed Implementation Regulations for the State Security Law." The State Security Law, promulgated in 1993, gave sweeping powers to the State Security Bureau. These new regulations essentially criminalize all of the nonviolent strategies that rights activists have been using to try to work openly within the narrow limits of Chinese law. They specifically outlaw the cooperation of activists in China with NGO's outside of the country, and make receiving assistance from any group defined as a "hostile organization" an offense. The regulations define writing or speech harmful to "state security" as "sabotage." They are obviously intended to intimidate dissidents into ceasing their activities.

These new regulations are the clearest signal to date that rather than expanding freedoms as economic reform proceeds, China's rulers are actually regressing when it comes to human rights. According to a commentary on the Regulations in the Legal Daily: "We should be vigilant against these hostile organizations and hostile elements at home and abroad who try a thousand and one ways to find gaps in the present laws, in an attempt to use so-called legal forms to cover their illegal activities."

The regulations make illegal the exercise of most of the fundamental rights contained in China's Constitution, and leave the definition of "harm to state security" completely vague and open to arbitrary, political interpretation. Specific articles are aimed at suppressing freedoms of association, expression, religion, and repressing calls for independence from minority groups, such as Tibetans, and so on.

The chilling text of these regulations is attached to my testimony, Mr. Chairman.

Recommendations for U.S. Policy

We believe that the timing of the trial of the "Beijing Fifteen" and the issuing of the new security Regulations is no accident. The Chinese government has waited until now to act because they wished to avoid further inflaming U.S. - Sino relations prior to the MFN decision. But now, in the wake of President Clinton's decision, China's leaders apparently believe that the repression of dissidents will have no negative consequences. They therefore feel free to detain key leaders of the dissident movement -- especially those working in the sensitive area of labor rights.

The Administration's credibility on human rights in China, and elsewhere, has been seriously damaged by the President's MFN decision. But it is now more crucial than ever for Congress and the Administration to act on a bilateral basis and in conjunction with other countries, to exert both diplomatic and economic pressure on China to abide by basic human rights standards. If improvements in China's human rights practices are to occur, pressure from the international community is vital.

We recommend the following measures:

1) The U.S. should approach the other G-7 industrial countries to develop a strategy for pressing China to invite the U.S. Working Groups on Arbitrary Detention and Disappearances to China. A strategy employing both diplomatic and economic pressure is also needed to ensure that if any such visits take place, the Working Groups' recommendations will be implemented.

The Administration should also seek agreement among the G-7 that if Wei Jingsheng and other prominent dissidents remain imprisoned at the time of the APEC (Asia-Pacific Economic Cooperation) forum in Indonesia this November, bilateral meetings between heads of state including President Clinton and Chinese President Jiang Zeming will not be possible. This would deny the Chinese government a tremendous propaganda opportunity.

2) Trade delegations to China should raise the cases of political detainees like Wei Jingsheng or labor activists, and should seek to meet with dissidents or their family members. U.S. Secretary of Commerce Ron Brown will be the first Cabinet-level official to visit China since the MFN decision when he leads a delegation of business executives to Beijing in late August. Human rights cases should be a priority for his discussions. According to the Chinese foreign trade minister, among the topics on the agenda will be resumption of programs such as OPIC (Overseas Private Investment Corporation), suspended after the 1989 crackdown. Secretary Brown should make it clear that without a full accounting of the "disappeared" and the release of those arrested for peaceful pro-democracy and labor activities, resumption of OPIC will be impossible.³

3) The embassy in Beijing should repeatedly request access for observers at political trials. Such requests could also be made in concert with other governments, such as the Australian and the Japanese.

4) Congress should press the Administration to exert leverage on China at the World Bank. The Bank gave nearly \$3.2 billion to China in FY 1993, and expects to lend another \$3 billion for some fifteen major construction projects next fiscal year. At a minimum, in its discussions of "governance" issues with the Chinese government, the Bank should raise the need to protect internationally recognized worker rights, and should express concern about the implications of the new security regulations for the rule of law.⁴

³ OPIC provides insurance and financing for US companies investing overseas. The Administration is constrained by statutory provisions dealing with worker rights: (Section 231A of the Foreign Assistance Act) "The Corporation may insure, reinsure, guarantee or finance a project only if the country in which the project is to be undertaken is taking steps to adopt and implements laws that extend internationally recognized worker rights..."

⁴ The World Bank has defined "good governance" as essential for development, including accountability, transparency, a strong civil society, and the rule of law. See "Governance: The World Bank's Experience," published by the World Bank, May 1994.

5) The State Department has said it is in the process of trying to organize a meeting between Assistant Secretary Shattuck and foreign ministry officials to continue the bilateral "human rights dialogue," possibly at the time of the U.N. General Assembly meetings in September. Given the deteriorating human rights situation in China, a meeting should be arranged as soon as possible. The Chinese government must understand that if it tries to postpone or obstruct the dialogue, other meetings of great importance to Beijing -- such as the visit of the People's Liberation Army deputy chief of staff to Washington next month, or Secretary of Defense Perry's planned trip to Beijing in the fall -- may be postponed.

6) Finally, we welcome efforts by the Congress to press for human rights improvements in China, including pressure through the use of trade sanctions. We hope that the debate around the legislation being considered by this Committee will focus attention on China's atrocious human rights record, and will also have the effect of pushing the Administration to develop a credible, meaningful human rights policy.

How the Congress votes on this legislation will clearly be watched carefully by China's leaders, and by the White House. It is one way to send a strong, unambiguous signal to the Clinton Administration and to Beijing, at a time when economic interests have marginalized the issue of human rights on the agendas of both governments.

Attachment: State Security Regulations

ATTACHMENT

Detailed Implementation Regulations for the State's Security Law of the People's Republic of China⁵

Chapter One

General Principles

Article 1. These detailed rules and regulations are drawn up on the basis of the "State Security Law of the People's Republic of China" (simply rendered as the "State Security Law" hereafter).

Article 2. The relevant regulations in these detained rules and regulations are applicable when public security organs carry out state security missions in accordance with Section 2 of Article 2 of the "State Security Law."

Article 3. The "organizations and institutions outside the country" referred to in the "State Security Law" include the branch (representative) organizations and branch institutions which organizations and institutions outside the country have established in the PRC.

"Individuals outside the country" include people without Chinese citizenship who live in the PRC.

Article 4. The "agents of espionage institutions" referred to in the "State Security Law" refer to those people engaging in activities which endanger the PRC at the instigation of or commission of an espionage institution or its members, or with their financial support, or people who incite or instigate other people to engage in these activities.

Article 5. The "hostile institutions" referred to in the "State Security Law" refer to the institutions which are hostile to the PRC Government and socialist system characterized by the people's dictatorship, as well as institutions which endanger state security.

The Ministry of Public Security shall identify the hostile institutions.

Article 6. Activities which endanger state security with "financial support" referred to in Article 4 of the "State Security Law" refer to the following activities carried out by organizations, institutions, or individuals outside the country.

(1) Providing funds, locales, or supplies to institutions or individuals in the country for carrying out activities which endanger state security; and

(2) Providing funds, locales or supplies to institutions or individuals inside the country for carrying out activities of endangering state security.

Article 7. The "collusion" activities of endangering state security referred to in Article 4 of the "State Security Law" refer to the following activities carried out by institutions or individuals inside the country.

(1) Plotting or carrying out activities for endangering state security together with organizations, institutions or individuals outside the country;

(2) Accepting the financial support of organizations, institutions, or individuals outside the country, or doing so at their instigation, to carry out activities which endanger state security; and

(3) Establishing ties with organizations, institutions, or individuals outside the country, and obtaining their support and assistance for carrying out activities which endanger state security.

Article 8. The following activities are the "other sabotage activities which endanger state security" referred to in Article 4 of the "State Security Law:"

(1) Organizing, plotting, or carrying out terrorist activities which endanger state security;

(2) Fabricating or distorting facts, publishing or disseminating written or verbal speeches, or producing or propagating audio and video products which endanger state security;

(3) Carrying out activities which endanger state security through establishing social organizations or business institutions;

(4) Using religion to carry out activities which endanger state security;

(5) Endangering state security through creating national disputes or inciting national splittism;

and

(6) Activities of individuals outside the country who disregard dissuasion and meet with personnel in the country who have endangered state security, or who are seriously suspected of endangering state security.

Chapter Two

State Security Organs' Authority in Carrying Out State Security Assignments

Article 9. When it is believed that an individual from outside the country may endanger state security in the PRC after he enters the country, the Ministry of State Security may decide that he be barred from entering the country for a specific period of time.

Article 10. As for the felons who have betrayed the motherland and endangered state security, state security organs may list them as wanted and may pursue and capture them in accordance with Article 6 of the "State Security Law."

⁵ This text is a preliminary translation by the Foreign Broadcast Information Service (FBIS), July 14, 1994, of Xinhua Domestic Service in Chinese, July 12, 1994.

Article 11. When personnel of state security organs carry out their assignments according to the law, they may check the belongings of personnel whose identity is unknown and who are suspected of endangering state security.

Article 12. Vehicles which state security organs use for carrying out emergency state security assignments may have special insignia for passage and may be equipped with lights and sirens.

Article 13. When, during inspections, state security organs discover electronic telecommunications equipment or facilities incompatible with the needs for safeguarding state security, they may, in accordance with Article 11 of the "State Security Law," instruct relevant institutions and individuals to handle them with the necessary technical measures, and in the event they refuse to do so, or when they do not have the technical capacity to do so, the state security organs may keep the equipment and facilities in custody after sealing them, and then handle them according to the relevant law and administrative regulations.

Article 14. When personnel of state security organs carry out their assignments according to the law, they should show their inspection identification cards issued by the Ministry of State Security, or other relevant identification cards.

While carrying out their state security assignments, state security organs and their personnel shall strictly abide by the law, and they may not overstep or abuse their authority, or violate the legitimate rights and interests of any institutions or individuals.

Chapter Three

Obligations and Rights of Citizens and Institutions in Safeguarding State Security

Article 15. Government organizations, groups, and other institutions shall accept state security organs' coordination and guidance when educating their personnel on safeguarding state security, or when they mobilize and organize their personnel to guard against and stop conduct that endangers state security.

Article 16. Whenever a citizen discovers an act that endangers state security and reports the act to the institution where he works, the institution shall promptly report the discovery to state security organs. There shall be no delay.

Article 17. Citizens and institutions shall support and assist the maintenance of state security, and they have the right to demand that state security organs and public security organs take effective measures to prevent and stop all acts that infringe upon their legitimate rights and interests.

Article 18. The following acts are the "major contributions" described in Article 5 of the "State Security Law:"

(1) Acts of providing major clues for state security organs to uncover and crack criminal cases which seriously endanger state security;

(2) Acts of providing major information for state security organs to guard against the occurrence of acts that will seriously endanger state security;

(3) Working in close coordination with state security organs in carrying out state security assignments, and the performance is outstanding;

(4) Acts of safeguarding state security and struggling against criminal elements who endanger state security, and the performance is outstanding;

(5) Acts of educating, mobilizing, and organizing personnel of one's own units in guarding against and stopping acts which endanger state security, and the success is remarkable.

Article 19. The "illegal possession of documents, information, and other items which are state secrets" referred to in Article 20 of the "State Security Law" means:

(1) the possession or holding of documents, information, and other items which are state secrets by personnel who should not have knowledge of the secrets; or

(2) The private possession or holding of the documents, information, and other articles which are state secrets by personnel who may know the secrets but who failed to undergo the formalities to possess them.

Article 20. The "specialized espionage equipment" referred to in Article 21 of the "State Security Law" refers to the following equipment which is essential for carrying out espionage activities.

(1) Hidden audio and photography equipment;

(2) Receivers and transmitters for contingencies, secret codes for one-time use, and tools for writing secret messages;

(3) Electronic equipment for monitoring and intercepting intelligence; and

(4) Other specialized espionage equipment.

The Ministry of State Security is in charge of identifying specialized espionage equipment.

Chapter Four

Legal Responsibilities

Article 21. State security organs may seal, hold in custody, and freeze the tools, money, and articles used to carry out activities which endanger state security, or the budgets, locales, and supplies listed in Article 6 of these detailed rules and regulations, and in light of different situations, state security organs shall confiscate the money and articles that have been sealed, held in custody, or frozen, or refer them to judicial authorities for disposal according to the law.

All the money and belongings which state security organs have confiscated shall be delivered to the state.

All the money and goods acquired through the leaking of state secrets shall be handled according to Article 34 of the "Procedures for Implementing the PRC Law Governing the Preservation of State Secrets."

Article 22. When an act which endangers state security constitutes a crime, the one who committed it shall have his criminal responsibilities investigated, and when the act does not constitute a crime, the unit where he works or the higher competent authorities shall mete out disciplinary actions against him, and the state security organs may also warn and admonish him and instruct him to sign a written repentance.

Article 23. The following acts are the "performance of meritorious services" described in Article 24 of the "State Security Law"

(1) Acts of exposing and reporting other criminal elements who endanger state security, and the reports are factual;

(2) Acts of providing important clues and evidence which endanger state security;

(3) Acts of assisting state security organs and judicial organs in capturing criminal elements who endanger state security, and

(4) Other acts which are important in assisting state security organs in safeguarding state security.

The "performance of major meritorious services" refers to services which fall under the aforementioned categories and which are especially significant for safeguarding state security.

Article 24. He who refuses to provide information -- when evidence proves that he knows other people have committed the crime of endangering state security, or when state security organs are questioning him about the situation and collecting evidence after having been informed that other people have committed the crime of endangering state security -- shall be handled in accordance with the provisions prescribed in Article 26 of the "State Security Law."

Article 25. When state security organs carry out state security assignments according to the law, citizens and institutions are legally obligated to facilitate their carrying out their duties or to provide other assistance, and those who refuse to do so -- and whose acts constitute a deliberate attempt to obstruct state security organs from carrying out their state security assignments according to the law -- shall be punished according to the provisions prescribed in Section Two of the "State Security Law."

Article 26. Those who deliberately obstruct state security organs from carrying out state security assignments according to the law and who cause bodily harm to personnel of state security organs or financial losses are liable for compensation according to the law, and judicial authorities shall punish them according to the provisions prescribed in Section Two of Article 27 of the "State Security Law."

Article 27. Personnel of state security organs shall have their criminal responsibilities investigated according to the law when their negligence of duty, practicing of favoritism, illegal detention, and extortion of confessions by torture constitute a crime.

Before the
Subcommittee on Trade
U. S. House of Representatives
August 4, 1994

STATEMENT BY EVELYN DUBROW
VICE PRESIDENT AND LEGISLATIVE DIRECTOR
INTERNATIONAL LADIES' GARMENT WORKERS' UNION

I appreciate the opportunity to submit testimony on behalf of the International Ladies' Garment Workers' Union on The United States-China Act of 1994, H.R. 4590.

The ILGWU represents 175,000 workers in the U. S. apparel industry. Throughout our almost ninety-five years of existence, the ILGWU has been concerned with the conditions under which workers in other countries work, and their right to organize and to bargain collectively in order to raise their living standards and improve their conditions of life. This is both a matter of principle and a practical necessity.

We believe and have urged on both the Congress and the Administration in the past that United States manufacturers can expand exports to other countries only if workers in other lands have the wherewithal to purchase U. S.-made products. This can happen only if worker rights and labor standards prevail in the countries that trade with the United States.

In this context, China represents a one-way street. It is the largest exporter of apparel to the United States. Apparel and textile exports represent 35 percent of China's total exports and are that country's largest generator of hard currency. But the chances of selling U. S.-made apparel in the Chinese market is severely limited by the fact that China's workers cannot afford to buy what we make.

China's very attraction for U. S. apparel companies is its low wage level, the equivalent of twenty-five cents an hour, and its refusal to permit the existence of free trade unions that could raise those wage levels.

We vigorously opposed the President's decision to separate trade and human rights when he granted Most Favored Nation treatment to China in June. We believe very strongly that trade can be an important weapon in the fight to insure decent treatment of the citizens of our trading partners.

The legislation before the Subcommittee on Trade is clearly far more limited than revocation of MFN. It only places some limits on MFN treatment for some Chinese exports to the United States, and then for only one year.

We would have preferred a permanent ban on MFN status for these products. But the bill represents an important effort to reestablish in our relations with China some of the principles we as a nation hold dear.

We agree with the sponsors of H. R. 4590 that MFN treatment should be denied to goods produced, manufactured or exported by the People's Liberation Army as well as by Chinese defense industrial trading companies. We should not encourage the strengthening of the military in China as a matter both of deep-seated principle and of self-interest.

Of great importance is the provision of the bill that would have the Secretary of the Treasury consult with and encourage U. S. businesses that trade with or invest heavily in China to adopt a voluntary code of conduct, based on internationally recognized human rights principles.

We also agree with the bill's provision that the President report to the Congress next year on whether there has been progress on human rights, the use of convict, forced or indentured labor in goods exported to the U. S., proliferation of weapons and unfair trade practices by China.

For years, we fought Communism around the world because Communist nations suppressed free trade unions and absolutely refused to respect the human rights of their people. Eventually we helped to break the back of that system in Europe and the former Soviet Union. Not to make these standards a cardinal principle in our relationship with China will only encourage their continued failure to treat their people fairly and decently.

I strongly urge this Committee to take the elementary steps represented by H.R. 4590 to assert our concern for the people of China.

TESTIMONY OF

KERRY KENNEDY CUOMO
EXECUTIVE DIRECTOR

ROBERT F. KENNEDY MEMORIAL CENTER FOR HUMAN RIGHTS

BEFORE THE COMMITTEE ON WAYS & MEANS
SUBCOMMITTEE ON TRADE

JULY 28, 1994

Chairman and Members of the Subcommittee:

Five years after the brutal suppression of peaceful pro-democracy demonstrators in Tiananmen Square, the Communist Party leadership of China continues to wage a merciless campaign against those who express views that differ from government policy.

Noted astrophysicist and democracy advocate Dr. Fang Lizhi, 1989 Robert F. Kennedy Human Rights Award laureate, is among those Chinese citizens who have been punished for daring to exercise their basic human rights to freedom of expression and opinion. The Robert F. Kennedy Memorial Center for Human Rights, which works to promote respect for human rights in the countries of its Award winners, continues to monitor the human rights situation in China today.

Two weeks ago, fourteen people were brought to trial in Beijing after more than two years in detention. They have been charged with carrying out "counterrevolutionary" activities -- namely, attempting to commemorate the third anniversary of the Tiananmen Square massacre, taking part in dissident groups and producing political pamphlets. In short, these men face criminal prosecution and further imprisonment for attempting to exercise the rights that are guaranteed them under international law and that are at the heart of every democratic society.

The chances that these men will receive due process -- a fair trial, the ability to defend themselves or question witnesses against them -- or that their families will be able to be present at the proceedings are remote. Instead, it is almost certain that they will suffer the fate dealt to thousands of others like them who have been subjected to inhumane treatment -- even torture -- by their captors, and whose courage and spirit the Chinese authorities have sought to extinguish in the name of national security.

Chinese Premier Li Peng, who played a critical role in ordering the attack on the Tiananmen demonstrators in 1989, marked the anniversary of that bloody event by formalizing in law what every Chinese citizen has known as fact. China's new state security regulations, promulgated on June 4, criminalize speech, writing and any other actions that deviate from the Communist Party's position on any issue. Unauthorized contact between foreigners and Chinese citizens accused of violating state security is banned, and the government reserves the right to confiscate fax machines, computers and other telecommunications equipment that authorities consider a threat to state security. This latest move to codify strict repression of freedoms of association, expression, information and opinion emphasizes the continuing downward spiral of Chinese government human rights practices.

The Chinese government's actions in recent months, and previously, belie the argument, touted by supporters of extending United States Most-Favored-Nation trade status (MFN), that economic liberalization and growth in China will lead to greater respect by the government for its citizens' civil, political, economic, social and cultural rights.

When President Clinton announced his decision to extend MFN status to China, he said that "extending MFN will avoid isolating China and instead will permit us to engage the Chinese with not only economic contacts but with cultural, educational and other contacts, and with a continuing aggressive effort in human rights."

It has taken only two months to prove this judgment wrong on all fronts.

From the first, revocation of China's MFN status -- in full or in part -- did not threaten to isolate China. In fact, the concern that European businesses would take opportunities denied to U.S. concerns through Chinese retaliation was put forward by U.S. businesses as an argument against revocation.

Another argument was that, somehow, U.S. business involvement in China would lead to human rights improvements. This has not been the experience in China, and the enactment of the new security regulations would seem to limit the potential impact of well-intentioned efforts by the U.S. business community there. Ironically, though not surprisingly, China's new security regulations, enacted only days after the President's announcement, close the door even further to ending the isolation of Chinese citizens from the information and ideas available to them from the outside world.

Other arguments put forward by supporters of MFN for China were that MFN was critical in maintaining China's goodwill and cooperation with regard to jobs and nuclear proliferation. These, too, have proven to be false arguments.

The United States has a growing trade deficit with China that is second only to that with Japan and that threatens to reach more than \$30 billion in 1994. China's market is closed to U.S. products in all but a few categories of exports. Rather than reciprocate the trade benefits that the United States has bestowed through MFN, China continues to bar access to its market, export goods made under conditions of forced labor in violation of U.S.-Sino agreements, and violate intellectual property rights. These measures undercut products made by U.S. workers and cost U.S. jobs.

The Administration's experience in working with China to encourage cooperation from North Korea on International Atomic Energy Agency inspections has undermined the argument that extension of MFN would lead to support from the Chinese for North Korean compliance with its treaty commitments. In the midst of growing tensions between the United States and North Korea over this issue, China has declared that it and North Korea are "as close as lips and teeth." In addition, China reportedly has agreed to provide energy and food assistance to North Korea if U.N. sanctions are imposed.

The Clinton Administration's "vigorous, multi-faceted human rights policy," announced at the time of the MFN decision, has come out of the starting gate like an old nag, saddled with neglect.

Among the new initiatives, the Administration has pledged to "increase contact with and support for groups and individuals in China who are promoting law reform and human rights." One hopes that such contact and support can be safely realized despite its criminalization under the new security regulations. The experience of U.S. Assistant Secretary of State for Human Rights and Humanitarian Affairs John Shattuck is illuminating. He was accused by the Chinese government of having committed a criminal offense by meeting with prominent human rights activist Wei Jingsheng this past February. Wei was detained following that meeting and remains held incommunicado. Chinese officials have said that Wei is being investigated for suspected "new criminal offenses," and it has been reported that he may be charged with "inciting counterrevolutionary propaganda." As a result of Wei's courage in supporting human rights improvements in China, he may face trial and imprisonment or administrative detention.

Another initiative, the development of a voluntary set of principles for U.S. businesses operating in China, has met with resistance from the business community and seems to be foundering from lack of clear Administration leadership.

The Administration also said it would "step up efforts" to increase international broadcasting to China, through the establishment of Radio Free Asia and increased Voice of America (VOA) radio broadcasts. Yet when the Congress met to discuss budget allocations for Radio Free Asia, Administration support was notably absent. VOA Chinese language broadcasting has increased. However, the Administration has failed to commit adequate funding for this programming and for Tibetan language broadcasts, and the Tibetan service continues to operate below the Congressional mandate of two hours a day.

Efforts to cease Chinese jamming of international broadcasts, as required by the President's May 1993 Executive Order on MFN, are at a standstill. U.S. technicians invited to Beijing to resolve the problem of interference with broadcasts in the weeks leading up to the MFN decision were left high and dry when their Chinese counterparts quit the talks once the announcement of MFN extension was made.

Any movement toward improving the human rights situation in Tibet has also been derailed by the MFN decision. Despite its post-MFN pledge to "plan international actions to address Tibet's human rights problems," the Administration apparently has taken no action in this regard, and no progress has been made in getting the Chinese government to meet with the Dalai Lama.

The connection between MFN and human rights improvements was an effective one. Responding to the possibility of losing MFN, Chinese authorities released political prisoners, pursued talks on ending exports of forced-labor-made products, and granted exit visas to Chinese citizens wishing to leave China. This focus on China's human rights record yielded results and promised future progress.

The President's decision to proffer MFN despite Chinese failure to comply with the human rights conditions attached to his 1993 Executive Order concerning MFN extension has undermined the importance of human rights as an element of U.S. foreign policy toward China, and around the globe. It has dealt a severe blow to reformers -- within the Chinese government and at the grassroots -- and has opened the way for increased human rights abuses by the central government.

Major political trials have begun again in Beijing after a three-year respite, jamming of international broadcasts continues at the previous levels, and new repressive laws have been enacted. The dialogue between the United States and China on human rights has been interrupted, with no signs of being taken up again.

While the Administration's new initiatives in the field of human rights may prove helpful in the long term, they are marred by a lack of political will from the White House in carrying them forward. Ultimately, it will not be through an additional daily hour of radio broadcasting or cultural exchange programs or a voluntary set of business principles that the central leadership of China moves to improve its abusive practices and laws and takes steps to become a responsible member of the international community. The Clinton Administration's current initiatives on human rights in China are ineffective in gaining the release of political prisoners, ensuring humane treatment of detainees or establishing freedom for workers to organize for improved working conditions and decent wages.

The United States must be strong in its resolve to uphold human rights principles, for the good of the Chinese people as well as ourselves. Checks on abusive power and corruption require democracy, and democracy requires dissent, freedom of association, and the other basic human rights and freedoms that are universal under international law.

The Administration has made it clear that its relationship with China is full of many conflicting priorities and that concern for human rights takes last place. It is up to the Congress to reverse this misguided policy by sending a strong message to China's leadership that repressive practices that threaten human dignity and development do not qualify China for preferred treatment from the United States.

Statement of Congressman Pete Stark
Subcommittee on Trade
Committee on Ways and Means

July 28, 1994

Mr. Chairman, thank you for the opportunity to testify today on HR 4590, The United States-China Act of 1994. I appreciate the subcommittee's attention to this important issue and I am pleased to join my distinguished colleague from California, Mrs. Pelosi, as an original cosponsor of this legislation.

The United States-China Act is a reasonable response to China's failure to meet the human rights conditions set by President Clinton in his executive order of May 28, 1993. HR 4590 does not cut-off MFN across the board, but targets firms operated by the People's Liberation Army and defense industrial trading companies. This sanction is especially appropriate because these Chinese defense firms have long contributed to weapons of mass destruction in other countries.

The PRC has an especially troubling record on nuclear proliferation. According to recently released U.S. intelligence reports, China:

- continues to resist joining the major international nuclear export control organization, the Nuclear Suppliers Group.
- has refused to require its customers purchasing nuclear technologies to comply with international safety standards.
- is currently providing training to Iranian specialists in various nuclear fuel-related areas, training which could be valuable in the development of an Iranian nuclear weapons program. In the words of CIA Director James Woolsey, China is "Iran's principal nuclear supplier."
- has contributed to Pakistan's nuclear weapons program in the past and may be continuing to help Islamabad develop the bomb.

In addition, China has failed to comply with its pledges on missile nonproliferation. Last summer, President Clinton determined that China had violated its commitment on the Missile Technology Control Regime by delivering M-11 ballistic missile related equipment to Pakistan in late 1992. The M-11 can deliver a 1600 pound payload -- more than enough for a nuclear weapon -- 290 kilometers. This is a very destabilizing weapon for the Asian subcontinent.

The PRC also has an established relationship providing short range missile technology to Iran. The U.S. intelligence community has expressed concern that in the future China could supply Tehran with a newer anti-ship cruise missile it is marketing which would give Iran a long-range stand-off capability against surface ships -- a capability it now lacks. According to press reports, China is negotiating to provide additional missile technology to Iran. *The Wall Street Journal* reported in March that the Defense Intelligence Agency believes that Beijing has transferred advance missile technology to North Korea.

Finally, China is the only one of the five nuclear-weapon states that is not observing the moratorium on nuclear testing. China has conducted two underground nuclear tests over the last year as part of a program to upgrade its nuclear forces. China's continued nuclear testing is complicating international negotiations to conclude a comprehensive test ban (CTB). Many nonproliferation analysts in and out of government believe that conclusion of a CTB is vital to a successful long-term extension of the Nuclear Non-Proliferation Treaty (NPT). The NPT comes up for extension next year.

Despite China's dismal record on nonproliferation, there are some who argue that the U.S. cannot impose even narrowly targeted sanctions on the PRC, because we need its cooperation to stop North Korea's nuclear weapons program. However, thus far China has provided little help and much obstruction in efforts to get North Korea to accept international inspections on all of its nuclear facilities. Even though Pyongyang violated the Non-Proliferation Treaty almost a year and a half ago, the United Nations Security Council has failed to take any significant action, due to a veto threat from China. According to South Korea's largest newspaper, *Choson Ilbo*, Chinese military leaders met with their North Korean counterparts in early June and pledged to provide troops and food and energy assistance in case of war or economic sanctions. Some Administration sources claim that China is providing valuable help behind the scenes, but little progress has been made in getting North Korea to come clean. Rather, Pyongyang has continuously broken nonproliferation pledges it has made over the last several years, most recently in promising not to unload spent fuel from its research reactor without international inspectors present. There is little evidence that *kow towing* to Beijing on trade is bringing any results on North Korea.

It is also argued the President already has authority to impose sanctions on China for violating its commitments on nonproliferation. However, existing sanctions authority is too limited. After the Administration determined that Beijing had sold missile technology to Pakistan, the President imposed the sanctions available under existing law -- a ban on U.S. exports to China of missile-related equipment, including satellites. This sanction was too narrow to hurt the Chinese and had more negative impact on U.S. firms. A better alternative is to deny the PRC access to the U.S. market. There is legislation pending before Congress that would provide the President authority to impose import sanctions on countries contributing to nuclear proliferation. However, the sanctions are not triggered unless the country

engages in a very high level of proliferation activity. There are reports that the Chinese are contributing to nuclear weapons programs in Pakistan and Iran -- programs that pose a serious threat to U.S. national security. The PRC could provide extremely valuable assistance to these countries without reaching the high level necessary to trigger the sanctions.

The United States - China Act of 1994 is justified on both human rights and nonproliferation grounds. The Chinese are projected to run a \$30 billion trade surplus with the U.S. this year. We receive nearly 40% of the PRC's exports, while they receive only 2% of ours. Given these numbers, Beijing has no incentive to engage in a trade war with the United States -- it has far more to lose. HR 4590 sets forth a reasonable, targeted response to Chinese behavior. I wish to commend Ms. Pelosi for her outstanding and longstanding leadership on these important issues.

**STATEMENT OF WILSONS THE LEATHER EXPERTS
IN OPPOSITION TO H.R. 4590, THE UNITED STATES-CHINA ACT OF 1994**

Wilson's The Leather Experts, a major retailer and importer of leather apparel, strongly opposes H.R. 4590, the "Pelosi sanctions bill," on the grounds that its enactment would (1) undermine the President's leadership on U.S.-China policy, (2) be counterproductive to U.S. human rights objectives, (3) limit the ability of the U.S. to further its trade and nuclear non-proliferation agendas, and 4) create an administrative nightmare because its provisions are unworkable. Given the Clinton Administration's clearly enunciated and comprehensive U.S. policy toward China, which sets forth U.S. objectives and a strategy of engagement to achieve those objectives, legislation on this subject is inappropriate and unnecessary and only serves to prolong a divisive debate.

About Wilsons

Wilson's has a strong interest in this issue. With 550 stores in Middle America malls throughout 38 states, and more than 8,000 employees (which expands to 11,000 during the Christmas season), serving predominantly low to middle income consumers, U.S. relations with China have a substantial impact upon our business.

Under most-favored-nation (MFN) duty rates, imported leather apparel enters the United States at a six percent duty rate; without MFN status, the duty rate rises to 35 percent. That differential would be enough to cost Wilson's at least 25 percent of its business. For example, one of Wilson's' most popular winter coats, a men's cowhide jacket with a retail price of \$199 during the 1993/94 winter season, would carry a price tag of almost \$270 if MFN duty treatment were not available. Needless to say, many Wilson's customers, who are extremely price-conscious, could not afford the higher price. As Wilson's sales decline, so would the number of Wilson's stores and employees.

Wilson's imports the majority of its leather apparel from China. It does so as a matter of necessity; other sources of supply of quality merchandise in the quantities and at the price points essential to Wilson's' business are extremely limited. Not that long ago, much of our sourcing was from Korea. However, as Korea's economy developed, many of its workers were provided with the opportunity to move to higher paying jobs in the service and high technology sectors. As a result, many of the companies with whom Wilson's had been dealing in Korea set up ventures in China, using Chinese labor. Wilson's has followed its long-time suppliers to China.

Notably, in many instances, the hides being used are U.S. sourced (although they are usually tanned and finished outside the U.S., in locations other than China). Thus, it is not only Wilson's' jobs, facilities and customers that are at stake here, our suppliers have much to lose as well.

The President's Leadership Should Be Followed

Since 1989, U.S.-China trade relations have been precarious, a situation which has placed Wilson's' business in a state of virtually perpetual uncertainty. This year, finally, President Clinton has created an opportunity to move our relationship with China forward, to the benefit of the Chinese people and the United States, including both U.S. businesses and U.S. consumers. Rather than second-guessing the President's decision, or attempting to oversee the Administration's policy-making apparatus, the Congress should respect the President's leadership and provide the Administration with the time to prove that its policy of comprehensive engagement with China is effective.

The President's decision was not easily reached, but it was obviously well-considered. He recognized that neither the threat of or actual imposition of trade sanctions is the best course for advancing the cause of human rights and that the linkage between trade sanctions and human rights reform should be dropped. The additional sanctions that he did impose upon China were targeted to specific U.S. concerns, arms and ammunition. He also set forth an agenda of comprehensive engagement, and increased support for activities that will further permeate the Chinese society with American thinking, such as expanded radio broadcasts into China.

In the face of the President's own Executive Order of May 28, 1993, the decision to de-link conditions on trade and human rights reform this May was a bold one. It was a decision that finally acknowledged that the link between trade and human rights can and should be a positive linkage, not a negative threat or a punishment, because the very existence of trade will promote human rights and will give us the ability to maintain pressure on a broad range of issues. The President made clear that the recognition that sanctions are not appropriate to address human rights concerns did not mean that his Administration would not pursue human rights reform. To the contrary, the President committed to maintaining the pressure for human rights reform by broadening the dialogue, continuing to push for prisoner visits by the International Committee of the Red Cross and for discussions between Beijing and the Dalai Lama on Tibet, and by committing to seek multilateral support.

Trade Sanctions Are Counterproductive

Wilson is confident that the President was correct when he determined that engagement rather than sanctions is the means for promoting change within China. On all fronts, including human rights, trade, and national security concerns, the U.S. is far more likely to make inroads if it maintains its relationship with China. There can be no question that the sanctions called for by the Pelosi bill would only mean that engagement would be curtailed, and such curtailment would limit the ability of the U.S. to influence Chinese thinking and Chinese actions.

Yet, the presence of U.S. companies, with American values to impart to the Chinese people, is probably the most effective means of achieving human rights reform in the long run. Human rights reform must be a long-term goal. "Significant progress" in the short-term is not a reasonable goal, however laudable. While frustration over the slowness of the process is understandable, sanctions would unquestionably further slow the process by limiting the ability of the U.S. Government and U.S. companies to influence and mold the process.

The Pelosi Bill Thwarts Other U.S. Objectives

It is inevitable that the imposition of the broad trade sanctions on China required by the Pelosi bill would result in retaliation by the Chinese against U.S. exports and a disinclination by the Chinese toward continued negotiations on trade objectives being pursued by the U.S., such as market opening and enforcement of intellectual property protection laws. While our competitors in Europe and Japan would gain further footholds in the vast Chinese market, American firms would be left behind. Any market openings and improvements in trade rules and their enforcement would inure to the benefit of others, not to U.S. businesses, who would be precluded from participating as a result of Chinese retaliation. The pain to the Chinese Government as a result of U.S. sanctions would be minimal, and would inevitably be overcome by the diversion of trading opportunities to our competitors. It is the U.S. that would be isolated by trade sanctions, not the Chinese.

Without a continuing dialogue with the Chinese, and a relationship that is built upon engagement rather than confrontation, China is also unlikely to be willing to cooperate with the U.S. on issues such as nuclear non-proliferation. China's support non-proliferation issues, including resolution of the North Korea nuclear issue, is far from certain, but is far more likely if our two countries are engaged and not in the process of retaliating against one another.

The Pelosi Bill Is Unworkable

The Pelosi bill has been falsely painted as a compromise bill; supposedly an improvement over past conditions bills that falls short of complete revocation of MFN status for all Chinese products of state enterprises. As a practical matter, however, H.R. 4590 is virtually indistinguishable from the conditions bills introduced during the 102nd Congress. It does not strike any middle ground. Its mandatory sanctions are sweeping in scope and impossible to administer.

Wilson has no reason to believe that its suppliers in China are using facilities in which the People's Liberation Army has an interest. Further, Wilson's leather apparel is not within one of the Harmonized Tariff Schedule chapters described by the bill. Yet, Wilson cannot be 100 percent certain that its products are outside the scope of H.R. 4590's sanctions. The fact is that Wilson would have no way of knowing whether the PLA has an ownership interest in any facility in which leather apparel is produced or through which these goods are exported to the U.S. If Wilson has no way of knowing this, how are U.S. Customs Service officials going to be unable to make such a determination?

Clearly, the determinations called for by the Pelosi sanctions bill cannot be made, and all incoming trade from China, including Wilson's goods, would likely be impeded as the U.S. Customs Service struggled to cope with unworkable directions from the Congress. What can be stated with certainty is that the Chinese would retaliate, and the entire trading and diplomatic relationship would deteriorate dramatically.

Conclusion

Wilson commends the President's decision, announced on May 26, 1994, to renew China's MFN status without conditions while pursuing of policy of comprehensive engagement. Legislation contradicting the President's announced policy or otherwise seeking to manage the President's policy in this arena only undermines U.S. objectives with respect to China, and limits the ability of U.S. companies to make long range business plans. Wilson urges the Congress to allow the President to follow through on the new policy, and to allow the process of U.S. influence, at all levels - from individuals to businesses to U.S. diplomats, to positively affect the course of human rights reform in China.

Respectfully submitted,

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