

105
UNITED STATES-CHINA TRADE RELATIONS

Y 4. W 36: 103-85

United States-China Trade Relations...

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

SECOND SESSION

FEBRUARY 24, 1994

Serial 103-85

Printed for the use of the Committee on Ways and Means



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UNITED STATES—CHINA TRADE RELATIONS

THURSDAY, FEBRUARY 24, 1994

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

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 1100, Longworth House Office Building, Hon. Sam Gibbons (chairman of the subcommittee) presiding.

[The press release announcing the hearing follows:]

FOR IMMEDIATE RELEASE
THURSDAY, FEBRUARY 3, 1994

SUBCOMMITTEE ON TRADE #25
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
1102 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
TELEPHONE: (202) 225-1721

THE HONORABLE SAM M. GIBBONS (D., FLA.), CHAIRMAN,
SUBCOMMITTEE ON TRADE, COMMITTEE ON WAYS AND MEANS,
U.S. HOUSE OF REPRESENTATIVES, ANNOUNCES
A PUBLIC HEARING ON
UNITED STATES-CHINA TRADE RELATIONS

The Honorable Sam M. Gibbons (D., Fla.), Chairman of the Subcommittee on Trade, Committee on Ways and Means, U.S. House of Representatives, today announced that the Subcommittee will hold a public hearing on U.S.-China trade relations, with particular emphasis on implementation of the Administration's May 28, 1993, Executive order conditioning the extension of China's most-favored-nation (MFN) status beyond July 3, 1994, on human rights progress in China. The hearing will be held on Thursday, February 24, 1994, in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 10:00 a.m.

Title IV of the Trade Act of 1974, the so-called Jackson-Vanik amendment, governs United States trade relations with nonmarket-economy countries, including China. Title IV sets forth freedom-of-emigration criteria that must be met or waived by the President, as well as minimum provisions that must be included in a bilateral trade agreement, in order for the President to grant MFN status to a nonmarket-economy country.

MFN status was first granted to the People's Republic of China on February 1, 1980. China's nondiscriminatory trade status has been extended annually since then on the basis of a Presidential waiver of the freedom-of-emigration requirements in subsections 402(a) and (b) of the Trade Act of 1974.

Unless renewed, the President's waiver authority, and consequently China's MFN status, expires as of July 3 each year. The renewal procedure under section 402(d) (1) requires the President, if he determines that waiver-authority extension will substantially promote freedom-of-emigration objectives, to submit to the Congress a recommendation for a 12-month extension no later than 30 days prior to the waiver's expiration, i.e., no later than June 3, together with his reasons for the recommendation. The President may, at any time, terminate by Executive order any waiver granted under section 402. The extension of the waiver authority for an additional 12 months is automatic unless a joint resolution of disapproval is enacted into law within 60 calendar days after the July 3 expiration of the waiver authority.

On May 28, 1993, President Clinton announced his decision to waive for another 12 months the freedom-of-emigration requirements under Title IV of the Trade Act of 1974 for China, thereby granting this country MFN status between July 1993 and July 1994. At the same time, President Clinton issued an Executive order stating that China will be expected to meet seven conditions in order to receive MFN status beyond July 1994.

The conditions attached to the mid-1993-mid-1994 extension of China's MFN status are largely human rights related, including requirements for an acceptable accounting and release of political prisoners in China and for assurances on the humane treatment of Chinese prisoners. On five of the seven conditions, the Administration is seeking "overall significant progress," that is, progress measured by examining how far China has come one year from the date of the Executive order on all five considered together. The other two conditions, those on emigration and the export of goods made using prison labor, are so-called "must meet" conditions. The Executive order directs the Secretary of State to prepare a report before June 3, 1994, on the extent to which China has complied with the specified conditions.

The Executive order also directs the Secretary of State and other appropriate U.S. officials to pursue all "legislative and executive actions" to ensure that China abides by its commitments to follow fair, nondiscriminatory trade practices in dealing with U.S. businesses, and

(MORE)

adheres to the Nuclear Non-proliferation Treaty, the Missile Technology Control Regime guidelines and parameters, and other non-proliferation commitments.

DETAILS FOR SUBMISSION OF REQUESTS TO BE HEARD:

Requests to be heard must be made by telephone to Harriett Lawler, Diane Kirkland, or Karen Ponzurick [telephone (202) 225-1721] by close of business Monday, February 14, 1994. The telephone request should be followed by a formal written request 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. The Subcommittee staff will notify by telephone those scheduled to appear as soon as possible after the filing deadline. Any questions concerning a scheduled appearance should be directed to the Subcommittee office [(202) 225-3943].

In view of the limited time available to hear witnesses, the Subcommittee may not be able to accommodate all requests to be heard. Those persons and organizations not scheduled for an oral appearance are encouraged to submit written statements for the record of the hearing. All persons requesting to be heard, whether they are scheduled for oral testimony or not, will be notified as soon as possible after the filing deadline.

Witnesses scheduled to present oral testimony are requested to briefly summarize their written statements. The full statement will be included in the printed record.

In order to assure the most productive use of the limited amount of time available to question hearing witnesses, witnesses scheduled to appear before the Subcommittee are required to submit 150 copies of their prepared statement to the Subcommittee on Trade office, room 1136 Longworth House Office Building, at least 24 hours in advance of their scheduled appearance. Failure to do so may result in the witness being denied the opportunity to testify in person.

WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE:

Any interested person or organization may file written comments for inclusion in the printed record of the hearing. Persons submitting written comments for the printed record should submit at least six (6) copies of their comments by the close of business Monday, February 28, 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 statements for the printed record of the 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 office, room 1136 Longworth House Office Building, before the hearing begins.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments 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 in which the witness will appear or, for written comments, the name and capacity of the person submitting the statement, as well as any clients or persons, or any organization for whom the witness appears or for whom the statement is submitted.
4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. 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.

Chairman GIBBONS. Good morning, folks. Let us come to order.

As everyone knows, this is a meeting of the Ways and Means Subcommittee on Trade. We are here to examine at midterm progress toward the implementation of the President's May 28 Executive order on China's MFN status.

I announced 1 year ago that we would have these midterm hearings. As I just told Ms. Pelosi, I regret that they were not in January, but I think everyone is familiar with the congressional schedule and knows how tough it has been to schedule these hearings.

MFN for China is one of the most difficult issues we face, and we are going to have to face it for years to come, it looks to me, unless someone can suggest a better way to manage U.S.-China relations.

Since I announced these hearings, I have been thinking, and thinking hard, about where we stand on the whole issue of China's MFN status. I do not believe that enough progress has been made to date to justify the President's recommending to the Congress that China receive MFN for another year. But there is still time, and I am optimistic that the Chinese themselves, working with us, will address the deficiencies in their human rights record, thereby making MFN extension possible for another year.

I support what the President is doing. I think it is wise. And I want to lend as much vigor to his operation as I can.

Members of the Committee on Ways and Means and its Subcommittee on Trade visited China last year, in August. We met with many, many officials there, including the President of China. Our message was very clear: That we wanted to see better treatment of the Chinese people by the Chinese Government; we wanted to see a greater emphasis upon human rights. We presented a list of political prisoners whom we thought should be released immediately. Some have been released. And we had constructive meetings with the Chinese officials.

I am very impressed with the physical progress that has been made in China over the years in which I have been privileged to go there. That physical progress is remarkable. I am not quite as happily satisfied with China's progress on human relations and on how the Chinese Government treats its people. These are the kinds of things that we will be assessing in deciding whether to grant China most-favored-nation status for another year. I think the Chinese are trying to improve.

We have got a fine group of witnesses this morning.

Mr. Matsui, would you like to make a statement?

Mr. MATSUI. No, Mr. Chairman.

Chairman GIBBONS. Mr. Neal.

Mr. NEAL. No, Mr. Chairman.

Chairman GIBBONS. Mr. Thomas.

Mr. THOMAS. No, Mr. Chairman.

Chairman GIBBONS. OK. To start, I want to call attention to the fact that I have 2 pages of witnesses for today, and I would like to listen to each one at great length. But that is going to be impossible. I know each one of you has a lot to say, but I would ask that each of you please be as succinct as possible. We will hear from all of the Members wanting to testify, and then we will go to the rest of the witnesses.

Mr. Solomon, you are first.

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

Mr. SOLOMON. Well, Mr. Chairman, first of all, out of courtesy to you and the other members, I will give you my short version, which is not all that short. But I really do appreciate very much the opportunity to join with these colleagues here at the table to discuss with you the subject of renewing for another year the most-favored-nation trade status for the People's Republic of China. Again, Mr. Chairman, I thank you for living up to your word in holding these interim hearings on this vital subject. This hearing is the first installment of what promises to be a protracted and significant debate on this issue.

Mr. Chairman, a little more than 3 months from now, President Clinton will be required to submit to the Congress his recommendation on whether or not the most-favored-nation status for China should be renewed. As every Member knows, this annual renewal process has sparked considerable controversy among friends—Republicans against Republicans, Democrats against Democrats—because of the controversial nature of the issue.

In order to defuse the controversy last year and to give the Chinese Communist Government a little more time to improve its wretched performance with respect to human rights practices, the President issued an Executive order setting forth the conditions that China would have to meet in order for its MFN status to be renewed in 1994. Much of the credit for that Executive order should be given to Ms. Pelosi, sitting next to me, Tom Lantos, Pete Stark, and a number of us who have constantly tried to hold the feet of Congress and the administrations—regardless of whether it be Republican or Democrat—to the fire on this issue.

I give the President credit for his order calling for "overall, significant progress" concerning the following five human rights issues—and I think you all should listen very carefully to this and so should everyone throughout the world.

No. 1, adherence to the universal declaration of human rights. Think about that.

No. 2, release of prisoners and detainees being held for the "non-violent expression of their political and religious beliefs." And, Mr. Chairman and members, you are going to hear from some witnesses on that issue. Think about it.

No. 3, humane treatment of prisoners. You are going to hear from a missionary today who is going to talk about the kind of treatment he received as a prisoner.

No. 4, protection of Tibet's "distinctive religious and cultural heritage." Think about that. Many of you have been there. You know what is going on.

Number five, noninterference with international radio and television broadcasts into China.

Mr. Chairman, the President's order also drew indirect but implicit linkage between China's MFN renewal and two more issues: The maintenance by China of "fair, nondiscriminatory trade practices in dealing with U.S. businesses"; and, second, China's adher-

ence to the Nuclear Nonproliferation Treaty, the Missile Technology Control Regime, and "other nonproliferation commitments."

And so, Mr. Chairman, the question now occurs: How is China doing? Does China's record since its MFN was renewed last summer, pursuant to the President's condition, warrant yet another renewal?

Mr. Chairman, we will not, of course, have a final answer for another 3 months. And if the past is any guide, we can expect to see a flurry of activity by the Chinese Government during the month of May, as we always do. But, Mr. Chairman, the same old gimmicks will not be enough. 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 be renewed.

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, as I have done for the last 4 years.

Mr. Chairman and members, recent statements by senior spokesmen for the administration itself have indicated that the Chinese Government's human rights performance is unacceptable and does not, thus far, meet the President's criteria.

On January 23, Secretary of State Christopher had this to say. I would like to quote it for the record and for all to hear again: "I would not want to mislead in any way. They"—meaning China—"have not in my judgment made enough progress to justify my saying that there has been significant overall progress." He went on to say, "I think that at the present time they have not met the conditions of the Executive order."

Our former colleague Tim Wirth, who is now the counselor to the State Department, acknowledged just 3 weeks ago that "much more significant progress is going to be necessary" in order for MFN to be renewed.

And, finally, we have the testimony of the State Department's "Country Reports on Human Rights Practices for 1993." I think Ms. Pelosi has it here in front of her. According to that report, China's "overall human rights record in 1993 fell far short of internationally accepted norms as it continued to repress"—let me repeat that—"continued to repress domestic critics and failed to control abuses by its own security forces."

The report goes on to say that "during 1993, China had a continuing climate of repression, a pattern of abuse in its prisons, difficulties for dissenters, and particular repression in Tibet."

In short, Mr. Chairman and members, there has been little, if any, movement by China in any of these five areas listed in the President's order.

Moreover, late last year, the Chinese Government unveiled the draft of a proposed new policy, "On Eugenics and Health Protection." The New York Times summarized that policy draft this way: It "simply expresses, in extreme form, the Chinese Communist Government's philosophy * * * that population management is essential to China's economic development, and individual liberties must be subordinated to the goals of those in power." My God.

The New York Times went on to say that "Americans and others outside of China should not hesitate to express their horror * * * the compulsory tactics envisioned by the draft are absolutely repugnant." That is what the New York Times said, and they said it so well.

Mr. Chairman and members, not since the days of Nazi Germany has a government openly expressed its desire to "avoid new births of inferior quality." This is social engineering of a hideous nature on a potentially monstrous scale.

Mr. Chairman, one could go on and on providing the details of human rights abuses in China. As the MFN renewal debate unfolds in the coming weeks and months, more such information will be presented. China's sorry record with respect to trade practices and nonproliferation cooperation will also be examined.

And, Mr. Chairman, this ought to ring home to everybody. In my district, IBM has just laid off another 3,000 people. General Electric Co. has laid off another 500. Scott Paper just laid off another 300. And it goes on and on and on. We are talking about American jobs.

Last year we racked up a \$23 billion trade deficit with China—an increase of \$5 billion over the previous year. And that was a jump of almost 50 percent from the year before.

Mr. Chairman, suffice to say today that China's continued dumping—and I say dumping—of textile products and other exports in American markets, its industrial espionage directed against American companies, its closed markets to U.S. goods, and its lack of cooperation in dealing with the North Korean nuclear threat should not be winning any friends in Congress.

Mr. Chairman, I will close by reiterating the central point in my argument. China will need to take meaningful and dramatic and unprecedented steps over the next 3 months in order for President Clinton to be able to recommend—in good conscience that MFN be renewed for another year. I hope we all heed his Executive order and we all should continue the discussion with President Clinton about how we can improve this absolutely deplorable situation in China.

I thank the committee for your time. Thank you, Mr. Chairman.

Chairman GIBBONS. Thank you, Mr. Solomon.

Mr. SOLOMON. I have a rule on the floor on the education bill, and I am going to have to leave.

Chairman GIBBONS. Maybe we had better keep you here. [Laughter.]

Mr. SOLOMON. You might like my next speech on the floor.

Chairman GIBBONS. Oh, OK. Some day when I have a couple of days, I would like to hear your long statement. [Laughter.]

Next, Mr. Dreier.

STATEMENT OF HON. DAVID DREIER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. DREIER. Thank you very much, Mr. Chairman. Let me say it is a privilege for me to once again appear before this subcommittee.

As you all know, since the horrible days 5 years ago when the morally bankrupt Chinese leadership used tanks and troops to

crush the massive prodemocracy demonstrations in Beijing, we have pursued a policy tying MFN status to human rights conditions. I have opposed that policy from the very beginning.

From the beginning, Mr. Chairman, this debate has boiled down to a question of effectiveness, not goals. We all believe that bringing democracy and a respect for human rights to China is critically important. Just the same, we all want the Chinese Government's cooperation in peacefully obtaining denuclearization of North Korea.

We are each disturbed by Chinese exports of missile technology to countries like Syria, Iran, and Pakistan, and reports of slave labor. But we each know the importance of Chinese cooperation in the U.N. Security Council.

Those who support extending MFN to China must admit that human rights progress in China over the past year has not been tremendous. At the same time, those who have advocated cutting off trade relations with China must admit that tying economic relations to China to their human rights record has not achieved the desired goals. Cutting off MFN is such a devastatingly blunt threat that it has not been effective.

First, the threat increasingly lacks credibility. Cutting off MFN is the economic equivalent of fighting a nuclear war. As we know, threatening to use nuclear weapons is really only credible in response to other weapons of mass destruction. On the economic side, cutting off MFN is similar. It is not an effective threat for more limited goals, and those are the kinds of goals we are pursuing.

Second, it is obvious that America's economic relations with China have a positive effect on the cultural and economic development of that country. Those relationships do not change a country in 1 year or 2 or 5, especially when a country is over 4,000 years old. However, those relationships certainly lead down the road toward real progress.

Finally, both for economic and geopolitical reasons, we cannot afford to cut ourselves off from an Asian economic and political superpower. Maintaining contact between our two nations is a vital American national interest. Ending MFN would not cut off China to the world. It would cut off the United States to a critically important part of the world.

Last year, the World Bank issued a report measuring national economies on a purchasing power parity basis. In other words, they looked at production and consumption of goods and services, rather than exchange rates and money. That study ranked China as already the third largest economy in the world behind the United States and Japan, and China is gaining on Japan. A potential trade war with Japan should lead us to consider the ramifications of cutting off the fastest growing market for U.S. products.

China's economic development is critical to our Asian neighbors. Drawing China deeper and deeper into a market-based regional economy in the Asian-Pacific region is critically important. As an exporter, the United States wants to see strong growth throughout the Pacific rim. In addition, the United States remains the region's preeminent military superpower, so peaceful codevelopment among the region's countries is in our interest.

Our current China policy is crippled. It cannot achieve the goals we all support. Even worse, by putting our government through a debilitating annual debate on whether we have economic relations with China at all, we preclude the development of a consensus policy on supporting democracy and human rights.

I believe it is time to try something new. First and foremost, that means putting aside this destructive and ineffective battle over MFN. That does not mean we turn away from the heroic advocates of Chinese democracy, dissidents such as Fang Lizhi, whom you are going to be hearing from later, the religious leaders, and the people of Tibet, just to name a few.

Instead, it is time to focus on our Nation's strengths. Our advocacy of free market economics will eventually bring a much freer society. We should encourage American businesses to press deeper and deeper into China. Of course, they will not do that if we are threatening to cut them off every year.

We should encourage the further development in China of private property rights, constitutional law, entrepreneurship, and educational contact with the West, as President Nixon opened it. These things will bring freedom.

Who can argue that in the Chinese provinces that have seen the most positive developments, Guangdong and Fujian, the conditions are not the best? Let's put away the big blunt stick of revoking MFN. Just as President Clinton has stated that we will no longer target our ICBMs at Russia, let's not keep our nuclear trade weapons aimed at China.

Rather than refight the annual battle over MFN, let's develop a new policy that focuses on human rights in a more appropriate and potentially successful forum. For example, developing a regional commission on human rights can make this a multilateral Pacific rim effort. That holds more hope of long-term progress.

Mr. Chairman, maintain China's MFN status, but encourage the President to continue to press China to play the role of responsible international leader. Stress that their future as an economic power is tied to trade and consumer products, not military weapons. The energy that this Congress has exerted each year fighting over MFN can be used more effectively by developing a new China policy that sets realistic human rights goals and uses credible means to attain them.

Chairman GIBBONS. Thank you.

Mr. DREIER. I, too, apologize. I have to go back—

Chairman GIBBONS. I understand that you have to go to the floor.

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

Chairman GIBBONS. Mr. Lantos.

STATEMENT OF HON. TOM LANTOS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA, AND CHAIRMAN, SUBCOMMITTEE ON INTERNATIONAL SECURITY, INTERNATIONAL ORGANIZATIONS, AND HUMAN RIGHTS, COMMITTEE ON FOREIGN AFFAIRS

Mr. LANTOS. Thank you very much, Mr. Chairman and members of the committee. I will take a moment of my time, Mr. Chairman, on a personal note. It was on June 6, 1984, that I had the privilege

of walking the battlefields and cemeteries of Normandy with you, and I look forward to doing so again for the 50th anniversary of the Normandy landings on June 6 this year.

Not many people know this, and I hope I do not embarrass you, but you are one of the truly authentic war heroes of the Second World War who did not just speak about human rights but who put his life at risk in the first wave that invaded Hitler's Europe to protect human rights. And I want to publicly salute you for that. [Applause.]

Chairman GIBBONS. Thank you, Tom.

Mr. LANTOS. Mr. Chairman, there is nothing I would love to see more, as one who is a long-time student and admirer of Chinese culture and civilization, Chinese literature and history, than to see the kind of improvements in human rights conditions that would genuinely and honestly allow the President to declare that China has made progress of sufficient proportions to warrant granting MFN for next year, or I would even prefer granting it indefinitely.

And as we begin these very important hearings under your leadership, let me just try to readjust the framework in which these hearings take place. Because my impression has been that the media has created a picture of a group of well-meaning idealists and humanitarians who come up here every year making their ritualistic plea for denying MFN to China, while the hardheaded realists indulge us in listening to us, and then the process goes on and MFN is renewed.

I humbly suggest, Mr. Chairman, that the hardheaded realists are sitting on that side of this argument who propose that we, in fact, use this weapon unless China makes significant and measurable progress, which it has not done thus far.

I am sorry my good friend David Dreier had to leave, but his comment about China not having made tremendous progress in human rights last year would be analogous to saying that someone who tries to maim his or her Olympic opponent by destroying the knee of an athlete does not show tremendous sportsmanship.

No, there has not been tremendous progress, and I will indicate in a moment what progress there has been and how far the Chinese have yet to go.

I also must say, Mr. Chairman, at the outset that, as a professional economist who, for more years than I would care to remember, taught international economics, nothing pains me more than to fly in the face of free trade principles. But there are issues more important than free trade principles.

You know, when the history of the last couple of years is written, perhaps the most significant phenomenon that we will read about, from the vantage point of a history book written in the year 2050, is that in the last 2 years, NATO's credibility has vanished, because at NATO's doorsteps preventable things were happening, which resulted in 200,000 dead and 1.6 million refugees.

There is a danger that there is a parallel vanishing of our credibility on the China issue. We simply cannot claim year after year that we will give them one more year and they really have to perform and if they do not then we will act, and then we fall back into the same ritualistic pattern.

China's human rights performance, Mr. Chairman, has not improved during the past year. There are forced confessions and torture by police and prison authorities. Chinese prisons are filled with thousands of political and religious prisoners who committed the crime of trying to practice the universal basic freedoms of speech and assembly. And you will be hearing later today concerning the most outrageous anti-Christian violence which is occurring in China as we meet here this morning.

Prisoners are used as slave labor for China's huge export market. Coercive birth control practices continue, including forced abortions and forced sterilizations. China continues its brutal occupation and colonization of Tibet, seeking not only to deny Tibetans sovereignty over their own country, but also on destroying the rich and ancient cultural heritage of Tibet.

Restrictions on emigration remain in place for dissidents, and the regime also practices on a large scale, Mr. Chairman, internal exile. Thus, China clearly has not made enough progress on human rights to justify the renewal of MFN status.

Our former colleague, Tim Wirth, counselor of the State Department, acknowledged this at the February 1 hearing of the subcommittee I chair, the Subcommittee on International Security, International Organizations, and Human Rights. This is what Counselor Wirth had to say, and I quote, Mr. Chairman:

"If you look very clearly at the language of the 1993 China Human Rights Report, it notes limited progress," and that word was carefully chosen. "Limited progress does not meet the criteria of overall, significant progress laid out by the President of the United States."

Now, I anticipate before the decision is made, China will announce some more cosmetic changes, carefully timed with maximum publicity. That, too, will be limited progress. That, too, will be make-believe progress.

Now, Mr. Chairman, China, the most populous country on earth, possesses nuclear weapons, has a huge army, and is a member of the U.N. Security Council. Therefore, China exerts enormous influence on world affairs. I think it is extremely important for us not just to focus on human rights, but on the broader framework.

China cannot be allowed to flaunt its international obligations as it currently does. To allow it to continue to do so with impunity is to undermine the very foundations of the international system. China poses a grave threat to regional security in Asia.

What are our key concerns?

No. 1, trade policy. China sharply limits U.S. market access and violates trade agreements day in and day out. China routinely pirates software and other U.S. intellectual properties. China uses prison labor in violation of international labor standards. Our Trade Representative, Ambassador Kantor, recently cited Chinese trade violations in U.S.-Chinese textile trade, accusing the Chinese of transshipping every single year 2 billion dollars' worth of goods in excess of its quota.

Now, we have our second largest trade deficit with China. It is likely to reach \$30 billion this year. It was \$23 billion last year. Thirty-eight percent of Chinese exports go to the United States. We

have never had and never will have the leverage we have today, Mr. Chairman, to move China in a civilized direction.

Let me say a word about nonproliferation of nuclear and conventional weapons. China has supplied advanced weapons and technology to Pakistan, Syria, Iraq, and Iran. The United States has charged that China sold last summer M-11 missile components to Pakistan in violation of the Missile Technology Control Regime. Despite the moratorium on the testing of nuclear weapons that the United States and other nuclear powers are maintaining, China continues to refuse to comply in its nuclear testing program.

Now, China clearly has one of the worst human rights records in the world. The picture has become even grimmer, Mr. Chairman, in recent months as the regime has increased its pressure on both Tibetans and religious believers.

Let me say a word about North Korea. China has been reluctant to use its enormous influence over North Korea in the international effort to compel North Korea to adhere to its obligations under the Nuclear Nonproliferation Treaty. If China were to put pressure on North Korea, North Korea would be compliant. North Korea today is our single worst international policy dilemma.

These four areas that I mentioned are of vital importance to the United States and the international community. All four are interconnected, but underlying all of them is human rights, because a country's human rights performance reveals its attitude toward the rule of law and its standards of conduct and decency.

Thus, Mr. Chairman, I would argue that progress on the human rights front is certain to bring progress in all of the other areas and that a deteriorating human rights record is most assuredly going to be reflected in more egregious performances on all the other fronts. A country that violates the most basic rights of its own citizens is likely to ignore its treaty obligations and to have precious little concern for maintaining peaceful relations with its neighbors.

I now come to my main point, Mr. Chairman. The United States should mobilize all the resources at its disposal to compel better performance by China in all of these areas, especially human rights. It is not, as some in the business community assert, against our self-interest to deny the Chinese Government access to the huge U.S. market and to American technology. It is entirely in our self-interest to try to influence China's behavior in a positive direction.

Trade is the most potent weapon we have in our arsenal, and we will never have more leverage than we do today. China needs us infinitely more, infinitely more, Mr. Chairman, than we need China.

I am certain we can easily find new low-cost suppliers of Barbie dolls, running shoes, and Christmas tree lights. China will have a much harder time finding another market like ours because our economy dwarfs all others. Indeed, China is running a trade deficit with all of its major trading partners, except for the United States. So let's not hesitate to play our hand here. It is a royal flush.

There are other tools at our disposal, Mr. Chairman. The Chinese regime is very sensitive to its reputation, and particularly in the aftermath of the outrage of Tiananmen Square, it is striving for full rehabilitation in the international community. Hence, denying

that regime the right to host the Olympics in Beijing in the year 2000 dealt a very deep blow to the Government's prestige and encouraged millions of brave Chinese citizens who have fought for human rights and democracy.

Related to my last remark, Mr. Chairman, I would like to point out the fallacy of the cultural relativism argument. Many of those who do not want the linkage of U.S. trade and human rights policy buttress this view by saying that the United States should not be the moral conscience of the world. They agree with the Chinese and other egregious human rights offenders that human rights should be tailored to the country's historical and cultural heritage. This view is usually advanced by autocratic regimes that severely restrict political and civil rights. The Chinese use it frequently.

Yet peoples all over the world have demonstrated time and time again that they want democratic regimes, and if given the opportunity for self-government, they will rise to the occasion. This striving for accountable and just government was graphically manifested last summer during the U.N. World Human Rights Conference. Although several governments, including China, tried to roll back the idea of the universality of human rights, their ignoble efforts were thwarted by the nongovernmental organizations. These NGOs, many from Asian countries, denounced the attempts of these governments to roll back international human rights standards and articulated their countrymen's desire for democratic governments, founded on the rights of the individual and the rule of law.

Now, some of my colleagues and some distinguished members of your subcommittee, Mr. Chairman, talk about other weapons, not the trade weapon. This reminds me of the conversation at the end of the Second World War where everybody was waiting for Hitler's secret weapon that would suddenly win the war. We would love to see these other weapons. What are the other weapons that my good friend David Dreier referred to? Let's see them, let's analyze them, and let's debate them. We have not yet seen those other weapons.

In conclusion, Mr. Chairman, the brave human rights activists in China risk their livelihoods, their freedom, and their very lives on a daily basis. We owe it to them to support their courageous efforts in any way that we can. And right now there is no more effective way of helping them than by revoking MFN for China. To do so constitutes both a pragmatic and a moral policy toward a corrupt and brutal regime.

Thank you, Mr. Chairman.

Chairman GIBBONS. Thank you, Mr. Lantos.

Now let us go to Mr. Smith.

STATEMENT OF HON. CHRISTOPHER H. SMITH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. SMITH. Thank you very much, Mr. Chairman, and I deeply appreciate the opportunity to testify before this subcommittee and would ask that my full statement be made part of the record.

Chairman GIBBONS. It certainly will be, sir.

Mr. SMITH. Thank you, Mr. Chairman.

In January, I led a delegation to China in order to engage in frank, constructive talks with Chinese officials regarding deep con-

cerns that remain over China's human rights record. It was out of empathy for the oppressed, the tortured, the prisoner of conscience, the mother being forced to abort her baby, that I went to China again this year to respectfully but firmly petition the Chinese Government for relief.

While mutual economic cooperation is important to both countries and while it would be very easy to put profit over human rights, adherence to internationally recognized standards of human rights, now and into the future, ought to be the cornerstone for any cooperation and for a closer relationship.

The Executive order, as we all know, calls for "significant progress" in the area of human rights. Sadly, as of February 24, 1994, no one in his right mind would suggest that that standard has been achieved; rather, the standard that has been achieved is "significant regression."

Mr. Chairman, I have brought with me today just a few of the books that document the human rights tragedies that are occurring in China as we meet. The names of these books alone tell of the tragedy of human rights in that country. In addition to the State Department's report on human rights, which this year says that "the overall human rights record in 1993 fell far short of international standards," these reports document the continued repression. These books—and I would ask members if they would take the time to read one or all or summaries of them—lay out very clearly in detail what is going on, despite the very extensive public relations effort that is being mounted by the Chinese.

In addition to these reports, we get a number of anecdotal evidence of what is going on. When I was there, Mr. Chairman, we met and prayed with—actually we attended a Mass that was offered by Bishop Su. Bishop Su is a man who spent 15 years in Chinese gulags because of his faith, because of his Catholic faith, because he refused to join the official government-sponsored Catholic Church. And then he met with us, told us about what had gone on in those prison camps, and also celebrated Mass. For that effort, a 2-hour meeting with him, he spent 9 days in detention while the Government interrogated him and used other means to try to extract information.

Of course, there was nothing really much to tell. He probably told them what he told us, that he actually prays for his government. He prays that religious freedom some day will flourish in that country. And all he and others are asking for is the very simple internationally recognized right to assemble and to pray openly without fear of that knock in the middle of the night.

I am very happy, and I appreciate, Mr. Gibbons, Mr. Chairman, your extending an invitation to Dennis Balcombe, an American citizen who, when he went into China, as he has done many times before, to meet with Christians in what is known as the House Church movement, he found himself victimized by the public security police, the door knocked on in the middle of the night—or I think it was 3 o'clock in the morning. He was detained, and three people arrested with him are still in detention, probably being tortured, who were part of his company. Mr. Balcombe, as an American citizen had the ability to get the information out, and, of course, there was a rallying cry for his capture, and he would not

be released had it not been for that. But his friends, who are Chinese, remain behind locked doors simply because of their faith.

You know, we talk about significant progress, and as I indicated, I think there is significant regression. Li Peng in January issued two new decrees that really are the harbinger of a mammoth crack-down on religious liberties in China.

Order No. 144 is titled "Rules for the Management of Foreigners' Religious Activities." It prohibits all proselytizing activities by foreigners among Chinese. While it allows for foreigners to conduct their own private worship services, they are prohibited from preaching in Chinese churches. It also prohibits the importing of religious goods and publications.

Order No. 145, Mr. Chairman, regulates management of places of worship. The right to assemble, pray, and worship God, even in your own home, carries severe punishments. Catchall statements such as, "No one may use places of worship for activities to destroy national unity, ethnic unity, and social stability, to damage the public health or undermine the national educational system," criminalize just about anything that a believer may say or do. It is a blank check for the security services to crack down on religion, and I would suggest that these policies already, and will continue to, lead to the arrest, and torture and mistreatment of thousands.

Mr. Chairman, we all know what goes on in those gulags, and it is recounted in Harry Wu's book. There have been documentaries done on these things. Then we have this Memorandum of Understanding which, while it was a good-faith effort, falls far short of in any way ensuring that the place of origin of goods that are ultimately exported and come to this country are not produced by political prisoners, by religious prisoners, or by just regular incarcerated men and women for regular crimes. So we have no real way of ensuring that those goods that are flooding our market are not being produced by these prisoners. These books, again, document those kinds of atrocities.

Mr. Chairman, let me just conclude by suggesting that the Government of the PRC continues to aggressively victimize women and children who are not part of the one-child-per-couple policy. Women who have the audacity to want to have a family find themselves being mistreated, forcibly aborted, as Mr. Lantos pointed out, and forcibly sterilized, IUDs inserted against their will as a direct result of this one-child-per-couple policy.

You know, I met with Peng Pi Yung when I was in China with Mr. Wolfe a couple of years ago, and again met with heads of the State family planning agency this time, and they, with a straight face, say there is no coercion, there is no forced abortion, and yet the evidence is absolutely overwhelming that high tides and the use of coercion is actually pervasive and part and parcel of that program.

You may know, Mr. Chairman, that Dr. John Aird, a man who is not prolife in terms of the way I think of it in being against abortion—he considers himself to be prochoice, but he was the former chief of the China branch of the U.S. Census Bureau—has testified, "Coercion in the Chinese family planning program has in the last 2 years reached its second extreme peak, approaching or perhaps exceeding the levels of 1983." There is a consensus that 1983 was

one of the worst years in terms of forced abortion. The last 2 years parallel, if not exceed, that terrible use of forced abortion in China.

In December, you might have seen, Mr. Chairman, a new draft law discussed in China, which is already in effect and has been since 1988 in a number of the provinces, that calls for the use of eugenics, closely paralleling what the Nazis did in terms of singling out the handicapped for destruction, to clean up the gene pool so that we will get rid of those with Down's syndrome and those other kinds of anomalies that the Chinese want no part of.

We are not sure if this law has been passed yet. We know it is in effect in a number of provinces. But it just underscores the barbarity of what this regime will do in order to destroy people, to keep their numbers low, and now, with this Nazilike eugenic law, to clean up the gene pool. Some of the materials in here speak to that, and I would hope that members would take a look at that.

This is very relevant to the Executive order, Mr. Chairman, because in the report to Congress it explicitly states from the Clinton administration that, "In considering extension of MFN, we will take into account Chinese actions with respect to the following: Taking effective steps to ensure that forced abortion and sterilization are not used to implement Chinese family planning policy." The evidence is overwhelming that they are using forced abortion as a means to that end, and this Congress, Mr. Chairman, I would remind colleagues, on two occasions singled that out in the 1980s as crimes against humanity, recalling that at the Nuremberg trials the use of forced abortion against Polish women was so construed to be crimes against humanity. And whether it be Polish women or Chinese women, forced abortion continues to be a crime against humanity.

Mr. Chairman, again, China is moving backward. It is backsliding. It is engaging in significant regression. And I would hope that what we will do now is get a clear, nonambiguous record of what the human rights abuses are, match it up with the Executive order, and let the chips fall where they may. As of today, MFN is a goner.

Thank you, Mr. Chairman.

[The prepared statement follows:]

TESTIMONY BEFORE THE SUBCOMMITTEE ON TRADE,
 COMMITTEE ON WAYS AND MEANS
 U.S.-CHINA TRADE RELATIONS
 FEBRUARY 24, 1994

CHRISTOPHER H. SMITH (4-NJ)

Mr. Chairman, I would like to thank you for the opportunity to address this subcommittee on this very important issue, an assessment of the implementation of conditions for renewal of Most Favored Nation trade relations between the United States and the People's Republic of China.

In January I led a delegation to China in order to engage in frank, constructive talks with Chinese officials regarding deep concerns that remain over China's human rights record. We also wanted to meet with those who suffer from the continued and well documented repression--especially political dissidents and underground church believers. We succeeded on both goals.

Let me note at the outset that the Chinese people deserve the abiding respect of their government, and nowhere is this more crucial than in protecting universally recognized human rights. It was out of empathy for the oppressed, the tortured, the prisoner of conscience, the mother being forced to abort her baby, that I went to China to respectfully but firmly petitioned the Chinese government for relief.

While mutual economic cooperation is important to both countries, and while it would be easy to put profit over human rights, adherence to internationally recognized standards of human rights is the cornerstone for any cooperation and further progress. The Executive Order calls for "significant progress" in the area of human rights. I continued to tell officials that without significant progress, MFN was at great risk. In meetings with high officials of various government ministries I stressed that scrutiny of China's human rights record will not be cursory or frivolous, but would entail a penetrating analysis as to whether substantial progress has been made.

The Executive Order is quite clear in listing the human rights conditions which must be met in order for MFN to be renewed later this year. It also requires China to comply with the 1992 MOU concerning prison labor.

Mr. Chairman, I would like to take this time to mention only a few of the human rights issues which should be of great concern to us--religious liberty and the new executive orders from Li Peng which further limit freedom of religious expression, the accounting for and treatment of political and religious prisoners, the continued coercive measures used to enforce the population control program, the proposed eugenics law, which scholars from the U.S. Holocaust Museum have likened to Nazi-era programs, which would target the most vulnerable of Chinese society, the millions of prisoners who are forced into slave labor to support China's economic reform programs. This list could go on, Mr. Chairman, and to speak on any one of them could fill volumes--and literally does.

Mr. Chairman, I have brought with me today just a few of the books which document the human rights abuses in China today. The names of these books alone tell of the tragedy of human rights in China. In addition to the State Department's Report on Human Rights--which this year says that the "overall human rights record in 1993 fell far short of internationally standards"--these reports are: Continued Persecution of Christians in China, Laogai Handbook, Slaughter of the Innocents, A Mother's Ordeal. And since my return from China the reports on human rights abuses continue to come in: China's Public Relations Strategy on Tibet, Bitter Winds--which documents the experience of Harry Wu during his detention in the Chinese gulag--Detained in Tibet--which lists over 1,000 political and religious prisoners in China today--and Human Rights Watch World Report 1994--which says that "religious repression in China intensified throughout 1993."

In addition to these reports, I have gotten personal reports from China which document the arrest and detention of a bishop who said Mass for our delegation and a renewed crackdown on the Protestant house church movement. All of us were shocked when we learned that the Chinese government would not stop at persecuting, harassing and arresting its own people. Less than two weeks ago, three American citizens were arrested and detained in China. Dennis Balcombe, the pastor of Hong Kong's Revival Christian Church, who will testify later today, was detained. The arrest was made during a midnight raid on the house in which Reverend Balcombe and several other guests were sleeping. He and the others were accused of "disturbing the public peace" and all of his possessions were confiscated. Had Reverend Balcombe been in China to negotiate a business deal he would have had welcoming hands extended to him. Instead, because he brought the good news of the Gospel he was met with clenched fists.

I am happy that Reverend Balcombe is here today to testify. He is a living witness to the renewed religious persecution which is taking place in China. As an American citizen he enjoyed the benefit of swift action on the part of many people and human rights groups, including Christian Solidarity International, who is hosting his visit here. However, there are thousands of Chinese citizens who do not have this benefit. Three of the people who were arrested along with him are still detained, and there are even reports which say they have been executed. If they are alive, and I hope they are, how long will they have to wait in prisons, how many beatings will they have to endure, who will speak out loudly and act swiftly for them? And what of those friends of Reverend Balcombe who are not in prison but must remain in China and live under the fear of persecution?

Bishop Su Zhi Ming, the 62 year-old auxiliary bishop of Baoding was arrested on January 20 while Treasury Secretary Bentsen was in China discussing the future of U.S.-Sino trade relations. Bishop Su has told us that he was questioned at great length about our meeting. But he also believes that his release was due to our meeting as well. Again, Mr. Chairman, who will speak out for the thousands of unknown others who languish in China's prison system--many of them elderly and in need of medical attention.

These people are not interested in political activity, they pray for the government and their leaders and ask for God's blessings on China. All religious believers in China are asking for is the ability to worship freely and openly. Right now those who do not belong to the government-sponsored churches have no place to worship, many of them are denied housing and work permits, and countless numbers are harassed, detained, tortured--and some have been martyred for their faith.

On January 31 Premier Li Peng issued two executive orders which further restrain religious liberty in China and will have devastating consequences for the underground Protestant and Catholic churches.

Order 144 is titled "Rules for management of foreigners' religious activities." It prohibits all proselytizing activities by foreigners among Chinese. While it allows for foreigners to conduct their own private worship services, they are prohibited from preaching in Chinese churches. It also prohibits the importing of religious goods and publications.

Order 145 regulates management of places of worship. The right to assemble, pray and worship God--even in your own home--carries severe punishments. Catch-all statements such as "No one may use places of worship for activities to destroy national unity, ethnic unity and social stability, to damage public health or undermine the national educational system," criminalizes just about anything that a believer says or does. These cruel policies are likely to lead to thousands of new arrests, tortures and mistreatment.

And what happens to many of these people who are held in China's prisons? Mr. Chairman, millions of these people are detained in forced labor prisons where they work long hours each day to meet unrealistic production quotas. We have known about this for years and have tried to engage the Chinese government in addressing this human rights abuse.

The 1992 Memorandum of Understanding (MOU) expressly prohibits the importing of prison labor products and outlines the method of investigating reports of forced labor in prisons.

Even when it was signed, many people criticized the MOU as a meaningless document unless it would be backed up by swift and open verification. Testimony only a few months ago by Assistant Secretary Winston Lord indicated that there has been great resistance by the Chinese to investigate reports of prison labor. The Chinese deny access to prisons by U.S. officials until they have had enough time to sanitize the prisons and factories. Visits by non-governmental human rights groups are not allowed at all.

The Chinese Laogai is not like any prison system we are familiar with. These are forced labor camps similar to the Nazi work camps of another era. It is the most extensive forced labor camp system in the world, and this system has destroyed the lives of millions of people, and it continues to do so. In January I met with several people who bear the permanent scars of years in Chinese prison labor camps. I heard their stories of beating and torture and saw for myself the broken bodies which these camps created.

Mr. Chairman, the MOU is mentioned specifically in the Executive Order. It is clear that China has not yet lived up to this agreement, nor is there any indication that it will in the future. We are still denied access to prisons and there is a large body of evidence that products manufactured entirely or in part are still being exported to the United States. All the while, millions of people are continue to suffer at the hands of the cruel government slave-master.

Mr. Chairman, religious believers and prisoners are not the only victims of China's continued violations of human rights. The government aggressively victimizes women who bear children outside of the Government's repressive one child per couple policy. Reports abound which detail the lengths to which the government officials will go to see that quotas are met and policies enforced. *The New York Times'* report by Nicholas D. Kristof poignantly described the ordeal of a mother and child who were victims of the government-sanctioned brutality. It recounts the case of Li Qiuliang who had been given permission to have a child in 1992. When, on December 30, 1992 she had not given birth the local population control officer ordered the doctor to induce pregnancy. The child died and Ms. Li has been left incapacitated.

Secretary of State Warren Christopher, when he learned of this report, said that he was appalled by the China's coercive family planning practices and would seriously consider tying MFN to ending those practices. In the "Report to Congress Concerning Extension of Waiver Authority For The People's Republic of China," it explicitly states that "in considering extension of MFN, we will take into account Chinese actions with respect to the following: Taking effective steps to ensure that forced abortion and sterilization are not used to implement China's family planning policy."

During my meeting with Li Honggui, director for the General Office of the State Family Planning Commission of China, he brushed aside with an angry smile our concerns that Chinese women are routinely victimized and abused with coerced abortions and coercive sterilizations. When questioned about the *New York Times'* report, Mr. Li responded by saying that the article was "not real" and that it only showed the "unfriendly staff" of the *New York Times*.

In a sworn affidavit, Dr. John Aird, former Chief the China Branch at the U.S. Census Bureau, said "coercion in the Chinese family planning program has in the past two years reached its second extreme peak approaching or perhaps exceeding the levels of 1983."

Forced abortion is a crime against both women and children. In China today, women are punished by the state for conceiving a child not approved by state goals. If a woman is lucky or clever enough to escape to deliver an illegal child, and is discovered, she is fined and otherwise dealt with.

In December the Chinese government issued a draft of a eugenics law which would legalize discrimination against the handicapped--however the government may define handicapped--by forcing sterilization and denying them permission to have children. There are also provisions which would mandate the abortion of any babies which are determined to

not meet government-approved standards of health and ability. While the rest of the world moves to protect the rights and the dignity of the handicapped, China is seeking ways to exterminate them.

Mr. Chairman, it is becoming increasingly clear that in category after category the Chinese government is not only not making progress, but is actually getting worse--bringing further shame and dishonor to the government and more and more pain to the Chinese people.

Today, and each day since I have returned from China, the facts point to significant regression, not progress, in human rights.

Today as we review the conditions which the Executive Order placed on renewals of MFN, there is little indication that China has been willing to make any significant progress when it comes to human rights. There is a great deal of evidence that China has regressed significantly--just look at the books and reports in front of me. Given this body of evidence will one or two prisoner releases out of thousands be significant progress? Will the visit to five prisons out of hundreds be significant progress? Only a few months remain before the Administration must make a decision. We must continue to let China know that we are watching and that we care, that we will not sacrifice human life for profit, and that the United States is serious when we say we want significant progress in human rights.

Chairman GIBBONS. Mr. Wolf, before you start, let me publicly acknowledge that I owe you a hearing on Yugoslavia. We are trying to find time to have it.

STATEMENT OF HON. FRANK R. WOLF, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. WOLF. I appreciate that. Mr. Chairman, if my statement can just be submitted in the record, I will be very, very brief.

Chairman GIBBONS. Yes, sir. Certainly.

Mr. WOLF. One, I agree with most of the other witnesses. There has really been no progress. There actually has been regression. And you really cannot close your eyes to it. When we talk about human rights, we are talking about torture and death and things like that, and there has been a regression.

Second, the Executive order really has not been met. If Clinton sends the Executive order up, the credibility of the Clinton administration will be destroyed. It will be gone. There is no ability—this Congress will never deal with this issue if things do not dramatically change because Clinton really cannot even send it up. They have not met it.

Third, you are going to hear Dennis Balcombe back here. He just left my office. He was mistreated. He is an American citizen. All his money was taken from him, his cameras were taken, everything was taken from him. He was in jail for 4 days in China. So they have not met it.

Fourth, forced labor, slave labor is continuing on a rapid way, and it is knocking out American industry, the textile businesses and companies like that. We cannot compete with forced slave labor.

Fifth, this is a tough issue. I would have hoped that they would have made some progress so we could have continued MFN. We have got to face the facts. There is a lot of money involved. This town will be—more prominent lawyers will be hired from both parties in the next 30 days to lobby this Congress. It will border on being a feeding frenzy for lawyers. The poor people of the Christian faith and the people in Tibet cannot afford prominent lawyers from the large law firms downtown. They will not be by to see you. But there are more people there who are unspoken for than you will ever hear from. So do not be persuaded by the big blue-chip K Street firms. There are many, many more on the other side.

Last—and I will close with this—this is a “Schindler’s List.” Go see the movie “Schindler’s List.” Go see it. Frankly, I went to see it, and I have been very active in Bosnia. And my kids said—I just returned 3 weeks ago, and I went to see “Schindler’s List” when I got back. And my kids were with me, and they said, “Dad, are you going to do anything about this?” And I frankly thought I did not want it on my conscience—15, 20 years from now I sit back and find out that things took place there that I did not speak out. And I do not want it on my conscience 15 to 20 years from now that things have taken place in China and we did not speak out.

There is a “Schindler’s List” taking place in China, in many, many forced slave labor camps. And so unless there is dramatic change, there is no way that the Clinton administration can ever

send this up. Quite frankly, we may be debating something that will never ever come before me.

Last, Mr. Chairman, I thank you for holding the hearings, and I publicly want to go on record as thanking and praising Ms. Pelosi for the work that she has done. Frankly, if there had not been a Nancy Pelosi in the Congress, I think this thing would have just been breezed by.

I thank you, Mr. Chairman, and will submit my statement for the record.

[The prepared statement follows:]

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COOPERATION IN EUROPE

Congress of the United States
House of Representatives
Washington, DC 20515-4610

Statement of Rep. Frank R. Wolf
Subcommittee on Trade
February 24, 1994

Mr. Chairman, I thank you for the opportunity to address this committee about the important question of whether or not China has met the modest requirements necessary for renewal of Most Favored Nation status.

To be honest, as of now, this debate should never reach the floor of the House of Representatives unless substantial progress is made immediately in guaranteeing basic human rights for the people of China. We have seen only token gestures by the Chinese in a few areas - releasing a few prisoners and weak promises for tomorrow of Red Cross access and prison labor visits - while they are taking major steps backwards in others. If this is China's human rights report card, I do not see how President Clinton can honestly renew MFN for China.

The President's Executive Order stipulates that China must comply "with the 1992 bilateral agreement between the United States and China concerning prison labor."

The issue of forced prison labor in China is a personal concern of mine. In 1991, Congressman Chris Smith and I personally visited Beijing Prison #1, where at least 40 Tiananmen Square prisoners of conscience were forced to make socks and hosiery. After I brought back samples of the socks which we had good reason to suspect were manufactured for export, the U.S. Customs Service asked to visit the prison. Approximately two years after our visit, Customs was finally allowed to visit the prison and, to no one's surprise, found that the Chinese had cleaned out the labor equipment. This is not openness and this is definitely not progress.

The Chinese are now taking credit for promising again to allow visits to prisons that U.S. Customs asked to see almost eighteen months ago. Is there any doubt that the Chinese will again clean up the sites before allowing U.S. visits?

Is this real progress? As Harry Wu, 19-year veteran of Chinese labor camps, says, "it appears as if the American people are being sold the same horse twice." In pinning our hopes to a largely ineffectual Memorandum of Understanding (MOU), it may be that the U.S. government as a whole is ignoring the role of the Chinese gulag - the most extensive in the world - "in suppressing the development of democratic institutions in China," according to Wu.

I think it is imperative that the U.S. Customs Service vigorously pursue criminal investigations against two U.S. companies that are believed to have knowingly imported goods from forced labor camps. One investigation has been ongoing for nearly ten

months, with results still to come. As the legislator who pressed for increasing the criminal penalty for knowingly violating the import ban of slave labor products from China, I believe that the best deterrent to U.S. imports of Chinese forced labor goods includes stiffer criminal convictions of companies in violation.

The President's Executive Order also requires the Chinese make progress both in "taking steps to begin adhering to the Universal Declaration of Human Rights" and in "releasing and providing an acceptable accounting for Chinese citizens imprisoned or detained for the non-violent expression of their political and religious beliefs." Does anyone think any progress has been made?

Because the Chinese have just taken a giant step backward in the denial of religious liberty for as many as 80 million underground Protestant and Catholic believers, I want to also focus on the issue of Christian persecution.

In mid-September, Rep. Chris Smith and I met with Chinese officials who told us that religious life is "normal" in China and that no one is imprisoned for their faith. Two separate January decrees issued by Li Peng outlawing house churches and contact with foreign Christians stand in stark contrast to that hollow promise.

There's more:

* While Secretary Lloyd Bentsen was in Beijing in January, police arrested a priest and a 62-year old bishop (who had just met with Rep. Smith). After interrogating the bishop for 10 days, he was finally released only due to U.S. pressure. The priest, Father Ywei Jing-Yi, remains in detention and his whereabouts are unknown.

* Christian Solidarity International reported that a pastor was recently killed by authorities in Hubei Province.

* The Puebla Institute reported on January 25 that in the last two months Chinese authorities "have arrested at least 14 independent Christian leaders," including seven priests and seven house church pastors. "At least six of the 14 have been sentenced to 'reform through labor' . . . and at least five were handed down administratively — i.e., without trial or other due process guarantees."

* Just two weeks ago, three Americans and seven other Christians were arrested while celebrating the Chinese New Year. The belongings of the Americans were confiscated while they were interrogated and held in comunicado for several days before they were released. Three Chinese Christian leaders are still imprisoned, and there are rumors that they have been executed.

If this is human rights progress by any reasonable yardstick there is a real problem.

One of the most basic human liberties is the right to worship freely. If the Chinese are again cracking down on this most fundamental of freedoms, how can we not conclude that — in spite of economic liberalization — the Chinese government remains a totalitarian, communist state?

Mr. Chairman, Harry Wu has said that he fears "there is an elaborate charade in the making to pretend the Chinese have made substantial progress in complying with the conditions President Clinton set last year for the renewal of MFN. If this happens, the President will lose a tremendous amount of credibility and America's being perceived in the world as a champion of democratic values and human rights will be set back for a long time to come. The damage to pro-democracy efforts in China will be serious."

As a member who stood up and applauded when the President mentioned the importance of human rights in China during his State of the Union Address, I urge President Clinton to remain firm and stand up for those who have suffered so much in their struggle for religious and political freedom.

Thank you again for this opportunity.

Chairman GIBBONS. Thank you.
Mr. Kolbe.

**STATEMENT OF HON. JIM KOLBE, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF ARIZONA**

Mr. KOLBE. Thank you, Mr. Chairman, once again for the chance to appear before this subcommittee on a very important trade issue. We are probably going to have two key votes this year on trade. One is on the Uruguay round with the GATT talks, and I have discussed that with you earlier. The second certainly is on the China MFN extension. I would like to share my thoughts today with you, Congressman Crane, and the other members of the subcommittee, on this subject.

The U.S. policy—and, Mr. Chairman, like the others, I will put my full statement in the record and be very brief.

Chairman GIBBONS. Yes. All will be put in the record.

Mr. KOLBE. The U.S. policy of trying to create lasting political reform in China, in my opinion, will be at a dead end if we cannot increase trade and economic exchange between the two countries. For that reason, I am opposed to revoking MFN status for China. And I urge the President and the Congress to define China as a market economy and give it designation to remove it from this annual MFN battle. This effectively delinks the human rights and MFN for China, but it does not lessen our commitment to human rights in China.

I think as we look at MFN and what it is designed for, which is to apply to nonmarket economies, we realize we are using the wrong tool here. We have other trade sanctions against Libya and Iraq, but they have MFN status. Does anybody in this room believe that human rights in those two countries is adequate? Of course not.

Mr. Chairman, I think the best foreign policy tools available to us to encourage political reform abroad are policies that promote capitalism, market reform, and free trade. All of these are powerful levers for political change precisely because they are powerful mechanisms for economic change. And let me just relate one brief example to you of a very major U.S. corporation that described to me the changes that came about when they went into China and insisted that they have the right to do interviews and hire their own personnel without the Government assigning personnel to them.

It absolutely changed in the relationship between the government and the university labor market because students were given the choice of working for a U.S. company at higher pay, or working for a State-owned enterprise to which they were assigned. A fundamental individual freedom was made possible by a U.S. corporation making a major advance in that country.

The debate of China MFN status goes to the heart of a fundamental question; that is, how should our trade and political policies be linked? I believe foreign policy should incorporate tools that are aimed at promoting the evolution of a society so that it will be able to press for political reform from within. MFN is such a tool. It acts as a catalyst for change.

These mechanisms stimulate the Chinese society to adopt a more pluralistic and democratic political process for the simple reason that commercial contacts change the way people interact with each other. And that in turn ensures greater respect for human rights and personal liberty.

Stripping away MFN would strip away our opportunity to sow the seeds of capitalism and market principles in China. It also, I might add, does undermine our own economic recovery at home. Well, some might ask the question: Is it worth that price? Would it change China's political direction? No. China, I believe, will only turn away from us and look toward other trading partners eager to engage in bilateral economic relationships.

We must never, Mr. Chairman, abandon our adherence to democratic principles abroad as well as at home, but we must at the same time realize that a country's political institutions and government structure evolve from its own history, culture, and values.

Now, some will say that this is a policy grounded in the quicksand of cultural relativism or perhaps human rights relativism. Nothing could be further from the truth. Our foreign policy must be based on our deeply felt moral and political convictions that derive from our experiences of American democracy and over 2000 years of evolution of Western civilization and Judeo-Christian values.

The question is not whether we condone political repression in China; rather, the fundamental question is this: What action can we take that will further democratic reform and promote open markets in China? I believe we can ill afford to undermine the reformers in China who depend upon trade and economic contacts as a means of prying China open to a diversity of opinion and political freedom.

U.S. foreign policy toward China should be based on the principle of constructive engagement. Now, that is not an abstract, inside-the-beltway concept. It is put into practice every day in our commercial relations with China or any other country.

To illustrate the usefulness of such an approach, let me just briefly recall a moment in U.S. diplomatic history that occurred a decade ago. The year was 1983. Secretary of State George Shultz wanted to develop a strategy to turn the U.S.-Soviet relationship around. He believed the relationship should be turned from confrontation toward problem solving. But there were many in the administration who disagreed. Some saw it as a threat to the President's crusade against communism.

However, President Reagan had vision. He understood how tough rhetoric and specific actions could be linked to forge a change in U.S.-Soviet relations. Secretary Shultz was, therefore, able to initiate a multipronged strategy designed to apply pressure to the Soviets and maintain the diplomatic initiative in U.S. hands.

I believe this administration must develop a similar strategy for China, a long-term U.S. policy based on the principle of constant, constructive engagement, instead of a short-term policy based on the annual and simplistic question of whether or not we are going to grant or revoke MFN status. The latter is only effective as a threat of total disengagement and abandonment of the China markets to our trading partners.

Mr. Chairman, Ronald Reagan was a master of political encounters. His efforts in the decade of the 1980s helped to bring about the end of the cold war. President Clinton has the same qualities and a similar opportunity. I hope he will lead the United States and China into a new era of foreign and economic policy relations, and I believe that could mean the dawning of political and economic freedom in China, the likes of which has never been experienced in its long and rich history.

Mr. Chairman, thank you again for the opportunity to share these thoughts with you.

Chairman GIBBONS. Thank you very much.

Now we come to the leader of this entire movement, Congresswoman Nancy Pelosi.

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

Ms. PELOSI. Well, Mr. Chairman, this issue is alive today because of the involvement of so many of our colleagues and the concerns that they have about human rights and the spread of democratic principles, about repression in Tibet, about barriers to U.S. products made in America going into China, about the proliferation of nuclear weapons. The list that brings this coalition together goes on and on.

My position has always been, as you know, Mr. Chairman, that we should use our leverage to improve human rights in China. It is on that issue that I come before you today.

First of all, I want to thank and commend you, Mr. Chairman, for holding this hearing. You promised last year that you would have a midterm review of where China was in terms of making overall, significant progress, and I thank you for honoring that promise. I thank my colleagues for their energy and interest in this, and I also want to commend the administration.

We all know about the Executive order that the President issued last May. In it, he separated proliferation and trade and mentioned other ways of dealing with them, and conditioned MFN solely on improvement in human rights issues. The administration, I believe, should get high marks on that. The President himself took the message of human rights directly to the President of China. Secretary Christopher, Secretary Bentsen, Secretary Lord, Secretary Shattuck, the list goes on and on of representatives of the President and his administration taking the message very clearly, removing all doubt as to where his administration stood on standing behind the most-favored-nation Executive order.

As you know, I give the administration high marks for issuing the Executive order. The President said that the MFN conditionality dealt specifically with human rights issues, but that the Secretary of State and other appropriate officials should pursue resolutely all legislative and executive actions in dealing with unfair and discriminatory trade practices and nuclear weapons proliferation.

The administration has vigorously pursued these measures. As you know, the President issued sanctions against China for the transfer of M-11 missile parts to Pakistan, and the U.S. Trade Representative's office has successfully initiated action against the

Chinese, resulting in an agreement which I hope the Chinese will live up to.

Mr. Chairman, I think that the issue before us today is not whether MFN is a good tool or not. When you have a hearing, everything is on the table for debate. The question is: Are the conditions in the President's policy conditioning renewal of MFN on overall, significant progress in improving human rights being met? To date, I think by all accords, the answer is an overwhelming and disappointing no.

As you said in your opening remarks, Mr. Chairman, in the optimistic view, there is still time. I think that this hearing today serves a very, very important purpose in delivering once again a strong message to the Chinese that we know about these violations, that we can document them, and that the required progress has not been made, sad to say.

When the President issued the Executive order, I was very proud because, when he did so, he put into practice one of the pillars of his foreign policy which was the spread of human rights and democratic principles. When he did that, he gave hope to all who thirst for freedom throughout the world. So as I have said, the issue today is not whether MFN is a good tool. The question is: Can the President recommend to the Congress a request for waiver to give MFN to China in June on the strength of what has happened to date? No, but there is still time.

Mr. Chairman, I am trying to abide by the 5-minute rule even though no one else has, so I will associate myself with the remarks and the litany of abuses that my colleagues have presented. I know you will be hearing from expert witnesses, from some very brave and courageous Chinese dissidents. It is an honor to be on the same program with Professor Fang Lizhi who will testify about this policy later today. So I will not go into detail. I only will reiterate what has been said before; that is, that in the State Department's own report, they stated that "the overall human rights record in 1993 fell far short of international accepted norms as it continued" (the Chinese Government) "to repress domestic critics and failed to control abuses by its own security forces."

I will not go into a litany of those abuses, but they are in my statement for the record. I do want to say, though, that since the report was printed, there has been more information about religious persecution that has come to the fore. Our colleague, Mr. Chris Smith, has referenced some of those, particularly Li Peng's edicts against free expression of religion, and I know other witnesses will address the freedom of religion issue, so I will just leave my comments at that.

As much as I applaud the State Department report, I think more could have been done in the report in regard to repression in Tibet. It is my understanding that perhaps next year the administration and State Department will be treating Tibet as a separate category so more attention can be given there. The representative of His Holiness, the Dalai Lama, will be speaking here today on the terrible, terrible tragedy in Tibet.

I do want to call to your attention that in addition to what the Chinese are doing in Tibet to the Tibetans, they have launched a public relations strategy on Tibet through which they are trying to

undermine the Dalai Lama, and I submit this for the record, Mr. Chairman.

I would like to spend a moment on prison labor goods because they are included in the must-meet conditions, adherence to the U.S. law prohibiting forced-labor products from coming into the United States. I never was a big fan of the Memorandum of Understanding (MOU). I thought that it was lukewarm when President Bush's administration negotiated it. But it was something. I do not want to see this administration calling progress some new deals that the Chinese are making on MOU. In other words, in the words of Harry Wu, "We should not buy that horse twice." They said they were going to do things before. They did not do it. Now they are saying they are going to do it again, and I do not think that should be called progress.

Nonetheless, I salute the administration for pursuing the prison labor issue. As you know, it is a must-meet condition of the Executive order because it is American law.

I want to address one other issue in closing, Mr. Chairman. I would like to bring to the attention of my colleagues a matter of grave concern about the possible unlawful conduct of Chinese Government officials in the United States toward Chinese nationals living in this country.

Since Tiananmen Square, we have had very active participation of the dissident community in all of the issues, whether it is the Chinese Student Protection Act or the MFN debate or documenting the human rights issues in China. I have been informed and have personal knowledge of several specific instances where representatives of the Chinese Government have threatened and harassed Chinese nationals active in the United States in promoting human rights and democracy in China. The threats have extended beyond individuals here and have included possible repercussions for family members still in China.

This kind of activity is against U.S. law, which prohibits diplomats or employees of foreign embassies or consulates from interfering with the rights of speech of their country's nationals in this country. I am sending a letter to Director of the FBI Freeh requesting a meeting and referring these matters to him. Individuals within the dissident community are under a tremendous amount of pressure to disavow their support for human rights and for U.S. policy relating to MFN and improvement in human rights.

I urge my colleagues to recognize the reality of life for these dissidents who are often torn between speaking their minds and protecting their loved ones in China, as well as their own ability to return to China.

There are 3 months remaining in which China can act to make overall, significant progress. I most certainly hope that they will make that progress. We concede that to date they have not.

I believe we have tried some other methods. We tried moral suasion. We tried seeing how we could use World Bank loans. This has not produced the desired effect. I am not wedded to MFN as a way of life, but I do think it provides the best leverage. And why? Because China needs access to U.S. markets—unfettered access. They will always have access. But they need most-favored-nation status access to U.S. markets to fuel their economic growth. Thirty-eight

percent of Chinese exports come to the United States. The Chinese have said that in order to fuel their economic growth, they need to increase their exports. That means more coming to the United States.

I am concentrating my remarks on human rights, but as you know, we have a tremendous trade imbalance with China, \$23 billion last year. If it grows at the same rate as it has, 6, 9, 12, 18, 23 over the last 5 years, it will be into the 30s for 1994. That gives us leverage with the Chinese. The access to our markets under MFN that they need, the huge trade surplus which brings hard currency to this regime and keeps it in power, I believe are incentives for them to improve the human rights in China and comply with the reasonable and achievable conditions set forth in the President's most-favored-nation Executive order.

So I ask my colleagues not to abandon the idea. Let's just get one thing straight. First of all, we may never vote on this. If they do not make the progress, I do not see how the President can request the waiver. I do not see how the Secretary can recommend that. But if they make the progress, we will all be joining the President in celebrating that, and the President would then request the waiver, and I do not think you would see a vote counter to that action by the President either. So we may never have a vote on this. The best way for us not to have a vote is to be very, very clear to the Chinese Government that we stand with the President in his statement of principle. They will comply with the MFN Executive order if they know we are serious. They have made promises in the past which they have not kept. They do not like democracy, but they love hard currency and they need it very badly.

With the help of this hearing today and the forceful, resolute actions of the administration to the policymakers in China, I think they have no doubt that we are serious. We will make the progress, and we will be proud of the actions of this President and this Congress.

With that, Mr. Chairman, again, I wish to thank you and commend you and the members of this committee for the interest they have taken on this issue. I think even Mr. Matsui, who is on the other side of this issue from me, has said that it is the policy and the conditions must be met. There is no disagreement on what the policy is. Now let's make sure that the Chinese understand that as well.

Thank you, Mr. Chairman.

[The prepared statement follows:]

Statement of Representative Nancy Pelosi
Ways and Means Subcommittee on Trade
Hearing on U.S.-China Trade Relations
February 24, 1994

Mr. Chairman: Thank you for holding this important hearing and for the opportunity to testify. Chairman Gibbons, I would like to acknowledge your commitment to improving human rights in China and Tibet. Your work is critical to the implementation of the Executive Order. Today's hearing is a fulfillment of your promise last June to hold an interim hearing on China's progress in improving human rights.

On May 28th, 1993, President Clinton moved our U.S.-China policy forward by signing the Executive Order conditioning the renewal of China's Most Favored Nation (MFN) trade status on improvements in human rights. President Clinton's action, delineating a series of reasonable and achievable conditions, allowed Congress and the Administration to speak with one voice regarding China for the first time since the Tiananmen Square massacre in 1989. I commend the President who, with his Executive Order, put into practice one of the stated pillars of his foreign policy, improving human rights and promoting the spread of democratic principles.

The Administration's representatives should also be commended for delivering to the Chinese government at all levels the message that the Executive Order's modest conditions must be met if MFN is to be renewed. President Clinton delivered the message directly to Jiang Zemin at the APEC meeting in November. Secretary Christopher, Assistant Secretary Lord, Assistant Secretary Shattuck, and Secretary Bentsen have all been directly

communicating U.S. policy to the Chinese government. There can be no doubt in the minds of China's policymakers about the seriousness of our resolve.

The Administration has shown its resolve in dealing with China on human rights, on trade and on proliferation. As my colleagues know, the MFN conditionality dealt specifically with human rights issues, while directing the Secretary of State and other appropriate officials to "pursue resolutely all legislative and executive actions" in dealing with unfair and discriminatory trade practices and nuclear weapons proliferation activities. The Administration has vigorously pursued these measures.

In regard to trade, the Administration made progress with the recently negotiated textile trade agreement, which came about after the Administration made credible threats to reduce China's textile imports. Some of the serious problems relating to overshipments and transshipments will be stopped if the Chinese government acts in accordance with the terms of this agreement. In the non-proliferation arena, President Clinton acted wisely in his decision to impose sanctions on China for sending M-11 missile parts to Pakistan in violation of the Missile Technology Control Regime (MTCR). Both of these actions illustrate the Administration's understanding that a strong U.S.-China relationship requires determination, strength and consistency on the part of the United States.

The question before us today is has China made overall significant progress in meeting the human rights conditions contained in the Executive Order. Unfortunately, Mr. Chairman, to date China has not made the necessary progress.

The State Department's recently released Country Reports on Human Rights Practices for 1993 states that the Chinese government's "overall human rights record in 1993 fell far short of internationally accepted norms as it continued to repress domestic critics and failed to control abuses by its own security forces."

A panel of human rights experts will testify later with their detailed analyses of China's human rights abuses. They will give compelling testimony about the repression of people trying to peacefully express their political or religious beliefs and about the tragedy in Tibet. You will also hear from several prominent Chinese dissidents, including Professor Fang Lizhi, who will speak on their personal experiences with Chinese human rights violations and their vision of a freer China. I commend these human rights activists for their commitment, their dedication, and their courage in continuing to speak out against injustice, despite personal danger and overwhelming odds.

While you will hear details from others, I would like to highlight a few of the State Department's findings for the record. The Report chronicles a pattern in which fundamental human rights provided for in the Chinese Constitution are ignored. Chinese citizens trying to exercise their rights of freedom of assembly and speech are detained, sentenced to prison, or sent to labor camps. The Chinese Constitution contains due process rights which are routinely ignored. The State Department Report states that accused persons are given scant opportunity to prepare a defense and conviction rates average over 99 percent. Dissidents are often sentenced extrajudicially to serving time in

a vast system of "reform through re-education camps". While all of this goes on, Chinese government officials continue to deny that China has any political prisoners.

Since the Report went to print at the end of December, we have received additional information from sources about human rights abuses, particularly in regard to religious persecution and the situation in Tibet. While Secretary Bentsen was meeting with his Chinese counterparts in Beijing in January, for example, the police arrested a priest and a 62 year old bishop, interrogating the bishop for 10 days before releasing him in response to international pressure. In late January, Premier Li Peng signed two decrees cracking down on religion, banning underground "house" churches and other unauthorized places of worship, strictly limiting what goes on inside churches, and banning proselytizing by foreigners.

In early 1994, in one volley in their public relations war Chinese officials released two prominent Tibetan prisoners. This release belies the sharp increase in the number of political prisoners in Tibet in 1993 and the increased repression against Tibetan Buddhist nuns. In addition, the Chinese government has undertaken an international public relations campaign to try to discredit and thereby undermine His Holiness the Dalai Lama.

I note with dismay, also, the re-imprisonment on February 16 of Chinese dissident Li Guiren, a seriously ill journalist who had been released on medical parole last February, as well as the sentencing of January 25 of Qin Yongmin to two years in a "reeducation through labor camp" for seeking to publish a charter calling for peaceful, democratic change.

The State Department Report notes that the Chinese government still has not provided a full or public accounting of the thousands of persons detained during the suppression of the 1989 democracy movement. This accounting is an important condition in the Executive Order. You will hear from the human rights group Asia Watch, which earlier this week released a comprehensive list of 1,200 people arrested in China and Tibet over the past twenty years as a result of their political and religious beliefs. Almost 250 of these arrests were in 1993 alone. Asia Watch's book was no easy feat, requiring thousands of hours of meticulous investigation, with a wide range of sources. Surely, if Asia Watch, without ready access to official government channels can provide the world with this extensive but incomplete accounting of Chinese and Tibetan political prisoners, the Chinese government could meet the accounting condition included in the Executive Order.

Mr. Chairman, in June it will be five years since the world was shocked by the sight of the massacre of pro-democracy activists in Tiananmen Square and the repression continues. We have learned, over the course of these years, that Chinese officials will make many promises and will even sign agreements in order to ensure that they get what they are after, unimpeded access to American markets and a skyrocketing trade surplus which provides them with the hard currency they need to retain power and to fuel their economic growth.

The issue of forced labor, a must-meet condition in the Executive Order, illustrates clearly a gap between the Chinese government's words and actions. In 1992, under the threat of MFN

revocation, the Chinese government signed a Memorandum of Understanding (MOU) regarding the export of prison labor goods to the United States. In my view, since the signing, the Chinese government's cooperation with the MOU's minimal standards has been less than satisfactory. In January, Secretary Bentsen announced that the Chinese agreed to allow visits to five suspected sites, all of which were included on the original list of 31 sites drawn up in response to the MOU. Now, Chinese officials are taking public credit for once again agreeing to something they were supposed to have done already. It is my understanding that to date, only two of these five facilities have actually been visited.

No discussion of slave labor in China would be complete without acknowledging the contribution of Harry Wu, who was held in Chinese prison camps for almost twenty years for the peaceful expression of his political beliefs. Harry would normally be here testifying today, however, he left last night for Europe to address the European Parliament and to meet with the British Foreign Ministry and Members of the British and French Parliaments to discuss efforts to end the export of Chinese forced labor goods into their markets. The European Parliament recently announced that the European Union should ban the sale of such goods.

I would also like to bring to the attention of my colleagues a matter of grave concern involving possible unlawful conduct of Chinese government officials in the United States toward Chinese nationals living in this country. I have been informed of several specific instances where representatives of the Chinese

government have threatened and harassed Chinese nationals active in the United States in promoting human rights and democracy in China. The threats have extended beyond the individuals and have included possible repercussions for family members still in China.

This kind of activity is against U.S. law, which prohibits diplomats or employees of foreign embassies or consulates from interfering with the rights or speech of their country's nationals in this country. I am sending letters to Secretary of State Christopher and Director of the Federal Bureau of Investigation Freeh requesting a meeting to discuss these incidents. Individuals within the dissident community are under a tremendous amount of pressure to disavow support for human rights and for U.S. policy. I urge my colleagues to recognize the reality of these dissidents' lives, who are often torn between speaking their minds and protecting their loved ones.

There are three months remaining in which China must act to make overall significant progress in improving human rights. To date, they have not done so. I believe that without prompt and significant action by the Chinese government to meet the conditions of the Executive Order, Secretary Christopher cannot recommend to the President that progress has been made.

In closing, I would like to remind my colleagues of why we turned to MFN as a tool to improve human rights in China. We tried moral suasion and conditioning World Bank loans. That accomplished nothing. Conditioning MFN provides real leverage. China's trade surplus with the United States was almost \$23 billion in 1993. If it continues to grow at the same rate, it will reach \$34 billion in 1994. The Chinese government officials desperately want access to our markets and I believe that they will meet our conditions if, and only if, they believe we are serious about using our leverage.

Again, Mr. Chairman, I thank you for holding today's hearing and for all of your leadership on this important issue.

Chairman GIBBONS. Thank you, Ms. Pelosi.
Mr. Abercrombie.

**STATEMENT OF HON. NEIL ABERCROMBIE, A
REPRESENTATIVE IN CONGRESS FROM THE STATE OF HAWAII**

Mr. ABERCROMBIE. Thank you, Mr. Chairman. I will take your admonition to heart. You have my statement. I will summarize.

Mr. Chairman, every day that I am in the Congress, I recognize more fully the responsibility that we have. Just being here and being able to listen for the last hour or so reminds me—in fact, more than reminds me, it serves as a self-admonishment as well. I realize more and more how each of us in the conduct of our daily lives, despite our best intentions, might take for granted at any given moment who we are and where we are and what we are doing. And yet there are 435 of us upon whom not only this Nation but literally much of the rest of the world depends for making decisions that are in the interests of all of the people of the world.

And, Mr. Chairman, you have an extraordinary responsibility here that I recognize. The question of most-favored-nation status in China is probably as crucial an element in foreign policy in the United States as we face, and every member of your committee now is in a position to make a decision that will affect not only the rest of us in the Congress but the rest of us in this country and, in fact, the world.

When I realize that one out of every four people on the face of the earth is Chinese, when we recognize the incredible statistics that could be recited in all of these areas with regard to the relationship of China and the United States, the decision that is going to be made by your subcommittee in the context of the overall Ways and Means Committee and the final decision is beyond measure. It is a very humbling experience, and I realize that more and more. And it is in that context I would like to address my remarks to you and the other committee members.

It has been said that this is an internal affair for China and that our insistence on human rights improvements constitutes interference with China's internal affairs. That is a serious point, Mr. Chairman, and one that I, for one, will not brush aside. I think it needs an answer.

This line of arguments turns the truth, in my estimation, on its head. The decision as to whether to grant or withhold most-favored-nation status is an internal affair of the United States. It is not an internal affair of China but, rather, of the United States. We are obliged to frame our national policies in terms of the Constitution. The Constitution which sits on my desk, given to me by Spark Matsunaga, ex-Representative of this House and Senator of the United States, who gave me that Constitution in 1974 when I first ran for office.

I have that Constitution on my desk. We swear to uphold and defend it and its principles, and it is not something we should deal with in the abstract. It has great personal meaning for all of us. It forms the basis of our National Government and our decision-making, and we are likewise signatories to the U.N. Declaration of Human Rights. We are obligated to do this. It is not something we

do as a matter of form. It constitutes the very basis of our existence, politically.

Those who urge us to ignore human rights violations in China and Tibet—and perhaps I am being too harsh when I say “ignore.” I would revise what I said. Those who urge us to take into account human rights violations as we see them and yet nonetheless ask us not to link them to trade policy would have us believe that trade with China is a privilege graciously granted to us by the Beijing Government and that American prosperity depends on its continuance.

Again, the facts are being turned on their heads, Mr. Chairman. We, as has been indicated by others, are running a trade deficit with China, a deficit which grows larger every year. The Beijing Government desperately needs foreign currency to finance its policy of economic growth, and I do not oppose that. But I do oppose the idea and I do question the proposition that we are somehow in need of China. It is the exact opposite.

It has been stated by others—and I wish to reiterate it to the committee because I think it is fundamental to your decisionmaking—that MFN policy is not only one the prerogative of the United States, but that this is the great leverage. This is the leverage that we have in order to bring our idea of a relationship with China based on a clear human rights understanding, universal human rights understanding, to fruition.

It should be clearly understood that the Government of China needs most-favored-nation status far more than the United States does.

Just a couple of concluding remarks, Mr. Chairman, that are in a philosophical vein in this context. I agree with others that the credibility of the Congress, the credibility of those of us who have the honor to serve here in the House of Representatives, is at stake. For the past several years, there has been a debate over the most-favored-nation status, and it has been granted. It is my conclusion on the basis of my observations—and I think it is in line with that which has been argued here on a bipartisan basis—that it is only if the Chinese Government concludes that we mean it—that is to say, that we can withdraw this most-favored-nation status if we conclude that this is the right policy—only if we mean it, only if we act on it that we can affect the human rights situation in China. They have no evidence to this point that it is anything more than verbal posturing.

That is no reflection on any member of this committee or anybody that has favored it in the past. I am speaking about the conclusion that has been drawn by the Chinese Government. Only if we implement it, after having stated that we would have this as policy if there was a failure to move forward on human rights and other issues as stated in the Executive order.

We need only to witness what has taken place in Sarajevo recently when the Serbian Government concluded that this time we did mean it, to see what kind of progress can be made. I think we have to have the same kind of attitude in this context.

Finally, let me say, Mr. Chairman, and to the committee, that one of the elements in the Executive order is protection of the distinctive religious and cultural heritage in Tibet. Mr. Chairman, I

would not disagree at all with your characterization that great physical progress has been made in China. Not only is that the observation of many people, but I think that it is not to be argued. And when I say physical progress, I am also including everything in terms of nutrition, the physical meaning human beings as well as infrastructure. No question.

Unfortunately, that very progress in trade terms and in business terms, in commercial terms, where Tibet is concerned it is having the opposite effect. There is now more physical destruction in Tibet. The cultural heritage in terms of the temples, in terms of the historical context of Tibetan religion and life has been destroyed. Population transfer is the code phrase for displacing Tibetan culture.

So, Mr. Chairman, I understand very, very well that it is possible for people of good will and good faith on all sides of this issue to disagree. But when we have no objective capacity, when there has been no objective basis established for saying that progress has been made, we must, in order to establish our own credibility on this issue, act on it. And that means to me that the most-favored-nation status must, of necessity, then be withdrawn.

Mr. Chairman, I appreciate very, very much your forbearance in entertaining my testimony on this issue, and I want to say in conclusion that all of us rely upon you and the committee, as we know you are giving it the gravest attention, and we certainly hope that we will be able to come to a conclusion here that will advance human rights and the relation between China and the United States on a basis we can all be proud of.

[The prepared statement follows:]

Rep. Neil Abercrombie

Testimony before Subcommittee on Trade
Committee on Ways and Means

February 24, 1994

Mr. Chairman, thank you for the opportunity to offer this testimony on the question of renewing Most Favored Nation (MFN) trading status for China.

My concerns center on the Chinese government's sorry record in the field of human rights. Despite lip service and the token release of an occasional political prisoner, the Chinese government's record remains a sad one. Suppression of religious faith and nonviolent political dissent continues unabated. Beijing's policy in Tibet amounts to nothing less than cultural and demographic genocide.

It has been said that this is an internal matter for China and that our insistence on human rights improvements constitutes interference in China's internal affairs. This line of argument turns the truth on its head. The decision whether to grant or withhold MFN status is an internal affair of the United States. We are obliged to frame our national policies in terms of the Constitution, which forms the basis of our national government, and the United Nations Declaration of Human Rights, to which we are a signatory.

Those who urge us to ignore human rights violations in China and Tibet would have us believe that trade with China is a privilege graciously granted by the Beijing government and that American prosperity depends on its continuance. Again, the facts are being turned on their head. We are running a trade deficit with China, a deficit that grows larger every year. The Beijing government desperately needs foreign currency to finance its policy of economic growth. It should be clearly understood that the government of China needs MFN far more than we do.

MFN status is a privilege not a right. Assertions that it should be extended as a matter of course, no matter what policies are pursued by the Chinese regime, amounts to putting profits above all. It is being said in effect: "If there's money to be made, human rights don't count." I reject that line of argument and this House should reject it as well.

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Chairman GIBBONS. Thank you.
Mr. Kopetski.

STATEMENT OF HON. MICHAEL J. KOPETSKI, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

Mr. KOPETSKI. Thank you, Mr. Chairman. I, too, will ask that my complete statement be made a part of the record, and I will summarize.

Let me make just a couple of quick points. First, never in Chinese history have they had democratic government, let alone a constitution which establishes procedural rights for the individual. These are totally foreign concepts to their history. The seeds for these ideals, however, are present today in China and growing.

Second, the one common thread of 4,000 years of Chinese history has been their resolve to keep foreigners and foreign ideals, foreign influences out of their country. Only twice have they ventured out. The first time was about 100 years ago, and we are in the midst of their second expedition.

Third, the overwhelming case history of unilateral trade embargoes is that they do not work, and that is why withdrawing MFN status by the United States alone will not work. The overwhelming case history of trade is that it fosters change. People selling their products in foreign lands also sell different ideals and values. It may be slow, but it is powerfully effective. We know that this has accelerated today in an international business world that requires legal systems to arbitrate disputes.

Fifth, we know that information processing is faster, more comprehensive, and, yes, more intrusive and unstoppable, be it through faxes, satellite dishes, radio, television, and the movies. This information technology is much more powerful than any trade embargo.

Sixth, the President has set the course for MFN. I am convinced that he will not extend MFN if progress is not made.

Finally, I am hopeful, however, that progress will be found, but also the President will take a bold step to shift this debate away from the annual review process and substitute for it other tools, more appropriate tools, more effective tools than the MFN, and also to adopt other fora for this process so that we can pressure and aid the Chinese to institute fully acceptable human rights policies for their citizens. The issue is not whether the United States should continue to undertake this objective. Clearly, we should. The issue is what are the most appropriate and effective tools and fora for us to use, for we must remember that China is not afraid to build durable walls, walls whose purpose is not to keep their people in, walls whose purpose is, however, to keep foreigners, foreign ideals out.

Today, the China gates are open. We must move cautiously or, without a doubt, they will close them. Thank you.

[The prepared statement follows:]

Congressman Mike Kopetski

Testimony before Way and Means Subcommittee on Trade

United States-China Trade Relations

February 24, 1994

Mr. Chairman, thank you for the opportunity to appear before the Subcommittee today. And more importantly, I want to thank you and your staff for conducting this important hearing.

Mr. Chairman, several of my colleagues presenting testimony today will argue that Most Favored Nation status for China should be cutoff or conditioned severely. The arguments for taking this draconian action have been made year in and year out since the repressive actions taken by the government of the People's Republic during the Tiananmen Square incident in 1989. I represent another voice, another opinion in this debate. Much has happened since the horrible events of 1989, it is time for the debate on MFN to reflect this fact.

Let me state emphatically for the record, China's human rights practices do not meet U.S., international or my own personal standard. The United States must continue to press China vigorously at every appropriate opportunity on human rights. And I advocate taking every opportunity to engage the Chinese government on issues of concern to the United States; from human rights to the many trade issues ranging from intellectual property rights to market access and the significant U.S. trade deficit with China. To have the greatest impact on China, internally and externally, the United States must engage China actively in a mature relationship. It is my belief, the threat of conditions or revocation of MFN is counterproductive and may actually impede the stated goals of those who advocate such a policy.

In the last year, we have seen the U.S.-China relationship move into a new phase. President Clinton, Secretary Christopher, and Secretary Bentsen (to name a few) have all met with their counterparts at the highest levels of Chinese government. On each of these occasions, the U.S. has placed a priority on stressing the importance of human rights. Assistant Secretary of State John Shattuck is involved in an ongoing discussion, including another upcoming visit to Beijing, with the Chinese on the human rights issue and the U.S. perspective.

An issue of great concern to me is nuclear weapons testing and proliferation in general. China has been both a disappointment and a complement to U.S. non-proliferation efforts. Unfortunately, China tested a nuclear weapon last year, the only country in well over a year to do so. At the same time, the Chinese have quietly worked with the United States and the international community on the North Korean situation. Any success to date with North Korea would not have occurred but for China's role in these most serious negotiations. The Chinese are also participating in Comprehensive

Test Ban negotiations now underway at the Conference on Disarmament. In fact, I met with the Chinese delegation last week in Geneva and I came away with a great optimism for their commitment to achieving a Comprehensive Test Ban Treaty. On at least two occasions, State Department officials have engaged the Chinese on talks about a Comprehensive Test Ban treaty.

China and the International Red Cross are negotiating currently the possibility of Red Cross visits to Chinese prisons. I have stressed to the Chinese the importance of allowing the Red Cross in without restriction. Last week, I met with the Red Cross in Geneva to discuss this issue and I am again optimistic that the Chinese will allow full and complete International Red Cross inspections in the near future.

As a member of the United Nations Security Council, China plays an instrumental role in the post Cold War era. This role will increase, with or without cooperation and influence from the United States. Also last year, the U.S. and Chinese resumed military contacts and exchanges that were suspended following Tiananmen Square.

On human rights, I applaud the Clinton Administration for making this issue an obvious priority in our relations with the Chinese. At the same time, I encourage the Administration to broaden the human rights focus and participate actively at the United Nations Human Rights Commission currently underway in Geneva. This in my opinion, is one, clearly appropriate, venue where the United States working with the international community can and should bring additional pressure on the Chinese, particularly on issues like Tibet.

Conditioning, restricting or revoking Most Favored Nation Status jeopardizes all that has happened in the last year, only a few of which I have mentioned today. MFN is important to the Chinese, to the United States also, but it is a much more useful tool towards influencing China when granted as part of a comprehensive China policy.

Mr. Chairman, this subcommittee visited China last August and I am told Members are visiting China in record numbers. I spent two weeks in China in December; meeting with Chinese government officials throughout China including trade negotiators and high-ranking military officers. Importantly, I also met with university professors, American-educated mid-level Chinese bureaucrats, religious leaders from several different denominations, and young Chinese professionals including several journalists. I recommend strongly that my colleagues on this committee and in the House visit China at the earliest convenient opportunity. One tenet I came away with was that all the professionals on the ground recognize that China's human rights standards are inappropriate and tying progress to MFN is also inappropriate.

Mr. Chairman, China is undergoing dramatic and radical change. These changes often allude the press and Congressional debate. An entire generation of future Chinese leaders, mid-level party members today, were educated in the United States instead of the Soviet Union. Each year, 40,000 Chinese students study, travel and experience this country. Satellite dishes permeate China, western dress has replaced the traditional Mao suit, the work unit which used to control all aspects of Chinese life is crumbling, and Chinese diet and quality of life is much improved.

China remains a difficult and important challenge to the United States. The United States must be persistent and equally important, consistent. Mr. Chairman, I applaud the role you and the Subcommittee have played in this debate and I encourage you to continue your leadership.

I will conclude my prepared remarks here. I look forward to the remainder of today's hearing and particularly as the panelists discuss trade with China, the intended focus of the hearing. At the appropriate time, I will gladly answer any questions the members may have. Again, Mr. Chairman, thank you for the opportunity to be here today.

Chairman GIBBONS. Thank you.

We will now go to the question and answer period in which members will inquire in the following order: Mr. Matsui, Mr. Neal, Mr. Thomas, Mr. Shaw, Mrs. Johnson, Mr. Crane, Mr. Payne, Mr. Levin, and Mr. Kopetski.

I hope members will be brief in their questioning. We have a long, long set of witnesses today. Mr. Matsui.

Mr. MATSUI. Mr. Chairman, I am going to defer.

Chairman GIBBONS. All right. Any of the rest of you?

[No response.]

Chairman GIBBONS. Well, thank you all—yes, Mr. Crane.

Mr. CRANE. I simply have a unanimous consent request to insert a statement in the record.

Chairman GIBBONS. Certainly. Without objection, your statement and all other statements that are submitted during this hearing will be included in the record.

[The prepared statement follows.]

Opening Statement by the Honorable Phil Crane
February 24, 1993

Mr. Chairman, I agree with your decision to hold this hearing well in advance of the President's June 3rd decision on MFN for China.

As you know, I have been a strong opponent of proposals to condition trade with China on arbitrary criteria, because it doesn't encourage the behavior we seek, and is very dangerous to our own interests in the region. Given the ineffectiveness of the MFN tool, I was concerned when President Clinton adopted the Pelosi approach to conditioning trade with China. But I was also surprised that he would cripple his own ability to respond to the constantly changing political picture in this critical area of the world.

Nevertheless, here we are eight months later trying to make judgements on human rights and other matters, with the charade of MFN hanging over our heads. The uncertainty puts U.S. business at a substantial disadvantage with competitors in Japan and Europe. No other country on Earth conditions its trade with China. We are alone in this unwieldy and ineffective policy. It is a policy of dressing in the emperor's clothes and can only weaken U.S. credibility in foreign policy matters.

In my view, we need to give the President the flexibility he needs to respond to complex foreign policy, trade and human rights problems. If trade sanctions are considered, they should be tailored in a way that does not extinguish our influence over the Chinese leadership as a complete revocation of MFN would do. Threats to disengage do not help our efforts to promote human rights or other U.S. interests. We must be honest with ourselves and work to develop more effective options to apply pressure to the Chinese.

I welcome the witnesses here today, and look forward to their testimony.

Mr. ABERCROMBIE. Mr. Chairman.

Chairman GIBBONS. Yes, sir.

Mr. ABERCROMBIE. May I just add a very quick addendum? I neglected one point.

Chairman GIBBONS. Certainly.

Mr. ABERCROMBIE. As a member of Amnesty International for many years, I meant to indicate—I had written a note to myself; it was not in my original testimony—that just yesterday the Chinese Government formally rejected the report of Asia Watch and Amnesty International with respect to human rights on the basis, among other things, that they were politically biased. I want to state for the record, Mr. Chairman, as a member of Amnesty International, both in a local group and its national manifestation, Amnesty International to my knowledge has never engaged in any kind of partisan political activity, certainly nothing that I am aware of as a member. And I regret very much that the Chinese Government has taken that position, but I do think it should be part and parcel of your deliberations with respect to the credibility of the Chinese Government in answering allegations with respect to human rights violations.

Chairman GIBBONS. All right. Thank you.

Ms. PELOSI. Mr. Chairman.

Chairman GIBBONS. Ms. Pelosi.

Ms. PELOSI. With your permission, Mr. Chairman, I would like to make two points.

Chairman GIBBONS. All right.

Ms. PELOSI. First of all, in the course of my remarks, in the interest of brevity I did not refer to something I would like to have entered into the record.

Chairman GIBBONS. Certainly.

Ms. PELOSI. This is an article in the newspaper that said an ex-customs agent got 3 years for taking a record \$1.7 million in bribes. This customs agent pleaded guilty to accepting \$1.7 million for allowing \$50 million in Chinese T-shirts, sweatshirts, food and medicine into the country illegally, and I just want that to be part of the record.

Chairman GIBBONS. All right.

[The article referred to follows:]

WOMEN'S WEAR DAILY, THURSDAY, NOVEMBER 18, 1993

Ex-Customs Agent Gets Three Years For Taking a Record \$1.7M in Bribes

By CAROL EMERT

WASHINGTON — A U.S. District Court judge Wednesday sentenced former U.S. Customs Service inspector Daniel Ekman to three years imprisonment in the largest Customs bribery case in the country's history.

Ekman plead guilty in March to accepting \$1.7 million while allowing \$50 million of Chinese T-shirts, sweatshirts, food and med-

District Court in the Central District of Los Angeles after pleading guilty to nine counts of conspiracy, bribery and smuggling between 1988 and 1992. His lawyer, Paul Depasquale, did not return calls asking for comment.

Los Angeles importers Greenfield Associates and Bangkok Market are under investigation for bribing Ekman, said Hochman. Greenfield has gone out of business and spokes-

and Sino Overseas. Some of the clothing destined for these companies was seized, while other shipments were distributed before being caught, Hochman said. None of the companies are implicated in any wrongdoing, he said.

In a search last November, U.S. Customs special agents seized \$1.2 million in cash they found in Ekman's garage, and \$500,000 more in safe deposit boxes, Hochman said. Ekman

To prevent future bribery of Customs officials, the Los Angeles district has begun regularly rotating inspectors to different areas.

icine into the country illegally.

The textile goods were forbidden entry because their import quotas were filled, a spokeswoman for the U.S. Attorney's office in Los Angeles said.

The importers also illegally avoided tariffs by claiming the shipments contained metal furniture and electronic components with tariffs under 10 percent, while T-shirt tariffs are more than 20 percent, said assistant U.S. attorney Nathan Hochman, who prosecuted the case. The loss in tariff revenues totaled between \$3 million to \$5 million, he said.

Ekman was sentenced by Judge John G. Davies of the U.S.

men could not be reached for comment. A Bangkok Market executive said his company does not import apparel, but declined further comment.

An official with Bangkok Market's Hong Kong-based exporting partner, Peter Rayson Trading, was convicted in Hong Kong for illegally exporting the same goods that are in question in this case, Hochman said. All of the goods were shipped through Hong Kong, and investigations are ongoing there, he said.

The apparel was slated for sale to three Los Angeles-based companies: BUM Equipment, the Great Pacific T-Shirt Co.

paid an additional amount to cover the total amount of the bribes he received.

To prevent the bribery of Customs officials in the future, the agency's Los Angeles district has begun regularly rotating inspectors to different areas and jobs to make it more difficult to establish relationships with importers, said Kevin Rupp, acting assistant district director for inspection and control.

The district also instituted electronic safeguards, such as a tracking system showing what inspectors have handled goods, in its computer system that monitors imports, Rupp said.

— Fairchild News Service

Ms. PELOSI. One other further point. I cannot resist. Mr. Kopetski said there is no such thing as constitutional rights or whatever in China. While those of us who are supporting MFN as leverage all fundamentally believe that human rights are universal and know no national boundaries, I still want the record to show that, on our last visit to China, the list of concerns that we gave to the Chinese Government were a list of violations of rights which are guaranteed supposedly in the Chinese Constitution. In fact, in my longer statement for the record, I go into where the Chinese Constitution guarantees due process, but in actuality the Chinese do not allow it. In fact, they have a 99 percent conviction rate of people who are brought forward without access to attorneys, et cetera.

Perhaps I misunderstood Mr. Kopetski's remarks, but a large part of our urging on the Chinese has been to honor the rights guaranteed in the Chinese Constitution to its own citizens.

Thank you, Mr. Chairman.

Chairman GIBBONS. Thank you.

Mr. KOPETSKI. Mr. Chairman.

Chairman GIBBONS. Let me go to Mr. Thomas, and I will come back to you.

Mr. THOMAS. I yield.

Chairman GIBBONS. He will yield to you.

Mr. KOPETSKI. Just briefly. China has a population of 1.2 billion people, and they have 50,000 lawyers. It has not been in their history and practice to utilize and understand just how important we view procedural safeguards and rights of the individual in their society. They do not have that heritage. They are developing it, and I want to see it go forward. They do have exchanges with lawyers and judges, the supreme court justices, et cetera, but I think it is going to help them, and we should be fostering that, clearly. But it is not for 4,000 years something that has been part of their practice.

Ms. PELOSI. In the interest of time, Mr. Chairman, I will just say I certainly agree we should be fostering it, but the violations we are referring to are decisions that are made to repress people and not give them representation, and to not even notify people what their charges are and to detain them extrajudicially. So I think that is the distinction I wanted to make clear. I do not disagree that we should be fostering and encouraging a free judiciary in China. I think it is a long way off.

Thank you, Mr. Chairman.

Mr. THOMAS. Mr. Chairman.

Chairman GIBBONS. Mr. Thomas.

Mr. THOMAS. I just think the record should show that I think fundamentally the reason members did not engage in a series of questions is that we appreciate the testimony, and clearly there was divergence from the members on the testimony. They have set the tone very clearly, and we have a number of specific witnesses, both from the administration and from a number of other areas that are going to focus on narrow particular points that I think are more conducive to a question and answer session than this would be.

So it is not a reflection on any of the testimony that was given. It's just that we would be debating the entire structure all day, and I think it is important to get the specific points that are going to be made by the Representatives, and I thank them for their testimony.

Ms. PELOSI. Thank you.

Mr. THOMAS. We thought we would close the case.

Ms. PELOSI. Thank you, Mr. Chairman.

Chairman GIBBONS. I next want to call Mr. Barber Conable as our next witness. Barber, I saw you there earlier.

While Barber is coming to the podium, I just want to remind all the people here that Barber Conable and Sam Gibbons have had an acquaintance over a long period of time, and I welcome him here. He brings a richness of knowledge and depth of experience to this committee. Barber is not only a well-trained successful lawyer; in addition, he has been a distinguished Member of Congress.

He has been to China many times as a member on this committee and in his role as President of the World Bank. Barber has been a counselor to Presidents, a wonderful member on this committee, in fact, the ranking member on the Republican side of the aisle. He has contributed a great deal to our understanding of China and to our understanding of the rest of the world and all the issues that we deal with up here.

Barber, it is a pleasure to welcome you here. I must say that before you finish testifying, I will probably be running off to another meeting, but I feel as though I can call on you at any time. So go right ahead, Barber.

Mr. CONABLE. I do recall the problems, Mr. Chairman.

Chairman GIBBONS. They have not changed.

STATEMENT OF HON. BARBER B. CONABLE, JR., CHAIRMAN, NATIONAL COMMITTEE ON UNITED STATES-CHINA RELATIONS; FORMER MEMBER OF CONGRESS AND FORMER PRESIDENT, THE WORLD BANK

Mr. CONABLE. Mr. Chairman and members of the subcommittee, I have not previously appeared as a witness before this committee. I left here more than 8 years ago and I do have a poignant and cumulative memory of having to learn to doodle, so that I could get through a day in which people were reading long mimeographed statements.

So I have only a few points to make here, and these points I make as an individual, although I am the head of a large non-government organization interested in improving the relations between our two countries. I bring with me to the chair next to me, Dr. Mike Lampton, who is the President of the National Committee on U.S.-China Relations. But the nature of our organization is such that we cannot say we speak for everyone in the organization, and so we are here as individuals.

I am not going to tell you several things today. One of the first things I am not going to tell you is that the Chinese have good human rights. They do not. I am not going to tell you that we should forget human rights in the interest of trade.

I am not going to tell you that China is moving rapidly toward democracy. I think such movement is inevitable, but I think it is

also very slow. They do not have in their 4,000 year history a great democratic tradition, and I think it would be unusual if they were to become a clone of the United States quickly.

I am not going to tell you that the political and economic relations with China do not have their elements of risk in them. China has a potential for political instability. It has a problem of succession, as you know, and also the political stability will be affected by economic stability. It has high "spot" inflation. It has a banking system that does not function well. As has been said here by a previous witness, it is an economy in transition and economies in transition are likely to be afflicted with corruption and what we call discretionary regulation, rather than regulation that is governed by the stability of law.

The Chinese are moving to try to deal with some of these problems, but I think again we cannot anticipate that China will move in a straight line toward what we would like to have them be in the interests of human rights.

I do want to make some points, however, even though I am not going to say these various things. I think it is important to understand that the lot of the average individual Chinese is improving dramatically. As a person interested in development at the World Bank, I can tell you that the economic improvements in China are remarkably broad based. There may be some exceptions, some people of great wealth, for reasons that it is not necessary to go into right now.

But, in fact, in 1980 there were probably at least 260 million of China's 1.2 billion people who were living on a subsistence level, who could be described as living in absolute poverty; by 1990 that was reduced by roughly 160 million people. Now, that is quite an achievement for a country the size of China, and as poor as China is. So I think it is important to understand that the economic reforms they have been following—they have been doing a lot of experimenting—have resulted in fairly broadly based improvement in the quality of life of the Chinese people, which is not without its human rights aspects.

I think also it is important to understand that China, with five times the population of the United States, with a per capita income that is doubling every 6 or 7 years at this point, remarkable growth in real terms, is fast becoming a superpower. We all know the statistics that have been disclosed lately relating to the aggregate size of China's economy and the impact it is likely to have on the 21st century, not just on issues of economic nature, but on security, as well.

I think we have been through a 45-year period of confrontation with another superpower and we should not try to get back into that mode again. It is not in the interest of world peace or in the interests of the sanity of the American people who would like to be part of a more stable world.

Whatever may have been the case 10 years ago, it is not my feeling that we can isolate China by unilateral American action. China has now many strings to its bow. Last year, it exported more to the other nations of Asia than it did to the United States. It has improved relations with Japan. Following Tiananmen Square, Japan

has had a \$2.5 billion concessional aid program for the Chinese. We are the only country that still maintains sanctions on the Chinese.

The chances of our isolating them by further action on trade are rather slight. The effect of trying to do this is probably that we will isolate ourselves in the Western Pacific. There is a view generally among Asiatic nations that America is withdrawing from the Western Pacific by the actions it is taking. We all know the confrontational problems we are having with Japan over trade.

We know that the unification of the Korean peninsula in one way or another is likely in the next few years, and that American troops will not stay there much longer. We know that we are out of the Philippines for all practical purposes. By our action with respect to China, we will be signaling our intentions in the Western Pacific to a very significant degree.

I want to tell you that if we leave a vacuum out there by our de facto withdrawal, it is likely to be filled either by a belligerent China or a rearmed Japan, neither of which is in the interests of world peace. So I hope we will worry somewhat about our relations with this potential superpower for the future.

Another point that needs to be made is that withholding most-favored-nation status, for whatever reason, is not in anyone's interest. It does not help American economic interests, it does not obviously help the struggling Chinese people who are depending on economic reform to bring about a gradual change in the quality of their lives.

It is probably most dangerous to Hong Kong and to Taiwan, a point that has not been made here today, and I think it is important to understand that 60 percent, for instance, of the exports from China to the United States come through Hong Kong, that Taiwan is increasingly dependent on China as its manufacturing base. These are countries, of what might be called greater China, that we would not want to hurt, and yet they would be the ones most damaged by the withholding of MFN.

The last point that I would like to make is that I really feel, as we look ahead, that we must try to find some way of multilateralizing what has become an excessively bilateral relationship. There are a number of points to be made on this strategy.

Excessive bilateralism includes the temptation to move the goal-post every time we have a new crisis with China; we make resolution of that crisis dependent on most-favored-nation status. Quite frankly, the Chinese feel they can never satisfy us in our bilateral efforts to try to use MFN with respect to almost every issue, whether it is North Korea or proliferation or you name it.

The question is how do we multilateralize this relationship, how do we get other countries involved in putting the kinds of pressure on China that will bring about real improvement of human rights, how do we get other countries involved in helping the Chinese become part of the family of nations so they can be a constructive world force. How do we include China, rather than seeking to isolate her.

We have the issue of trade. There the embryonic APEC organization is something that we can build on. I think we should be making serious efforts to try to get China involved in GATT, so that the relationship would not be again an excessively bilateral rela-

tionship in which we are trying to force the Chinese to deal with us and to provide the same benefits to other parts of the world. GATT could be helpful as a way of approaching the Chinese on trade, and we should be pushing that.

In the area of security, I believe it is important to multilateralize the relationship, also. It clearly is in our interests to have China as part of the family of nations on security issues. At this point, I want to give the Clinton administration credit. There is finally some tendency again to try to find out what is happening in the People's Liberation Army, something that we ought to know, quite frankly, since the P.L.A. will have an important power base in China's future.

Issues like the environment can be multilateralized, also. China is potentially the world's greatest polluter. We are the world's greatest polluter now, just as we are the greatest exporter of arms, while China is something like the fifth largest. But we have a very obvious interest in trying to help China improve its environmental circumstances by collective action. Fortunately, global environmental issues are being multilateralized to an increasing degree. I would like to see that continue, also.

It is very much in our interests to enlist other countries in the kinds of relations with China that can bring about a consensus, not just on trade and security issues and the environment, but a consensus also on the issue of human rights. While China's human rights policies are offensive to the United States, I believe they are also offensive to humanity, and we should try to get other people to participate in our efforts to encourage improvement in the interests of the Chinese people and the interests of world peace.

That is all I would like to say initially. If you have any questions, I would be happy to have them.

[The prepared statement follows:]

Testimony on U.S.-China Relations
Subcommittee on Trade
Committee on Ways & Means
February 24, 1994
by
Barber B. Conable, Jr.*

Mr. Chairman and former colleagues on this Committee, I am pleased to have this opportunity to give my views on U.S.-China relations. Although speaking personally, I am chairman of the National Committee on United States-China Relations. Founded in 1966, the Committee is the oldest and most active not-for-profit, non-partisan, educational organization in our country devoted to enhancing mutual understanding among leaders and citizens of both nations. We seek to accomplish our mission through high-level dialogues and exchanges with the Chinese (on the mainland, on Taiwan, and in Hong Kong).

My message this morning is straightforward. The annual battle over MFN tariff treatment for China has reached the point of diminishing returns and we should find a way to put this issue behind our two countries this year. I believe that this is the President's goal -- I share it. I hope that this Committee will continue to support the proposition that expanded trade, economic exchange, and intellectual dialogue with China (PRC) promotes not only our economic and strategic objectives, but our human rights goals as well. We must multilateralize the human rights dialogue with the PRC -- it is a responsibility, not simply of the United States, but the world community as well. Further, it is an issue that can be most effectively pursued in a multilateral setting. The new United Nations Commissioner for Human Rights is one important avenue for accomplishing this.

Beyond multilateralizing human rights issues with the PRC, we need to: 1) Recognize the progress that has been made in China and pursue our other

important interests in productive Sino-American relations as we vigorously encourage further human rights gains in the PRC. 2) Put together a package of reciprocal Chinese and United States moves in the next couple of months that addresses concerns in both countries. And 3), advance Sino-American cooperation in other areas of mutual benefit (such as the environment).

This Committee played a major role in placing relations with China on a sound basis in the late-1970s and the 1980s. It did so, in part, by extending most-favored-nation (MFN) tariff treatment to the PRC as a routine matter. This Committee did so believing that this course of action promoted not only our economic interests but also contributed to the opening of China and the creation of mutual interests and relationships that were profoundly positive for our country, the Chinese people, and the global community. I believed we were right then, I am proud to have been part of that effort, and I believe the fundamental assumptions of our policy not only remain true today, but that they also have been confirmed by the last sixteen years of startling, and profoundly positive development on China's mainland.

Of course there are great problems and there have been tragic twists and turns, problems that are not limited to justifiable American concerns about the mistreatment of individuals in China. There is no way the lives of twenty-two percent of the world's people can be changed with such speed and on such a vast scale and not cause disruption. The world community has never easily absorbed a new power, much less one of China's size. We have a chance with China to develop a process in which this accommodation comes through peace and shared economic prosperity, not conflict.

The economic and intellectual exchange to which this Committee contributed in the late-1970s and the first half of the 1980s has advanced

human progress in the PRC on a scale unmatched in human history, lifting 173 million persons from absolute poverty in that time period.¹ None of us in 1978 would have imagined that about 55,000 Chinese students and scholars would be the most numerous, and among the very best, foreign nationals in America's institutions of higher education in 1994.² None of us would have guessed that in the few short years since the late-1970s well over half of the Chinese economy would be in the non-state sector and that Chinese citizens would be talking about a middle class -- instead of proletarian class warfare. No one in 1978 would have had the temerity to suggest that the PRC would be declared the third largest economy in the world in less than sixteen years and that China will emerge early next century as the world's largest economy in aggregate terms. No one would have predicted that Taipei would now be alarmed by the prospect of excessive economic dependence on Beijing.³ While we must avoid the trap of overestimating China's progress and national strength, we must acknowledge the gains that have been made.

The PRC has moved from being a totalitarian state with limitless ambitions to control and change the individual to that of a tough authoritarian state allowing expanding scope for individual social and economic activity, while still exercising repressive political control. Repressive political control cannot indefinitely coexist with a growing and increasingly liberal economy and society. China will change, though no one can confidently predict the speed of that political evolution or the twists and turns that will be encountered in the process.

The fact is that the taproots of authoritarianism run long and deep in Chinese history and this suggests that political change probably will not be as fast as we, and many in China, would like. Further, China is undergoing

several simultaneous transitions, transitions which individually have ripped other societies apart: the transition from agriculture to industry; the transition from rural to urban; the transition from plan to market; and the revolution of rising expectations. The Chinese have multiple tigers by the tail at the same time, each of which present great risks to what we all would agree is essential social stability. This is said not to justify abuse, but to counsel patience at the same time we press for steady progress. In this regard, I note the beginnings of what may be another period of comparative political relaxation in the PRC in which it is again being debated what the inalienable rights of the individual are in relationship to the state.⁴ The mainland's press seems to be carrying a broader range of ideas and debate and there has been more public articulation of views by dissidents in China in the last month.⁵ At the same time, the recent clamp down on Christian "house churches" is a development that goes in the opposite direction.

We must recognize the progress that has been made, be vigorous and effective advocates for the work that remains to be done (work that has been impressively documented in Asia Watch's Detained in China and Tibet⁶), and we must make sure that the means we adopt are not counterproductive to the ends we all seek to achieve. If we adopt a unilateral, punitive approach in dealing with the many and severe abuses of individuals that obviously exist in the PRC today, we breathe life back into the forces of xenophobia and destructive nationalism. Further, there is simply no other country that will follow our lead if we choose the punitive path.

This hearing has been convened to, in part, review progress made in achieving improvements in the seven areas of human rights specified in the President's May 28, 1993, executive order. Reasonable people can disagree on

the wisdom of the executive order's approach. I am struck by the risks the administration assumed in having taken this course. This approach hinges the entire bilateral relationship on the most controversial element in Sino-American relations; makes it difficult to consider other areas of converging interest with China in the balance; perpetuates uncertainty that inhibits the economic exchange that has positive consequences for our humanitarian concerns; reduces somewhat the attractiveness of American firms as suppliers for the expanding China market; holds hostage to our policy important parts of the Hong Kong and Taiwan economies; and, this approach puts leaders in both Beijing and Washington in a public corner from which it is hard to find an exit, thereby increasing the risk of an unintended deterioration in relations. Nonetheless, I note the more productive relationship since the administration's adoption of the "comprehensive engagement" strategy last fall and the November meeting between President Clinton and President Jiang Zemin in Seattle.

Having said this, we are at a particular crossroads. President Clinton and his administration have been sincere and consistent in believing that linking trade and human rights for this year is the best way to achieve the progress that all Americans desire. It serves no useful purpose, either domestically or in our negotiations with China, to undermine that effort at a critical juncture by sending mixed signals or indicating irresolution and confusion. Further, my understanding is that administration officials have sought to define feasible areas in which they would like to see progress. They are goals that Americans would support as desirable. Finally, I heartily agree with recent administration statements that America supports a strong, stable, prosperous, and modernizing China. Nothing could be more corrosive to

U.S. interests, or human welfare in the PRC, than a China that is floundering economically and socially, that is unstable, and that is resentful.

As a former member of the Congress, I fully understand that our policy toward the PRC, or any country, can be constant only if it has the support of the American people and there is cooperation between the legislative and executive branches of our government. President Clinton and his colleagues realize this and I give them high marks for working closely with Congress. My sense from speaking around the country is that the American people do not any longer want to put the entire Sino-American relationship at risk each year. There remains very little popular support for continuing this exhausting debate over China policy in which the bilateral relationship is put in jeopardy on a yearly, inflexible schedule.

In part, this popular support for putting the MFN debate behind us stems from the rapidly growing economic stakes in the relationship (U.S. exports grew about 20 percent in 1993, making China the most rapidly growing, major American export market).⁷ In 1993, American exports generated well over 150,000 jobs, if one uses the Department of Commerce's rule of thumb that every one billion dollars in American exports generates about 19,100 American jobs.⁸ As well, there is the common sense recognition that it is difficult to ask China's leaders to cooperate on issues such as the North Korean nuclear problem at the same time that we are proposing to inflict major economic damage on them (and ourselves) and I note recent statements by Senators Nunn⁹ and Dole in this vein. Americans with whom I speak recognize that this is a world of uncertainty in which the United States cannot go it alone on all issues, all the time. Does the United States need another major bilateral problem, given difficulties with Russia? With North Korea? With Japan? In

Europe? Is it wise or prudent to take action that not a single other country in the world will support and action that cannot succeed without that support? If we are unprepared to deliver on the threat, or the threat is doomed to be ineffective, does articulating it enhance our nation's credibility? After having fired this "gun with only one bullet", then what?¹⁰ What leverage would we then have to promote human rights progress in the PRC?

Most importantly, however, the very scale and direction of economic and social development in the PRC over the last sixteen years mentioned above has been widely recognized in our society. As former president of the World Bank, I can tell you what an achievement it is for China to have an average life expectancy (at birth) of 71 years of age, an infant mortality rate of 38 (per thousand live births), and an illiteracy rate at the level of 27 percent. We cannot overlook the improved human welfare these numbers represent.¹¹ Further, Americans know that the primary solvents to totalitarian control in the PRC (as elsewhere) have been broader popular education, economic expansion and decentralization, and foreign involvement in bringing capital, technology, and new ideas to China's citizens. Therefore, to hold economic relations hostage to political change is to deny ourselves the tools most appropriate to achievement of the ends we all ardently desire.

The course I suggest that we adopt stems from my belief that U.S. policy should spend relatively more effort on defining positive avenues to promote constructive and humane change in the PRC than in following the punitive route that is raising nationalistic hackles and generating widespread popular ill-will because of perceived heavy-handed American pressure tactics. It should be a point of serious concern that there is increased popular and elite discussion in the PRC about whether or not the United States wants China to

modernize and whether or not the United States is a friendly country.¹² There are indications that Deng Xiaoping is under attack by more conservative elements in the leadership for "right-opportunism" and "right deviation" (being too responsive to U.S. demands).¹³ Anne Thurston, a widely respected author and proponent of human rights, recently has conducted interviews with Chinese dissidents and intellectuals living on the mainland who have no sympathy for current human rights conditions in the PRC. Ms. Thurston concludes her essay saying that:

Even those [Chinese with whom she spoke] who were disappointed when President Bush refused to impose conditions as an expression of revulsion over the Beijing massacre now support the continuation of MFN. To withdraw MFN, many believe, would hinder China's economic progress and reverberate to millions of ordinary citizens who have only recently begun to benefit from economic reforms. Were China's economic advance to slow with the revocation of MFN, undermining the hopes of so many who are set on making their fortune, the United States would be blamed, and the substantial reservoir of goodwill toward Americans would be drained.¹⁴

So, we are at this juncture. What can and should be done?

We should pursue four avenues simultaneously, and do so largely through quiet dialogue (by both officials and private groups):

o First, we need to develop other instruments to promote our human rights objectives, not only in China, but elsewhere as well. We excessively bilateralize relations with countries, when only multilateral cooperation is likely to be effective. I am inclined to move conflict over human rights into multilateral fora where the accumulated weight of world opinion can have its effect. We should admit this will be a difficult and protracted undertaking, but, if we do not have the support of others, we are likely to adopt unilateral measures that prove ineffective and fuel a generalized resentment of American high-handedness. The recent establishment of the post of United Nations Commissioner for Human Rights now is one avenue newly opened to us. Having said this, however, Ambassador Roy in Beijing was correct when he recently noted the impossibility of fully normal relations with a country that overtly suppresses its people.¹⁵

o Second, we should recognize the gains that have been made toward meeting concerns specified in the President's May 28th

executive order, at the same time we encourage more progress. We also must give Beijing some assurance that making that progress will not merely provide the occasion for putting forth a new treadmill-like set of demands that perpetually holds the entire bilateral relationship hostage to ever-shifting American requirements. I am pleased with, and attach importance to: China's current discussions (the first in 45 years) with the International Committee of the Red Cross concerning visits to prisons and I hope those discussions with ICRC reach an expeditious and satisfactory conclusion; the recent increase in family reunifications; Foreign Minister Qian Qichen's indication to Secretary Christopher in January that Beijing would provide detailed information on the list of 235 Chinese political prisoners compiled by the United States last fall; and, the release of a modest number of prisoners of conscience¹⁶ -- I hope for many more, I believe that such releases and reunifications are fully consistent with China's own law, and I would like to see abolished the very vague and dangerous concept of "counterrevolutionary" in China. I am gratified with the apparent progress made on the issue of prison labor during Secretary Bentsen's January visit to Beijing. However, I do not understand why Beijing continues to seek to jam the Voice of America mandarin language broadcasts. The Voice still reaches its intended audience, it is costly to attempt to jam it, and it generates so much ill will. Further, the information flowing into China via satellite dishes (and 230 million TV sets), foreign media, visitors, and (I might add) China's own diversifying press, makes the Voice only one, comparatively shrinking, source of information for Chinese citizens.

o Third, a package of moves needs to be put together in the next couple of months in which both the PRC and the United States seek to meet concerns of the other -- there needs to be no formal, public agreement. A set of confidence inducing, reciprocal, and parallel moves that are clear and understood to both sides should be sufficient. Such an understanding can be produced only in quiet, official discussions. I encourage the Secretary of State to move such a process forward by visiting China in the near future, as I understand he is considering. Among the components of such a package might be: further significant moves forward by Beijing in areas mentioned above and in the President's May 28th executive order; staunch American support for China's accession to GATT as appropriate; Washington's removal of most of the sanctions imposed on Beijing since 1989; high-level visits in both directions, including a visit to China by the President or Vice President at an appropriate time in the not-too-distant future; and, increased Chinese vigor in faithfully implementing the various trade and intellectual property agreements arrived at in 1992 and this year. Further, progress might be made in controlling the flow of conventional and unconventional weaponry and technology in the region and increasing Chinese support for firmness in the current nuclear problem with North Korea.

o And finally, there are areas of potential cooperation between China and the United States that we have not previously exploited, areas which have their own humane rationale and which support American and global interests. These areas should not be held hostage to problems in other corners of the relationship. Instead, we should use progress in areas of mutual interest and benefit to generate the political and societal will (in both countries) to tackle the more difficult issues between our two nations. For instance, while our Environmental Protection Agency has had useful cooperation with China over the years, the PRC is, for all practical purposes, unable to participate in the United States-Asia Environmental Partnership Program (USAEP) in which USAID is the lead agency. Indicative of this kind of problem is the fact that, in the Bush Administration, the PRC was not invited to a White House conference of environmental ministers from major nations. These actions are unwise. It is impossible to address global or regional environmental problems without China's active cooperation. We should seek areas in which we can work with Beijing that have intrinsic, humane merit. We should pursue those avenues, even when there are other dimensions of Chinese behavior with which we have extreme concern and disagreement.

So, Mr. Chairman and members of this Committee, we should strive to make this the last year we debate holding the entire Sino-American relationship hostage to the admittedly serious problems in the treatment of individuals in the PRC. Instead, with a developmental perspective and a clear recognition of how to promote change and our own interests in China, we should move forward in the directions I have suggested. We obviously need Beijing's help to put this issue behind us. I commend the President and his administration for seeking to rebuild the consensus with Congress over China policy. I hope this Committee will play the leadership role in the 1990s that it played more than a decade ago when United States ties with China entered the most productive and constructive phase that this relationship has ever experienced.

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1. World Bank, China: Strategies for Reducing Poverty in the 1990s (World Bank: Washington, D.C., 1992), p. ix.
2. Statistics from the Institute of International Education (Open Doors for years 1991/92 and 1992/93) indicate there were 45,130 Chinese students in America (1992/93) and an additional 9,953 visiting scholars (1991/92).
3. Y.C. Tsai, "Investment in PRC Drives Economic Growth," January 14, 1994, Taipei CNA in English, in FBIS, No. 10 (1994), p. 54.
4. Beijing Xinhua Domestic Service in Chinese, "'Mailbox' Discusses Civil Rights," in FBIS, No. 23 (1994), pp. 22-23.
5. Patrick E. Tyler, "Crossroads for China: With Democratic Stirrings Among Chinese, U.S. Is Pressing Beijing on Crucial Choices," New York Times, January 18, 1994.
6. Asia Watch, Detained in China and Tibet (Human Rights Watch: New York, 1994).
7. China's trade surplus with the United States continues to grow, reaching about \$23 billion in 1993, second only to our trade deficit with Japan. Chinese exports to America account for about one-third of all Chinese exports, according to the U.S. Department of Commerce. However, there is a distinction to be made between the Chinese and Japanese surpluses with the United States - China is not another Japan, in trade terms. First, China ran a global trade deficit of about \$12.18 billion in 1993 [according to China Daily, February 4, 1994, p.1, in FBIS, No. 24 (1994), p. 25]. Japan, by way of contrast, runs a global trade surplus of very large proportions. Americans need to ask how they can get a bigger piece of the China trade pie and why other countries are more successful. Second, in the case of China, many other countries and areas (e.g. Japan, South Korea, Taiwan, and Hong Kong) are relocating sizable portions of their export capacity (aimed at the United States) to China and exporting many of the intermediate components to China for assembly and subsequent shipment to the United States. Indeed, 26 percent of the PRC's January-September, 1993 exports came from foreign-funded firms' exports [Xinhua in English, January 14, 1994, in FBIS, No. 10 (1994), pp. 26-27]. Further, foreign firms' exports from China are expected to grow 35 percent in 1994 (China Daily, February 4, 1994, p. 1). Some countries and areas are thereby able to claim that they are improving their trade position with the United States by virtue of this commercial shell game. In short, the trade surplus with the United States reflects foreign investment patterns in China as much as Chinese trading prowess or chicanery. On balance, the increasing economic interdependence in East Asia is a stabilizing and welcome development. It serves broad American interests. It does, however, exacerbate the bilateral trade deficit problem between the PRC and the United States. Where unfair trade practices persist, we should use available tools vigorously, as we recently have done with respect to widespread Chinese avoidance of textile quotas.

8. U.S. Department of Commerce, Economics and Statistics Administration, U.S. Jobs Supported by Merchandise Exports, April 1992, cited in, International Business and Economic Research Corporation, "The Costs to the United States Economy that Would Result from Removal of China's Most Favored Nation Trade Status," Washington, D.C., September 1992, p. 25.
9. Associated Press, "Nunn: Maintain China Trade," Washington Post, January 29, 1994. Senator Dole made similar points in a February 13, 1994 appearance on NBC's "Meet the Press."
10. Carl Goldstein, "Moving Forward: China and U.S. Reach Agreement on Trade Issues," Far Eastern Economic Review, February 3, 1994, p. 52. In a January 27, 1993, speech, Senator Max Baucus said, "Nothing can set freedom back farther than revoking MFN." Cited in Thomas L. Friedman, "Senator Asks End to Threat Against China," New York Times, January 27, 1993, p. A11.
11. World Bank Atlas 1994 (World Bank: Washington, D.C., 1993), p. 8.
12. For example, Tsung Lan-hai, "CPC Decides on Its International Archenemy," Hong Kong Cheng Ming in Chinese, No. 195, January 1, 1994, pp. 16-18, in FBIS, No. 16 (1994), pp. 4-6.
13. Lo Ping, "Deng and Chen Have a Secret Talk in Hangzhou," Hong Kong Cheng Ming in Chinese, No. 196, February 1, 1994, pp. 11-12, in FBIS, No. 23 (1994), pp. 14-15.
14. Anne F. Thurston, "MFN and the Sentiments of the Chinese People," forthcoming, James R. Lilley and Wendell Willkie, II, eds., Beyond MFN (Washington, D.C.: American Enterprise Institute, 1994) (p. 21 of manuscript).
15. Patrick E. Tyler, "Crossroads for China," New York Times, January 28, 1994.
16. Detained in China and Tibet, p.xi. See also, Patrick E. Tyler, "Crossroads for China," New York Times, January 28, 1994. See also, Carl Goldstein, "Moving Forward," Far Eastern Economic Review, February 3, 1994, p. 52. See also, Hong Kong, Agence France Presse (AFP), February 4, 1994, in FBIS, No. 24 (1994), p.8.; Also, South China Morning Post, in China News Digest, News Global, February 5, 1994, p. 94. We also need to note countercurrents, such as the arrest of eleven Buddhist nuns. See, AFP, February 4, 1994, in China News Digest, News Global, February 5, 1994, p. 94. Also, the recent stepped-up activity against Christian "house churches" reported in recent weeks is a countercurrent that is not constructive for better U.S.-China relations. See, Daniel Southerland, "Chinese Authorities Detain 7 Foreign Christians," Washington Post, February 16, 1994; also, Patrick E. Tyler, "China Holds Christian Visitors 4 Days," New York Times, February 18, 1994.

Mr. MATSUI [presiding]. Thank you very much, Barber.

As you know, Chairman Gibbons had to leave. He will be back shortly. As a result of that, those of us here will be asking you questions. I appreciate the thoughtfulness of your comments and also the public service you have given us over the years. I was a first-term member when you were sitting, I believe, right where Mr. Crane is sitting now, and we have always admired your leadership and your intellectual ability.

As you know, the President's Executive order states in unequivocal terms that unless overall, significant progress is made in the human rights area, China's most-favored-nation status will be revoked and not renewed on July 3 of this year.

In fact, there is no provision in the Executive order for a national emergency. For example, if the North Koreans should attack the South Koreans and we need the assistance of the Chinese, the President at that time cannot even, on a national security basis, find a compelling reason to continue most-favored-nation status. The order is very tight.

I might just point out that if progress is not made, there is absolutely no question that we and the Chinese are headed for a serious train wreck.

Given that fact, and the fact that we have a long ways to go before substantial progress will be found—what would the consequences be of removing China's MFN status in terms of the People of China's movement, particularly in the coastal and southern regions of China, their ability to move toward more entrepreneurship, more political freedoms, and more individual freedoms?

Mr. CONABLE. Mr. Chairman, I hope there won't be a train wreck. If there is, it obviously is going to have a substantial impact economically on the lives of individual Chinese. China does export roughly a third of its exports to the United States. Incidentally, our exports went up by 20 percent last year, also, to China.

But clearly, economic difficulties are not going to encourage the Chinese to move ahead with better human rights policies. If we create economic difficulties, we have got to expect some instability. And although China has made some progress in human rights in recent years, it has been largely by not enforcing the laws of an authoritarian regime.

They have looked the other way, while people have moved without certificates permitting them to move. They have looked the other way, while people have had more children than they were supposed to. In other words, they have not given up the form of an authoritarian government, but in order to keep everyone happy, they have not enforced the rules very much. As a matter of fact, there is a good deal of interesting critical media comment springing up in China about the Government in newspapers in rural provinces, and so forth. Well, if there is trouble you can be sure they will clamp down again.

Also, as I mentioned in my statement, I worry about what happens to us if we fire the one bullet in our gun, namely, MFN on trade, and we have to call on the Chinese for help with respect to the North Koreans, for instance: Is it likely to predispose them in favor of helping us, if we have created a train wreck, as you call

it? I feel that the President must try to find some way of getting out of the corner that he is in to some degree at this point.

I acknowledge what you say is true, but I think it is terribly important for us to try to find ways of improving our relationship, rather than creating not just confrontation between our countries, but conditions that will work against human rights in China, by contributing to economic instability there.

Mr. MATSUI. Thank you very much. I again appreciate your leadership in this, as well as many other areas.

I would like now to call on Mr. Neal.

Mr. NEAL. I don't really have a question, but I do have an observation. Is not the dilemma that we confront here similar to the one that you confronted when you were in the House as it related to Mr. Carter's human rights policy? I mean the great legacy of Jimmy Carter, for all the criticism that he has received over the years, the great legacy of Jimmy Carter was his call to new standards of human rights across the globe, and it is a magnificent legacy.

My sense is that it also had a profound importance across the globe, as well. Maybe you would just comment on that generally. I know of your distinguished service here for many, many years, and my sense is that you were one of the most decent Members of Congress when you were here, and it would be very bipartisan in your approach to the Carter human rights policy.

Mr. CONABLE. I want to repeat, I think it is important that we not back off on human rights. We must, however, try to find tactics for dealing with China's human rights policies that are likely to be effective. The issue is persuasion and not fact. The fact is their human rights policies are bad.

Now, this committee played a very important role in establishing MFN for China at the end of the Carter administration, and not MFN that was to be reviewed annually. This committee has had a key role in trying to avoid the kind of dilemma that we find ourselves in.

There is a dilemma. Nothing we do here in Congress is easy. You have to balance reality against idealism, just as you have to balance the long-term against the short-term, just as you have to balance military considerations against the other considerations that affect relations in the world. Security itself is being defined in many different ways now than it was when I was here or when the Carter administration first started pressing the human rights issue.

I am not urging us to back off on human rights. I am urging us to try to find avenues for dealing with human rights that will be more effective than the blunt tool of MFN review has proved to be. And I worry about increasing inflexibility in the conditions that we are imposing on the Chinese, because I think it will lead to confrontation with the only other potential superpower in the world, unless, of course, Russia reconstitutes the Soviet Union through an upsurge of nationalism in that area.

I personally strongly supported President Carter's emphasis on human rights, but I recall going with Chairman Gibbons and Chairman Ullman in 1979 to meet with Deng Xiaoping and having him tell us the one thing China cannot stand and cannot permit

is chaos. He said, "If we had 250 million people in a high level of development, maybe we would feel somewhat different in our concerns about chaos." He still has this concern partly because of the rigidity of Chinese leadership, and the need of generational change without destabilization.

Mr. MATSUI. Mr. Thomas.

Mr. THOMAS. Thank you, Mr. Chairman.

Thank you very much, Barber. As usual, you succinctly outlined the problem and then provided us with what I think is the only course of alternate action.

What we heard from Members of Congress was their concern about individual human rights in China, and a concern that China amply demonstrate a pre-democratic, pre-Christian society. We must remember that one of the key concepts under democracy is the inherent worth of the individual which Alfred North Whitehead called "the gadfly of western civilization." All of us firmly believe that, and that it is incredulous to us that other people have never really confronted that gadfly, nor had it worked systematically into the institutions in their system.

I especially appreciate your comments regarding the tens of millions or hundreds of millions of Chinese outside of mainland China that will be impacted by our policy. I think we fail to forget that China is not only a country, but also a state of mind among a number of people all over the world who call themselves Chinese. They have invested heavily in mainland China.

Mr. CONABLE. If I could interrupt just briefly, you know, the expatriate Chinese have made the nation state obsolete. They are the largest single investors in mainland China, exceeding national investment, including the United States and all the others that are investing in China at this time.

Mr. THOMAS. They would be profoundly impacted in terms of the kind of MFN resolution discussed. I think everybody agrees China is not a model world citizen, but, once again, your solution focuses on the fact that China is in the world, that it is not a bilateral question.

The Members of Congress have latched onto basically one of the very few tools they could use to try to carry out their policy. Frankly, I am anxious to have the administration that will follow you in its testimony tell me why your concept of multilateralizing all of these concerns is not only a good one, but probably the only one. Furthermore, to a certain extent, in my opinion, although the Clinton administration had an opportunity to start out with a new policy if they did not like that of the previous administration, it should not allow Members of Congress to assume the portfolio for China and abdicate real leadership in this area.

I, as one Member of Congress, am anxious to clearly state that the President is the leader of the Nation in international and foreign affairs, and I urge him to get back out front on the China policy. Your multinational approach is the true solution. But do you not agree that the only one who can make it happen, focus and grow is the President of the United States?

Mr. CONABLE. I agree with that. I would like to give the Clinton administration some credit and some respect for the extent to which they have reopened dialog with China. I do not believe that

one can blame the Bush administration on this issue, because, of course, Congress perceived that President Bush was vulnerable on the China issue and held him accountable in the political sense for every step he took with respect to China.

But I do believe that it is time to reopen the dialog, to have the kind of close contact that is ultimately going to be much more persuasive than silence and confrontation, and that is across the board. I mentioned environment, I mentioned the People's Liberation Army. We used to have a good deal of contact before Tiananmen Square with members of the army, which ultimately is the power behind the throne, so to speak, and in recent years we have not been doing that.

It would be advantageous for us to know what is happening there. We see the Generals Yang being removed by Deng Xiaoping. We do not know really what that means in terms of the future of China's military establishment and its relationship to the central government, and we are well aware that that is increasingly a regional connection between the army and the provinces.

Mr. THOMAS. As this dynamism continues to go forward, even the simple ability of the central government to control outside of Beijing, promising uniformity in any kind of rules or regulations portrayed, is going to be a very real problem.

But clearly, multiple carrots and multiple sticks in the hands of the President is a far better concept in dealing with this problem of wrestling with China into the 21st century than a single stick called MFN in the hands of Members of Congress. You clearly delivered that message, and I appreciate it.

Mr. CONABLE. Well, we should try to bring China into the family of nations in every sense of the word, at conferences on non-proliferation, for instance, but also across the board. The alternative, of course, is the continuing excessive bilateralism.

Mr. THOMAS. Thank you.

Mr. MATSUI. Thank you.

Mr. Payne.

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

Mr. Conable, I want to thank you very much for coming back to the Ways and Means Committee and testifying, because what you have said today is very, very helpful and the action steps that you have laid out are very, very helpful to me and I think to the rest of the committee.

I would like to go to a statement in your written statement which is on page 5, and I will read a couple of lines. It says, "President Clinton and his administration have been sincere and consistent in believing that linking trade and human rights for this year is the best way to achieve the progress that all Americans desire. It serves no useful purpose, either domestically or in our negotiations with China, to undermine that effort at a critical juncture by sending mixed signals or indicating irresolution and confusion."

I for one, as a member of this committee, am prepared to stand behind the administration in the event that there is insufficient human rights progress and there is a need to fire that single bullet, I would certainly stand behind the administration, if that became the necessary outcome.

Although I think that the effective tactics that you have talked about are ones that are the right tactics for us to use beyond the time that we resolve this issue in this year, and I do think that those effective tactics can bring about better relations and a better outcome, both for our country and for China, but those effective tactics must go into effect beyond the MFN period that is before us now, and after the June deadline which we are all very much looking at at the present time.

Mr. CONABLE. Well, I will stand back of my written statement. I believe that President Clinton's sincerity expresses the dilemma that we have here. We must not only try to find some way of supporting a national policy, of which the President must be the director ultimately, but I believe we must also find some way of getting away from this annual review that is so destructive and in the view of many Chinese results, as I say, in a nexus between trade and every other problem we have with them.

We should be trying to enlist their help in world security and world environment and in world trade, and I hope the President can resolve this. I hope the Congress will be supportive of his efforts to resolve it. However sincere he may be, we must find some movement on both sides during the next several months, and I hope it will be significant enough to find us extricated from our dilemmas.

Mr. PAYNE. And the chronology then needs to be successful compliance with the President's Executive order, and then to get on with the effective tactics that you have outlined as you just—

Mr. CONABLE. I think a lot is in the interpretation, sir.

Mr. PAYNE. Thank you very much.

Mr. LEVIN. Mr. Chairman.

Mr. MATSUI. Mr. Levin.

Mr. LEVIN. It is a real delight to see you here. We miss you.

Mr. CONABLE. Thank you.

Mr. LEVIN. Mr. Payne referred to language in your testimony, and I really think those are wise words. It serves no useful purpose, either domestically or in our negotiations with China, to undermine the President's effort at a critical juncture by sending mixed signals or indicating irresolution and confusion, and I hope all of us in and out of these halls will heed those words.

Let me ask you, do you think it would have been better if there had been no Executive order?

Mr. CONABLE. Well, I do not know what Congress would have done, had there been no Executive order. I think the Executive order is embarrassingly specific and makes it very difficult for the kind of mutual negotiation that is going to be necessary, if we are to maintain an even keel in our relations with China.

So I more regret the specific wording of the Executive order than I do the fact of the Executive order. There are many ways in which this flower could unfold. I hope it will not be a poisonous petal when we get it.

Mr. LEVIN. So you are saying perhaps there needed to be an Executive order of some kind, though you would have preferred something less specific?

Mr. CONABLE. I would have, yes, sir.

Mr. LEVIN. But you are not saying that there should have been none?

Mr. CONABLE. I am not saying that, no. I would have preferred an Executive order to what would be likely to emerge as a legislative bill.

Mr. LEVIN. Do you think that, because of the Executive order, there has been some progress in human rights that might not have otherwise occurred?

Mr. CONABLE. Relatively little, and I am afraid a lot of that amounts to tokenism. I do not know how seriously the Chinese take this. The question is, when you hold somebody up, do you shoot him to show how serious you are about wanting his money? Sometimes that becomes a dilemma in itself. I think the issue of credibility is going to be tested, and it has got to be.

Mr. LEVIN. Let me ask you this, though: If you are not sure that they take seriously the Executive order, why would they take seriously unspecified moves, multilateralism?

Mr. CONABLE. Because if it is multilateral, we are not the only country in the world that is trying to recreate China in its image.

Mr. LEVIN. We are not really doing that.

Mr. CONABLE. We then have something of a global consensus. At this point, we are the only country that has sanctions against China. I mentioned the fact that the Japanese, for instance, have a \$2.5 billion concessional aid program building infrastructure in China, which is a big problem in China, because their production is fast outstripping their capacity to move it.

The Europeans are investing there in significant degree. Of course, the extent to which we invest there is going to depend to some degree on our trade relations with China, and if they remain as bilateral as they are now, quite frankly, American business will hold back. I do not think that is critical, because the Chinese will continue to develop anyway, but it will, of course, leave us with less influence there than we would otherwise have.

Mr. LEVIN. Let me finish, because we have kept the administration witnesses and others for a long time. When you talk about multilateralism or in your three or four paragraphs you talk three paragraphs about a package of moves and about other instruments, you are referring to other instruments that relate to the human rights pictures in China. So what multilateral or other option instrumentality is there? I think everybody would prefer a multilateral effort or a multinational effort, but is there something on the horizon likely to be in place by June 1994?

Mr. CONABLE. Well, there is, of course, the U.N. Commission on Human Rights, that can be developed. I think it was very wise of the Clinton administration to press for International Red Cross inspection of prisons, because the International Red Cross is to some degree a multinational institution, and not just an American institution. That is an entirely salubrious development.

As I understand, the Chinese are now saying they are willing to have prison inspection, but the Red Cross has some reluctance. It is possible that something is going to be worked out in this area, and that would be a strong advance in the human rights area. So it is possible to take steps in the human rights area through the

United Nations and through institutions like the Red Cross, and we should try to focus on those things.

I am not advocating giving up on human rights. I want to repeat that again. I think it is important that we continue to press human rights, but that we do it in ways that are more likely to be successful, than using the rather large tool of the train wreck that Mr. Matsui talked about.

Mr. LEVIN. Thank you, Mr. Chairman.

Chairman GIBBONS [presiding]. Thank you, Barber. You always bring good counsel here.

I am sorry, I did not see you over there, Mike.

Mr. KOPETSKI. Thank you, Mr. Chairman.

Mr. Conable, I appreciate your testimony and I have a couple of questions following up on Mr. Matsui's line of questioning.

You talked about the ramifications on human rights if we withdraw MFN, and that actually we could have the opposite of what the advocates of that conditionality or withdrawal seek. Also in line with that, how long do you think it would take for the Chinese economy to rebound and develop other trading relationships with other countries with this vacuum that would be created if we left?

Mr. CONABLE. Well, we are an important partner of China. A third of their exports come to the United States. It would result in some substantial economic dislocation for them and, if I may say so, it would also affect American consumers significantly. It probably would result in some retaliation against American business, which has made in many cases major commitments to the Chinese market. Thus, this kind of disruption would take some time to overcome.

Clearly, it would reduce our influence with the Chinese, if we were to fire this one bullet and they decided that was all that we could do to them, they would try to find some way of accommodating their circumstances to less trade with the United States. You know, with the tariff increase that is involved with MFN, virtual doubling of tariffs, they would not be able to sell much here.

Mr. KOPETSKI. But you think they would find other markets, whether it is in 2 years or 5 years?

Mr. CONABLE. I think they can do that. They have been moving in that direction very quickly. I mentioned that last year, for the first time they exported more to the other countries of Asia than they did to the United States. They also have a greater potential for selling in Eastern Europe and in Western Europe than probably the Japanese do.

Mr. KOPETSKI. So we could shoot this bullet, as you describe it, and then a few years later the economic disruption might be overcome and they could continue on, and then we are left with unemployed American workers?

Mr. CONABLE. The point I wanted to make very strongly was that a vacuum created by the loss of American influence in the Western Pacific is not going to be filled by as benign a presence as the United States represents out there. You know, if China feels it must defend itself because of a hostile world around it or even a hostile United States, quite frankly, the Japanese are not going indefinitely to remain disarmed.

It would be a tragedy if we worked so hard at this that we wound up with both the Japanese and the Chinese mad at us. That would be quite a remarkable accomplishment. Usually they play off against each other. I do not want to see that happen in our Asian relations.

Mr. KOPETSKI. Clearly, their history is such that they have not been afraid to withdraw internally, and I think it is clear that the central government, if nothing else, will do whatever is necessary to preserve the central state.

Mr. CONABLE. They have had 4,000 years as the middle kingdom. They felt that those outside the middle kingdom were the barbarians, not themselves.

Mr. KOPETSKI. Exactly. In terms of the Red Cross, I had the opportunity to be in Geneva last week and I took the time to meet with the Red Cross about the negotiations going on with the Chinese, and what I came away with was that there are serious negotiations—

Mr. CONABLE. I am glad to hear that.

Mr. KOPETSKI [continuing]. That the Red Cross, they set the standards, they do not adjust their standards for one country over another country. So if an arrangement or an agreement is made, it is in line totally with Red Cross principles, and I think that is the kind of multilateral or international approach that I would have taken.

My final question has to do with your thoughts on taking a wholly different approach in terms of multilateralism, and that is shifting away from MFN as the tool, and moving toward something like GATT entry, progress on human rights being a precondition to GATT entry.

Mr. CONABLE. Yes, we are capable of using that approach.

Mr. KOPETSKI. What are your thoughts on that?

Mr. CONABLE. Well, I believe that we should be encouraging Chinese membership in GATT. I think it would be one way to multilateralize trade to a greater degree than it has been. You know, there is considerable concern about whether China is going to live up to every detail of the agreements that have been made. In some cases they are not living up to it, largely because of their incapacity to gather the necessary statistics.

We have made a rather complicated arrangement with them about trade, and they must beef up their international trade capacities, and to be a member of GATT would help them do that. I am a strong supporter of GATT as an orderly force in the world and would like to see the United States be a little less unilateral in its relationship with GATT, quite frankly. We are a rather large market and a rather large force in the global economy, and I suppose we will continue to feel that we have the right to do what we want to do, regardless of others.

Mr. KOPETSKI. Thank you.

Chairman GIBBONS. Barber, as always, you bring sound advice to the committee. We salute you.

Mr. CONABLE. Thank you, Mr. Chairman. It is a pleasure to be back.

Chairman GIBBONS. Let me say on a personal note, the next time you and Charlotte are in Washington or in Florida, give me a call and let's go to dinner.

Mr. CONABLE. I know you mean that, so I will take you up on it.

Chairman GIBBONS. I want to do it.

Mr. CONABLE. Thank you.

Chairman GIBBONS. Let us go now to Hon. Winston Lord, Assistant Secretary of State for East Asian and Pacific Affairs, and Ambassador Charlene Barshefsky, Deputy U.S. Trade Representative.

Ambassador Lord, you may proceed as you wish. We will put your entire statement in the record. I sympathize with you for having sat there for so long. I watched you very studiously listening to the other witnesses.

STATEMENT OF HON. WINSTON LORD, ASSISTANT SECRETARY FOR EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. LORD. Thank you, Mr. Chairman.

It was important to hear the different perspectives that have been outlined this morning. It was time well spent. As you suggested, I will just read excerpts from my statement and will submit the full text for the record, if that is agreeable.

Mr. Chairman and members of the committee, I appreciate the opportunity to provide you with a midterm review on the implementation of the President's May 28, 1993, Executive order extending China's most-favored-nation trade status. This administration has placed great emphasis on close and regular consultations with the Congress, and the Ways and Means Committee has a particularly important role to play on the MFN issue, because of its responsibilities for overseeing trade matters.

Our policy toward China does indeed merit close and careful review because the bilateral relationship is of growing importance for America's interests in Asia and around the world. In my written testimony, I give some examples of the importance of this relationship and conclude by saying: It is, therefore, in the U.S. interest to promote China's opening up to the outside world in economic, political, strategic and humanitarian dimensions.

Last spring, at the outset of the new administration, we worked intensively with the Congress to develop a bipartisan approach to our policy toward China. During these consultations, we made a special effort to reach a consensus on how to address human rights, which remain a core concern in our relationship. It is of signal importance that the executive branch and the Congress speak with one voice on China, rather than many discordant ones, as was the case during the previous administration. Only through unity can we expect to impress most forcefully upon China's leaders the need to take positive action not only on human rights, but on other U.S. concerns as well.

The President's May 28 Executive order reflected this broad consensus. Members of both parties concurred that China's MFN status should continue, but they wanted renewal of MFN in 1994 to be conditioned on human rights improvements. They also want the administration to pursue our trade and nonproliferation objectives

with China vigorously through other policy instruments, rather than linkage to MFN.

I then go on to describe what the Executive order lays out, namely, that the Secretary of State is supposed to make a recommendation, and that further extension of MFN is contingent upon emigration objectives and the agreement concerning prison labor. The Executive order further states that, in making his recommendation, the Secretary should determine whether China has made overall, significant progress in a number of human rights areas which I will be touching upon. Finally, the Executive order directs U.S. agencies to pursue vigorously our nonproliferation and economic/commercial objectives through existing legislative and executive means.

Immediately following the issuance of this order, we initiated a dialog with China on steps that would be necessary to renew MFN status this year. And to ensure that we were making use of all available opportunities to develop instructive relations with China and resolve our core concerns, the President last September approved an expanded strategy of comprehensive engagement with the Chinese. My testimony lays out the reasoning for this, including the fact that the President's strategy was designed to engage the Chinese at levels of seniority required to achieve progress in areas of paramount concern.

First and foremost, we wanted China to understand that overall, significant progress in human rights was necessary for MFN renewal. At the same time, we also wanted to underscore our determination to advance the relationship and provide opportunities to discuss key issues with senior Chinese officials having policy-making authority.

By broadening the scope of our dialog to include issues of mutual concern, we have sought to give China the incentive to move forward on difficult matters, as it sees more clearly the benefits of a healthy, constructive relationship with the United States. And by raising the level of our dialog, we were meeting Chinese wishes, as well as serving American interests.

In short, Mr. Chairman, we are pursuing a policy that reflects China's status as a major power and pays due regard to Chinese sensitivities. In return, we expect China to pay due regard to our needs and to take seriously the President's determination to achieve real progress on human rights and other issues.

My testimony then details how over the past 5 months we have been engaged with the Chinese in many more negotiations, visits back and forth, including at high levels and including military contacts. It is all laid out for you in some specific detail. I think it makes very clear the intensive effort we have been making to engage the Chinese in our own self-interest and their self-interest, and to provide the framework required for the Chinese to move on some of these difficult issues.

There has also been a steady stream of congressional delegations to China in recent months. Mr. Chairman, you led a delegation of this committee, and you were extremely effective in carrying the American message to the Chinese. Indeed, we have had just since last fall some 90 visitors and several delegations from Capitol Hill. In each case, we have worked closely with these delegations to try

to brief them on developments and to coordinate our messages the best we could with the Chinese.

I then describe the results to date of our approach in this strategy. We have begun to see tangible results from the strategy, more significant in some areas than in others. On economic issues, we have had a number of discussions with the Chinese. I will leave it to my colleague Ambassador Barshefsky to give you a more detailed report, but there has been some movement in several areas.

On nonproliferation, we have worked closely with China on the crucial set of issues involving North Korea. The Chinese share our interest in assuring that the Korean peninsula is free of nuclear weapons, and they have weighed in with Pyongyang on the side of moderation and progress in North Korea's talks with the IAEA. If negotiations with North Korea were to falter because of its intransigence, we expect that China will cooperate with the world community on alternative measures.

We, thus far, have not resolved some of our differences with China concerning proliferation of weapons of mass destruction more generally. Particularly, we have not yet had Chinese agreement to a missile nonproliferation accord having the precision and binding effect to permit to waive the missile sanctions we imposed in August 1993. But the Chinese have held talks with us on this issue at a high level and have agreed in principle to continue these talks at the experts level. We are pursuing this actively.

On human rights, I will tell you frankly that Chinese actions thus far have been limited and less than our hopes and our needs. But we have an obligation to acknowledge progress made, as well as distance to go. The steps China has taken recently are not inconsequential. We neither exaggerate nor denigrate what has occurred.

Let me identify some actions and areas of progress that I believe are worthy of note. Under the terms of the President's Executive order, the Secretary must attest to Chinese compliance on emigration and prison labor. In the past, we have consistently found China to be in compliance with the emigration requirement. Large numbers of Chinese continue to emigrate or leave China on business. But Chinese handling of a few cases remains troublesome.

With regard to prison labor, following productive working level discussions led on the U.S. side by the Customs Service, Secretary Bentsen pressed the Chinese to improve implementation of the prison labor Memorandum of Understanding during his visit in January. The Chinese indicated a willingness to cooperate in this area, and we are now working constructively to ensure that the followthrough matches all agreements. The Chinese have agreed to all five additional prison visits requested by U.S. Customs.

The situation in the other five human rights areas listed in the Executive order, where we look for "overall, significant progress," is more problematic. The administration has not yet come to any judgment regarding the degree of progress thus far achieved, nor will it make that judgment for about another 3 months. We want to look at the whole picture as we consider the decision to be made prior to June 3 concerning renewal of China's MFN status. This includes areas of slippage, and some witnesses today have pointed these out.

The Chinese know that they cannot take significant steps backward in some areas, without jeopardizing our overall assessment of progress. It is, of course, premature to predict at this time how much progress will have occurred by the end of May or how the administration will deal with the question of MFN extension. I would hope that this committee and the Congress generally would similarly reserve judgment.

Senior Chinese officials at various times have made positive statements to both administration officials and Members of Congress on possible human rights actions. They have given assurances that the Chinese will take actions which are possible under their law, and when desired actions cannot be taken, will explain to us the reasons.

In some areas, concrete steps have already occurred. For example—and here I list the fact that there has been intensive dialog during several trips by Assistant Secretary of State for Human Rights Shattuck. He is going back in a week to China for further discussions.

Some dissidents have been released from jail prior to completion of their term, although sometimes just a few months before the end of their term, other times, more meaningfully, either unconditionally or on medical parole. And I cite some of the examples of those who have been released.

On the other hand, there is disturbing recent news of pressures against individuals attempting to practice their religion, for example, the detention of Christians for several days in Hunan Province. I have just this morning discussed the very unfortunate and disturbing, I would say, outrageous incident that occurred there. It involved I believe one of your later witnesses.

The Chinese have provided an initial response to a list of prisoners presented by Assistant Secretary Shattuck last October. They have indicated a readiness to discuss their response in more detail during his forthcoming visit. The Chinese have also held talks in Beijing with the International Committee of the Red Cross on possible visits to Chinese prisons. Moreover, the Chinese have suggested possible further moves on human rights in our discussions, but these have yet to be translated into meaningful steps.

In these areas, we welcome what has occurred, but we need to see more concrete actions to meet the standard of overall, significant progress in the areas listed in the Executive order. In other areas specified in the President's Executive order, we also look for concrete action. I make a few suggestions of the kind of steps that we would very much like to see the Chinese take.

When the President considered how his Executive order should be structured and what it should contain, our intent was not to impose specifically American values, nor to erect impossibly high barriers to achievement. The United States, as do other democratic countries around the world, looks to China to abide by universally recognized standards regarding treatment of its citizens, including obligations under the U.N. Charter.

We sought to formalize this administration's strongly held view that human rights must be a cornerstone of foreign policy. But we also proceeded with a realistic appreciation of both the strategic and economic importance of U.S.-China relations, and the domestic,

political and social milieu in China. We believed then, as we do now, that the requirements set out in the President's Executive order are reasonable and achievable.

No one, not even the most ardent activists on human rights, expects a dramatic change in Chinese society in the next 3 months. What we are all looking for and what is realistic for the Chinese is a positive trend. The steps to date, while important, need to be followed by more positive actions. In all of our discussions with the Chinese, including our high level dialog, we feature this analysis and this set of expectations.

We believe that China and the Chinese people will be the direct beneficiaries of the human rights progress we seek. We have repeatedly stressed to the Chinese that human rights progress is necessary to place our bilateral relationship on a healthier foundation for the long term. Moreover, it seems to us that China's international stature can only rise as it becomes clear that Chinese policies are producing not solely a more prosperous nation, but also a more humane nation.

The Chinese have a good sense of what is required to satisfy the Executive order. We still have 3 months remaining until a decision is required on MFN extension. We will continue to press for further progress and urge the Chinese Government to respond, with an eye to the long-term importance of a constructive U.S.-China bilateral relationship. In this regard, it is in both countries' interest that Secretary Christopher's forthcoming visit to Beijing, which was announced yesterday, produce tangible results.

The U.S. national interest requires relationship with a friendly and open China that is strong, stable and prosperous. The Chinese understand that the administration does not wish to revoke MFN and indeed prefers to build a healthier, more positive relationship.

On the other hand, Mr. Chairman, we frankly are not certain that the Chinese take seriously the requirement for more significant progress on human rights before June, despite intensive efforts at the highest levels. The President, Secretary Christopher, Members of Congress and others have made this requirement unmistakably clear in candid exchanges. Nevertheless, there are still some indications that the Chinese somehow may believe that the administration will be satisfied with cosmetic improvements and in eagerness to extend MFN will find a way to paper over problems.

Mr. Chairman and members of this committee, I am authorized today to restate emphatically the official position of the administration. More progress on human rights is needed for the President to extend MFN. The President will keep faith with his convictions and his compact with Congress.

Secretary Christopher will make sure in his forthcoming talks in Beijing that there can be no misperceptions, no illusions and no wishful thinking on the part of his interlocutors. If this hearing removes any remaining miscalculation in Beijing, it will perform a major service not only for American interests, but for Chinese interests as well.

I then go on in my written testimony to recognize that there are different points of views in this country, in this committee and in the Congress on how we should balance our human rights and other objectives. I indicate where we agree on our goals and where

we often disagree on our tactics, but that we would all like to see MFN extended. I note that this will only be possible if we can send an unambiguous message that further progress in human rights is required.

In concluding, Mr. Chairman and members of the committee, let me sum up the main points of my presentation. China is an increasingly important country in bilateral, regional and global terms. President Clinton would like to forge a constructive bilateral relationship and has demonstrated this with his policy of intensive engagement. But overall, significant progress in human rights is necessary to sustain and strengthen the relationship.

In close consultations with the Congress, the President set forth criteria in his Executive order that are important and principled on the one hand, and attainable and politically realistic for the Chinese on the other. The President has also authorized the process of continued high level and working level visits, meetings and negotiations that broaden the framework of our bilateral relations, allow the Chinese to advocate their concerns, and give them the incentive and context within which to make progress in human rights and other difficult issues.

Since September, there has been significant movement on several fronts, including human rights, coupled with slippage in certain areas. More progress in human rights is needed for the President to extend MFN treatment this June. This is a challenging task, but it is entirely possible. The Chinese know what is required, although somehow they still may not believe that we are serious about our readiness to withdraw MFN.

Revocation of MFN would have serious economic and political consequences for both countries, for our bilateral relations, and for innocent bystanders like Hong Kong and Taiwan. But we will be guided by what the President has set forth in his Executive order. Our recommendation cannot be for MFN extension without overall, significant progress in human rights. Neither will we submit a report on human rights that is not credible.

Whatever one's views on administration policy, it is now in everyone's interests, including the Congress, this committee, the business community and visitors to Beijing, to make clear to the Chinese that they need to take additional concrete steps in the areas specified in the Executive order to meet the standard of overall, significant progress.

We look forward to consulting closely with members of this committee and other Members of Congress on this issue as well as our overall policy toward China. Let us hope we can work together to raise Sino-American relations to a new plane. If the Chinese respond to our positive approach, we will promote the interests not only of two great nations, but also of global prosperity and peace.

Thank you, Mr. Chairman.

[The prepared statement follows:]

MID-TERM REVIEW ON CHINA
STATEMENT OF ASSISTANT SECRETARY OF STATE
FOR EAST ASIAN AND PACIFIC AFFAIRS
WINSTON LORD
BEFORE THE
HOUSE WAYS AND MEANS COMMITTEE
SUBCOMMITTEE ON TRADE
FEBRUARY 24, 1994

Mr. Chairman, Members of the Committee:

I appreciate the opportunity to provide you with a mid-term review on the implementation of the President's May 28, 1993, Executive Order extending China's most-favored-nation (MFN) trade status. This Administration has placed great emphasis on close and regular consultations with the Congress. The Ways and Means Committee has a particularly important role to play on the MFN issue because of its responsibilities for overseeing trade matters.

Our policy toward China does indeed merit close and careful review because the bilateral relationship is of growing importance for America's interests in Asia and around the world. Neither Congress, nor the Administration nor the American people can afford to lose sight of these factors. China plays an influential role in the region, particularly on sensitive issues like North Korea and Indochina. It holds a permanent seat on the United Nations Security Council. It is one of the largest and fastest-growing economies in the world, with major potential for U.S. exports and jobs. A military power, China possesses nuclear weapons and exports nuclear and missile technology. And its actions on the environment, narcotics trafficking, refugees and population have global consequences. It is therefore in the U.S. interest to promote China's opening up to the outside world in economic, political, strategic and humanitarian dimensions.

Administration Policy

Last spring at the outset of the new Administration, we worked intensively with the Congress to develop a bipartisan approach to our policy toward China. During these consultations, we made a special effort to reach a consensus on how to address human rights, which remain a core concern in our relationship. It is of signal importance for the Executive Branch and the Congress to speak with one voice on China rather than many discordant ones, as was the case during the previous Administration. Only through unity can we expect to impress most forcefully upon China's leaders the need to take positive action, not only on human rights but on other U.S. concerns as well.

The President's May 28 Executive Order reflected this broad consensus. Members of both parties concurred that China's MFN status should continue, but they wanted renewal of MFN in 1994 to be conditioned on human rights improvements. They also wanted the Administration to pursue our trade and nonproliferation objectives with China vigorously through other policy instruments rather than linkage to MFN.

The Executive Order makes the Secretary of State's recommendation for a further extension of MFN status contingent upon a determination that: 1) the extension will substantially promote the freedom of emigration objectives of the Trade Act of 1974; and 2) China is complying with the 1992 bilateral agreement concerning prison labor. The Executive Order further states that, in making this recommendation, the Secretary shall determine whether China has made "overall, significant progress" in a number of human rights areas, which I will review with you shortly. In addition, the Executive Order directs U.S. agencies to pursue vigorously our non-proliferation and economic/commercial objectives through existing legislative and executive means.

Immediately following the issuance of the Executive Order, we initiated a dialogue with China on steps that would be necessary to renew MFN status this year. To ensure that we were making use of all available opportunities to develop constructive relations with China and resolve our core concerns, the President, last September, approved an expanded strategy of comprehensive engagement. The President's decision followed an extensive interagency policy review that concluded that a healthy bilateral relationship was essential to address a wide range of U.S. strategic concerns. These include, of course, our core concerns on human rights, nonproliferation, and trade and investment. But they also encompass such diverse but vitally important issues as stability in the Asia-Pacific region, the Korean peninsula, Hong Kong and the Taiwan Strait area; issues before the United Nations and other international bodies; and global challenges such as the environment, refugees and narcotics trafficking.

The President's strategy was designed to engage the Chinese at levels of seniority required to achieve progress in areas of paramount concern to us. First and foremost, we wanted China to understand that overall, significant progress on human rights was necessary for MFN renewal. At the same time, we also wanted to underscore our determination to advance the relationship and provide opportunities to discuss key issues with senior Chinese officials having policymaking authority. By broadening the scope of our dialogue to include issues of mutual concern, we have sought to give China the incentive to move forward on difficult matters as it sees more clearly the benefits of a healthy, constructive relationship with the United States. And by raising the level of our dialogue, we were meeting Chinese wishes as well as serving American interests.

In short, we are pursuing a policy that reflects China's status as a major power and pays due regard to Chinese sensitivities. In return, we expect China to pay due regard to our needs and to take seriously the President's determination to achieve real progress on human rights and other issues.

During the past five months, we have energetically implemented this strategy.

- Secretary Christopher has established a regular channel of communication with Chinese Vice Premier and Foreign Minister Qian. They have met on four occasions--in Singapore, New York, Seattle and most recently in Paris on January 24. The Secretary has emphatically pressed our core concerns, while listening to Chinese perspectives.
- In September, Assistant Secretary of State Shattuck began a series of high-level meetings to discuss human rights and the need for progress in areas identified in the Executive Order as well as other areas.
- U.S. Trade Representative officials, including Ambassador Kantor and Ambassador Barshefsky who is with us today, have held extensive discussions with the Chinese on market access, textiles, intellectual property rights protection and services. Ambassador Barshefsky is prepared to brief you in more detail on these talks.
- We have pursued a vigorous dialogue on nonproliferation issues at the senior level. In addition to the Secretary's meetings, Under Secretary Tarnoff and Under Secretary Davis have met with their counterparts to seek progress in this area, with particular emphasis on missile proliferation and North Korea's nuclear program.
- Other senior U.S. officials are also playing important roles in implementing the President's strategy. Agriculture Secretary Espy visited China in October, Secretary Bentsen made a trip in January and Secretary Brown will meet with his counterpart in Washington in April. While their focus has been on economic issues, they have articulated firmly and cogently the need for progress on human rights and other non-economic issues of concern.
- Ambassador Roy in Beijing and high-level U.S. officials here have conducted a steady exchange with our Chinese counterparts.
- Our senior-level exchanges have also expanded to include a resumption of strategic dialogue; cooperation on narcotics trafficking, alien smuggling and crime enforcement; and appropriate military exchanges. The military exchanges are designed to enhance understanding of each side's security

concerns and defense capabilities and to promote a dialogue on issues such as peacekeeping responsibilities and non-proliferation.

- Most importantly, the President himself has been engaged. In the context of the APEC Leaders Meeting in Seattle last November, he met with President Jiang to outline his vision of U.S.-China relations and to convey his conviction that this vision cannot be achieved unless the Chinese respond to our core concerns, particularly on human rights.

Meanwhile, there has been a steady stream of Congressional delegations to China in recent months--some ninety visitors since last fall. In each case, the Administration has worked closely with Members and staff to update them on developments in our strategy and coordinate our message to China's leaders. These visits have been very helpful in underscoring the determination of the U.S. Government to advance our key objectives, particularly on human rights.

Results to Date

We have begun to see tangible results from this strategy, more significant in some areas than in others. On economic issues, we have had a number of productive discussions with the Chinese. In January, we concluded an agreement to address the illegal transshipment of textiles to the U.S. There has also been some progress on implementation of the market access agreement and to a lesser degree on protection of intellectual property rights and on services. On these, I defer to Ambassador Barshefsky for a more detailed report and assessment.

On nonproliferation, we have worked closely with China on the crucial set of issues involving North Korea. The Chinese share our interest in assuring that the Korean Peninsula is free of nuclear weapons, and they have weighed in with Pyongyang on the side of moderation and progress in North Korea's talks with the IAEA. If negotiations with North Korea were to falter because of its intransigence, we expect that China will cooperate with the world community on alternative measures.

We thus far have not resolved some of our differences with China concerning proliferation of weapons of mass destruction. In particular, we have not yet won Chinese agreement to a missile non-proliferation accord having the precision and binding effect to permit us to waive the missile sanctions we imposed in August 1993. Nevertheless, the Chinese recently held talks with us on these issues at a high level and have agreed in principle to continue discussions at the experts level. We are pursuing this actively.

On human rights, I will tell you frankly that Chinese actions thus far have been limited and less than our hopes and

needs. But we have an obligation to acknowledge progress made as well as distance to go. The steps China has taken recently are not inconsequential. We neither exaggerate nor denigrate what has occurred. Let me identify some actions and areas of progress that I believe are worthy of note.

Under the terms of the President's May 28, 1993, Executive Order, the Secretary must attest to Chinese compliance on emigration and prison labor. In the past, we have consistently found China to be in compliance with the emigration requirement. Large numbers of Chinese continue to emigrate or leave China on business. But Chinese handling of a few cases remains troublesome.

With regard to prison labor, following productive working-level discussions led on the U.S. side by the Customs Service, Secretary Bentsen pressed the Chinese to improve implementation of the prison labor memorandum of understanding during his visit in January. The Chinese indicated a willingness to cooperate in this area, and we are now working constructively to ensure that the follow-through matches the oral agreements. The Chinese have agreed to all five additional prison visits requested by U.S. Customs.

The situation in the other five human rights areas listed in the Executive Order--where we look for "overall, significant progress"--is more problematic. The Administration has not yet come to any judgment regarding the degree of progress thus far achieved. Nor will it make that judgment for about another three months. We want to look at the whole picture as we consider the decision to be made prior to June 3 concerning renewal of China's MFN status. This includes areas of slippage. The Chinese know that they cannot take significant steps backward in some areas without jeopardizing our overall assessment of progress.

It is, of course, premature to predict at this time how much progress will have occurred by the end of May or how the Administration will deal with the question of MFN extension. I would hope that this committee and the Congress generally would similarly reserve judgment.

Senior Chinese officials at various times have made positive statements to both Administration officials and Members of Congress on possible human rights actions. They have given assurances that the Chinese will take actions which are possible under their law and, when desired actions cannot be taken, will explain to us the reasons. In some areas, concrete steps have already occurred. For example:

-- The Chinese have entered into an extensive bilateral dialogue with us on human rights. Assistant Secretary Shattuck met with his counterpart in New York in September; visited China--including Tibet--in October; met again with

his counterpart in Seattle in November; and returns to China this month for further talks.

- Some dissidents have been released from jail prior to completion of their term--either unconditionally or on medical parole. These include Wei Jingsheng, the best known prisoner of the Democracy Wall period of 1979-80, and Tibetan tour guide Gendun Rinchen, whose case received widespread attention in the U.S. and internationally. Others, including Catholic and lay Protestant leaders, have also been released. On the other hand, there is disturbing recent news of pressures against individuals attempting to practice their religion, for example, the detention of foreign Christians for several days in Henan Province.
- The Chinese have provided an initial response to a list of prisoners presented by Assistant Secretary Shattuck last October. And they have indicated a readiness to discuss their response in more detail during his forthcoming visit.
- The Chinese have held talks in Beijing with the International Committee of the Red Cross on possible visits to Chinese prisons.

Moreover, the Chinese have suggested possible further moves. But these have yet to be translated into meaningful steps.

In these areas, we welcome what has occurred but we need to see more concrete actions to meet the standard of overall, significant progress in the areas listed in the Executive Order. In other areas specified in the President's Executive Order, we also look for concrete actions. It is important, for example, that the Chinese Government meet with the Dalai Lama or his representative for serious talks. We look for a cessation of the obstruction of international broadcasts into China, including VOA broadcasts. We strongly encourage the Chinese Government to remove all obstacles to the return to China by any Chinese citizen--in conformity with the basic right enshrined in the Universal Declaration on Human Rights.

Realism and Commitment

When the President considered how his Executive Order should be structured and what it should contain, our intent was not to impose specifically American values nor to erect impossibly high barriers to achievement. The U.S.--as do other democratic countries around the world--looks to China to abide by universally recognized standards regarding treatment of its citizens, including obligations under the United Nations Charter. We sought to formalize this Administration's strongly held view that human rights must be a cornerstone of foreign policy. But we also proceeded with a realistic appreciation of both the strategic and economic importance of U.S.-China

relations and the domestic political and social milieu in China.

We believed then, as we do now, that the requirements set out in the President's Executive Order are reasonable and achievable. No one, not even the most ardent activists on human rights, expects a dramatic change in Chinese society in the next three months. What we are all looking for--and what is realistic for the Chinese--is a positive trend. The steps to date, while important, need to be followed by more positive actions. In all of our discussions with the Chinese, including our high-level dialogue, we feature this analysis and this set of expectations.

We believe that China and the Chinese people will be the direct beneficiaries of the human rights progress we seek. We have repeatedly stressed to the Chinese that human rights progress is necessary to place our bilateral relationship on a healthier foundation for the long term. Moreover, it seems to us that China's international stature can only rise as it becomes clear that China's policies are producing not solely a more prosperous nation but also a more humane one.

The Chinese have a good sense of what is required to satisfy the Executive Order. We still have three months remaining until a decision is required on MFN extension. We will press for further progress and urge the Chinese Government to respond with an eye to the long-term importance of a constructive U.S.-China bilateral relationship.

In this regard, it is in both countries' interest that Secretary Christopher's forthcoming visit to Beijing produce tangible results.

The U.S. national interest requires a relationship with a friendly and open China that is strong, stable and prosperous. The Chinese understand that the Administration does not wish to revoke MFN and indeed prefers to build a healthier, more positive relationship.

On the other hand, we frankly are not certain that the Chinese take seriously the requirement for more significant progress on human rights before June. The President, Secretary Christopher, Members of Congress and others have made this requirement unmistakably clear in candid exchanges. Nevertheless, there are still some indications that the Chinese somehow may believe that the Administration will be satisfied with cosmetic improvements and, in eagerness to extend MFN, will find a way to paper over problems.

Mr. Chairman, I am authorized today to state emphatically once again the official position of the Administration: more progress on human rights is needed for the President to extend MFN. The President will keep faith with his convictions and

his compact with Congress. Secretary Christopher will make sure in his forthcoming talks in Beijing that there can be no misperceptions, no illusions and no wishful thinking on the part of his interlocutors.

If this hearing removes any remaining miscalculation in Beijing, it will perform a major service, not only for American interests but for Chinese interests as well.

I recognize that there are differences of view in this country, in the Congress, and in this Committee, on how the Administration should balance the pursuit of our human rights objectives with other vital concerns. But I can say with confidence that we all agree progress on human rights in China serves our long-term interests and should be vigorously pursued. We agree that our economic interests and the interests of a favorable business environment are served by steady and clear progress on human rights in China. And we share the view that it would be far more desirable to extend MFN than to revoke it. This will only be possible, however, if we all send an unambiguous message that further progress on human rights is required.

Conclusion

Mr. Chairman and Members of the Committee, in concluding, let me sum up the main points.

- China is an increasingly important country in bilateral, regional and global terms.
- President Clinton would like to forge a constructive bilateral relationship and has demonstrated this with his policy of intensive engagement.
- But overall, significant progress on human rights is necessary to sustain and strengthen the relationship.
- In close consultations with the Congress, the President set forth criteria in his executive order of May 28, 1993, that are important and principled on the one hand, and attainable and politically realistic for the Chinese on the other.
- The President has also authorized a process of continued, high-level and working-level visits, meetings and negotiations that broaden the framework of our bilateral relations, allow the Chinese to advocate their concerns and give them the incentive and context within which to make progress on human rights and other difficult issues.
- Since September there has been significant movement on several fronts, including human rights, coupled with slippage in certain areas.

- More progress on human rights is needed for the President to extend MFN treatment this June. This is a challenging task but it is entirely possible.
- The Chinese know what is required although somehow they may still not believe that we are serious about our readiness to withdraw MFN.
- Revocation of MFN would have serious economic and political consequences for China and the U.S., for our bilateral relations, and for innocent bystanders like Hong Kong and Taiwan.
- But we will be guided by what the President has set forth in his Executive Order. Our recommendation cannot be for MFN extension without overall, significant progress on human rights. Neither will we submit a report on human rights that is not credible.
- Whatever one's views on Administration policy, it is now in everyone's interest--including the Congress, this committee, the business community and visitors to Beijing--to make clear to the Chinese that they need to take additional concrete steps in the areas specified in the Executive Order to meet the standard of overall, significant progress.

We look forward to consulting closely with members of the Committee and other Members of Congress on this issue as well as our overall policy toward China. Let us hope we can work together to raise Sino-American relations to a new plane. If the Chinese respond to our positive approach, we will promote the interests not only of two great nations but also of global prosperity and peace.

Thank you, Mr. Chairman.

Chairman GIBBONS. Assistant Secretary Lord, before we go to Ambassador Barshefsky, let me commend you for having outlined specifically the reasons for these hearings today. Those are to convey to the Chinese and to everyone who will listen that we are serious about our concerns, and that those concerns are reasonable. The human-rights matters on which we are focusing fall within the broad definition, that is accepted around the world, of rights. We must see progress on those matters, and we will not accept anything less than real progress. I hope that your message and the message that the Secretary of State takes to China next week will reinforce that, so that there can be no misunderstanding about the seriousness of this matter.

Mr. LORD. Thank you, Mr. Chairman.

Chairman GIBBONS. Ambassador Barshefsky.

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

Ambassador BARSHEFSKY. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, it is a pleasure to appear before you today to discuss the U.S.-China relationship. With your permission, Mr. Chairman, I would present my full statement for the record.

I will focus today on the U.S.-China bilateral trade relationship, but let me reiterate first, as Ambassador Lord has stated, that overall, significant progress on human rights in China is an essential element of this administration's policy toward China. Renewal of MFN will not be possible under the President's policy, absent overall, significant progress on human rights.

Mr. Chairman, this administration has spent much of the past year actively pursuing full implementation of our current trade agreements with China and extending our range of negotiations with the Chinese to new areas. We have produced real results. Where the Chinese have not proven willing to take measures necessary to open their markets to fair competition, this administration has not hesitated and will not hesitate to make full use of the legislative tools available to us.

Our goals with respect to the U.S.-China trade relationship are three: First, we intend to pursue market opening initiatives for U.S. goods and services. U.S. businesses should have access to the Chinese market comparable to that available to China in the United States.

Second, over time, and as a result of greater comparability in market access, we expect more rapid growth in our exports to China. Finally, we want to make certain that China accepts the rule of law as it applies to trade—that is, that China's trade and economic policies be consistent with international norms and with the rules and disciplines of the GATT.

China is now the world's fastest growing major economy, with an annual growth rate of about 13 percent in 1993. Its global trade has grown on average by more than 11 percent annually, twice the rate of world trade growth, increasing from less than \$40 billion in 1980 to almost \$200 billion in 1993. The growth of our bilateral trade relationship with China over the past decade and a half has

been dramatic. Our two-way trade has grown from slightly over \$2 billion 15 years ago to more than \$40 billion now. The United States is China's largest export market, with 34 percent of China's exports going to the United States last year.

Our trade relationship, while vibrant, is out of balance. The bilateral trade deficit stood at \$23 billion in 1993, up 25 percent over 1992. And while the potential of China's market is enormous, U.S. exports to China lag behind those of our major trading partners in China. Not only is our deficit with China unacceptable, but our trade pattern vis-a-vis our foreign competitors is disturbing and must be reversed.

China maintains a highly protectionist trade regime. It has in place multiple overlapping nontariff barriers to imports, and still maintains high tariffs. While China's export regime has undergone a remarkable transformation over the past decade, China's import regime still remains the creature of central planners and state bureaucrats, and China's market for services remains close to all but a few companies that are allowed in, only on an experimental basis.

The trade agreements that we have signed with China represent important steps in opening China's market to U.S. exports and in ensuring a health competitive environment. The intellectual property rights Memorandum of Understanding signed in January 1992 commits China to the establishment of a solid legal structure for the protection of intellectual property and for its enforcement. The market access MOU signed on October 10, 1992, commits China to make sweeping changes in its import regime over a 5-year period.

Since I last testified before this committee, we have held intensive discussions with the Chinese on implementation of these agreements, with real progress in some key areas. I will address first the market access MOU, then four additional issues, intellectual property rights, textiles, services and GATT accession.

First, market access: China has taken five critical steps on market access. First, China will increase the transparency of its trade regime by publishing and making readily available for the first time to foreign traders and governments all trade and investment related documents.

Second, China has eliminated certain import barriers in many key U.S. export sectors. Effective December 31, 1993, China eliminated import restrictions on 258 items by HTS tariff line. These items include products of considerable export interest to the United States, including iron and steel, heavy machinery, machine tools, textile machinery, scientific equipment, and commercial aircraft.

In addition, effective January 1 of this year, China eliminated ahead of schedule import restrictions on integrated circuits, as well as on selected chemical products, and also removed explicit restrictions on 171 machinery and electronics products, including construction, energy generating and television broadcast equipment.

On March 31, 1993, China also eliminated a directive that had restricted U.S. sales of digital switching systems. As a result, in 1993, U.S. suppliers sold more than \$500 million of this equipment to China, with the likelihood of substantially increased sales in 1994 and beyond.

Third, China has taken steps against the use of import substitution policies and measures.

Fourth, China has removed its barriers to trade, certainly scientifically unsound standards and testing requirements. On non-agricultural issues, China has agreed to apply the same testing certification standards to both imported and domestic products, and to apply these standards uniformly throughout the country.

Last, with respect to market access, China has reduced its tariffs by a general average of 50 percent and in no instance less than 35 percent on 50 categories of products. The absolute level of remaining tariffs, however, is still high.

While China is to be commended for these market opening measures, much remains to be done with respect to market access. U.S. negotiators will discuss next week in Beijing the issue of liberalization of quantitative restrictions for key U.S. exports. We expect China to liberalize quantitative restraints at a rate in line with the growth of the market in each sector to which those restraints apply.

In addition, although China has lifted restrictions on many machinery and electronics products, certain tendering regulations have been put into place as substitutes. These regulations as currently drafted are unacceptable. China must bring its tendering regulations in line with international practice, including the GATT procurement code.

Finally, in agriculture, China must meet its obligations to base sanitary and phytosanitary standards on sound science. Without substantial progress in the area of agriculture, China will be in violation of its MOU commitments.

With that on market access, let me turn briefly to the remaining four issues. First, intellectual property rights: Protection intellectual property is vitally important, if U.S. industries are to maintain their comparative advantage in the high-technology sectors they dominate. Unfortunately, despite significant changes in China's intellectual property regime, there is an absence, almost a complete absence of effective enforcement.

The most egregious example is the infringement on a massive scale of foreign CDs and laser disks. China has permitted the establishment of 26 CD and laser disk companies in South and Central China. These companies have the production capacity of more than 50 million CDs in a domestic market of 2 million. Exports of pirated CDs are flooding Hong Kong—more than 93,000 by Hong Kong Customs last year alone—and are also entering countries in Southeast Asia and Canada.

In view of China's unwillingness to date to take the necessary steps to ensure effective intellectual property rights enforcement, USTR placed China on the special 301 priority watch list in November. If China does not take prompt and effective measures to enforce intellectual property rights, we will elevate China to priority foreign country status, which would subject China to possible trade action.

Next, textiles: For the past several years, massive illegal transshipments of textiles from China have undercut the effectiveness of the textile quota system. After months of fruitless negotiation and Chinese inaction, this administration took decisive action, publish-

ing sharp unilateral reductions in China's textile quotas. A new bilateral textiles agreement was entered into between the United States and China in mid-January, just hours before these unilateral quota reductions were to be implemented. This bilateral agreement reflects three major accomplishments.

First, the agreement establishes significant reductions in the access the Chinese will have to the U.S. market, in light of illegal transshipments. Over the term of the agreement, China's access to our market for nonsilk products will decline by 13 percent or about \$700 million.

Second, the agreement incorporates language that potentially subjects China to additional substantial cuts in access, if transshipments continue unabated. Last, China's exports of silk apparel to the United States for the first time are now subject to agreed limits or ceilings.

Third, let me review the issue of GATT accession briefly with you, Mr. Chairman. The United States is committed to staunchly support China's accession to the GATT and to work constructively with China and other GATT contracting parties to achieve an acceptable protocol, and let me underscore acceptable protocol of accession. China's protocol must be a strict and detailed one that further opens its markets and commits it to significant reform of its trade region.

We have very significant issues to resolve in China's accession bid. The pace of progress will depend on commitments China will take to implement and enforce the rules and disciplines of GATT and its successor regime, the WTO. We expect China to further open its markets to U.S. goods and services and reform its regime so that China accords the United States comparable market access.

Last, Mr. Chairman, let me touch on the issue of services. The market access Memorandum of Understanding sets the stage for the opening of China's potentially extensive market for services. Nonetheless, until recently, China had refused to engage in bilateral service negotiations with the United States. We have now reversed this, and I am happy to tell the committee that we will begin formal bilateral services negotiations with the Chinese in Beijing on March 2 and 3. We expect these negotiations to lead ultimately to substantial market access for U.S. service industries, including insurance, distribution and information services.

Mr. Chairman and members of the committee, 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 and ensuring that China plays by the rules. We will make every effort to see that this happens, and we look forward to working with you and members of the committee in this important task.

Thank you, Mr. Chairman.

[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

24 FEBRUARY 1994

Mr. Chairman, members of the Committee, I am pleased to appear before you today to discuss China's mid-year results in meeting the Clinton Administration's conditions for renewal of MFN, as well as the status of our bilateral trade relationship.

As outlined in the President's Executive Order of May 28, 1993, China must meet certain conditions on emigration and prison labor, and achieve "overall, significant progress" in five specified human rights areas if the President is to grant China MFN status next year. The Executive Order is clear on these issues. I will leave an extended discussion of the President's Executive Order on MFN to the testimony of the State Department. But let me emphasize that steady, continuous progress on human rights in China is an essential element of this Administration's trade policy toward China, and that renewal of MFN will not be possible under the President's policy absent overall, significant progress on human rights.

With respect to trade, the Administration has pledged, in the Executive Order, to "pursue resolutely all legislative and executive actions to ensure that China abides by its commitments to follow fair, nondiscriminatory trade practices." The Report to the Congress Concerning Extension of Waiver Authority For the People's Republic of China is even more explicit. It commits the Administration to pursue market access and intellectual property rights Agreements and other issues and to make use of Section 301 where necessary in these areas.

This Administration has met fully these obligations with respect to the bilateral trade relationship. We have spent much of the past year actively pursuing full implementation of our current trade Agreements, resolving -- successfully -- some of our more serious concerns. We have produced real results. Where the Chinese have not proven willing to take the measures necessary to open their markets to fair competition, this Administration has not hesitated and we will not hesitate to make full use of the legislative tools available to us.

As I testified before this Committee last June, we have clear goals that we wish to achieve in our trade relationship with China. We have made some progress toward achieving those goals, though much remains to be done. First, we intend to pursue market opening initiatives for U.S. goods and services. U.S. business should have access to the Chinese market comparable to that available to China in the United States.

Second, over time, as a result of greater comparability in market access, we expect more rapid growth in our exports to China. Finally, we want to make certain that China accepts the rule of law as it applies to trade -- that is, that China's trade

and economic policies be consistent with international norms and the rules and disciplines of the GATT.

China's Market Potential

The United States has an important stake in gaining genuine access to China's markets -- for both goods and services. Increasingly, U.S. economic growth is driven by growth in exports, and our economic health depends on open markets throughout the world.

China is now the world's fastest growing major economy. In 1992, its economy grew at an official rate of 12.8 percent, with growth in the booming cities along the east coast at even higher rates. In 1993, China again sustained this high rate of growth. The accelerating accumulation of wealth in coastal China and the concomitant growth in the purchasing power of China's industries and its consumers will ensure that China's market becomes increasingly attractive to U.S. exports.

Over the past decade, China's global trade has grown on average by more than 11 percent annually -- twice the rate of world trade growth -- increasing from less than \$40 billion in 1980 to \$196 billion in 1993. While changes in accounting methods have reduced the ostensible size of China's foreign reserves, at \$20 billion, they are still formidable. In trade terms, China is a major player.

The growth of our bilateral trade relationship with China over the past decade and a half has been dramatic. Our two-way trade has grown from \$2.3 billion in 1979 to more than \$40 billion in 1993. The United States is now China's largest export market, with some 34 percent of China's exports going to the United States. Last year Americans imported nearly \$32 billion of Chinese goods, which included some products originating in other Asian countries.

Our trade relationship, however, is out of balance. The bilateral trade deficit stood at \$23 billion in 1993, up 25 percent over 1992. In light of the lack of comparability of market access between our two countries, we cannot abide China's huge and growing trade surplus with the United States, now second only to that of Japan.

While the potential of China's market is enormous, U.S. exports to China still lag behind those of our major trading partners in China. Last year, Tokyo's statistics indicate that Japan's exports to the Chinese market grew by 44 percent, far more than ours. China's planners also import proportionately more from the European Union than from the United States. Not only is our deficit with China unacceptable, but our trade pattern vis-a-vis our foreign competitors is disturbing and must be reversed.

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. Thus, the United States exported \$273 million in wheat and \$629 million in fertilizer in 1992, but over \$2 billion in aircraft and parts and over \$1 billion in computers and power generation equipment, along with substantial sales of electrical machinery, telecommunications equipment, and scientific and control instruments.

In addition, U.S. investment in China -- which in many respects augurs an increase in trade -- reached record levels last year, totalling about \$3 billion, with total pledged investment above \$7 billion. Many Fortune 500 companies have

made China one of their strategic targets, investing in large scale ventures in China, with preparations to export a greater variety of products such as telecommunications equipment, computers, medical equipment and heavy machinery. More than 550 U.S. companies now have offices in China.

Opportunities for enormous expansion of U.S. exports -- and thus for creation of high-wage export jobs -- are plentiful, provided that market access barriers are eliminated. U.S. competitiveness in the areas of greatest interest to China -- aircraft, high-technology exports, computers, fertilizer -- is excellent. China estimates that it will require more than \$350 billion in project-related imports over the course of its Eighth Five Year Plan, which will be completed in 1995. The opportunities for U.S. exports are enormous.

For its part, the U.S.-China Business Council estimates that the market for power generation equipment in China over the next 25 years ranges from \$40 to \$100 billion, for aircraft and aerospace over \$40 billion over the next 20 years, for telecommunications about \$30 billion over the next five years, and for auto parts, \$29 billion over the next three years.

In short, the boom in China's economy, support for domestic economic expansion and change, 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 relative to those of our trading partners.

POLICY ON TRADE WITH CHINA

The Administration supports a strong, stable, and prosperous China. In Beijing, Treasury Secretary Bentsen commended China's recent decisions to move forward with market-oriented reforms of its monetary and banking systems, tax system, and foreign exchange system. Indeed, at its Third Plenum in November 1993, China announced major steps forward in its economic reform program. These steps, if implemented, will move China further toward a market economy.

Nonetheless, China maintains a highly protectionist trade regime. It has in place multiple, overlapping non-tariff barriers to imports and maintains relatively 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 still remains 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.

A fundamental tenet of our trade policy toward China, therefore, is the establishment of a solid framework that makes the rule of law a basis for China's conduct of trade. A second and equally important tenet is that U.S. companies must have access to China's markets comparable to that afforded China's exports to the United States. If Chinese business has the ability to trade and invest freely in the United States, then U.S. business should have the same rights in China.

Trade Agreements. The trade agreements that we have signed with China represent important steps toward the 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 the establishment of a solid legal structure for the protection of intellectual property. The market access MOU, signed on October 10, 1992, is based on GATT rules and disciplines. It commits China to make sweeping changes in its import regime over a five year period. Since I last testified, we have held intensive discussions with

the Chinese on implementation of these Agreements -- with real progress in some key market access areas.

Let me take each of the MOU agreements in turn:

Market Access Agreement. Pursuant to a December 31, 1993 deadline, China has taken important steps to increase the transparency of its trade regime, and to open its market to U.S. industrial goods. Specifically, China committed to:

- o **Increase the transparency** of its trade regime, by publishing and making readily available to foreign traders and governments all trade and investment-related documents. In addition, China has issued a State Council directive mandating that no unpublished law, rule, regulation or administrative guidance can be enforced. China has also published data on major central government projects through the year 2000 and the United States expects full disclosure of project-related information in China's provinces.
- o **Eliminate import barriers** -- including licensing requirements, quotas, controls, and restrictions -- in many key U.S. export sectors. Effective December 31, 1993, China eliminated import restrictions on 258 items by HTS tariff line. These items include products of considerable export interest to the United States, such as agricultural products, including citrus fruit, apples, and ginseng; iron and steel products; heavy machinery; machinery tools; textile machinery; rail locomotives; helicopters; scientific equipment; and commercial aircraft. In addition, effective January 1, 1994, China eliminated ahead of schedule import restrictions on integrated circuits as well as on selected chemical products, and removed explicit restrictions for 171 machinery and electronics products, including construction, energy generating, and television broadcast equipment.

On March 31, 1993, China also eliminated a directive that restricted sales of digital switching systems equipment to three non-American suppliers -- NEC, Alcatel, and Siemens. As a result of the elimination of this directive and the removal of controls on digital switching systems equipment, U.S. suppliers sold more than \$500 million of this equipment to China during 1993 -- with the likelihood of substantially increased sales in 1994 and beyond.

- o **Eliminate the use of import substitution policies and measures.** In August, 1992, China published an order forbidding the issuance of import substitution lists that designate equivalent Chinese domestic substitutes for foreign products.
- o **Remove, as barriers to trade, scientifically unsound standards and testing requirements.** When complete, this action will further open China's markets to U.S. products, especially agricultural products. On non-agricultural issues, China has agreed to apply the same testing and certification standards to imported and domestic products and to apply these standards uniformly throughout the country.
- o **Reduce tariffs** by a general average of 50 percent and in no instance lower than 35 percent, on 50 categories of products -- including about 200 items by HTS tariff line, effective January 1, 1994. The products include fruit, edible oils, photographic and cinematographic goods, miscellaneous chemical products, articles of iron and steel, machinery and mechanical appliances, electrical machinery and parts, essential oils, perfume, cosmetic and toiletry preparations, and toys, games and sports articles. On January 1, 1993, China reduced tariffs from 80 to 5 percent on instant print film and instant cameras, and from 70 to 15

percent on chocolate confectioneries and sugar confectioneries.

While China is to be commended for these market opening measures, much remains to be done with respect to market access. U.S. negotiators will discuss next week in Beijing the issue of liberalization of quantitative restrictions (QR) for key U.S. export products cited in the MOU. We expect China to liberalize QRs at a rate that is in line with the growth of the market in each sector. We will continue to work with China to achieve this goal. In addition, although China has lifted restrictions on many machinery and electronics products, certain tendering regulations have been put into place which are unacceptable. China must bring its tendering regulations up to the level of standard international practice, including that embodied by the GATT Government Procurement Code. Finally, China must meet its obligations to base sanitary and phytosanitary standards on sound science. Without substantial progress in this area, China will be in violation of its MOU commitments.

Intellectual Property Rights. Protecting intellectual property is vitally important if U.S. industries are to maintain their comparative advantage in the high-technology sectors they dominate. Unfortunately, despite significant changes in China's intellectual property regime, there is an absence of effective enforcement. Infringement of trademarks and copyrighted 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 effective IPR enforcement agencies and Chinese law offers no criminal penalties for copyright infringement. Clearly, on enforcement, China lags well behind most countries in the region. In addition to market barriers, the absence of effective IPR enforcement is the greatest hindrance to access to China's market by the recording, motion picture, computer software, and other industries.

The most egregious example of failed IPR enforcement is the infringement on a massive scale of foreign CDs and laser disks. China has permitted the establishment of 26 CD and laser disk companies in south and central China that have a production capacity of more than 50 million CDs -- in a domestic market of roughly 2 million. Exports of pirated CDs are now flooding Hong Kong -- where more than 93,000 were seized by Hong Kong Customs last year alone -- and are also entering countries in southeast Asia and Canada. One factory in the Shenzhen Special Economic Zone opposite Hong Kong appears to be among the largest offenders, exporting pirated versions of films, like Jurassic Park, that have not yet been released for home viewing in the United States.

In view of China's unwillingness to date to take the necessary steps to ensure effective IPR enforcement, USTR placed China on the Special 301 Priority Watch List in November. If China does not take prompt and effective measures to enforce intellectual property rights, we will elevate China to Priority Foreign Country status, which would subject China to possible trade action.

Apart from enforcement, China has implemented the IPR MOU satisfactorily, in most instances. In the Agreement, China committed to bring its intellectual property rights regime to world class standards. For example:

- o On copyrights, China has joined the Berne Convention for the Protection of Literary and Artistic Works and the Geneva Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms, issued regulations implementing the Berne Convention in China, and promised to protect existing copyrighted works.

- o China now protects computer software as a literary work as defined by the Berne Convention.
- o On patents, China has taken significant steps to redress weaknesses in its patent regime, including amendment of its patent law to extend protection beyond processes to agricultural chemical and pharmaceutical products.

Textiles. For the past several years, massive illegal transshipments of textiles from China and overshipments have undercut the effectiveness of the textile quota system. After months of fruitless negotiation and Chinese inaction, the Administration took decisive action, publishing sharp unilateral reductions in China's textile quotas. A new bilateral textiles agreement was entered into between the U.S. and China in mid-January, just hours before unilateral quota reductions were to be implemented. This agreement reflects three major accomplishments:

- o The Agreement establishes significant reductions in the access the Chinese will have to the U.S. market. It contains no growth in the quotas between 1993 and 1994, and growth rates in the remaining years of the agreement -- 1995 and 1996 -- have been reduced substantially. In addition, overshipments from 1993 will be counted against the 1994 quotas. Over the term of the Agreement, China's access to the U.S. market for non-silk products will decline by 13 percent or approximately \$700 million.
- o The Agreement incorporates language that potentially subjects China to additional substantial cuts in access to the U.S. market if transshipment continues unabated. After three additional violations of the Agreement through transshipment, the U.S. Government can reduce China's quotas by up to three times the quantity involved in transshipment.
- o Finally, China's exports of silk apparel to the United States, for the first time, are now subject to agreed limits, or ceilings. Chinese silk exports to the United States exceeded \$2 billion in 1993, so this agreement represents an important new restraint.

The reductions in access to the U.S. market for Chinese textiles and apparel are entirely justified given the substantial transshipment and overshipments that have occurred in violation of our previous bilateral textiles agreement. U.S. Customs has determined that transshipments are occurring through at least 25 countries and estimated the value of China's quota violations at \$2 billion annually.

Accession to the GATT. The United States is committed to "staunchly support" China's accession to the GATT and to work constructively with China and other GATT contracting parties to achieve an "acceptable protocol" of accession. Under the condition that China's protocol of accession must be a strict and detailed one that further opens its markets and commits it to significant reform of its trade regime, the Administration regards China's eventual accession to the GATT as an important step toward further opening China's markets and holding China to international norms.

As a result of the conclusion of the Uruguay Round in December 1993, we have altered our approach to all current and future accessions to assure that we build the appropriate bridge to the adherence of all the Uruguay Round agreements for any country wishing to accede to the GATT/World Trade Organization (WTO). That is even more important in China's case. In light of China's growing importance in the world trade system, and as a trading partner of the United States, we believe it is essential that the terms by which China accedes are comprehensive and

enforceable. Accordingly, China's accession must address three basic elements:

- o The terms and conditions of accession -- the protocol.
- o The schedule of concessions for goods
- o The schedule of initial commitments for services.

We have significant issues yet to resolve in China's accession bid and cannot speculate about the timing of the completion of the accession process. The pace of progress will depend on the commitments China will take to implement and enforce the rules and disciplines of the GATT and its successor regime, the WTO. We expect China to further open its market for U.S. goods and services and to reform its regime so that China accords the United States comparable market access and advantages.

Services. U.S. companies that have entered China's market are severely limited in their ability to expand and to provide the full range of products and services available to Chinese customers. In most instances, U.S. companies cannot offer after-sales service, do not have direct access to sales and distribution networks, cannot wholly-own their own retail outlets, are restricted in their right to operate leasing companies or holding companies in China, and are otherwise restricted in their access to a vast array of business and local customers. If U.S. industries are going to establish a long-term and successful presence in China's markets, they will need to be able to draw on a highly articulated services sector.

The market access Agreement set the stage for the opening of China's potentially extensive market for services. We will begin formal bilateral negotiations with China on services in Beijing on March 2 and 3. We expect those negotiations to lead to substantial market access for U.S. service providers.

Conclusion

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. Let me emphasize, however, that this must happen in the context of the President's Executive Order, which requires that there be overall, significant progress on human rights in China for the President to renew China's MFN status.

Chairman GIBBONS. Thank you, Ambassador Barshefsky.

It sounds to me as though you have outlined a very firm and sound course of action for dealing with the Chinese. I commend you and your agency for that approach. I am confident that our relationship is in good hands. We realize that there is much more to be done, and that it will be done right.

Ambassador BARSHEFSKY. Thank you, Mr. Chairman.

Chairman GIBBONS. Mr. Matsui.

Mr. MATSUI. Thank you, Mr. Chairman.

At this time I would like to thank you and commend you for these hearings. I think they are very timely and obviously very important.

I would like to also commend the USTR, particularly Ambassador Barshefsky and Ambassador Kantor, not only for the work they have done on China, but also for their ongoing work on the current discussions with Japan.

I think one thing that we have seen in the past year and 3 months for USTR under this administration has been consistency. When you say something, you mean it, and I think, as a result of that, the Japanese and all others will understand that this administration has resolve and will follow through on its threats or its commitments. So I want to thank you very much.

Ambassador BARSHEFSKY. Thank you.

Mr. MATSUI. I would like at this moment to make one comment and then ask a few questions. I will be very short, because I know the schedule here.

Ambassador Lord, one thing troubles me about your comments—and I think some of the comments made even by my colleagues, which I decided not to respond to at the time—you say we must speak in one voice and not show dissension. I agree with you. I think that is generally a good policy. I think USTR has demonstrated that with Japan.

At the same time, I recall when I was a college student back in the 1960s that the United States had a policy with respect to Vietnam, and when some at the University of California at Berkeley wanted to speak out, we were told by our elders, by our Government, by our President not to, because we needed to show resolve and speak with one voice. I also heard that from President Reagan in the early 1980s, when he engaged in a war in Nicaragua.

Now, this President has made a decision, and he signed an Executive order that you participated in drafting. I am assuming that the President means what he says and the Chinese understand that. On the other hand, if Members of Congress, if the public, if the business community, if human rights groups want to disagree with that policy, I would hope that you would understand the history of this country and the fact that dissension is what makes this country strong, and disagreement is what makes this country viable.

So I would hope that you and others in the State Department particularly would put an end to this whole notion of restraining one's right to speak on the basis of patriotism. You know, one thing that really troubles me is when people in authority find they cannot make sufficiently strong arguments, they wrap themselves in

the American flag, proclaim patriotism, and demand that we stick together.

In this case, I think this policy has been wrongheaded. I understand that President Clinton intends to revoke MFN status on June 3 if in fact substantial progress has not been made in human rights. He has threatened to do that—I think the Chinese understand it and the private sector understands it. But I think the private sector has a right, and I think others have a right, to speak out and advise you and the President and the public as to what the impact will be on this economy if we enter a trade war with China.

You have used the words “train wreck” to describe the potential state of U.S.-Sino affairs. That is the first time I have heard the words “train wreck” used to describe an embargo. When we had the war with Iraq and we imposed the embargo, when we put the sanctions on the South Africans, we never said there would be a train wreck, because we knew the impact of those sanctions on the United States would be minimal. We knew it would be minimal.

But we know and the private sector knows what the impact of a withdrawal of MFN status for China would mean to this country. To start with, over 200,000 jobs would be lost. It could certainly create a downturn in the economy.

Additionally, as you know, since President Carter normalized relations with China in 1978, we have had many students come here. With those student exchanges, and with our mass communications today, all of a sudden we now see young people in China begin to understand what democracy is all about. It is because we engaged the Chinese and normalized relations with them that we have seen progress.

I think it was Peter Hoagland who yesterday made the observation to you—and I do not want to get into an executive session, but this is well known, because it was said by Don Kennedy, then President of Stanford University—that over 40,000 Chinese students, Communist students, came to the United States in the 1970s and 1980s, and they took back with them our way of life, many of our values, and certainly an understanding of what democracy is all about.

Now you know and I know that we do not want this train wreck to occur, and while we know that the Executive order exists and must be met, it is my hope—it is my hope, and I am not going to go any further than this—to suggest that if we really want to concentrate on human rights, if we really want to liberalize China—and I think all of us in this country do—then what we need to do is find some way that we can incrementally deal with the Chinese.

You know, one of the reasons that your policies in Bosnia have been very successful in the last week, unlike the comments made about those policies prior to last week, is because you targeted the threat of bombing. It was not going to be in civilian areas; it was not a generic threat of bombing, but instead you said you were going to hit military artillery targets, and that is why it was a credible threat, that is why the Serbs knew that it would happen, and that is why they moved out.

Your problem with respect to China is one of credibility. You stated in your statement twelve times: They had better comply. You kept repeating it over and over again, and it reminds me of

an individual who says: If you do not do this, I am going to shoot; I really mean it; I really mean it this time—on and on and on.

So it is my hope that we make our policy toward China a credible one, because one problem currently in terms of our foreign policy—and you, as a State Department official, should know this—is a lack of consistency in a number of different areas, not just on trade policy, unlike the USTR. I am hopeful that you are going to begin to have a consistent policy and carry out your threats and your observations.

Thank you.

Mr. LORD. Mr. Chairman, of course, I want to respond to that. First, a minor point of fact.

Mr. MATSUI. Fine, go ahead.

Mr. LORD. I never used the phrase “train wreck” here today.

Mr. MATSUI. Well, if I may, Mr. Chairman, it was in The New York Times in December, and if it was not you, somebody is posing as you.

Mr. LORD. Well, it is an image. You can choose whatever image you want. I think it would be very unfortunate if we do not convince the Chinese of the need for more progress by May or June. I think it would be unfortunate. We all want to revise and extend MFN if we possibly can.

But let me go to the more fundamental point. You obviously did not understand my statement. If it is my fault for not being clear, I will be glad to—

Mr. MATSUI. Well, I do not want to interrupt you, but—

Mr. LORD. Could I finish, please, because you just went at me for 10 minutes.

Mr. MATSUI. I do not want to interrupt you, but I did understand your statement. Now if you want to clarify it, please do.

Mr. LORD. You did not understand, with all due respect, because you—

Mr. MATSUI. I did understand your statement. If you want to clarify it, that is fine.

Mr. LORD. You did not understand, with all due respect, because you—

Mr. MATSUI. I did understand your statement. If you want to clarify it, that is fine, but do not suggest that I did not understand your statement.

Mr. LORD. But then if you did understand it, you took cheap shots on purpose. I did not want to make that point.

You accused me of wrapping myself in patriotism and waving a flag as if I do not agree to dissent. Of course, I agree to dissent.

When I say we should speak with one voice, I meant, first, that we all agree on the promotion of human rights, and second, that we all agree that, if there is not more progress between now and May, we are going to have a serious situation.

I never said you should not have your own point of view. I specifically say in my statement—I was not able to read the whole thing—that people can disagree and do disagree on these issues.

So I resent being told that I am telling you to speak with one voice with no dissent. I would not be presumptuous enough and stupid enough to tell Congressmen and Senators not to have their own point of view, that they have to march in lockstep with us.

Therefore I am going to go back to what I said. I think you must have misunderstood my statement. Otherwise, it is a much more malicious interpretation to put on your remarks.

I have served this country for 30 years, administrations of both parties. I have never said—

Mr. MATSUI. Oh, you do not have to wrap yourself in a flag either.

Mr. LORD. I have never said this is not a democracy—

Mr. MATSUI. You do not have to go into your history; I am well aware of it.

Mr. LORD. But for those who may not know my history, if all they are going to hear is your interpretation, that I am wrapping myself in patriotism and the flag and not letting people dissent in a democracy, I resent it. I am not going to let it stand, Mr. Congressman.

Mr. MATSUI. Fine. Go ahead.

Chairman GIBBONS [presiding]. Well, I think we have come to the end of that exchange.

Mr. Thomas.

Mr. THOMAS. Thank you, Mr. Chairman. I do not know if the gentleman from California wants any more time.

I find this all rather interesting, especially since yesterday a resolution on the floor of the House condemned someone's speech.

I am the first to say that the former spokesman of the Nation of Islam's speech was reprehensible. It was wrong. It should not have been uttered, but I was not going to pass judgment by a vote on someone's speech.

We just had Members of the House testify in front of us about how they wanted to defend human rights in places other than the United States, and by their action and vote on the floor yesterday, I believe the Members partially diminished human rights everywhere.

Chairman GIBBONS. Well—

Mr. THOMAS. Let me say, Mr. Secretary, I have some problems, and you need to talk to me about the concerns I have after having been in China last August.

We could probably have testimony on hundreds and maybe even thousands of individual incidents that are disturbing or, in fact, outrageous. My question is: Are these, in fact, orchestrated, organized, and coordinated, thus making them far more insidious in my mind?

Are the authorities condoning these incidents, or have you in your interactions been able to determine if Beijing is in control? Here I have a dichotomy because I do not like the degree of central government they espouse, but I do not know if they actually have the degree of central government they espouse. Is this unequal development across the country creating some real problems on carrying out policies that are going to cause us problems for some time in the future?

Mr. LORD. The answer is yes and no, Mr. Congressman. There is the tension between the central authorities and the provinces, whether it is economics, whether it is even on carrying out restrictive political laws. Often you have a repressive edict, for example, issued out of Beijing, and people in the provinces will ignore it, ei-

ther out of humanity, or because they want to get on with making money or because they think it is irrelevant. The same tension exists on the economic front.

However, that does not absolve the central government, in my view, from malpractices. A good example is the example of birth control policies. The central government says that they are not for coercion or forced abortions. I do not believe that is their official policy, and I do not think most at the center want that to happen. But there is evidence obviously that this does happen. We say to the Chinese: If it is against your policy, tell us who you punished. Give us some examples. And they have not done that.

Intellectual property rights is another good example. They have very good laws, I believe, as Ambassador Barshefsky testified. To what extent are they not carrying out enforcement because of a lack of goodwill and intention, or to what extent are they not carrying out because they genuinely cannot—

Mr. THOMAS. Well, I have a number of questions on trade that I want to direct to her, because that is one of my concerns.

Mr. LORD. Yes. But I want to cite these examples. So I do not think the fact that the central government does not always have total control absolves them of their human rights record. But there will be times when there will be overzealous local officials that will carry out policies contrary to what the Government wants.

Mr. THOMAS. I am concerned along the same line that my colleague and friend from California is in terms of having only 3 months left for some performance measure to reach whatever criteria is deemed to be acceptable.

Based upon what China has done and what they need to do over the next 3 months, in the administration's mind, is it that they need to move from the B category to the A or from the D category to the C or from the F category to the D or from an incomplete to a D? Do they have to earn a C or better? What is it in terms of behavioral performance in the next 3 months from where we are today to where they need to be? I think grading is the easiest way to do it because people understand that.

Mr. LORD. Well, I do hesitate to use report cards or specific grades. What I tried to point out in my testimony in response to your question is that the most ardent human rights activists do not expect China to dramatically shift in the next 3 months. We did not ask that last spring. We are not asking that now. We are not expecting them to be an American democracy or Jeffersonian democracy or to have multiparty elections overnight. Those who accuse us of trying to impose our values or dictating to their society miss the mark.

We are looking for positive trends.

Mr. THOMAS. Mr. Secretary, I want to interrupt you right there.

Mr. LORD. Yes.

Mr. THOMAS. From what I have been reading, the President of the United States is beating up on the Japanese right now because in U.S. negotiations with the Japanese, the Japanese refused to be specific on a quantitative basis and on a timely basis.

If your response is going to be, in essence, repeating what you said in your testimony, then you are leaving the door wide open for Members of Congress to present their own interpretation on the

progress. And frankly, I think you need to do an awful lot of remedial work in terms of stating where you think they need to go, what is or is not acceptable, or, in my opinion, you will lose the battle you lost last time to other people defining that text, unless, of course, you have got a woodshed and you are going to take them there.

It did not happen the last time, and if it happens this time, then perhaps we will have a more orderly process in moving forward.

I have very little time—

Mr. LORD. Excuse me. You did not let me finish my answer. I might have satisfied you so—

Mr. THOMAS. Mr. Secretary, in all due respect, you would continue that line of talk for the next week, and you would not have answered my question, because I gave you an opportunity to give some quantitative measure to where you think they need to move. You clearly declined.

Mr. LORD. I did not finish my answer.

Mr. THOMAS. Any additional words piled on top of words is not going to achieve any objective that I sought. It may be an objective that you seek, but it is not an objective that I seek.

Mr. LORD. I do need to respond, if I could, Mr. Chairman, because I did not finish my answer.

Mr. THOMAS. Well, it is not on my time.

Chairman GIBBONS. Go ahead.

Mr. LORD. We have made it very specifically clear to the Chinese the areas—as I said in my statement, and I did not read the whole statement—with specific illustrations and concrete illustrations, where they could meet the criteria.

It is clearly not in anyone's interest, including the Congress', for me to lay all this out on the public record. I will be glad to talk to you privately about it. We have given them specific suggestions of how they can meet each of the seven areas. Some of these are evident from my testimony; others, it is much more effective to negotiate in private.

I do want to reassure you—and I will be glad to talk to you privately and give you illustrations. But I think you understand, from a negotiating standpoint, we cannot have a specific box score in public.

Mr. THOMAS. Mr. Secretary, I am not trying to get you to show your hole cards. I do not operate that way; I do not think you should operate that way.

My concern is not whether it is going to meet the criteria to my satisfaction. I want to know if it is going to meet the criteria to those people who opposed the extension on nontrade measures of MFN to China. Those are the people who are going to have to be dealt with, as was the case last year, not this particular Member of Congress.

Mr. LORD. I can give you a few specific illustrations for the time being, I think, safely in public.

On the Tibet provision, for example, we believe that the Chinese should open serious talks and negotiations with the Dalai Lama or his representative. I have talked to people in Congress who have an interest in this issue, a very strong interest, and they believe that would be a major step forward.

On prisoners, we do not say: Release all prisoners. We say: Release prisoners. We are not asking for every last prisoner to be released. We have pointed out that there are many prisoners who are particularly sick and, under Chinese law, the Government could release them on medical parole.

We have asked them to stop jamming Voice of America.

These are not unreasonable requests. Implement the prison labor MOU. There are eight or nine emigration cases that need to be cleared up.

These are specific criteria that we have suggested would be extremely helpful in meeting the Executive order's requirements. We do have specifics. We have more than this. But I hope that will give you some indication that we are neither being unreasonable nor vague in our negotiations with the Chinese.

Chairman GIBBONS. You have some trade questions. Go ahead.

Mr. THOMAS. One final followup. You have just enumerated a specific series of behavioral requirements. If every one of those boxes is not checked, is the administration then going to oppose MFN to China?

Mr. LORD. The phrasing is "overall, significant progress on five areas," and there—

Mr. THOMAS. Mr. Ambassador, the fact that you established boxes, but that they do not have to have checks in them, brings us right back to square one. And I understand the concern that you have, and the behind closed doors, I wish you success in convincing those that you need to convince, so that we can move forward.

I just want to tell Ambassador Barshefsky, it is refreshing in a Trade Subcommittee to hear trade matters outlined vis-a-vis China. We have some ongoing, very serious problems, as you know, representing a very significant specialty agriculture area. We are moving massive amounts of citrus, nuts, fruits, grapes, apples into Hong Kong, which are then clearly smuggled across the border that we cannot get through in terms of an ordinary, ongoing trade relationship with China.

I have concern about the possibility of dumping of garlic in the United States. A 100 million pound market now has 50 million pounds of Chinese garlic. This dumping caused economic dislocation in California. We are trying to increase consumption, but I do not think we can match that level of consumption.

I want to focus on the importance from your perspective of moving forward now on the finalization of the Uruguay round for GATT. I do not know that we can make that much bilateral progress in the timeframe that we need to with China to move forward.

Do you believe the accession to GATT, rather than any bilateral relationship with the United States, is a significant and big carrot for China that we can then utilize the progress we made in the Uruguay round through the protocols on accession to get some of the things we otherwise would not be able to get from China, or am I having a false hope that all the work in the Uruguay round will not reflect on those nations not yet under the GATT?

Ambassador BARSHEFSKY. Mr. Thomas, GATT accession and our bilateral relationship with China are mutually reinforcing in the trade area.

The market access MOU was based on GATT principles and requires of China certain actions which China would have to take were it to successfully accede to the GATT.

On the other hand, our GATT accession talks have been used by us as a way to move market access issues further in China than we might have been otherwise able to do strictly on bilateral terms.

So these two forms of agreement are mutually reinforcing. With respect to GATT accession, there is no question that the United States would like to see China enter the GATT, but on terms acceptable to GATT, not on terms acceptable to China.

Right now there is quite a gulf between the terms that are acceptable to China and the terms that are acceptable to a protocol to grant accession. We are working with the Chinese very closely. We will have a further series of negotiations with them in March. We have just finished a lengthy series of negotiations with them this past week in Beijing.

We have as a goal, obviously, open Chinese markets, markets that are fair, that are governed by the rule of law. We will pursue that through the GATT. We will pursue that bilaterally in a way that is mutually reinforcing from the point of view of U.S. goals.

Mr. THOMAS. And my concern is a follow on, and that is that we may be able to reach agreement with the central government, but the ability to trickle down or carry it to the key ports of entry on any uniform basis, I have real concern about as China continues to move forward in this regard. I know the administration is concerned about that as well, and I am willing to work in any way we can to make sure the hard-fought policies we develop wind up on the ground in every port of entry in China. I think it is going to be a major, major problem for the next open-ended period of time.

Ambassador BARSHEFSKY. We agree with you.

Mr. THOMAS. Thank you.

Chairman GIBBONS. Go ahead, Mr. Kopetski.

Mr. KOPETSKI. Thank you, Mr. Chairman.

Mr. Secretary, I wrestled with the problem that Mr. Matsui has pointed out about your testimony, and let me give a stab at it.

It seems that the problem that I have with the testimony is that it suggests that you are asking us, even those of us who opposed the President's approach through an Executive order and continue to oppose it, to all of a sudden say we are supporting this approach. And I do not support this approach today, yesterday, nor will I support it tomorrow; I can tell you now. And that is where I am having this problem with this unified—speak with a unified voice.

Now I have told the Chinese in December when I was over there, and I told them that the President is serious, that he must feel that there is significant progress, or he will not extend MFN.

Now that is entirely different than my having to say: By golly, you guys have got to move along on the human rights things, or, you know, I am going to do everything I can in denying them MFN status.

And that is the problem that I am having with your testimony. And more specifically on page 2 where you say, "Members of both parties concurred that China's MFN status should continue, but they wanted renewal in 1994 to be conditioned," that was not my

position. I doubt very much that was Mr. Matsui's position and many other Members of Congress.

So, I mean, that is where I am having a problem with the opening tenor of your testimony. I would be glad to give you a moment to respond.

Mr. LORD. First of all, from now on, I am going to read my whole statements. If this is going to happen if you use excerpts, then it is dangerous to condense.

First of all, I say on page 2 "members of both parties"; I did not say "all members of both parties," but an overwhelming majority—you know the votes—in the House and to a lesser extent in the Senate were in favor of conditioning MFN. Many were for revoking it. Many, like yourself, did not want any conditions. And I respect all those views. I want to make that point clear again.

Second, in response to Mr. Matsui, I said again, when I start talking about "single voice," I am talking about—I assume we have—a single voice that human rights are important. We have disagreements on tactics, how to pursue this objective. I respect those disagreements.

I also felt it was important to have a unified message, as the Chairman said, to the Chinese and all who are anxious, whatever our disagreement on tactics, that we not lose MFN. It is important to have a single voice to convey to them that more progress is needed, whether or not you like the approach.

But, of course—and I want to repeat again, I would never be so stupid or undemocratic as to suggest that people cannot have different points of view.

Now one of the paragraphs I did not read in my statement, I will read it now: I recognize that there are differences of view in this country, in the Congress, and in this committee on how the administration should balance the pursuit of our human rights objectives with other vital concerns. But I can say with confidence that we all agree progress on human rights in China serves our long-term interests and should be vigorously pursued. And we agree that a favorable business environment and human rights can work together, and that we share the view that it would be far more desirable to extend MFN than to revoke it.

I again stand by what I have said. And I did not appreciate the attack on me earlier, and I will repeat that. I think it was misinterpretation. The Congressman is a man of good will. I consider him a good friend, and I was very surprised by what he said. I can only interpret it as being a misreading of what I was saying. If I was not clear, I apologize. I would hate to have a misunderstanding.

Mr. KOPETSKI. Well, I think that the problem I go back to in this testimony, and I guess maybe I am not, you know, part of the consensus group that you are talking about here in your testimony, that it does not matter what any Member of the Congress believes we ought to do or not toward China in the next 3 or 4 months. It is solely the President's decision and determination of whether progress is made.

The Chinese understand that. We do not need to tell them that, we, as Members of Congress. I do not want to send them, quite frankly, the wrong signal, because the message I am trying to send

to the President is, I think this is a real dangerous course to take as a Nation.

I mean, we look at what is going on in North Korea today. You talk about human rights violations for the world; it is that damn country having a nuclear bomb. And we should not kid ourselves. Any and all progress that this administration, to its credit, has made in trying to keep the North Koreans within the NPT is because of the great partnership that we have forged with the People's Republic of China.

Now you and I may differ as to why they are in partnership with us. But the fact is, they have done a tremendous job there, and I think they ought to get the credit. And I think that ought to weigh heavily in the President's decision.

But just imagine if we denied MFN, if we had MFN to China this current year. What incentives would they have to work with us as a Nation today with the North Koreans? And there are many other areas of the world where we should have this bond, this partnership, with the Chinese.

Well, let me stop there and let you respond.

Mr. LORD. These are important points. First, in terms of sending a message, again my concern was the complacency on behalf of the Chinese, not that you have to agree with the policy, which I have said now several times.

As I said in my statement, I am concerned that the Chinese do not think the President is serious. We should make our best efforts to ensure they understand. And that is what I was talking about with respect to "single voice."

Now I fully agree that the Chinese are important partners. I have made clear that the President wants a constructive relationship. I laid out in my statement—again, I did not read it—all of the reasons why it is important to work with China. I indicated why the President, working with many in Congress, tried to strike a balance between the importance of this relationship and his commitments in human rights.

I specifically gave the Chinese credit for weighing in with Pyongyang on Korea. I did read that part. Let me make a quick point on Korea.

Mr. KOPETSKI. And do you think that is significant? Do you think—

Mr. LORD. I think it is very significant. I also think that they are doing it primarily in their own self-interest, not as a favor to us. They do not want nuclear weapons on the Korean Peninsula. They do not want Japan to get nuclear weapons as a result. And so my own view is that, yes, good relations with them helped encourage them to weigh in, but I believe they would be trying to forestall nuclear weapons on the peninsula even if they had bad relations with us.

Mr. KOPETSKI. See, I guess part of the problem that I have had with the State Department over the last couple of years with respect to China policy is that though the human rights problems are oppressive, repressive, and unacceptable to myself, but when they do something that is very positive as world citizens, such as the work with North Korea, we automatically question their motives,

rather than just saying firmly, out front: This is good stuff; thank you.

Mr. LORD. Excuse me. First, I agree they should get credit when they do good things, whether it is in human rights, where I do know progress, or whether it is weighing in on Korea.

I was just presenting my analysis. It is not about questioning their motives. Every country acts on the basis of self-interest; they should. And China above all does that.

This is not denigrating their contribution. I am explaining that I think that, even if our relationship was not as good as it is today or not, even if it was less good than today, I still believe the Chinese would have an interest in preventing nuclear weapons on the peninsula. But that is not denigrating their efforts or their motives in any way.

Mr. KOPETSKI. Well, I guess I would not want to be in the world where we had to wonder whether we could step forward with them to negotiate with the North Koreans. I think it is just that critical of an issue facing this world.

Mr. LORD. I agree with you. It is a very important issue.

Mr. KOPETSKI. Let me ask you a couple of specific questions.

Has the State Department ever done an analysis recently on the possible human rights ramifications within China were the United States to revoke MFN?

Mr. LORD. There has been an analysis of the economic consequences in general, but not a specific analysis. I do not know if you could quantify it. But we have not, to answer your question directly.

Mr. KOPETSKI. It seems to me that that would be something that would be important to have. And we have a lot of smart people out there that understand political ramifications of tough economic times, and that whether it is in specific provinces where riots could occur and what the central state might do as a response to that, I mean, I guess I am surprised that this is not done.

Is the State Department or anybody in the administration developing or have they developed options papers for the President along the lines that my good colleague from Michigan, Mr. Levin, talked about earlier, that outlines different approaches, including multilateral approaches, rather than just MFN to engage the Chinese into human rights progress?

Mr. LORD. Yes, we have explored that. We explored it last year when we were forming the policy last spring. We continue to look at that and try other ways of pursuing it.

For example, in Geneva and the U.N. resolutions, there is a multilateral approach. We are currently working with the Europeans, for example, on a resolution. And that is an example of the Barber Conable approach as well. The International Committee of the Red Cross is another example.

And we have urged our European and Japanese friends in particular to weigh in on the question of human rights with China, as well as on arms proliferation and trade, to try to multilateralize the approach.

I agree with the thrust of your question. Certainly Mr. Conable's testimony that, to the extent we can make this multilateral in scope and not just unilateral with America, it is more effective.

I have to say in all frankness that, although our friends often do weigh in, they do place commercial objectives in many cases as their No. 1 priority. They do not always weigh in with the force that we do.

Mr. KOPETSKI. All right. Well, but it is to our credit that we do weigh in.

Let me ask you this: Is this in a working paper that might be shared with the committee in executive session, these kinds of options?

Mr. LORD. We could show you some studies on that, I think, sure.

Mr. KOPETSKI. OK. Finally, Ambassador Barshefsky, it is my understanding that when we have trade, that means they are selling stuff to them, and we are selling stuff to them as well, and unfortunately there is this trade gap, and it is continuing to grow.

How would you characterize the kinds of products that are being shipped to the United States from China?

Ambassador BARSHEFSKY. The composition of trade is really rather interesting from the U.S. point of view. We tend to sell to the Chinese high-tech, high-value-added products, principally among which are aircraft and parts, computers, power generation equipment, telecommunications equipment of various varieties, other scientific instruments.

The Chinese tend to send here textiles and apparel, toys, games, sporting goods of various types, some electronics, a fairly large amount of electronics, and footwear.

And the composition of trade, in part, reflects quite different levels of development and different levels of infrastructure, including business infrastructure and technology. It is apparent between the two countries.

Mr. KOPETSKI. Secretary Reich has done a great job lecturing to us about our future as a country and where our jobs are going to come from, and perhaps this is an excellent example of the type of market that we want, where we are using our high-skilled, highly developed technological industries that pay good wages. A lot of these are union jobs, I know, in the aircraft manufacturing sector, for example, and we are selling this quality product—that is, a competitive product where you are talking about France or somebody else—to a market; is that not correct?

Ambassador BARSHEFSKY. We are certainly selling high-value-added products, and the jobs represented by those products tend to be higher-waged jobs, very good jobs, particularly in the manufacturing sector.

On the other hand, we are not selling into China nearly as much as we should be selling into China and not nearly as much in terms of the rate of increase of our exports as the Europeans or the Japanese.

So those trends are somewhat disturbing. But there is no question that the thrust of this administration's trade policy generally is to help create high-wage, good jobs here in the United States and to promote our exports from the United States to countries like China, but also to other countries, including hopefully Japan.

Mr. KOPETSKI. Thank you. Thank you, Mr. Chairman.

Chairman GIBBONS. Before I go to Mr. Levin, let me say one thing administratively. The members find that conversations between people seated at the staff table are particularly distracting. So if you staff members or people seated at the staff table have conversations you wish to carry on, please remove yourselves, perhaps deeper into the audience or out of the room to carry on those conversations.

Now, Mr. Levin.

Mr. LEVIN. Thank you. Thank you very much. Mr. Chairman and my colleagues, this has at times been a heated hearing. I hope some light will come of it. I, for one, think that the administration and yourselves are to be encouraged for having tried to both handle the commercial relationships with China and human rights. The fact that other countries are not doing that may reflect more on them than it does on us. And once you go into those seas, there are going to be some difficulties.

But I think the difference between Vietnam and here is that here presumably there is a basic agreement on the ends. There are some disagreements on the means. That was not true in meaningful respects in terms of Vietnam, maybe in the most generic sense, but not really. And I think the reason for all of us to speak with a single voice these next months is, even those who disagree with the policy of the administration, I think you would not be disappointed if it succeeded and if the Executive order brought some results.

I think we are united on that. And so while there may be disagreement on whether that is likely, I think there is broad agreement in this institution in hoping that it will work, and everybody therefore should try to help make it work.

And second, I just want to say—and, Ambassador Lord, you have emphasized this—what we are looking for is a positive trend. So when you are asked to give a scorecard or to take five boxes and put checks in each one of them, it seems to me that that is really—the result of it is to set up goals that cannot be met and ensuring failure when our effort is to ensure success. And I say this as one who has had deep feelings about the human rights situation in China, including in Tibet.

But you are not setting out an extreme course here. A positive trend, is that not what you are looking for?

Mr. LORD. That is correct, Congressman. Yes.

Mr. LEVIN. And I just want to close by saying, you know, we say in politics: You cannot beat someone with no one. You cannot beat something with nothing.

And the challenge to those who do not like this approach is to come up with something else, and no one has been able to do that so far.

But in the meanwhile, I hope that we will join together in trying to take the steps that will give this policy the best chance to work.

And you are surely right when you say that there are deep feelings in this Congress. And I am not sure that this hearing has always represented the broad mix of views. There are some real expectations that in the next months, the Chinese Government will take some concrete steps. And you are the one whose shoulder is to the wheel, and I think we should join together and see if we can add some additional weight to make your efforts work.

So I hope you leave here not discouraged, but determined. In a way, you have taken a middle path, and between the extremes on the spectrum here, and I, for one, wish you well, and I hope everybody will do the same.

Mr. LORD. I appreciate your comments. Thank you.

Mr. LEVIN. And in the trade area, we have made some progress. I do not want us to get into a long argument about trade here, but the notion that we are just exporting high-value stuff and they are exporting stuff that we would not make anyway is not an accurate picture, I do not think, of our trade with China.

I mean, you mentioned electronics, for example. I mean they are exporting to us electronics. And let no one think that the Chinese are incapable of doing high-value technological work, because I think you would agree, Ambassador Barshefsky, they are.

Ambassador BARSHEFSKY. Absolutely. I qualified my comments in reviewing the content of the trade of the two nations by saying that the current content reflects different levels of development and differences in access to technology.

There is no question that the Chinese are capable and will become increasingly capable of producing very high-value-added products over time as their infrastructure develops and as their access to technology increases.

Mr. LEVIN. And on North Korea, I think, Ambassador Lord, you would agree, if there were an emergency that required joint action by the Executive and Congress, the Executive order would not impede our acting together, would it?

Mr. LORD. No.

Ambassador BARSHEFSKY. Mr. Chairman, may I make a comment, please?

Mr. MATSUI [presiding]. Yes, please.

Ambassador BARSHEFSKY. Thank you.

Mr. MATSUI. Are you finished, Sandy?

Mr. LEVIN. I am.

Ambassador BARSHEFSKY. This really is in response to Mr. Kopetski's comments, and that is that this administration stands ready always to work with your committee at any time on any issue. I think we have worked quite well on trade issues. Of course, I have briefed the committee in executive session a number of times and will again brief the committee next week in executive session on trade matters.

And the same goes for human-rights-related issues and MFN-related issues; that is, that we wish to keep the committee informed, and we wish to work with the committee to the extent we can devise mutually agreeable alternatives to policies or to administration actions.

But if I may simply reiterate that this administration's goals with respect to trade and with respect to human rights in our bilateral relationship with China are quite clear and quite particularized.

And to the extent that there is disagreement with respect to the tactics by which either of those aims are pursued—that is, either expanded markets or human rights—we stand ready, of course, to work with the committee.

Thank you.

Mr. MATSUI. Thank you. I appreciate those comments, because I think we all share the ultimate goals of seeing a more liberal China, both politically and economically.

Let me, in view of the fact that Ambassador Lord mentioned my name in his questions, just take a moment to ask a couple of questions.

I think what Mr. Levin has said goes to the crux of this issue as to whether or not this policy works.

You see, one of the real problems is the belief that we must speak with a single voice and others cannot speak out and show disagreement—

Mr. LORD. Well, again, I—

Mr. MATSUI. Please allow me to finish my observations.

I would only point out that there are some who disagree with this policy. Luckily, however, you still may find substantial progress, because since September there has been a significant amount of engagement.

Mr. Bentsen went to China, as did Mr. Christopher and the President has met with the Chinese President. I do not know how many trips you or Mr. Shattuck have made but I do know that USTR has made a number of trips.

Many have suggested that that kind of engagement is what assists us in dealing with the Chinese, because engagement allows for opening dialog.

Now here is where the dilemma lies. If substantial progress can be shown by June 3, there are some who might suggest that it is a result of MFN, rather than the engagement, and I think that is why we need discussion about this.

And let me point out, I negotiated a lot of contracts when I was practicing law. We also negotiate in House/Senate conferences, and the reason we have deadlines is to put people in a position where they have to resolve an issue. This is why the GATT discussions last December worked, because we had a deadline that Mr. Kantor set and said: If it is not met, this thing is going to blow up.

The problem that you have, Mr. Ambassador, on this issue is that, as I've said, it is a process. And so when you set a deadline, you put yourself in a very difficult negotiating position, because you are not asking for a completed contract; in other words, a democratically signed constitution. What you are asking for is progress, and that is why this process that you use by setting deadlines is so very difficult, and that is why you need another process if you want to see progress.

The real dilemma that I think we face is that the Chinese may release 10 prisoners and they may allow more on Red Cross inspection. However, after June 3, they can change their mind and then say you cannot come in, even though they might have committed the day before.

And so your real dilemma is that you are not going to see a lot of change. It will be stuff that gives us the feeling that, well, we did something; we stuck it to them.

But what you really want is real progress in China. What you really want is a liberalization of their society, of their political system, and you are going to get that only through exchanges through dialog, and I think that is what most of us are suggesting.

It is my hope that after this period is over (the next 3 months) and we have gone through these contortions that both sides will have developed a strategy that makes sense; one that has lasting value. Only then can we focus on the issue of human rights, rather than whether or not we are going to cut off trade with the Chinese.

You may respond, if you care to.

Mr. LORD. I just want to say these are very articulate and respectful points of view that I fully respect. I have to keep repeating that. People should have different points of view. They should express them. And I want to make clear that has always been my spirit of service.

We look forward to working with you and seeing where we go from here. And I, personally, have spent a lot of time consulting with the Congress. There are a lot of different points of view on this issue. We will continue to consult in the future.

Mr. MATSUI. Thank you. I thank both Ambassador Lord and Ambassador Barshefsky. Thank you very much.

Ambassador BARSHEFSKY. Thank you, Mr. Chairman.

Mr. MATSUI. We have a vote now. We have approximately 6½ minutes before the vote. Mr. Kopetski is back, so he will take over.

Mr. KOPETSKI [presiding]. While our next panel is coming, I do want thank Mr. Lord, Secretary Lord, and Ms. Barshefsky for their work today. They clearly earned their paychecks.

The next panel is Mr. Jendrzejczyk, who is the Washington Director of Asia Watch; Mr. Zhao, with the National Council on Chinese Affairs; Dr. Lizhi from Phoenix, Arizona; and Mr. John Kamm with Kamm & Associates, Ltd. of Hong Kong.

I am sorry. It is Dr. Fang who is with us.

Good afternoon. I thank you for your patience. I hope this morning's testimony and this afternoon's testimony has been enlightening to you, as it has been to us. It is great in this country to be able to have these open, free-for-all debates on really a serious issue for world citizens and for American citizens as well.

Mr. Jendrzejczyk, welcome, and we will take your testimony now. If you can, try to summarize it within about 5 minutes or so.

STATEMENT OF MIKE JENDRZEJCZYK, WASHINGTON DIRECTOR, ASIA WATCH

Mr. JENDRZEJCZYK. Thank you, Mr. Chairman.

My name is Mike Jendrzejczyk, and I am the Washington director of Asia Watch, an independent human rights monitoring organization.

We are honored to appear today, and I would like to especially thank the chairman, Mr. Gibbons, for convening this hearing. This was a recommendation that we had made to this committee when we appeared here last June, that a midyear assessment of progress on meeting the terms of the Executive order be held, and at that time Mr. Gibbons announced the intention to hold this hearing.

At this stage, Beijing seems convinced that the administration will ultimately settle for minimal or token steps to comply with the MFN Executive order, and, in fact, the administration, I think, is bending over backward to give the Chinese credit for the few steps they have taken.

On the other hand, we are encouraged that Beijing has begun to respond to U.S. pressure in what is a continuing extended bargaining process, and we believe, therefore, that pressure needs to be maintained.

Over the past year, we have seen no substantial improvements in human rights in China. This new 664-page report we released earlier this week documents the cases of over 1000 people detained since 1989 and before for the peaceful expression of their political and religious views—15 more trials, dissident trials, in 1993 we have just learned about since this report has come out.

We believe this is a continuing indictment of the Chinese Government's failure to uphold internationally recognized human rights.

Contrasted with this, we also document 37 persons reported or confirmed to have been released last year.

As the MFN deadline approaches, the Clinton administration, we believe, should not settle for minimal gestures, but should rather press for real human rights concessions, and we remain concerned that the wording of the Executive order allows both Washington and Beijing ample wiggleroom to claim real progress has been made, while, in fact, little has been changed.

This process has been complicated by a series of mixed signals being given by the administration itself. Whether that was a statement by our Ambassador in Beijing, Stapleton Roy, that there had been dramatic progress in human rights or the hint of Secretary of Treasury Lloyd Bentsen in Beijing this past January that MFN might be extended permanently if there were significant progress this year.

We would like to briefly recommend a few measuring sticks and tools that the administration and Congress can use to evaluate whether, in fact, there is significant progress this coming June.

First, when it comes to accounting for political and religious prisoners, when the Secretary met with the Chinese Foreign Minister in Paris in January, he was told that such an accounting would be forthcoming on about 300 cases presented by Mr. Shattuck last October; however, when the Chinese Vice Foreign Minister arrived here in Washington a few weeks later, what he handed over was simply a set of statistics—no names, no details. And we are disappointed that the following week when Mr. Shattuck appeared before the House Foreign Affairs Committee, he failed to mention publicly that this accounting was unsatisfactory and, in fact, was simply a reversion back to what had been given to Assistant Secretary Schifter back in 1990.

Mr. Lord again—Ambassador Lord this morning failed once again to use the opportunity to spell out exactly what the administration means when it is looking for an accounting.

Our report contains for the first time the names of some 1,200 individuals convicted of so-called counterrevolutionary crimes. The Chinese Government said that at least 3,300 such people are now being held for counterrevolutionary crimes.

We think the administration should seek a meaningful accounting of all 3,300 people, beginning with these 1,200 individuals named in our report.

Second, we list in our report 100 urgent cases, those now serving terms of from 10 years to life imprisonment, most of them sentenced within the last 5 years. We think one measuring stick for progress should be the release of these 100 individuals. I would mention we also provide the names of 760 others who are detained for the peaceful expression of their views, all of whom we believe should be unconditionally released.

Second, in the area of prison labor, which, as you know, is an absolute requirement of the Executive order, Secretary Bentsen announced in January in Beijing that Customs was being allowed to visit five prison labor sites, and he said there was agreement on measures to improve Chinese cooperation on prison labor visits.

However, this announcement papered over the administration's failure to secure from China any real assurances that visits would take place, and, in fact, the five visits agreed to had originally been requested as far back as 1992. And my suspicion is, when the Customs Agency gets in there now, they are going to find very little that is worth inspecting.

Once again, Ambassador Lord, I am sorry to say, this morning failed to use the opportunity of this hearing to make it absolutely clear that the administration will be as tough on China in getting compliance with the prison labor MOU as it was in insisting on unrestricted surprise visits to monitor compliance with the textile agreement. That agreement was only obtained because the administration talked tough, was very specific about what it wanted, and ultimately succeeded in getting it.

Fourth, in the area of access, we are encouraged by the ongoing negotiations between the International Committee of the Red Cross in Geneva and Beijing. However, we would caution that any access is likely to be limited either to a certain penal institution or a certain set of prisoners.

A long-term objective, and one that we think we should pursue on a multilateral basis, is to encourage China to also invite the U.N. Working Group of Arbitrary Detentions to visit China.

Fifth, in the area of—on the question of delinking MFN from human rights, we have acknowledged that MFN is a blunt tool. However, thus far no one has come up with an alternative that represents the same kind of power and leverage.

We believe that for the administration to offer to the Chinese the possibility at this stage of the MFN process this year permanent MFN after this year undercuts the administration's own credibility, as well as throws away a tool that we may very well need, especially after Deng Xiaoping passes from the scene.

By telling China now that they may receive MFN for free next year, we make it appear that we are more interested in avoiding losing future trade deals than in freeing thousands of prisoners and ending torture.

Finally, we believe that as the administration continues the annual review of MFN, it should employ a combination of economic and political tools. For example, we should work much more closely with the Japanese. Prime Minister Hosokawa will be visiting Beijing for the first time literally a few days after Secretary Christopher. This provides a real opportunity for the Japanese to use their political and economic muscle on behalf of human rights.

And finally, responding to Mr. Matsui, who I am sorry is not here, we think the administration should prepare now contingency plans for partial targeted sanctions in the event of partial compliance with the Executive order. We think this is a fallback position the administration should be preparing now, rather than waiting until June 3 and the deadline is upon us.

Thank you, Mr. Chairman, and I would ask that my full written statement be entered into the record, and furthermore offer to provide to every member of the committee a copy of our new report.

Thank you very much.

[The prepared statement follows:]

Human Rights and MFN for China
 Testimony of Mike Jendrzejczyk, Asia Watch
 House Committee on Ways and Means
 Trade Subcommittee

February 24, 1994

My name is Mike Jendrzejczyk. I am the Washington Director of Asia Watch, a division of Human Rights Watch, an independent international human rights monitoring organization.

We are honored to appear before the Ways and Means Committee today, and I would like to express our appreciation to the Subcommittee Chairman, Mr. Gibbons, for calling this hearing to assess China's progress in meeting the human rights conditions outlined in the President's May 28, 1993 Executive Order for MFN (Most Favored Nation) trading status this year. Last June, in testimony before this Committee, Asia Watch recommended that the Administration issue an interim report on compliance with the Executive Order, and you announced your intention at that time, Mr. Chairman, to hold this hearing.

The Chinese government seems convinced that President Clinton will ultimately settle for minimal human rights concessions in exchange for MFN this June. Thus far, Beijing has offered mostly token gestures, guessing correctly that the Administration would bend over backwards to give them credit: release of a few prominent political prisoners in Tibet, while hundreds more Tibetans are arrested; allowing the U.S. Customs Agency to inspect a handful of prison labor sites after denying access to them since 1992; beginning negotiations with the International Committee of the Red Cross. On the other hand, it is encouraging to note that Beijing has begun to respond to U.S. pressure -- we believe that pressure needs to be maintained.

Over the past year, there have been no substantial improvements in China's human rights performance. In fact, as we have documented in a new 664-page report published earlier this week, Detained in China and Tibet¹, political repression in China is increasing, not decreasing. In this report, the most comprehensive account of arbitrary detention ever published, we describe in detail the cases of over 1,000 people detained for the peaceful expression of their political and religious beliefs. Without a doubt, 1993 was the worst year for political arrests and trials in China since mid-1990 and the aftermath of the 1989 massacre. Asia Watch has compiled information on almost 250 such cases in 1993, including 32 dissident trials resulting in average sentences of four years' imprisonment, and some 216 new arrests. Since the report was published, we have learned details of at least an additional 15 dissident trials that occurred last year. (A summary of our report's main findings, and its implications for MFN renewal, is contained in the main body of our testimony.)

Contrasted with this record, 37 persons were confirmed or reported to have been released from prison between January 1993 and January 1994 (See list in Attachment I). China has been practicing a kind of "hostage politik" whereby political prisoners are used as bargaining chips to be released at key moments for maximum political impact. This policy also allows Western governments to use these releases as signs of improvement, ignoring the tens of thousands of prisoners who have not benefited from international attention.

Chinese authorities, determined to prevent economic liberalization from leading to political change, have institutionalized many of the controls on basic freedoms put in place after the June 1989 crackdown and, in recent months and weeks, have enacted new repressive laws and regulations. For example, a new State Security law adopted on February 22, 1993 has been used to punish journalists accused of "leaking state secrets abroad."² The crackdown on unofficial Protestant and Catholic Churches continues to intensify with recent arrests and the new regulation on religious activities signed into law by Li Peng on January

¹ Detained in China and Tibet was published by Asia Watch on February 20, 1994.

² For example, Gao Yu, a former deputy chief editor of Economics Weekly, a banned newspaper, was arrested by police on October 2, 1993, two days before she was due to arrive in Hong Kong on her way to New York to take up a fellowship at Columbia University School of Journalism. She was held incommunicado, and later charged with "illegally providing state secrets to people outside the borders." Another journalist, Wu Sishen, editor in the domestic news department of the official news agency, Xinhua, was sentenced to life for selling to a Hong Kong reporter an advance copy of a speech by Jiang Zemin.

31, 1994.³

Chinese security officials have been especially vigilant in restricting freedom of expression by those openly advocating political reform. For example, when President Clinton and Chinese Party Secretary Jiang Zemin were shaking hands at the APEC meeting in Seattle last November, a small group was meeting in Beijing to publish a "Peace Charter" modeled after the Charter 77 movement in the former Czechoslovakia. One of the co-founders of the group, Qin Yongmin, was sentenced in mid-January 1994 to two years in a "re-education through labor camp" in Wuhan, convicted of "fomenting social chaos." Eight others arrested with him have been released.

The official media and party leaders continue to issue stern warnings against "peaceful evolution" and "counterrevolution." The People's Daily recently admonished Chinese journalists not to write anything negative about the country that might scare foreign investors away, saying that to promote stability, the press must help people "tell right from wrong, uphold the good...and to suppress the false, the evil and the ugly." On January 19, 1994, regional authorities were warned that a side-effect of the economic reforms could be heightened social instability. They were told that the government at all levels would act to "deepen the reforms and maintain stability."⁴ On February 3, Beijing's hard-line Communist Party Secretary, Chen Xitong, called for tighter security measures for the capital to deal with potential unrest.

China's leaders urgently need MFN and the trade and investment relationship with the U.S. in order to carry out their aggressive economic reform program. For this reason, China is currently engaged in an international campaign to clean up its image. But social tensions, sparked in part by market reforms, may only increase once Deng Xiaoping dies, providing a pretext for further repression as the Party struggles to maintain control.

U.S. Policy

As the deadline for MFN renewal approaches, the Clinton Administration should not squander the opportunity to obtain meaningful human rights concessions. Rather than being tempted to settle for token steps or minimal gestures, it should insist on "overall, significant" progress on human rights -- as it is termed in the President's Executive Order -- as the price for normal trade with the U.S. We remain concerned that the Executive Order itself is vaguely worded and allows both Washington and Beijing ample "wiggle room" to claim real progress has been made, while in fact little has changed.

We are also concerned about the mixed signals given by the Administration, including statements by U.S. Ambassador Stapleton Roy suggesting that there has been "dramatic" human rights progress, and by Secretary of the Treasury Lloyd Bensten, who held out the hope when he visited Beijing that "sufficient progress can be made (so) that we can put this issue behind us and it won't be an annual review."

Yet at the same time, Secretary of State Warren Christopher has repeatedly warned that without substantial progress, MFN will be revoked in June. And the State Department's highly critical human rights country report for 1993, released earlier this month, concluded that China's human rights performance "fell far short of internationally accepted norms." How are China's leaders supposed to read these confusing and contradictory messages?

We believe the Administration should speak clearly, and with one voice. It should not allow the Chinese government to get away with half-measures or attempts at pseudo-compliance with the MFN Executive Order. Only by holding Beijing publicly accountable, in a consistent and comprehensive manner, can the Administration both maintain its credibility and exert effective pressure on China to make significant human rights improvements.

We would like to make a number of specific recommendations regarding possible measuring sticks and ways of defining and evaluating China's compliance with key provisions of the Order.

³ Among those recently arrested: Bishop Han Dingxiang, clandestine vicar-general of Handan diocese, Hebei Province, arrested on November 18, 1993; Bishop Julius Zhiguo, also of Hebei Province, taken away by the Public Security Bureau on January 7, 1994 and as of January 19 had not been seen; Dai Guiliang, Ge Xinliang, and Dai Lanmei, preachers and laymen in the Protestant house-church movement, arrested in late summer 1993 and sentenced on September 10, 1993 to three year and two year terms of "labor re-education."

⁴ Hong Hu, vice-minister of the state commission for restructuring the economy, quoted by Agence France Press, in FBIS, January 19, 1994.

Accounting for Political and Religious Prisoners

As you know, Mr. Chairman, one criteria in the Executive Order for evaluating "overall, significant progress" is China's actions "releasing and providing an accounting for Chinese citizens imprisoned or detained for the non-violent expression of their political and religious beliefs..." When Secretary Christopher met with Chinese Foreign Minister Qian Qichen in Paris on January 24, he was told that the Administration would be given an accounting of some of the 300 cases of political and religious dissidents contained in a list presented by Assistant Secretary of State for Human Rights and Humanitarian Affairs John Shattuck when he visited China last October. However, when Chinese vice-minister Liu Huaqiu came to Washington the following week, he delivered a numerical breakdown of the cases, and nothing more: no names, no information about prisoners' whereabouts or legal status. This totally unsatisfactory response could hardly be called a sign of progress. It was a reversion back to the early stages of the "human rights dialogue" begun by Mr. Shattuck's predecessor, Richard Schifter, in December 1990: initially all he was given was a set of meaningless statistics.

Yet, when Mr. Shattuck testified on the State Department's human rights report before the House Foreign Affairs Committee on February 1, 1994, he failed to use the opportunity to put China's insufficient response on the record, and to spell out publicly and in detail what the Administration means when it says it seeks an "accounting." We believe that the U.S. and the broader international community should expect the Chinese to respond to requests for information on the whereabouts and legal status of all prisoners detained for the nonviolent expression of their beliefs. It would also be useful, in cases of particular concern, to have copies of court verdicts or police sentencing documents. Access to these documents by human rights groups and others would be the single most useful means of evaluating the charges laid against imprisoned dissidents, and of establishing whether or not internationally accepted standards for fair trials have been violated.

Our new report, Detained in China and Tibet, contains the names of 1,200 "counterrevolutionaries" out of the approximately 3,317 persons the Chinese government officially acknowledges have been convicted of so-called "counterrevolutionary" crimes. As far as we can ascertain, 900 of them were arrested or convicted for purely peaceful activities. We urge the Administration to seek a meaningful accounting for all 3,317 cases, beginning with those on this list, as part of its discussions with China about the terms of the Executive Order. (See, in Attachment II, a listing of the twelve main categories of "counterrevolutionary" offenses in China's Criminal Law, and the sentencing range for each.) The actual figure of people detained in China and Tibet for peaceful political and religious activities is certainly much higher.

The list contains, for example, the names of many well-known 1989 pro-democracy activists, such as Wang Juntao, Chen Ziming, and Liu Gang, as well as a number of individuals arrested in 1992-93 now awaiting trial, or whose sentences are unknown. More importantly, the list contains the names of many prisoners about whom very little is known, and a strikingly disproportionate number of Tibetans (according to Chinese officials, the proportion of "counterrevolutionaries" to common criminals in Tibetan jails today is nearly twenty-one times higher than in China proper.) I would also note that 80 percent of the 250 arrests and trials we have tracked in 1993 also took place in Tibet -- dramatic evidence of the sharply intensifying campaign of repression against peaceful pro-independence activities by Buddhist monks and nuns.

In terms of prisoner releases, we hope the Administration will stress the need for action on 100 priority cases of long-term political and religious prisoners currently serving terms of 10 years or more, some as long as life imprisonment. We believe that these jailed dissidents are in the most urgent need of international and U.S. pressure for their earliest possible release. Most were sentenced within the past five years. Chinese action, or lack of action, on these cases should, we believe, be used as one basic yardstick of whether China has made "overall, significant progress" by June. (See Attachment III.)

Among these 100 are prisoners with serious medical problems, who could be released on "medical parole" under provisions of Chinese law. But release under this law is conditional and can be reversed at any time. Li Guiren, a 50-year-old dissident editor was released on medical parole last February when he was close to death. He is still so ill with heart problems he can only walk a few steps before he is out of breath. On February 16, 1994 a dozen plainclothes police picked him up and returned him to Weinan prison where he

had been serving a five-year sentence for his role in the 1989 protests.

Our report also provides detailed descriptions of the cases of some 760 nonviolent dissidents arrested as far back as the late 1970s and early 1980s, and as recently as January 1994. We believe that all of these prisoners should be immediately and unconditionally released.⁵

Prison Labor

Secretary of Treasury Lloyd Bensten announced in Beijing on January 20, 1994 that the U.S. Customs Agency was being given permission to visit five suspected prison labor sites under the terms of the Memorandum of Understanding (MOU) signed by the U.S. and China on August 7, 1992.⁶ He also said, "Our governments have agreed on measures to ensure more effective prevention of exports made with prison labor," including more timely access by the Customs Agency and fuller, more timely reports on the Chinese government's own investigations of prison labor exports.

However, this announcement and set of verbal assurances papered over the Administration's failure to secure from China any new written agreement or guarantees that China's dismal record of compliance with the MOU would improve -- an absolute requirement for MFN in the Executive Order. Worse yet, the State Department's 1993 human rights report presented a sanitized record of China's compliance with the MOU. It said that China provided investigation reports on 31 facilities, but did not mention that the reports were virtually useless with little detail and no documentation in most cases. It mentioned inspection visits carried out by the Customs Agency, without saying that throughout 1993 China denied access, or gave only restricted access to other sites where visits were requested.

For example, requests were made as far back as 1992 to visit the Shanghai Laodong Machinery Factory, the Shanghai Laodong Steel Pipe Works, and the Shandong Laiyang Heavy Duty Machinery Factory. But they were all denied on the grounds that these facilities were a "worker's factory under the administration of the reform through labor bureau and not open to the public." No doubt by the time any inspections take place this year, the Customs Agency will find little that is worth inspecting.

A key question remains unanswered: Will the Customs Agency be given immediate, unrestricted access to all suspected prison labor sites? In the case of the new agreement on textile exports, reached on January 18, 1994, the Administration took a tough line, threatened sanctions, and ultimately got what it wanted: China agreed to allow U.S. officials to conduct surprise inspections of Chinese companies suspected of engaging in illegal transshipment -- though they must be accompanied by Chinese officials and could be denied a search warrant under local laws. But such a denial would be an obvious tip-off of possible cheating. We believe the Administration should be just as tough in demanding strict Chinese compliance with the prison labor MOU.

Without outside access and independent monitoring, serious abuses by prison officials continue to thrive, such as forcing inmates to work 14-hour days in order to boost prison enterprises' earnings (including, in many cases, foreign currency earned via export), or torturing prisoners with electric batons for minor infractions of the rules.⁷ It is important to reiterate here that Asia Watch is not against prison labor per se, but we are concerned about the conditions under which that work takes place, and with the fact that many people who never should have been arrested in the first place are producing goods for export in China's

⁵ See Detained in China and Tibet, Section II, "Democracy Movement Prisoners -- Current Status Known," pages 60-118.

⁶ According to press accounts, quoting U.S. officials, the five sites included: the Red Star Tea Farm in Guangdong Province; the Shanghai Laodong Heavy Machinery Factory; the Shanghai Laodong Steel Pipe Factory; the Shandong Lyang Heavy Duty Machinery Factory, and the Yunnan Jinma Diesel Engine Works.

⁷ China's prison and labor camp system is the most extensive in the world. Prison labor, including forced labor for export production, is a common feature throughout the system. According to the Chinese government's 1993 reply to the U.N. Committee Against Torture, it currently comprises "684 reform-through-labor centers, 155 prisons, 492 rehabilitation centers (including both administrative "labor re-education" camps and women's re-education centers), and 37 social reintegration centers for juvenile offenders." These are all facilities for sentenced prisoners, under the control of the Ministry of Justice. In addition, there are pre-trial detention centers at the local, county and district levels, and a network of secret prison camps maintained by the People's Liberation Army not included in any statistics published by the Ministry of Justice.

labor camps.

Access by the International Agencies

We are encouraged by the continuing negotiations between Chinese authorities and the International Committee of the Red Cross (ICRC) to obtain regular, confidential access to Chinese prisoners in order to provide them with humanitarian services. We note that ensuring humane treatment of prisoners, "such as by allowing access to prisons by international humanitarian and human rights organizations" is a criteria for progress in the President's Executive Order.

Access by the ICRC would, in our view, be a significant step forward, though pressure will need to be maintained to ensure that any agreement between Beijing and Geneva is fully implemented. However, even if ICRC access is finally agreed upon, it will likely be limited to one particular sector of the prisoner population, such as sentenced "counterrevolutionaries" (including religious activists, pro-democracy prisoners, and Tibetan pro-independence activists), or to a particular set of penal facilities. A key long-term objective of the U.S. and other Western governments should be to gain access to prisoners throughout the Chinese gulag. The U.N. Working Group on Arbitrary Detention, for example, is trying to obtain Beijing's agreement to send a delegation to China, which could result in some outside access and scrutiny. Persuading Beijing to invite the Working Group and to fully cooperate with them could be a useful focus for multilateral efforts.⁸

De-linking MFN and Human Rights

MFN is a blunt tool, but as of yet no one has come up with a viable alternative for effectively pressing the Chinese government to improve its human rights record. To turn a blind eye on human rights abuses in the hope that economic reform will eventually lead to political reform, is to ignore the fate of tens of thousands of men and women who need help now. Moreover, there is no guarantee that economic reform will automatically lead to political change. As we have noted in our new report, areas where foreign investment and economic reform are most advanced, such as Shanghai, Shenzhen, and Guangdong, enjoy no greater respect for civil and political rights than other parts of the country.⁹

We are prepared to look at alternatives to MFN, but only alternatives that will continue to get people out of prison and ensure the implementation of human rights safeguards. To de-link MFN and human rights before that alternative is found is to throw away the most powerful lever we now have for change.

By telling China now that they may be able to receive MFN for free after this year (the Jackson-Vanik requirements of the 1974 Trade Act notwithstanding), the U.S. forfeits leverage it should continue to use to press for greater respect for basic, internationally recognized human rights -- especially as the post-Deng transition unfolds. By saying it wants to de-link MFN from human rights altogether, the Administration only reinforces the impression that it is more anxious to avoid losing out on future trade deals than to free thousands of political prisoners or to end torture. Furthermore, it risks undercutting the prospect of obtaining serious human rights concessions this year.

Two former political prisoners and prominent pro-democracy advocates, Wei Jingsheng and Xu Wenli, when asked about Secretary Bensten's hints that MFN might be extended permanently if China makes sufficient concessions this year, responded clearly and unequivocally: "That would be very bad," said Xu "If they release two or three people, tomorrow they can arrest four or five." Wei, who spent nearly fifteen years in prison, gave this comment in a press interview: "The U.S. should wait for China to make human rights improvements a long-term thing, and then gradually lift sanctions."

We believe the annual review of MFN for China should continue, and that the Administration should creatively use a combination of political and economic pressure to promote human rights. The Administration should also work much harder to get our allies on board. We are encouraged by the State Department's efforts to gain passage of a

⁸ The Working Group is an arm of the U.N. Human Rights Commission. It is headed by a distinguished French jurist, and undertakes investigations then issues reports to the Commission.

⁹ On April 6, 1993, Li Guohen, Liang Wemin and Wu Songfa, were arrested at Baiyun Airport in Guangzhou en route to Shanghai where they planned to distribute handbills calling for gradual democratic reform to accompany economic change. They were part of a loosely organized group of workers and traders in Shunde, Guangdong Province. According to family members, the men were being held in a detention center in Shunde, and Li is reportedly in poor health and has been beaten.

resolution on China at the current session of the U.N. Human Rights Commission in Geneva. But much more can be done on a multilateral level.

Japan, for example, is in the process of negotiating a new, multi-billion dollar loan package for China, and Prime Minister Morihiro Hosokawa plans his first visit to Beijing on March 19, 1994. Japan should be urged, at a minimum, to use its influence to obtain an accounting of China's 3,317 "counterrevolutionaries," and to press for the release of the 100 priority cases of political and religious dissidents we have identified.

U.S. businesses can also do more. Whether or not legislation is enacted outlining operating "principles" or a code of conduct for U.S. businesses in China, as was proposed in 1992, there are practical steps corporations can take to encourage respect for human rights. More is required, however, than companies simply opening up operations and hoping, by their mere presence, they will bring about change. We are trying to work with some companies doing business there, providing information and recommendations.

ATTACHMENT NUMBER 1

From:

Asia Watch, *Detained in China and Tibet: A Directory of Political and Religious Prisoners* (New York, Human Rights Watch, February 1994)

<u>Detained in China and Tibet</u>	
<i>List of 1993 Releases</i>	<ul style="list-style-type: none"> ■ Bishop Shi Enxiang - see p 395 ■ Tian Yang - see p 444 ■ Tseten Norgye - see p 540 ■ Wang Bo - see p 505 ■ Wang Dan - see p 459 ■ Wang Shengli - see p 5 ■ Wang Xiabe - see p 506 ■ Wei Jingsheng - see p 507 ■ Wu Xuecao - see p 471 ■ Xie Changzhong - see p 495 ■ Xu Wenli - see p 510 ■ Xu Yiruo - see p 475 ■ Shen Liangqing - see p 444 ■ Zhai Weimin - see p 486 ■ Zhang Dapeng - see p 397 ■ Zhang Weimeng - see p 398 ■ Zhang Yunshen - see p 399 ■ Zhou Zhirong - see p 494 ■ Zhu Guoqiang - see p 495
<i>The following 37 persons were either confirmed or reported as having been released from prison in China between January 1993 and January 1994</i>	
<ul style="list-style-type: none"> ■ Baatar - see p 514 ■ Chen Jianyong - see p 495 ■ Chen Jianzhang - see p 392 ■ Damchoe Pemn - see p 516 ■ Dorje Dradul - see p 518 ■ Gao Shan - see p 415 ■ Geoduo Riobro - see p 519 ■ Guo Haifeng - see p 418 ■ Hu Hai - see p 499 ■ Huang Jinwan - see p 444 ■ Hucbuntegas - see p 216 ■ Jiang Bing - see p 499 ■ Li Guiren - see p 427 ■ Liu Jihua - see p 437 ■ Liu Peigang - see p 501 ■ Lobsang Yanten¹ - see p 519 ■ Ma Lianggang - see p 444 ■ Ngendrup Wangmo - see p 531 	

ATTACHMENT NUMBER II

V. Long-Term Prisoners - Sentenced Prior to 1989

List of Long-Term Political and Religious Prisoners

Currently Serving Sentences of Ten Years or More

Confirmed		
• CAI Deheng - see p 274	• HU Jiao' - see p 86	[10 yrs]
• CHEN Laotao - see p 82	• HU Xia - see p 98	[15 yrs]
• CHEN Yaobai - see p 82	• HUANG Jianli - see p 13, 93	[10 yrs]
• CHEN Zhaoyang - see p 74	• JAMPA NGODRUP - see p 13, 104	[13 yrs]
• CHEN Zunang - see p 83	• JAMPEL CHANGCHUL' - see p 173	[18 yrs]
• CHENG Xiangyang - see p 273	• JAMPEL KHEDRUP - see p 173	[18 yrs]
• CHI Chaobai - see p 104	• JAMPEL LOBSANG - see p 174	[10 yrs]
• DING Junze - see p 84	• JIANG Zhaoyang - see p 76	[13 yrs]
• DRADUL' - see p 193	• JIAO Zhen - see p 109	[13 yrs]
• GLO Yueshan - see p 98	• JIGME GYATSO' - see p 193	[18 yrs]
• HAO Fuyuan - see p 108	• KAJIKHUNJAR SHABDAN' - see p 222	[13 yrs]
	• KUNCHOK LODROE' - see p 193	[13 yrs]

V. Long-Term Prisoners - Sentenced to Ten Years or More

• SONAM DORJE' - see p 193	• WU Jianjun - see p 103	[10 yrs]
• SONAM RINCHEV' - see p 193	• WU Jianwen - see p 100	[14 yrs]
• SUN Chaosheng - see p 93	• WU Shaoen - see p 7	[14 yrs]
• SUN Weibang - see p 109	• XIONG Xiaohao - see p 100	[13 yrs]
• SUN Yanguang - see p 73	• YANG Jianwen - see p 72	[10 yrs]
• TANAR JIGME SANGPO' - see p 198	• YANG Liandi - see p 73	[13 yrs]
• TANG Guosheng - see p 112	• YAO Guosheng - see p 353	[13 yrs]
• TANG Yuanjian - see p 103	• YU Dongqun - see p 101	[20 yrs]
• TENDAR PHUNTSOG' - see p 186	• YU Zhenhua - see p 81	[12 yrs]
• TENPA WANGDRAG' - see p 137	• YU Zhiqun - see p 101	[14 yrs]
• THUPTEN YESHE' - see p 196	• YU LI O DAWA TSEBRING' - see p 179	[8 10 yrs]
• TSEBRING NGODRUP' - see p 201	• ZHANG Jie' - see p 110	[18 yrs]
• TSEBRING PHUNTSOG' - see p 185	• ZHANG Jiansheng' - see p 102	[13 yrs]
• WANG Jiantao - see p 83	• ZHANG Xiaoru - see p 83	[13 yrs]
• WANG Liandi - see p 334	• ZHANG Yafei - see p 82	[11 yrs]
• WANG Xuehai (and 3 others, sentences unknown) - see p 272	• ZHANG Yuesheng - see p 272	[14 yrs]
• WEI Shaocheng - see p 107		

Detained in China and Tibet

• LAI Biao - see p 112	[10 yrs]	• LU Huiyong - see p 77	[13 yrs]
• LI HUNDROP DORJE' - see p 195	[13 yrs]	• NIAO Yanyun - see p 98	[13 yrs]
• LI HUNDROP TINGDEN' - see p 183	[14 yrs]	• NIANAT ARDENIAT' - see p 224	[13 yrs]
• LI Hongzhang - see p 92	[14 yrs]	• NGAWANG CHANTSUL' - see p 183	[13 yrs]
• LI Wangming - see p 99	[13 yrs]	• NGAWANG GYALTSEN' - see p 173	[17 yrs]
• LI Wei - see p 103	[13 yrs]	• NGAWANG OFFER' - see p 173	[17 yrs]
• LI Xudong - see p 99	[13 yrs]	• NGAWANG PHULCHUNG' - see p 173	[18 yrs]
• LI Yongcheng - see p 113	[12 yrs]	• NGAWANG SUNGRAB' - see p 170	[10 yrs]
• LIN Guangqun - see p 112	[10 yrs]	• NGAWANG TENGANG' - see p 171	[10 yrs]
• LIU Baiquan' - see p 17, 96	[17 yrs]	• NGODRUP' - see p 197	[11 yrs]
• LIU Heping' - see p 114	[12 yrs]	• PEI Zhongnan - see p 272	[13 yrs]
• LIU Jian'an - see p 178	[10 yrs]	• PHUNTSOG DORJE' - see p 198	[10 yrs]
• LIU Xun - see p 76	[13 yrs]	• PHUNTSOG GYALTSEN' - see p 177	[12 yrs]
• LOBSANG GYER' - see p 188	[12 yrs]	• PHUNTSOG SAMTEN' - see p 183	[10 yrs]
• LOBSANG PALDEN' - see p 178	[10 yrs]	• QI Hongyan - see p 111	[12 yrs]
• LU Decheng - see p 101	[16 yrs]	• SHI Dongfang - see p 275	[20 yrs]

Detained in China and Tibet

• ZHAO Dongzhi - see p 273	[13 yrs]	• LIU' fang - see p 270	[* yrs]
• ZHAO Fengxiang - see p 273	[14 yrs]	• LIU' yang - see p 270	[* yrs]
• ZHAO Jiabo - see p 108	[10 yrs]	• LIU' xi - see p 270	[* yrs]
• ZHAO Puya - see p 94	[13 yrs]	• WANG' bin - see p 277	[* yrs]
• ZHENG Hongkang - see p 89	[10 yrs]		
• ZHENG Qunwu - see p 276	[14 yrs]		
• ZHENG Qunshi - see p 110	[12 yrs]		
• ZHENG Yuesu - see p 247	[12 yrs]		
• ZHOU Hongbin - see p 111	[10 yrs]		
• ZHU Fanzheng - see p 103	[14 yrs]		
Probable			
• CHEN Jiabo - see p 95	[* yrs]		
• FU Bin - see p 277	[* yrs]		
• CAO' shao - see p 276	[* yrs]		
• HONG' pang - see p 277	[* yrs]		
• LI Xufu - see p 93	[* yrs]		

ATTACHMENT NUMBER III

Detained in China and Tibet

LIST OF KNOWN "COUNTER-REVOLUTIONARIES"

The following is a list of all persons known to have been tried, and believed well detained, on charges of "counterrevolution" in China today. In September 1993, Chinese officials stated that a total of 3,317 persons were currently being held after conviction on "counterrevolutionary" charges of all types. Although the following list accounts for only a portion of such cases, Asia Watch hopes, by releasing it, to begin the long overdue process of eliciting from the Chinese authorities a full accounting of all sentenced "counterrevolutionaries."

CODE	CHARGE	STATUTE: SENTENCING RANGE
#1	"Colluding with foreign states to harm sovereignty or split the nation"	(DP = death penalty) Art. 91: 10 years to life/DP
#2	"Conspiring to subvert the government"	Art. 91: 10 years to life/DP
#3	"Instigating mass personnel in defect to the enemy or in rebellion"	Art. 93: 10 years to life/DP
#4	"Defecting to the enemy and turning traitor"	Art. 94: 3 years to life/DP
#5	"Participating in armed mass rebellion"	Art. 95: 3 years to life/DP
#6	"Participating in a mass prison riot or jailbreak"	Art. 96: 3 years to life/DP
#7	"Espionage"	Art. 97: 3 years to life/DP
#8	"Organizing or leading/actively participating in a counterrevolutionary group"	Art. 98: maximum life
#9	"Organizing and using reactionary sects or secret societies for counterrevolution"	Art. 99: maximum life/DP
#10	"Counterrevolutionary sabotage"	Art. 100: 3 years to life/DP
#11	"Counterrevolutionary injury/murder"	Art. 101: 3 years to life/DP
#12	"Counterrevolutionary propaganda and incitement"	Art. 102: maximum life
#17	"Unspecified 'counterrevolutionary' charges"	Arts. 90-104: 7 years/DP?
#24	Demonsrations created for alleged "counterrevolutionary violence" during crackdown on 1989 democracy movement	

I Key to "Counterrevolutionary" Charges

Appendix I List of "Counterrevolutionaries"

China's Criminal Law lists twelve main categories of "counterrevolutionary" offenses, three of which concern activities solely involving exercise of the internationally guaranteed rights to freedom of speech and freedom of association. They are the crime of "organizing or leading", or actively participating in, a counterrevolutionary group" (Article 98), the crime of "carrying out counterrevolutionary propaganda and incitement" (Article 102), and the crime of "organizing and using reactionary sects or secret societies for counterrevolutionary purposes" (Article 99). Although forming only a minority of the available "counterrevolutionary" charges, these three nonetheless account (according to the Chinese authorities) for the great majority of all cases sentenced by the courts since the early 1950s. All sentences passed by China's judicial authorities under these three articles of the Criminal Law are indefensible by international standards and constitute a violation of fundamental human rights. Similarly abusive is the common practice of "administratively" - i.e. without trial - sentencing dissidents in terms of "labor re-education." Such cases, a few of which are listed here for illustrative purposes, are unjustifiably excluded from the official government statistics.

Occasionally, "counterrevolutionaries" are also accused of recognized criminal offenses such as assault, rape or swindling property. In such cases, the defendant is usually charged under additional relevant articles of the Criminal Law and given a heavier ("combined") sentence. In other cases, those accused of using "counterrevolutionary groups", including both unauthorized political organizations and traditional religious "reactionary sects," for violent or other criminal purposes are charged solely under either Article 98 or Article 99, but this exceeds the proper legal scope of those provisions. (It is important to note that in China all "organized" or "traditioned" crime is dealt with under other, so-called common criminal, statutes of the law.) Certain other charges, such as "counterrevolutionary assault or murder," are politically directed and legally quite redundant, since the acts in question could equally well be handled under existing common criminal statutes. Caution should also be observed in evaluating cases of alleged "counterrevolutionary sabotage," a charge laid against many pro-democracy detainees during the June 1989 crackdown. While the charge includes acknowledged violent offenses such as arson, it was also used to sentence dissidents who merely defaced public portraits of Chairman Mao or tore down government posters to prison terms of up to life imprisonment. In such cases, minor "common criminal" charges would clearly have sufficed for normal law-enforcement purposes.

Certain categories of "counterrevolutionary" crime, such as "armed mass rebellion," concern acts which would be recognized as criminal offenses under international law. Others, such as "colluding with foreign states to harm sovereignty or split the nation" (Article 91) and "conspiring to subvert the government" (Article 92), also resemble offenses recognized in other countries, for example "treason," "subversion" and "endangering national security." In practice, however, such charges are mainly applied, in the former case, against peaceful ethnic separatists or civil rights campaigners in Tibet, Inner Mongolia and Xinjiang, and in the latter, against peaceful pro-democracy dissidents in the ethnically Han areas. Similarly, the charge of "espionage" is sometimes

Detained in China and Tibet

indiscriminately applied, against, for example, Chinese or ethnic dissidents who merely provided information on human rights abuses to foreigners.

CODE	CHARGE	STATUTE: SENTENCING RANGE
#11	"Seizing weapons"	Art. 112: max. life/DP
#12	"Intentional injury"	Art. 134: max. 7 years/DP
#13	"False accusation"	Art. 138: no fixed sentence
#14	"Rape"	Art. 139: 3 years to life/DP
#15	"Robbery"	Art. 150: 3 years to life/DP
#16	"Disturbing social order"	Art. 138: max. 5 years
#17	"Assembling a crowd to disturb order; blocking or disrupting traffic; obstructing security personnel"	Art. 139: max. 3 years
#18	"Using suppression to murder innocent or provide"	Art. 161: max. 7 years
#19	"Leaking state secrets"	Art. 186: max. 7 years/DP

2 Key in Additional Criminal Charges

For many sentenced "counterrevolutionaries," the judicial process culminates in a bullet to the back of the head, indeed, all but two of the twelve main "counterrevolutionary" charges are potentially punishable by the death penalty. In most cases, those so punished are prisoners convicted of violent or other recognized criminal activities, but the present list also includes the names of several dissidents who were executed for non-violent (i.e. freedom of speech and association-related) "counterrevolutionary" offenses. There are believed to have been many more such cases in China since the late 1970s than the few reported here - especially of prisoners (usually peasants) convicted of involvement in "reactionary" religious sects and societies.

Finally, in all alleged "counterrevolutionary" cases - aside from the fundamentally flawed nature of the charges themselves - a wide range of "fair trial" concerns also apply. A summary account of these is provided in the Introduction, above.

Page cross-references to the individual case accounts in this report are not included in the following list. For case details of the various prisoners listed, please refer to the source. An asterisk appearing as part of a prisoner's name means that that part of the name was removed by the authorities in the official source which cited the case. Names listed in *italics* denote those prisoners for whom no separate case entries appear elsewhere in this report, they are persons against whom allegations of violent or other acknowledged criminal acts (such as spying) were made by the authorities. Separate case-entries are provided, however, for certain "borderline" prisoners of the latter type, namely those who were in addition accused of pro-democracy or other free speech/freedom of association-related activities. (Examples include persons accused of "using counterrevolutionary groups/propaganda" for violent purposes, and those accused

Appendix I List of "Counterrevolutionaries"

of "spying for Taiwan on the 1989 pro-democracy movement.") All such cases are included here so that the list may provide the fullest possible accounting of known sentenced "counterrevolutionaries" of all types in China today.

Mr. KOPETSKI. Thank you for your testimony, and each member of the panel's entire testimony is made a part of the record. And I appreciate your brevity in this as well.

Now we have Dr. Zhao from the National Council on Chinese Affairs.

Welcome.

**STATEMENT OF HAICHING ZHAO, PH.D., PRESIDENT,
NATIONAL COUNCIL ON CHINESE AFFAIRS**

Mr. ZHAO. Thank you, Mr. Chairman.

Mr. Chairman and the members of the subcommittee, my name is Haiching Zhao, and I am president of the National Council on Chinese Affairs, an organization that promotes human rights improvements and political reform in China, encourages the development of a market economy in China, and protects the rights and promotes opportunities for Chinese nationals living in the United States.

I appreciate the subcommittee's willingness to hear my statement on the current human rights situation in China.

I support the President's policy conditioning future renewals of China's most-favored-nation trade status. I also agree with the statements of Secretary of State Christopher that as of today, the Chinese Government has not made overall, significant progress on the conditions laid out in the May 28 Executive order of last year. It is of the utmost importance that the administration and the Congress speak with one voice on this policy. I remind you that the largest release of almost 700 political prisoners occurred in 1990 when the Chinese Government truly believed that their MFN status would be impacted if a large number of prisoners were not released. They have not felt that imperative since.

MFN has historically been linked to human rights improvements in Communist countries. For China, it is basically the only tool the United States has to effect substantive changes in the Chinese Government's human rights policies. Only GATT membership is as important to the Chinese leadership.

More significantly, using MFN as leverage for human rights improvements has worked. The President's policy has shown some early indications of success. The Chinese Government has recently started negotiations to allow the International Committee of the Red Cross (ICRC) to conduct unannounced visits to Chinese prisons to inspect the treatment of prisoners. If this actually happens, it will set a notable precedent. This is a direct result of the MFN debate as the ICRC has been talking to the Chinese Government for at least a decade about visits designed to ensure prison treatment meets international standards of humanity.

In addition, the Chinese Government has indicated it will cooperate on providing an accounting and President Jiang Zemin has stated that there are some things the Chinese Government can do regarding human rights.

However, these small steps in no way constitute overall, significant progress in human rights set out in the Executive order. This standard can only be achieved if there is a substantial release of political prisoners. Any efforts to accept small, unmeaningful steps

as constituting significant progress will not satisfy many in the Chinese dissident community.

While we believe a full accounting of political prisoners and access by ICRC to Chinese prisons can be meaningful, I have some concerns that these steps can easily be manipulated by the Chinese Government without achieving any real progress. Release of the political prisoners is fundamental to the concept of significant progress.

I would also like to raise a point important to the Chinese national community living in the United States. The Chinese Government routinely extends their policy of repression to Chinese nationals living in this country in contravention of U.S. law. We have numerous reports of threats made by Chinese authorities against individuals in the United States or their family members back in China.

As close as a few weeks ago, there are renewed reports of withholding of passport renewals by the Chinese Embassy for prodemocracy activists. Personally, I have had friends warned by Chinese officials in the United States to disassociate themselves from any activities I am involved in, or they will be placed on a blacklist, and their families will face difficulties back home.

These activities continue to highlight the Chinese Government's complete disregard for the rule of law and their commitment to the use of thuglike tactics and blackmail to stop anyone interfering with their policies.

On June 4, 1994, we will mark the fifth anniversary of the Tiananmen Square massacre where Chinese Government troops slaughtered citizens for the peaceful expression of their political beliefs. Since then, the human rights situation in China has not fundamentally improved. There are still thousands of political prisoners being subjected to appalling conditions, including arbitrary detention, torture, and solitary confinement.

For every prisoner released, we can name countless others that have been arrested. I have here an example, a document by the Beijing Police Authority, for 16 people as late as 1993, after the Executive order was published, and these people, these young students and workers, were arrested for their peaceful organization and assembly effort. I request to submit this piece of information to the record.

The Chinese Government is skilled in using human rights to wring trade and diplomatic concessions for the West. Those prisoners let out early have tended to have only a short period left to serve and have been released in small numbers just before crucial deadlines. Thus political prisoners are pawns used to gain economic concessions from other countries.

In addition, many prisoners endure around-the-clock surveillance upon release, and some merely have house arrest substituted for the jail cell.

In the MFN debate, releases of key prisoners have been timed to influence the debate in the U.S. Congress. Far from promoting a democratic outlook among the Chinese hardline leadership, the practice of releasing prominent dissidents piecemeal according to Beijing's political timetable only helps strengthen its authoritarianism.

While I welcome any and all releases, such activities appear to originate in the Chinese Government's desire to improve its image abroad and should not be overemphasized. If the Government continues to arrest and imprison dissidents, the handful of releases does not alter the overall picture in any appreciable way.

The importance of international pressure on China to improve its human rights cannot be emphasized enough. The most effective policy tool to date impacting Chinese authorities' behavior on human rights has been MFN. Those who argue it is not the correct vehicle are simply ignoring the facts. While it is important not to overemphasize the Chinese Government's endeavors in this respect, Chinese leadership concessions at critical times shows that the Government does respond to international pressure when it is in their economic interest to do so.

For example, two famous Chinese dissidents, Wei Jingsheng and Xu Wenli, they know that Western pressure advanced human rights in China. It got them out of prison. Both hope the United States will remain tough and continue to use MFN to gain further human rights concessions.

I also have a letter here signed by a number of Chinese prodemocracy and human rights activists living in the United States to Members of Congress. They strongly feel that human rights must remain a part of a broadbased U.S. policy toward China. I would like to request that the letter be submitted into the record as well.

In recent months, the statements by certain members both from the Congress and the administration have prompted reports of differences within the administration on China policy. Such statements can be a disservice to the President's policy and may send the wrong signals to the Chinese Government.

The message coming from the administration should be loud and clear from all quarters. Otherwise, misinterpretations can easily occur. This is particularly true of statements that hold out permanent MFN as a possibility.

There is no provision in U.S. law for permanent MFN for any nation. The Jackson-Vanik amendment is clear in its requirements for an annual review by the Congress of any determination for renewal or revocation made by the President.

Also I ask that you consider the implications of promises of a permanent MFN status, even if the administration could confer it.

What if Chinese authorities once again engaged in the broader suppression of its citizens, or what if they refused to stand by their commitment on Hong Kong in 1997 and moved troops in to squash democracy advocates? Would U.S. policymakers stand by a commitment of permanent MFN?

There is a dangerous message in a U.S. decision to ignore China's political oppressiveness in favor of trade. Caving in on linking human rights to trade gives China's leadership exactly the legitimacy it craves and would validate the notion that the United States should tolerate political repression as long as doing so yields economic benefits. The integrity of American foreign policy should not be totally surrendered to commercial considerations.

In conclusion, fundamental to any determination that the Chinese Government has met the conditions of the Executive order is

the substantial release of the remaining political prisoners. In addition, an accounting of those detained in the aftermath of Tiananmen must be forthcoming. Efforts to end torture and inhuman treatment must be clearly demonstrated, and clearer indications that the ICRC will be allowed to make unannounced visits to China prisons must be made.

The United States has a special role in pressing for human rights improvements in China. The U.S. Government is the only superpower that has a significant interest in the Asian-Pacific region. In addition, the United States has an advantage because it is China's largest market, accounting for almost 40 percent of total Chinese exports. If the United States is searching for a leadership in the world today, that should firmly link free trade with democratic principles. Repressive governments like the one in China today that want to play in the global economy need to be told that the game will be closed to them if they don't respect fundamental human rights.

Thank you, Mr. Chairman.

[The prepared statement follows:]

STATEMENT OF
DR. HAICHING ZHAO, PRESIDENT
NATIONAL COUNCIL ON CHINESE AFFAIRS

BEFORE THE
COMMITTEE ON WAYS & MEANS
SUBCOMMITTEE ON TRADE

February 24, 1994

Mr. Chairman and Members of the Subcommittee:

My name is Haiching Zhao and I am President of the National Council on Chinese Affairs, an organization that promotes human rights improvements and political reform in China; encourages the development of a market economy in China; and protects the rights of and promotes opportunities for Chinese nationals living in the U.S. I appreciate the Subcommittee's willingness to hear my statement on the current human rights situation in China.

Summary of Statement

I support the President's policy conditioning future renewals of China's most-favored-nation. I also agree with the statements of Secretary of State Christopher that as of today, the Chinese government has not made overall significant progress on the conditions laid out in the May 28, 1993 Executive Order. It is of the utmost importance that the Administration and the Congress speak with one voice on this policy. I remind you that the largest release of almost 700 prisoners occurred in 1990 when the Chinese government truly believed their MFN status would be impacted if a large number of prisoners was not released. They have not felt that imperative since.

MFN has historically been linked to human rights improvements in Communist countries. For China, it is basically the only tool the U.S. has to effect substantive changes in the Chinese government's human rights policies. Only GATT membership is as important to the Chinese leadership.

More significantly, using MFN as leverage for human rights improvements has worked. The President's policy has shown some early indications of success. The Chinese government has recently started negotiations to allow the International Committee of the Red Cross (ICRC) to conduct unannounced visits to Chinese prisons to inspect the treatment of prisoners. If this actually happens, it will set a notable precedent. This is a direct result of the MFN debate as the ICRC has been talking to the Chinese

government for at least a decade about visits designed to ensure prison treatment meets international standards of humanity.

In addition, the Chinese government has indicated it will cooperate on providing an accounting and President Jiang Zemin has stated that there are some things the Chinese government can do regarding human rights.

However, these small steps in no way constitute overall significant progress in human rights set out in the Executive Order. This standard can only be achieved if there is a substantial release of political prisoners. Any efforts to accept small, unmeaningful steps as constituting significant progress will not satisfy many in the Chinese dissident community. While we believe a full accounting of political prisoners and access by ICRC to Chinese prisons can be meaningful, I have some concerns that these steps can easily be manipulated by the Chinese government without achieving any real progress. Release of the political prisoners is fundamental to the concept of significant progress.

I would also like to raise a point important to the Chinese national community living in the U.S. The Chinese government routinely extends their policy of repression to Chinese nationals living in this country, in contravention of U.S. law. We have numerous reports of threats made by Chinese authorities against individuals here in the U.S. or their family members back in China. There are renewed reports of the withholding of passport renewals by the Chinese Embassy for pro-democracy activists. Personally, I have had friends warned by Chinese officials in the U.S. disassociate themselves from any activities I am involved in or they will be placed on a black list and their families will face difficulties back home.

These activities continue to highlight the Chinese government's complete disregard for the rule of law and their commitment to the use of thug-like tactics and blackmail to stop anyone differing with their policies.

The U.S. must not delink human rights issues from MFN. Conditions should continue to be attached to renewal of their MFN status and if necessary, targeted sanctions should be invoked for continued non-compliance of specific conditions, which would only be lifted once sufficient progress as outlined in the President's Executive Order has been made by the Chinese government.

The Human Rights Situation in China Five Years After Tiananmen

June 4, 1994 marks the fifth anniversary of the Tiananmen Square Massacre where Chinese government troops slaughtered citizens for the peaceful expression of their political beliefs. Since then, the human rights situation in China has not fundamentally improved. There are still thousands of political prisoners being subjected to appalling conditions, including arbitrary detention, torture, and solitary confinement. Religious persecution not only continues but has recently been stepped up. Well publicized decrees, signed by Premier Li Peng, gives the State new powers to move against religious believers deemed to be enemies of the State. Basic political freedoms that are taken for granted in the West remain far out of reach of the Chinese people.

For every prisoner released, we can name countless others that have been arrested. I have here an indictment of the Beijing People's Procuratorate from mid-1993 which names 16 defendants as counter-revolutionaries. Thousands of others languish in Chinese prison cells, out of the headlines, isolated and overlooked. They are nameless victims, shackled and dumped into cold concrete cells, beaten by guards using truncheons, electric prods and bare fists. Deprived of food and relentlessly interrogated, many confess to "crimes" never committed. Such is the fate of thousands in China, despite more than a decade of impressive economic reform.

Thus, the actual treatment and number of political prisoners hasn't shown any improvement. The Asia Watch report released this week documents over 1,000 political and religious prisoners. Their effort is more extensive than that provided by the Chinese government whose accounting for political prisoners has been particularly poor. We continue to expect the Administration to press for a full accounting of those detained in the aftermath of Tiananmen and to refrain from accepting sparse reports as meeting the condition as set out in the Executive Order.

It is important to also note that the appalling human rights record of the Chinese leadership flies in the face of Chinese law which provides for personal rights as wide-ranging as legal representation at trial to freedom of speech and assembly. However in practice, these rights are severely restricted. Legal safeguards provided for in the constitution are frequently ignored in practice, and challenges to the Communist Party's political authority are dealt with harshly and arbitrarily. China remains a country where people are not free; where individuals are always subject to detention and deprivation at

the whim of security forces.

Political Prisoners Used As Bargaining Chips

The Chinese government is skilled in using human rights to wring trade and diplomatic concessions from the West. Those prisoners let out early have tended to have only a short period left to serve and have been released in small numbers just before crucial deadlines. Thus political prisoners are pawns used to gain economic concessions from other countries. In addition, many prisoners endure round-the-clock surveillance upon release and some merely have house arrest substituted for a jail cell.

In the MFN debate, releases of key prisoners have been timed to influence the debate in the U.S. Congress. Far from promoting a democratic outlook among the Chinese hardline leadership, the practice of releasing prominent dissidents piecemeal when it suits Beijing's diplomatic timetable only helps strengthen its authoritarianism.

While I welcome any and all releases, such activities appear to originate in Chinese government desire to improve its image abroad and should not be overemphasized. If the government continues to arrest and imprison dissidents, the handful of releases does not alter the overall picture in any appreciable way.

MFN Is the Tool for Human Rights Improvements

The importance of international pressure on China to improve its human rights cannot be emphasized enough. The most effective policy tool to date impacting Chinese authorities behavior on human rights has been MFN. Those that argue it is not the correct vehicle are simply ignoring the facts.

While it is important not to overemphasize the Chinese government's endeavors in this respect, Chinese leadership concessions at critical times shows that the government does respond to international pressure when it is in their economic interests to do so.

Two famous Chinese dissidents, Wei Jingsheng and Xu Wenli, know that Western pressure advances human rights in China - it got them out of prison. Both hope the US will remain tough and continue to use MFN to gain further human rights concessions.

Mr. Xu was alarmed by Treasury Secretary Bentsen's hints during his recent trip to China that the U.S. might give permanent MFN to China. Eliminating annual pressure for human rights improvements would remove the annual review of China's human rights record which is so important. Mr. Wei believes that without continuous pressures, the

Chinese government will quickly backtrack on prior commitments.

I also have a letter here signed by a number of Chinese pro-democracy and human rights activists living in the U.S. to Members of Congress. They strongly feel that human rights must remain a part of a broad-based US economic policy toward China. I would like to request that the letter be submitted into the record.

Mixed Signals from U.S. Administration and the Fallacy of Permanent MFN

In recent months, statements by certain members of the Administration have prompted reports of differences within the Administration on China policy. Such statements can be a disservice to the President's policy and may send the wrong signals to Chinese government.

The message coming from the Administration should be loud and clear from all quarters otherwise misinterpretations can easily occur. This is particularly true of statements that hold out "permanent MFN" as a possibility. There is no provision in U.S. law for permanent MFN for any nation. The Jackson-Vanik Amendment is clear in its requirements for an annual review by the Congress of any determination for renewal or revocation made by the President.

Holding out "permanent MFN" is misleading to Chinese officials and reminiscent of the misunderstandings surrounding the GATT most-favored-nation clause. After considerable misunderstanding, the Chinese government finally became aware that GATT membership could not force the U.S. to give China MFN status as the exclusion clause enables the U.S. to abide by its Jackson-Vanik obligations. Permanent MFN is simply not something the Administration can statutorily give to any non-market economy.

Also, I ask that you consider the implications of promises of a permanent MFN status even if the Administration could confer it. What if Chinese authorities once again engaged in a brutal suppression of its citizens? Or what if they refused to stand by their commitment on Hong Kong in 1997 and moved troops in to squelch democracy advocates? Would U.S. policymakers stand by a commitment of permanent MFN?

There is a dangerous message in a U.S. decision to ignore China's political oppressiveness in favor of trade. Caving in on linking human rights to trade gives China's leadership exactly the legitimacy it craves. It would validate the notion that the U.S. should tolerate political repression as long as doing so yields economic benefits.

Balancing Human Rights with Economic Considerations

Impressed by the promise of the China market, some argue that pressure on human rights improvements is not necessary and that engagement in China's economy will lead to democracy. This is wrong. Recent history in China and other Asian countries shows that economic change leads to political change only when coupled with political pressure, whether that pressure is from within or from outside. In addition, unbalanced development between economic and political rights coupled with growing disparities between rich and poor, can lead to instability and social turmoil. The proper path is to pressure the Chinese government to improve human rights and encourage political reform while encouraging economic reform.

Moreover, those countries in which market economies have led to greater democracy have had populaces which are now dominantly middle class. Even if China maintained its current economic growth rate, China will need decades to achieve middle-class status for majority of its more than 1 billion people. Notwithstanding the dramatic economic growth of recent years, China's per capita income is only \$370 a year.

The notion of impending wealth and democracy is tied with the equally questionable notion that China will soon become the world's richest nation. There are two problems with this idea. One is that China's super-charged economy will continue to grow at high double-digit rate for the next two decades. That is unlikely to occur.

The second assumption is that the Chinese population is far richer than the numbers indicate because of a new paradigm called purchasing power parity. In absolute terms, China's economy ranks tenth, not third in the world.

Integrity of American foreign policy ought not to be totally surrendered to commercial considerations.

U.S. Is Not Alone in Linking Human Rights and Trade

It is often stated by advocates of unconditional renewal that the U.S. stands alone in its convictions on human rights and trade. However, the European Parliament stands with the U.S. in its condemnation of China's human rights abuses and has called on the European Union (EU) not to improve links with Beijing until there is improvement. The 33-item resolution, passed without opposition, calls for the release of political prisoners,

the end of the sale in Europe of goods produced by forced labor and the establishment of a multi-party political system. Members of Parliament have threatened to use this resolution as the basis for blocking future trade agreements between the EU and China.

Conclusion

In conclusion, fundamental to any determination that the Chinese government have met the conditions of the Executive Order is a substantial release of the remaining political prisoners. In addition, an accounting of those detained in the aftermath of Tiananmen must be forthcoming; efforts to end torture and inhumane treatment must be clearly demonstrated; and clear indications that the ICRC will be allowed to make unannounced visits to Chinese prisons must be made.

The U.S. government should continue to link human rights and trade as the policy has reaped results. However, to ensure that the Chinese government does not backslide on its commitments, the pressure cannot be let up. An alternative to complete revocation, would be the use of targeted sanctions for continued non-compliance of specific conditions, which would be lifted once sufficient progress had been made by the Chinese government.

The U.S. has special role to play in pressing for human rights improvements in China. The U.S. government is the only superpower and has significant interests in the Asia Pacific region. In addition, the U.S. has an advantage because it is China's largest market, accounting for almost 40% of total Chinese exports. If the U.S. is searching for a leadership role in the world today, that role should firmly link free trade with democratic principles. Repressive governments, like the one in China today, that want to play in the global economy need to be told that the game will be closed to them if they don't respect fundamental human rights.

The Administration must not waiver in its commitment to use the trade issue to press the Chinese government to force human rights reforms.

Thank you.

Mr. KOPETSKI. Thank you, Dr. Zhao, for your testimony. We will now hear from Mr. Fang. Welcome.

**STATEMENT OF LIZHI FANG, PROFESSOR OF PHYSICS,
UNIVERSITY OF ARIZONA, PHOENIX, ARIZ.**

Mr. FANG. Thank you, Mr. Chairman.

My name is Fang Lizhi in Chinese order. In American order, it is Lizhi Fang. Professor of physics, University of Arizona and former professor of physics at the China Academy of Sciences.

Thank you for allowing me to testify today about the current human rights situation in China. It is a very important and timely topic. I only would actually mention a few points.

First let me say that I support the President's policy and the votes taken by this Congress that the trade and the human rights policy toward China should be linked. I believe the nature of a country's human rights practice is an appropriate factor to consider when determining the degree to which your country extends certain trade privileges.

Why U.S. diplomatic policy has the reputation it has not only in the United States but also in many parts of the world, it is because that the human rights is considered as a cornerstone of your diplomatic policy.

In terms of the improved human rights record in China, I would say that MFN has been an effective tool. Some politicians argue that the Chinese authorities will not bend to pressure from outside. I say this is not true. I would not be sitting here before you today without pressure from the International Committee, including the pressure from the MFN study.

Without the efforts of the Members of Congress and the administration, it would not be able to happen, like last year the famous dissidents like Xu Wenli and Wei Jingsheng who were released.

The pressure has also worked in getting the Chinese authorities engaged in a dialog on human rights. The demands for such dialog from the rest of the world in exchange for economic opportunities and the benefits for the Chinese has been the only reason the Chinese Government has retreated from the previous position that the human rights is an internal affair of China.

Second, I would answer the question of the current situation for human rights in China.

Four and one-half years have passed since Tiananmen Square. The People's Republic of China continues to have an abysmal record of arbitrary imprisonment and the torture of political prisoners.

My colleagues, just to mention them—I just emphasize, because many people use the thinking, the kinds of release, Xu Wenli and Wei Jingsheng, as significant progress. I will say it is not.

The release of a handful of famous prisoners, China has used that as a bargaining chip for economic gain. You know, these small releases do not signal that the human rights policies in China are changing. They only serve as a political trade for the Chinese Government. This is a key difference from the release of political prisoners like Lech Walesa in Poland and Vaclav Havel in Czechoslovakia where the release is truly a signal of political change. Indeed, many of those released are under constant surveillance and

subject to rearrest at any time. Some are even held under house arrest.

A very fresh example also, the Chinese Government last year released a white paper on human rights, and here and there they emphasize that all the political prisoners can be accessed by their family members or relatives. But recently we just received a family member of a famous political prisoner, Liu Gang. His family was refused access to visit for more than 11 months, about 1 year.

So this clearly shows that the Chinese attitudes have not been changed. There is no significant progress.

Third, I would mention the relationship between human rights and the economic interests.

Recently we often hear that the economic development will automatically lead to a democratic society, will help China to change into a market economy.

In China, the release of market forces has indeed led to economic growth in the past 10 years. We should, of course, welcome this growth.

But some people have gone further and said that China now needs only economic development, as more economic growth will lead inevitably to a more democratic society, and the problem of human rights abuses will be solved automatically.

The Communist authorities clearly like this theory, because they can use it to cover up their record of human rights violations. It would be wonderful if democracy and the human rights did grow automatically out of economic development, but history gives us unfortunately no such guarantees. In the history of both China and the rest of the world, it is easy to find counterexamples to the theory of the automatic generation of democracy.

When China's pro-democracy movement was crushed by the Chinese Government, some China policymakers argued, and many people also hoped, that continued investment and "make business as usual" would lead to both economic reform and the gradual improvement in the human rights situation.

However, as China continues to open its door wider to foreign investment, the Communist Government continues to imprison citizens for their political and religious beliefs. In fact, economic growth has not in the slightest moved Deng Xiaoping and his associates to alter their autocratic rule.

There has been no substantive change in China's political life since the protest in 1989. Thus the argument that a more open economy will automatically lead to political liberalization has not been borne out.

People also sometimes argue most of the Chinese people now only want growth in their living standard. It is true, I think, that every nation, all people in the world want to have a higher living standard. But do not forget, the Chinese people also want to have freedom in their society. The values of human dignity are common to all people. In fact, the concept of human rights and freedom in their very fundamentals admit no distinction of race, language, religion, or other belief.

Therefore the cause of justice, freedom, and human rights is common throughout the world and inseparable in any part of the world from any other part. A world in which the principles of freedom

and human rights are downplayed is a world that lengthens the time during which autocracy can survive.

So my conclusion is first, I totally support the President's policy to attach a human rights condition with the "most favored nation" for China.

Second, up to now, the Chinese human rights situation has not seen significant progress yet.

Third, the condition in all humanity, the first condition that Chinese authorities should meet is to release the political and religious prisoners.

So I ask you remain firm in your resolve that human rights is an important and integral part of the United States and China relationship.

Thank you.

[The prepared statement follows:]

TESTIMONY OF
PROFESSOR FANG LIZHI
BEFORE THE COMMITTEE ON WAYS & MEANS
SUBCOMMITTEE ON TRADE

FEBRUARY 24, 1994

Chairman and Members of the Subcommittee:

Thank you for allowing me to testify today about the current human rights situation in China. This is a very important and timely topic as the President's May 28, 1993 Executive Order tied overall significant progress in human rights by the Chinese government to future renewals of most-favored-nation status and six months have now passed.

Support for President's Policy

First let me say that I support the President's policy and the votes taken by this Congress that trade and human rights policy toward China should be linked. While China is not the only country with a record of human rights abuses, it is a massive and unrepentant offender. I believe the nature of a country's human rights practices is an appropriate factor to consider when determining the degree to which your country extends certain trade privileges.

MFN has been an effective tool in keeping the pressure on the Chinese government in order to save the victims of human rights violations. Some politicians argue that Chinese authorities will not bend to pressure from outside. I say, this is not true. I would not be sitting here before you today without pressure from the U.S. government to secure the release of myself and my wife. Without the efforts of Members of Congress and the Administration, it could be me deteriorating in a Chinese prison with little hope of release. The pressure has also worked in getting the Chinese authorities to engage in a dialogue on human rights. The demands for such a dialogue from the West in exchange for economic opportunities and benefits for China has been the only reason the Chinese government has retreated from their previous position that human rights is an internal affair of China.

Current Human Rights Situation in China

Four and one-half years have passed since Tiananmen Square. The People's Republic

of China continues to have an abysmal record of arbitrary imprisonment and torture of political prisoners. However, under strong international pressure, the Chinese government has released several political prisoners. Nevertheless, the government has not changed its policy of harassing and detaining pro-democracy activists on the mainland. For every political prisoner that is released, others are arrested. Thousands remain in labor camps, prisons, and detention camps today. Their "crimes" include: membership in underground political organizations or independent trade unions; participation in strikes, demonstrations or independent study and discussion groups; publication of journals espousing democratic principles and human rights; and public expression of dissenting political opinions. Since the Chinese communist authorities do not have any public record of arrests, charges, trials or convictions, it is impossible to state with certainty the number or status of persons being detained without charges or trials. In the fall of 1992, an Australian delegation was told there were 4,000 "counter-revolutionaries" in jail. This figure does not include people who are sent for periods of up to three years for "re-education through labor." This week, Asia Watch released a report documenting over 1,000 people being held in the Chinese penal system for the expression of their political and religious beliefs. Asia Watch and Amnesty International have provided extensive documentation of serious human rights abuses, including routine use of torture, forced confessions, arbitrary detention and lack of due process and rule of law. I commend the work of these organizations, for the light they shine on these practices ensures that these people will not be forgotten.

Inhumane Treatment of Prisoners

China is a country known for imprisonment for the mere expression of ideas and where torture is commonplace in the prison and laogai system. The Chinese government's pattern of horrific torture and brutality goes far beyond a few isolated instances. Forms of torture include beating, wearing leg shackles and/or handcuffs for prolonged periods, extended solitary confinement, inadequate food, extreme cold or heat, being tied to shackle boards, and denial of medical treatment. Han Dongfang, the well-known labor activist, was purposely exposed to tuberculosis and needles pulled back and forth through his hands.

These actions were carried out Chinese security forces in spite of the fact that China signed the U.N. Covenant Against Torture in 1988 and has submitted reports on its compliance to the Committee Against Torture.

Of particular concern to me is the case of Liu Gang, a physics graduate student being held in a prison in Lingyuan Prison in Liaoning Province and a friend of both my wife and I. He was a leader of the 1989 Democracy Movement and sentenced to six years in prison for "counterrevolutionary crimes." He has smuggled letters out of prison which detail the brutality he has suffered at the hands of the prison guards. This includes physical abuse, such as shocking with electric batons and being forced to sit all day on a thin wooden rail, and psychological torture. He is being held with common criminals who earn credit with prison authorities by frequent beating and bullying of him and other political prisoners.

Liu Gang's family is also prohibited from visiting him in prison despite representations by the Chinese authorities in their "White Paper on Human Rights" that prisoners are allowed regular visits by family members. This is only further punishment by the Chinese authorities for an unrepentant attitude. It also serves to keep the outside world from knowing the extent to which Chinese security is torturing him.

Despite this abuse, Liu Gang has maintained his principles and integrity and has taken even greater risks by smuggling out the letters depicting harsh prison conditions. I am sure he has suffered even more for this. When Liu Gang's sister last saw him (April 19, 1993), he was in very poor health. I beseech each and every one of you to raise his case with Chinese authorities and work to gain his release immediately.

Political Prisoner Releases

Many are willing to concede that the release of a few prisoners such as Xu Wenli and Wei Jingsheng is significant. Such credit is undeserved. While it is important that the prisoners be released, you must also remember that they were near the end of their sentences and that arbitrary arrest and detention is still going on to this day. The release of a handful of prominent prisoners used as bargaining chips for economic gains does not constitute "overall significant progress." Many of those arrested in the aftermath of Tiananmen are near the end of their sentences. Their release is critical to meeting the standard established in the Executive

Order.

In addition, these small releases do not signal that human rights policies in China are changing. They only serve as a political trade for the Chinese government. This is a key difference from the release of political prisoners like Lech Walesa of Poland and Vaclav Havel of Czechoslovakia where the releases truly signified a policy change. Indeed, many of those released are under constant surveillance and subject to re-arrest at any time. Some are even held under house arrest.

The Chinese government has also failed to account for thousands of persons detained during the 1989 pro-democracy demonstrations. They certainly are capable of providing such a list. Their failure to do so indicates deliberate reluctance to provide details regarding the fate of thousands. This is spite of their own admissions to U.S. counterparts that thousands are being held for counter-revolutionary crimes.

Of consequence is Chinese government agreement to enter into discussions with the International Committee of the Red Cross to randomly visit Chinese prisons. These discussions are as yet inconclusive but if Chinese authorities truly allow unannounced visits to prisons, it will be a step forward. However, this is not substitute for the release of prisoners of conscience.

Human Rights vs. Economic Interests?

China has a long history of disregard for the human rights of citizens but it was only after the Tiananmen Square massacre that this abysmal record received world wide attention. Why was this? Because sophisticated telecommunications brought China's internal situation into the living rooms of people throughout the world. No longer can the Chinese government keep the world at bay. In fact, some of their own policies encourage an open door policy. This openness is important for China's worst periods of lawlessness and disregard for the rights of its citizens occurred when China pursued an isolationist policy.

However, the principle of human rights has been distorted as economic interests and the lure of the China market override other considerations. Recently, we often hear that economic development will automatically lead to a democratic society. In China, the release of market forces has indeed led to economic growth in the past 12 years. We should, of course, welcome

this growth. But some people have gone further and said that China now needs only economic development as more economic growth will lead inevitably to a more democratic society and the problem of human rights abuses will be solved. The communist authorities clearly like this theory, because they can use it to cover up their record of human rights violations. It would be wonderful if democracy and human rights did indeed grow automatically out of economic development, but history gives us, unfortunately, no such guarantees. In the history of both China and the rest of the world, it is easy to find counterexamples to the theory of the automatic generation of democracy.

When China's pro-democracy movement was crushed by the Chinese government, some China policymakers argues, and many people also hoped, that continued investment would lead to both economic reform and gradual improvement in the human rights situation. However, as China continues to open its door wider to foreign investment, the Communist government continues to imprison citizens for their political and religious beliefs. In fact, economic growth has not in the slightest moved Deng Xiaoping and his associates to alter their autocratic rule. There have been no substantive changes in Chinese political life since the protests in 1989. Thus, the argument that a more open economy will lead to political liberalization has not been borne out. In fact, I would argue that economic progress is not a substitute for progress towards democracy.

Human Dignity Is An Aspiration of the Chinese People

The success of any advance in human rights and the democratic cause in China are closely linked to the international community. The aspirations of the Chinese people are no different from any other people. Their values of human dignity are common to all peoples. In fact, the concepts of human rights and freedom in their very fundamentals admit no distinctions of race, language, religion, or other belief. Therefore, the cause of justice, freedom, and human rights is common throughout the world and inseparable in any part of the world from any other part. A world in which the principles of freedom and human rights are downplayed is a world that lengthens the time during which autocracy can survive.

Conclusion

It is clear that the struggle for human rights and freedom in our world is far from over. However, the details of that struggle might play themselves out, it is already abundantly clear that human beings everywhere seek the same kind of progress and freedom, regardless of race or nationality. Therefore, I encourage you to accept that human rights is a principle in current world affairs.

The historic demonstrations in Tiananmen Square have revealed the enduring truth that the time for freedom and human rights in China eventually will come. The world will never forget the men and women of Tiananmen who paid with their lives for freedom in China. Their cause yesterday is still our cause today. The commitment they made yesterday is still the commitment we should make today.

I ask that you remain firm in your resolve that human rights is an important and integral part of the U.S.-China relationship.

Chairman GIBBONS [presiding]. Thank you. Mr. Kamm.

First of all, John, I want to welcome you back. You have been here before, and you certainly have been very helpful to us on our trips to China. We appreciate that.

STATEMENT OF JOHN KAMM, MANAGING DIRECTOR, KAMM & ASSOCIATES, LTD., HONG KONG

Mr. KAMM. Thank you, Mr. Chairman, and thank you for inviting me again to participate in this important hearing, and I ask that my prepared statement, together with the submission given to your committee in Hong Kong last year, be entered into the record.

Chairman GIBBONS. Certainly it will be, sir.

Mr. KAMM. To my reckoning, there have been three noteworthy changes with respect to human rights in China since the debate on MFN began 4 years ago.

Little else has changed. China is today what it has been for many years, an underdeveloped country ruled by an autocratic government which, out of custom and perceived necessity, engages in or condones pervasive violations of civil and political rights.

The three changes I refer to are, one, with respect to economic rights enumerated in the Universal Declaration, including the right to own property, article 17; the right to change jobs, article 23; the right to an adequate standard of living, article 27—I am sorry, article 25—and the right to the protection of intellectual property, article 27; there has been measurable progress in many, but not all, parts of the country.

To the extent that the exercise to the right of free movement spelled out in article 13 relates to the exercise of economic rights, there has been some progress. Chinese in urban areas, where several million households apparently now own satellite dishes, the coastal regions, especially those near Hong Kong, where 90 percent of households watch Hong Kong television exclusively, generally benefit from improved access to international media, as well as from a slight loosening of Government controls over cultural life.

Second, with respect to law, it is now possible to sue the Government for arbitrary abuse of power, although plaintiffs rarely win their cases. I do not believe there has ever been a case where a political prisoner has won any relief before a Chinese court.

Now there are some small signs of the emergence of lawyers, very brave lawyers, who seek to protect the rights and interests of their clients. And more information on political prisoners and on Government laws and regulations can be found in bookshops. That is the second area where progress has been made.

And third, in response to various pressures, chiefly international but somewhat domestic as well, the ruling Communist Party has made limited human rights concessions. It has engaged in dialog with foreign governments, notably the United States; international humanitarian groups like the Red Cross; and occasionally individuals like myself. It provides information on prisoners whose existence it previously refused to acknowledge. It releases a few prisoners early from time to time. Treatment of some prisoners has improved. And passports to leading dissidents and their families have been granted in some cases.

While it would be wrong to dismiss these developments as worthless, it is nevertheless important not to confuse them with genuine or systemic change. All challenges to the monopoly on power of the Communist Party are put down. There are thousands of political and religious prisoners in jail. We know only a fraction of their names. Arrests of individuals for the nonviolent expression of their political views continue. Conditions in the vast majority of the country's places of detention are atrocious.

When we last met in Hong Kong in August, I told you at that time that the Chinese Government was making little or no progress in addressing the concerns reflected in the President's Executive order. At that time, I noted that not a single political or religious prisoner had been released since May 28.

Now since August, we have witnessed a few positive moves, including the release of a few prominent prisoners; the announcement that positive consideration would be given to Red Cross requests to visit Chinese prisons; and the further relaxation of controls over foreign travel.

We have also, however, witnessed backward steps like the January 31 promulgation of regulations restricting religion and foreign missionary work.

Arrests in Tibet are apparently on the upswing.

It is not therefore possible to argue that sufficient progress has been thus far made to justify renewing MFN under the terms of the Executive order.

I am not, however, as pessimistic about the chances of doing so come May as I frankly was 6 months ago. My guarded optimism arises from the intensity of discussions underway between the two countries, the solidification of Party Chief Jiang Zemin's position as the successor to Deng Xiaoping, and the loosening of the austerity measures announced in May.

Also I should tell you that my experience of 20 years of doing business with the Chinese has taught me that they decide in advance the precise timing of concessions, and that before that date arrives, they show little or no signs of their intentions.

The threat of revoking China's MFN has, on balance, prompted to China to make some positive moves in the area of human rights. The policy of attaching conditions is not without flaws however, of course, the most serious flaw is that while threatening revocation may do some good and has, I think we all agree, or most of us agree, that actually revoking MFN will almost certainly worsen the human rights situation in China. It would end the human rights dialog between the two countries, I believe, and interventions by Americans, at least, on behalf of prisoners would no longer be possible.

I do believe there are other policy tools to promote human rights in China, which the Congress and the administration might consider. I am going to mention a few.

One would be devoting more State Department resources in the field to human rights. In major consulates, I do not think we have a single officer devoted entirely to human rights. In Shanghai, we have an officer who spends half of her time on human rights. By comparison, we have many officers devoted to commercial work. So I would like to see a big increase in the devotion of State Depart-

ment resources. We should shift some of the resources out of the commercial work and devote more to human rights work.

I certainly believe in encouraging greater corporate activism in the area of human rights in China. I would like to see us set up some kind of a presence and lead a multinational effort to set up presences in Lhasa to monitor the situation in Tibet.

And as I told this committee 2 years ago, I do believe that establishing a Bilateral Human Rights Commission would be a good idea, and if that is not an acceptable idea, then at least a unilateral commission modeled on the very successful CSCE.

Mr. Chairman, I would be happy to exchange views with this committee on these and other ideas, but I recognize that detailed consideration is premature until the hurdle represented by the Executive order is cleared. To clear that hurdle, China must do more, and it must do more quickly. Time is running out, and as this hearing clearly shows, MFN is hanging by the thinnest of threads.

Thank you.

[The prepared statement follows:]

**STATEMENT OF JOHN KAMM
MANAGING DIRECTOR
KAMM & ASSOCIATES LTD.**

Mister Chairman, distinguished members of the Trade Subcommittee of the Ways and Means Committee of the House of Representatives:

Thank you for inviting me to present testimony at these important hearings on US-China trade relations and the present situation with respect to human rights in China.

When we last met on August 12, 1993 in Hong Kong, Mr. Chairman, you kindly allowed me to make a submission to your delegation. With your permission, I would like to enter that submission into the record of today's hearing and then brief you and the subcommittee on certain developments which have a bearing on the subject of these hearings.

Before doing so, I wish to acknowledge the special role your delegation played in highlighting the plight of elderly Catholic bishops detained in China, especially Bishop Chen Jianzhang and Bishop Shi Enxiang, whose cases you forcefully raised with senior Chinese leaders during your visit to Beijing. According to reliable sources in the Chinese government, the delegation's intervention played an important role in prompting the release of the two bishops in December. In early January, Bishop Chen -- the most senior member of the clandestine Roman Catholic Church in China -- was allowed to meet with a delegation headed by Congressman Christopher Smith.

Interventions on Behalf of Prisoners in China

In December 1992, a delegation of Senators led by Senator David Boren travelled to Beijing. Among the first members of Congress to visit China after the election of Bill Clinton as President, they brought with them lists of prisoners which they handed to senior Chinese leaders.

Within a year of the visit, six of the eleven Han Chinese prisoners "of particular concern" to the delegation were released prior to the completion of their terms. Some, like Wang Dan and Wei Jingsheng, were released a few months before their terms expired. Two, Bishop Wang Milu and pro-democracy activist Xu Wenli, had approximately two years left on long terms.

This is just one example of the several appeals by government delegations that have apparently contributed to early releases of political prisoners. These successful appeals on behalf of persecuted political and religious activists reflect a noteworthy change in the area of human rights in China during the last two or three years: It is now possible to intervene on behalf of political and religious prisoners without provoking a hostile response from the Chinese government. In a significant percentage of cases involving foreign intervention, the release of a prisoner now takes place before the completion of sentence. I stress that we are talking about a significant percentage; there are always, at any point in time, prisoners whom the Chinese government will not promptly release, irrespective of who makes the appeal.

As for myself, I began making regular trips to China to work on human rights in early 1991. These trips are paid for by me and are funded from the profits of my business, from honoraria for speeches promoting corporate human rights activism and from the occasional contribution of private businesspeople. No funds are accepted from any government for lobbying activities in Washington. I work in a private, *pro bono* capacity. Most cases are taken up at the request of non-governmental organizations and prisoners' families; others are taken up because my own research convinces me of their relevance to larger systemic problems.

In all, I have made 24 human rights trips to China and have had more than 100 meetings with Chinese officials from various ministries and departments. During these meetings, I have raised the cases of numerous individuals jailed or otherwise persecuted on account of their political and religious beliefs. Systemic changes which will benefit large numbers of people -- abolition of the crime of

counterrevolution and access to Chinese prisons by international humanitarian organizations for example -- have also been discussed. Since the issuance of the President's Executive Order on MFN, I have lobbied the Chinese government to comply with the conditions contained therein.

On each trip to Beijing, I have met with officials at the US Embassy. Beginning in January 1992, detailed reports on each trip have been filed with the State Department in Washington. A complete set of these reports will be made available for use by your subcommittee in assessing this testimony.

Between January 1992 and May 1993, I met with the Ministry of Justice (MOJ), which administers prisons, reform-through-labor camps and reeducation camps, on seven successive trips to Beijing. During these meetings, I raised the cases of 47 individuals, imprisoned throughout China, who have been convicted for counterrevolutionary offenses by Chinese Courts. Of these 47, five had already been released prior to my raising their cases. The MOJ has thus far declined to provide information on one prisoner known to be in jail. Of the remaining 41, all of whom were serving sentences when the process of intervention began, 21 have been released as of today.

Of those released, 15 were freed prior to the completion of the sentences; the other six prisoners were released upon the expiration of their terms. Early releases have ranged from those carried out six weeks prior to completion of sentence to a few carried out several years before completion of the sentence.

I want to make it clear that I am not claiming that my visits necessarily played a decisive role in any of these cases, but I am quite certain that it is more than a coincidence that a significant percentage of individuals whose cases I looked into resulted in any early release from prison. I am convinced that if other businesspeople travelling to China had paid more attention to cases of individuals imprisoned as counterrevolutionaries, many more of these prisoners would have been set free by now. More work needs to be done to mobilize the tremendous capability of American businesses to advance human rights in China. Perhaps we can touch on this question further during these hearings.

Results of Intervention

No matter how many political and religious prisoners are released, it will never be enough. Nor should it ever be enough until every prisoner is free. The thirst for justice in China will not be sated by the release of a handful, a hundred or even a thousand prisoners of conscience. But we forget that in the two years immediately after Tiananmen Square, there were virtually no successful interventions on behalf of prisoners of conscience, and many of my friends at this hearing called loudly and often in 1990 and 1991 for the release of specific prisoners.

It is now possible to mount interventions. Sometimes -- not always, and never fast enough -- these interventions have yielded positive results. It is possible to save some people now. The inability to save everyone at the same time is not, in my opinion, a legitimate excuse for ignoring the few we can help.

Whether or not, and to what extent, a particular intervention results in a prisoner's release from jail is impossible to judge. But experience tells me that the letters from Amnesty International groups around the world, the documentation published by non-governmental organizations and the countless requests for information by governmental and non-governmental visitors to China have helped create an environment and a frame of mind among Chinese officials that facilitates frequent interventions on behalf of political and religious prisoners.

Exploiting this opening to the fullest is a principal challenge of human rights activism in China.

The cynicism that now greets the news of releases of political and religious prisoners from Chinese jails is understandable. There is no doubt at all that the Chinese government has often timed the release of dissidents to influence the outcome of external events, be it MFN renewal, the Olympics decision, or better relations with the Vatican. I would caution, however, against placing too much emphasis on trying to establish a causal link in every case. Sometimes the minds of the Chinese authorities are difficult to read. Also, we need to find a place in our analysis for the motivations of those Chinese officials who genuinely want to see human rights changes in China, but who must operate quietly, often letting a foreigner carry the banner.

Recent Events and Trends

In response to international appeals, the Chinese government has made several notable releases in the last six months. It has also made some interesting but unsubstantiated claims about the population of prisoners convicted of a counterrevolutionary crime in China: Namely, that their number is declining and that a relatively large number of them have been granted medical parole.

The pre-Lunar New Year releases of Xiao Bin and Ding Junze were the first involving the release of prisoners sentenced for June 4-related political offenses to long prison terms (i.e. terms of 10 years or more). It remains to be seen whether or not China will release other political prisoners -- such as Chen Zeming (13 years), Wang Juntao (13 years), Chen Lantao (18 years) and Tang Yuanjun (20 years) -- serving long sentences.

And the release of two Tibetans, Gendun Rinchen and Lobsang Youten, mark the first time, according to the State Department, that Tibetan political prisoners detained for counterrevolution have been freed without trial. Again, we will have to see whether this news represents a singular event or whether there will be further steps in the direction of better treatment of Tibetan prisoners, who generally are given harsher sentences than Han Chinese and who rarely benefit from either early release or parole.

At the same time, we continue to receive reports of additional detentions, jailings and sentencing, as well as other instances of government harassment of political activists, religious believers and journalists.

Recent months have revealed evidence that the Chinese government has used a variety of means to jail dissidents without having to resort to convicting them of counterrevolutionary crimes. The release of the two elderly bishops whose cause you took up entailed a tacit admission that they were, in fact, under detention all along. Other evidence suggests that "study camps," "old people's homes" and mental institutions are being used as places of extrajudicial detention. Dissidents are also subject to various forms of judicial detention. One favorite technique employed by the Public Security Bureau involves holding dissidents for a short period, releasing them, and then rearresting them. Conditions in public security detention centers used to hold such prisoners appear to be worse than those in Ministry of Justice facilities.

Systemic Changes in China's Legal System

Unfortunately, precedent means little in China insofar as its legal system is concerned. We continue to see little movement of a positive nature in the area of legal reform. Until we do, it is meaningless to talk about relatively small changes, positive or negative, in the total number of China's political and

religious prisoners. Nevertheless, by continuing to press for the release of prisoners convicted of "counterrevolutionary" activities we not only serve humanitarian goals, we also make more likely the eventual demise of laws that prohibit such actions.

After holding out the prospect that it would eliminate the crime of counterrevolution from the criminal code, Beijing seems to have retreated. The next opportunity for China to carry out this long over-due reform is next month when the National People's Congress (NPC) meets in Beijing, but I'm not optimistic that it will do so. The President of China's Supreme Court recently declared that China would open up its courts to "supervision by the masses," but there are no signs that this means open trials and respect for due process. In another key area, there are no improvements on the horizon with respect to the protection of the rights of individuals sentenced to "reeducation through labor."

When China has proposed various legal reforms in the area of human rights, it has often attracted sharp criticism from the West for taking a step backwards. Three examples come to mind: the draft law on religion; the draft "eugenics" law; and the reissuance of the regulations severely restricting ownership of satellite dishes. In each case, international criticism seems to have played a role in slowing either the promulgation or implementation of the proposed laws, but there are no signs that any of the measures will be abandoned. In fact, the recent promulgation of national regulations on religion indicate that the law on religion might be put before the NPC soon.

This committee will need to watch the situation closely when the full NPC convenes on March 10. You will also need to monitor the enforcement of the satellite dish regulations when the six-month period for registering private dishes expires. The degree to which these regulations are enforced -- and whether or not there is any appreciable lessening of jamming efforts of the VOA and BBC -- are important considerations in judging China's compliance with the condition on allowing international broadcasts into the country.

The Executive Order: Progress on Accounting and Treatment

When we met in August, I suggested that there were two areas mentioned in the Executive Order where I felt progress might be forthcoming in the months to come: 1) accounting of prisoners; and 2) access to Chinese prisons by international humanitarian organizations.

On both accounts, we have witnessed some progress in recent months. China has announced that it will give "positive consideration" to inviting the International Committee of the Red Cross (ICRC) to visit its prisons. Preliminary discussions between the ICRC and the Chinese government have taken place in Geneva and Beijing, but as of the writing of this submission, there are no signs that an agreement spelling out the Red Cross's mandate is imminent.

Nevertheless, the talks are characterized by both parties as substantial and serious. I understand from contacts in the ICRC that reaching agreements on prison visits is always a relatively long and detailed process. The quickest that an agreement has ever been reached with an Asian country -- and in this case a small one -- was one year from the date the country's government first indicated that it would consider an offer from the ICRC "to render services."

Possibly as a consequence of the decision to invite the ICRC for discussions on prison visits, the Chinese government seems to have accelerated a program of segregating and centralizing political prisoners into one or two prisons in each province, apparently incarcerating them together in the same cellblock. This has reduced the chance of mistreatment at the hands of fellow inmates, some of whom

have been convicted of capital crimes and are eager to earn favor from prison guards in order to earn a suspension of their death sentence.

We have information from sources not associated with the Chinese government that several of the well-known prisoners released over the past year -- including Xu Wenli, Wei Jingsheng, Chen Jianzhang and Gendun Rinchen -- were not mistreated, at least in recent years. I, for one, am not surprised. If a prisoner is well-known in the West, the chances that he or she will be mistreated are substantially less than if he or she is unknown.

With regard to accounting, we are not yet at the point where the Chinese government is willing to volunteer information about prisoners whose names are not already known in the West. Almost all information provided on prisoners is in response to specific requests. Nevertheless, the quality and quantity of information provided by the Chinese government has over time improved. In my own dealings with the Ministry of Justice and the State Council, almost all of my specific questions relating to prisoners have been answered, sometimes in considerable detail. With very few exceptions, the information has proven to be reliable. When mistakes have been made, they have been corrected after discovery.

Since January 1992, I have maintained a channel for regular written communications with the Chinese government on cases in which I have developed an interest. There have been 23 communications involving a total of 40 individuals. Most come in response to specific appeals made by me on behalf of specific prisoners. Again, I am prepared to provide the subcommittee with a complete set of these communications.

The more the Chinese government reveals about prisoners whose names are known to the outside world, the more likely that information on others whose names are not known will be revealed. When I enquired into the situation of a prisoner in Jiangsu Province recently, a prison official let slip the name of a person sentenced with him. A subsequent enquiry gained additional information on the prisoner. It is also interesting that a Ministry of Foreign Affairs official recently admitted to a senior European diplomat that a priest whose name was previously unknown had recently been sentenced to a reeducation camp.

Once an individual prisoner is released, he or she often reveals the names of others still inside, as well as details about conditions in Chinese jails. Innovative programs have been initiated by non-governmental organizations to pry information out of China. The fact that the country is increasingly open to foreign influences significantly enhances outsiders' abilities to obtain information on prisoners. As a result, we know more about the political and religious prisoners in China today than at any time in the past. And knowing more about the population enables us to mount more interventions and push for genuine legal reform by referring to particularly egregious violations as "illustrative cases," a term employed to good effect by Assistant Secretary of State John Shattuck in the list he handed to the Chinese in October.

When this testimony was written, the Chinese government had yet to hand over an acceptable response to the Assistant Secretary's list. I have been told by officials in Beijing that a preliminary response has been completed. It is expected that a formal response will be given to Assistant Secretary of State Shattuck on his upcoming visit to Beijing. In the meantime, I have been given some relevant numbers with respect to those imprisoned, those released, those under investigation, etc. The Chinese government says that more than 30 of the individuals on Mr. Shattuck's list have been released, but thus far has declined to provide their names.

Most of the information contained in publications about prisoners put out by human rights organizations is obtained from sources outside the Chinese government, but in recent months books and other materials published by government-controlled entities have begun to provide useful information on specific cases of political crime hitherto unknown in the West. A gold mine of information can be found in a volume entitled Compendium of Cases from the Criminal Law: Counterrevolution. It provides details on 139 cases of counterrevolution, and -- despite its classification as an internal ("nei bu") publication -- this book is freely available in Chinese bookstores. I bought several copies in July 1993 and subsequently distributed them among interested parties in the US government and the human rights community. I have several other volumes purchased in Chinese bookstores which contain additional information on cases of political crime unknown outside of China.

The access by average Chinese to books and other writings about the workings of China's legal system has witnessed a marked improvement in recent months. At the bookstore where I purchased the book on counterrevolutionaries, the law section has taken over the place of honor at the entrance to the store formerly reserved for the section on Marxism-Leninism-Mao Zedeng Thought. On my most recent two visits, I purchased a 1500-page volume containing several key "internal" regulations, including previously unavailable regulations governing the release of prisoners on medical parole. I also bought a volume detailing the crime of spreading counterrevolution "through superstitious practices." Several years ago, obtaining such publications would have been nearly impossible.

Knowing the rules and regulations does not necessarily imply that this knowledge can be put to effective use in securing respect for human rights. In fact, as the experience of such brave people as Li Liping, spouse of imprisoned dissident Fu Shenqi, and Hou Xiaotian, spouse of Wang Juntao, clearly show, knowing the regulations hasn't helped secure justice. Making public these rules is nevertheless a step in the direction of transparency, and with greater transparency comes an increased chance that the Chinese government will obey its own laws and regulations protecting human rights. The accounting of prisoners is also a measure of transparency and this in turn relates to accountability in a more general sense. We should continue to place priority on securing an acceptable accounting of prisoners incarcerated for the non-violent expression of their political and religious beliefs in China, and otherwise encourage the Chinese government to make available to its citizens more information on the controls exercised over their lives.

The Executive Order: Criteria for Judging Progress

In three months, President Clinton will decide whether or not to renew China's MFN trading status. He will do so based on a recommendation from the Secretary of State regarding China's compliance with the terms of the Executive Order of May 28, 1993. The President's decision will then be reviewed by Congress, with this subcommittee having the first chance to examine the decision.

You face a difficult task. Few if any reliable techniques exist for quantifying change in the area of protecting civil and political rights. Difficulties are compounded when a society as old, large and underdeveloped as China is also dominated by a totalitarian government. Common sense and our own national experience tells us that progress in protecting rights is likely to be slow and tentative in most societies, let alone in China. Yet, in the not too distant future, someone will have to argue that China has made overall, significant progress with respect to human rights or MFN will be lost.

When we met last August, I gave you my assessment that China was not, at that time, making sufficient progress on human rights to allow the renewal of MFN.

Following our meeting, an intensive dialogue between the US and Chinese governments on human rights began, on the instructions of President Clinton. We have seen some results from this initiative. In large part due to the efforts of various administration officials, like Secretary Bentsen, Assistant Secretary Lord and Assistant Secretary Shattuck, the Chinese government is today responding at a new level and with unprecedented intensity.

I am not yet prepared to argue that sufficient progress has been made in resolving human rights differences between the United States and China to justify renewing MFN under the terms of the Executive Order, but I am less pessimistic about the chances of doing so come May than I was six months ago. For MFN to be renewed, China must do more. With respect to the five "overall, significant" progress conditions, I have argued that emphasis should be placed on those relating to the accounting, treatment and release of political prisoners, including those in Tibet who have been jailed for attempting to promote Tibetan culture and religion. I am hopeful that we will see positive moves in these three areas over the next three months. During that time, we should press for more releases of prisoners serving long terms for such offenses as "counterrevolutionary incitement and propaganda." We must exploit every opening to obtain more information on the population of political and religious prisoners. Finally, we should encourage the ICRC and China to reach an agreement on prisoner visits as soon as possible.

In passing judgement on the President's decision -- whatever it is -- this subcommittee will have to address an important question: In assessing human rights progress, should progress in the area of economic rights be considered, and if so, what weight should be attached to such progress?

China's achievements in this area are, in my opinion, a legitimate consideration. The first of the "overall, significant progress" conditions calls for progress in adhering to the Universal Declaration of Human Rights. The Universal Declaration includes the right to own property (Article 17), the right to free choice of employment (Article 23), the right to an adequate standard of living (Article 25) and the right to the protection of intellectual property (Article 27), among others. China has made demonstrable progress in all these areas in recent months.

In supporting the inclusion of progress in the protection of economic rights as a consideration in the MFN process, I am not endorsing arguments put forward by China and other countries that economic, cultural and social rights should take precedence over civil and political rights. On the contrary, I personally believe in the primacy of civil and political rights and I oppose the blind economic determinism preached by those who argue that economic reform leads inevitably to more political freedom. Economic reform is a necessary, but not sufficient condition for successful political reform. Economic reform must be accompanied by legal reform -- respect for rule of law and the rights of the individual -- if it is to lead to democracy.

On the other hand, I believe that we have to be fair as well as strict in assessing China's compliance with the Executive Order. The Universal Declaration is the standard adopted by the Executive Order, and economic rights are clearly part of that standard. If the framers of the Executive Order had intended to consider only progress in civil and political rights, they would have adopted the Covenant on Civil and Political Rights as the standard.

The Executive Order: Methodology for Judging Progress

In determining what weight to attach to advances in the area of economic rights, this subcommittee must confront several questions regarding what methodology will be used in assessing overall, significant progress: Must progress be made

on all five conditions? If not, will progress on three out of five suffice? Will each condition be given equal weight? Will a significant setback in one area outweigh partial progress in other areas? This is not an academic exercise. Depending on the answers to these questions, China's chances of passing or failing our test change markedly.

I am not yet at the point where I feel comfortable arguing overall, significant progress irrespective of such answers, but a preliminary assessment tells me that the chances that China will retain MFN are enhanced if overall, significant progress is defined as progress on a majority of conditions, giving each condition equal weight.

Conclusion

In about four months, this subcommittee will appraise the President's decision on China's MFN. Should you again ask me to testify, I will argue for the extension of China's MFN if my own experience convinces me that China has indeed made sufficient progress. Barring dramatic improvements in China's human rights situation, I expect that the committee will also hear credible and forceful arguments from members of Congress and representatives of human rights organizations supporting the conclusion that China has failed the test posed by the Executive Order.

When considering the fate of China's MFN, this subcommittee and the Congress must ask one last question: Will revoking MFN advance human rights in China? As I have told various Congressional committees since 1990, I do not believe that it will. On the contrary, I remain convinced that revoking MFN will worsen the human rights situation in China.

While I accept that we must argue the issue this year within the framework of the Executive Order, it is my hope that we can eventually move on to a consideration of what other levers might be used to push China in the direction of greater respect for human rights. Perhaps we can touch on this during the discussions which will follow this panel's testimony.

Thank you again for inviting me. I look forward to continuing to work with Chairman Gibbons and this subcommittee in resolving the important issue of China's MFN.

Chairman GIBBONS. Thank you, Mr. Kamm.

I think you are right. You know, I scheduled these hearings and wanted to have them in January, as I said, because I was afraid that even if the President recommended that China be granted MFN status for another year, he could not get the votes in Congress, in the House, to support his recommendation.

We forget particularly that it was only the President's veto, that was sustained narrowly in the Senate, that has allowed MFN to be extended as long as it has.

The vote last year was not telling, since Congress was willing to let the new President put his position on China's MFN status on the record and to prove that he would do more about human rights in China than the previous President. So, last year was a free ride for the Chinese. This year it is not a free ride. I do not know what the votes will be, but I think it is very dangerous to believe that the votes have changed that much in a period of a few years. I do not believe that we have the votes to extend China's MFN status.

I recognize that MFN linkage is a draconian approach to the problem, but it is the only approach we have right now, as I see it.

Mr. JENDRZEJCZYK. May I comment, Mr. Chairman?

Chairman GIBBONS. Yes, sir.

Mr. JENDRZEJCZYK. I totally agree. In fact, I think what we are seeing is, as China's economic reform program accelerates, the Chinese Government is more and more dependent on outside trade and investment, more anxious to get access to the American market and American technology.

In recent weeks, however, the Chinese Government has issued very stern warnings to their own people that social unrest created by market reforms and this market reform program may require even more repressive measures, and we think this is quite ominous and, once again, reinforces the importance of using MFN, if we use it carefully and strategically, and if the threat is credible. And I do think there is a problem the administration has here in convincing the Chinese that the threat is credible.

Despite the statements of Mr. Shattuck and Mr. Christopher and what will happen in the next few months, I think the Chinese Government believes, when push comes to shove, that Congress simply will not go along with revoking MFN. And this is one reason, Mr. Chairman, we recommend that other contingency plans be developed.

Say, for example, we find there is partial, but not full compliance. Rather than being stuck then with an all or nothing option, we have other tools. We have section 301 of the Trade Act. We can raise tariffs on some limited products or we could raise tariffs by a limited percentage on all products. There are a range of options that would exact an immediate economic price, send a political message that would maintain the President's credibility, but not put us in a situation of an all or nothing, either all of MFN, renewed or all of MFN revoked. We hope the administration will begin now exploring these kinds of creative options, while maintaining in the meantime the pressure on the Chinese for full maximum, not minimal or token compliance, with the President's Executive order.

Chairman GIBBONS. Well, there are two things I worry about. President Clinton, in all honesty, has set forth these conditions, and I think he is an honest person and I do not think he will fudge it when he has to certify that to Congress. And I do not see the progress in China yet to meet the conditions that Bill Clinton has set down for himself. So that is the first hurdle that the Chinese have got to get over.

Mr. JENDRZEJCZYK. That is right.

Chairman GIBBONS. The second hurdle is even more formidable. There have been some changes in the makeup of this Congress since the last vote on this issue, but there have not been that many changes. I can remember the votes over the years, and they were always disastrous in this House as far as MFN was concerned. The Members did not care about the ramifications of revoking or limiting MFN treatment. They were excited, mad and mean about human rights abuse in China.

Mr. JENDRZEJCZYK. That is right, Mr. Chairman. I was in Seattle during the APEC meeting last November, and it was very clear to me at that time that the Chinese thought by giving the administration minimal cover, a few minimal gestures, they would get away with getting MFN. I think this is a remaining continuing problem, that Beijing misreads the intentions of the Congress and the administration, while at the same time hoping that enough trade deals will buy off legitimate concern in Congress and by a majority of the American people who, according to the most recent Wall Street Journal poll, favoring continuing to link MFN to human rights.

Chairman GIBBONS. Mr. Kamm, we welcome you here and appreciate your public testimony. We salute you for the very important role that you have played in all of this. We certainly appreciate you being here today and your testimony was excellent.

Those are all the questions and comments I have. Mr. Matsui.

Mr. MATSUI. Thank you, Mr. Chairman.

Mr. Jendrzejczyk, I read your testimony and, you will have to forgive me, I was voting and then I came in and I had to take a telephone call, so I did not get the full thrust of all of your testimony, and I do apologize.

But hearing your last comments and also reading quickly the text of your testimony, it appears that you do favor the linkage between MFN and human rights, but you also feel that there should be other approaches, because you are not sure whether or not the current approach is effective. I would have to believe that the President intends to do this, if in fact we do not have substantial progress. But am I correct in your point of view here, or could you clarify it for me?

Mr. JENDRZEJCZYK. Thank you, Mr. Matsui.

I believe that if push comes to shove and the Chinese believe they seriously risk losing MFN, they will do what they think is necessary to keep it. It is in their self-interest. They cannot afford to isolate themselves, either economically or politically.

But I think they are also trying to play off the United States, for example, against its allies. I mentioned when you were out of the room that Prime Minister Hosokawa is going to Beijing to renege-

tiate a new multi-billion-dollar loan package, arriving literally 4 days after Secretary Christopher leaves.

If this committee and the administration send very clear signals to the Japanese who, from my contacts with the Japanese Government, are increasingly worried about a rupture in the U.S.-Sino relationship, I think the Japanese will in their own quiet way weigh in very heavily with Beijing, to say, look, you have got to make enough progress to meet the terms of the President's Executive order. I sincerely believe they will do it, because they will see it also in their interests.

But I do not see the administration, unfortunately, very actively pursuing these multilateral channels, while at the same time exerting consistent political pressure on Beijing to convince them that the MFN threat is real. I hope Members of Congress will give such signals. Senator Baucus is circulating in the Senate today, in fact, a letter for Mr. Shattuck to carry with him to Beijing on Friday regarding a number of political prisoners with serious medical problems. I hope that a majority of Members of the Senate, or at least a large number—and the letter is just going around in the next few days—sign that letter. I think they have got to keep getting that message repeatedly over and over again in a consistent way, and not only from the United States, but from our allies, important allies like the Japanese.

Mr. MATSUI. I guess part of the problem is we are so preoccupied with the June 3 deadline. What I find ironic is that it is almost as if we are more anxious about this issue than the Chinese are. I mean it just appears to me, as I watch this thing unfold, that we are the ones trying to make all the contacts in an effort to avoid having to do what we are threatening—cutting off MFN treatment.

I have to tell you, though, that it has only been since September when all of a sudden, with increased high level engagement, that we have been seeing movement by the Chinese in the direction that all of us want to see.

Mr. JENDRZEJCZYK. That is right.

Mr. MATSUI. My concern is that we are so preoccupied with this June 3 deadline, that we really cannot deal with the bigger picture, as Mr. Conable and you were suggesting, of a multilateral approach, which I think is really essential. Maybe you could help me with that.

Mr. JENDRZEJCZYK. I think, however, having deadlines is useful. As you know, when faced with the prospect of sanctions on textiles, because of transshipments, it was only at the 11th hour when the deadline was there and the Chinese thought the threat was real that they bargained. But they also knew specifically what the administration was looking for, as Ambassador Barshefsky said.

I think the problem with this Executive order, and my organization said this when it was first issued, we support the principle of it, but we think the administration has been too vague and too loose in its wording, and not at all specific. And Ambassador Lord again this morning was pressed to give specifics and did so only reluctantly and only partially. What is it you want? The Chinese will bargain, but they have to know what is on the table.

Mr. MATSUI. That is an essential problem that we have here, because I do not even know—and I certainly will not ask the State

Department this, because it may be inappropriate—but I do not even know if they know exactly what substantial progress means. I know that the Ambassador said more than 100 prisoners, but I do not know if that means 10 or 20 or 80 more.

Mr. JENDRZEJCZYK. I agree.

Mr. MATSUI. When you negotiate, one of the things, as you mentioned, that is particularly important when a deadline is set, is a clear understanding of the goals of both parties.

Mr. JENDRZEJCZYK. Which is why, Mr. Matsui, we put on the record this report which contains for the first time the names of 1,200 of the more than 3,000 so-called counterrevolutionaries, most of them peaceful dissidents. We have urged the administration, we have given this to Mr. Shattuck and presented it to the State Department and said, look, when you go to China, use this with the Chinese. When we ask for a reasonable accounting, we want to know what happened to these people, where are they, why are they in jail, and we want them released, if they are nonviolent political prisoners. That is the only way you are going to get results.

Mr. MATSUI. If we had other kinds of sanctions like 301, which clearly we have used before and we would use again—

Mr. JENDRZEJCZYK. That is right.

Mr. MATSUI [continuing]. Sanctions that I know that we would use and you know and everyone else in the world knows we would use, would that give additional leverage? We need to work our way through this, because, frankly, I think the President is unfortunately in a box right now.

Mr. JENDRZEJCZYK. I think 301 is a good suggestion. As I said earlier, if faced with the prospect of all or nothing, withdrawal or MFN or renewal and faking it and pretending there is progress on human rights when there is not, another option is through 301 or another mechanism having some selected targeted sanctions aimed at particular products, particular provinces, State-run enterprises, there is a range of options that sends both a political and economic message that keeps the process going, continuing to use MFN, but supplementing it with something else that is very specific, where you could make a threat and you can deliver it, and the Chinese will take it seriously.

Mr. KAMM. If I could just cut in real quickly, I want to repeat that one suggestion. I know it does not sound like very much, but we do know that it is at least possible sometimes to intervene on behalf of prisoners, and Asia Watch has done a tremendous job in listing so many people.

Could perhaps the committee find out just how many people in the field the State Department deploys in China to work on human rights? My impression is that it is really a very small number. In major consulates, it could be a third of one person's time or half of one person's time, and in those same consulates we have 4, 5, 6, 8, 10 people working on commercial and economic affairs. Perhaps the committee could find that out. My impression is that if you added up all of the people working on human rights in consulates and embassies, we probably would not have more than 3 or 4 people total in all of China.

Now, that is a very small suggestion, but I would like to see a redeployment of resources. If indeed human rights is so central to

the relationship, and I believe it is and it should be, we should be devoting more State Department resources to this problem.

Mr. MATSUI. I think, frankly, that is a very legitimate observation.

I want to thank all four of you gentlemen for your testimony today, and certainly we look forward to working with you.

Thank you, Mr. Chairman.

Chairman GIBBONS. Mr. Kopetski.

Mr. KOPETSKI. Thank you, Mr. Chairman.

I have a number of Chinese students and PRC students in my district that I meet with on a regular basis about this issue. From day one, they have said, well, we think your position is right, you should not condition MFN, we should not take it away from China, it would be a disaster economically and politically for that country, and, on the other hand, it is sort of nice to have this threat.

Therein lies the problem, is that perhaps this time, perhaps next time the President may have to follow through on his word, which I am certain, I am confident that he will even this time, if he does not see there is substantial progress, which is very frightening to me, especially in line with today's testimony, where the State Department and nobody in our Government has done an analysis of what the reaction would be by the Chinese Government in terms of human rights in that country.

Because a lot of us believe that if we took away MFN, that the opposite would occur from what people would like to have happen, which is they would step in, especially if there are economic riots, which more than likely there would be, and insert very repressive, even more repressive regime than what they have today. And there has been no analysis whatsoever along that line. That is just beyond my belief.

Mr. JENDRZEJCZYK. Could I respond, please?

Mr. KOPETSKI. Go ahead.

Mr. JENDRZEJCZYK. I think anyone in their right mind who thinks they know about China would be crazy to try to predict how the Chinese Government would react.

Mr. KOPETSKI. Including yourself, right?

Mr. JENDRZEJCZYK. We are not experts—

Mr. KOPETSKI. Including yourself, right?

Mr. JENDRZEJCZYK. Including the best experts—

Mr. KOPETSKI. Including yourself?

Mr. JENDRZEJCZYK. Myself or anyone who claims to be an expert on China, I think they discredit themselves if they claim to be able to predict what will happen in the wake of Deng Xiaoping's death. The economic reform program is going ahead, creating growing dislocation and tensions between urban and rural populations and so forth, on top of that you have to layer the possible revocation of MFN and what the political and economic implications would be. On the economic side, you could come up with some projections. On the political side, I think one thing that is clear is the Chinese Government would try to retaliate toward the United States. I think, as we saw when they lost the bid—

Mr. KOPETSKI. But that is not my question. That is not what I am getting at. What I am getting at is the internal actions of the Chinese Government toward their own people, if riots as a result

of 7 to 10 million unemployed people occur. That is the type of analyses that I think we ought to do, which means, by your own testimony, that you are taking away earlier testimony where you said "China can't afford to isolate themselves politically or economically."

Mr. JENDRZEJCZYK. That is right.

Mr. KOPETSKI. Well, all of a sudden you become a China expert and you are now predicting exactly what China will do or will not do.

Mr. JENDRZEJCZYK. What I said—

Mr. KOPETSKI. Let me finish.

Mr. JENDRZEJCZYK. I am sorry.

Mr. KOPETSKI. When the fact is that is their whole history. They are not afraid to close the door, and they have done so just as recently as 15 or 20 years ago. And you are sitting here and saying they cannot afford to do that any longer. Well, I think their whole history and everything I saw in China was that central government will do anything and everything necessary to ensure its survival.

Mr. JENDRZEJCZYK. I think you are right, but since 1992 they have embarked on an economic program which the party desperately needs to maintain its own credibility and its own authority. It is because of that program that I think they will do everything they can, if possible, to avoid the—

Mr. KOPETSKI. What if you are wrong? What if you are wrong? What if they decide to close the door, which they have done, which is their whole 4,000 years of history?

Mr. JENDRZEJCZYK. I am not going to attempt to respond to that. Maybe Professor Lizhi would.

Mr. KOPETSKI. Thank you, Mr. Chairman.

Chairman GIBBONS. Thank you, gentlemen, very much.

Mr. JENDRZEJCZYK. Thank you.

Chairman GIBBONS. Let us go now to the Emergency Committee for American Trade, the American Chamber of Commerce in Hong Kong, the American Association of Exporters and Importers, and the Washington Council on International Trade and the Washington State China Relations Council.

STATEMENT OF K.R. WILLIAMS, VICE PRESIDENT AND GENERAL MANAGER, SUPPLIER MANAGEMENT, DOUGLAS AIRCRAFT CO., McDONNELL DOUGLAS CORP.; ON BEHALF OF THE EMERGENCY COMMITTEE FOR AMERICAN TRADE

Mr. WILLIAMS. Thank you, Mr. Chairman and members of the Subcommittee on Trade.

I am Ken Williams, vice president of Douglas Aircraft Co. Having lived and worked in China for 3 years, I am pleased to be here to testify to the strong support of the members of the Emergency Committee for American Trade for the continuation of most-favored-nation trade status for China.

Increasing numbers of ECAT member companies are establishing business relations in China. It is a market of huge potential for U.S. firms and workers. China's economic growth indicates that their economy could very well become the world's largest early in the next century.

All members of ECAT share the desire that China treat its citizens in a humane and civilized manner. What essentially separates us from those who want to condition China's MFN trade status on human rights is a disagreement as to how to advance the human rights of Chinese citizens.

As U.S. firms with onsite facilities in China, many members of ECAT are in a position to observe firsthand the rapid economic modernization underway in China that supports democratic elements and substantially and effectively improves the basic human rights of China's citizens.

McDonnell Douglas has been active in China since 1975. In 1979, we began purchasing aircraft components in Shanghai which, in 1985, led to the export of kits for the coproduction of the highly successful MD-82 and MD-83 aircraft which were done for the emerging airlines of China.

We are pleased that the 35th aircraft will be delivered in August of this year. In 1992, we won a contract to supply China with 40 of our MD-80 and MD-90 passenger aircraft. In addition, we have exported to China our U.S. manufactured MD-80s and MD-11s.

The tens of thousands of hours of training which our Chinese colleagues went through, together with their adjustment to a complex American system required to assemble high-technology airliners, is an amazing cultural transformation. Since 1979, McDonnell Douglas has located over 250 of its employees in major cities in China, such as Shanghai, Beijing, Shungdu, Chengdu, Xian and Shengyang. They in turn have interfaced with thousands of Chinese workers and managers in each city. This close day-to-day training and working with our Chinese colleagues has been an excellent conduit to impart our values.

The withdrawal of MFN for China would fundamentally alter the U.S. economic position in China, as we have heard earlier. Let me illustrate this point: Forecasts that have been prepared by the major aerospace companies say that, over the next 20 years, the Chinese market will be worth \$40 billion. Currently, American manufacturers account for a vast majority of the Chinese aircraft market.

Should China choose to turn away from the United States as its primary supplier of commercial aircraft, the subsidized European consortium Airbus Industries, is poised and ready to fill the void. Chinese demand for American aircraft translates into American jobs.

Unfortunately for the U.S. firms and their employees in this country and China, absence of U.S. presence would quickly be substituted with the presence of others, our foreign competitors. Whether they would be as constructive a force for change in China as we are, is conjectural. No other government is proposing to deny MFN trade status to China.

We urge the administration and the Congress to provide authority for long-term extensions of MFN trade status. Annual review of MFN creates uncertainty for prospective investors. It is not unreasonable to expect American businessmen to be reluctant or unwilling to invest funds and effort into building or expanding business relations with China, in light of prospects that MFN might be withdrawn. Uncertainty dampens economic activity.

Denying us the opportunity to play a meaningful role in competing for the enormous business opportunities in China will work to the disadvantage of the United States and its role in the world. It will also deny millions of Chinese the hope for a better way to live.

Thank you, Mr. Chairman. We look forward to answering any questions.

[The prepared statement follows:]

STATEMENT OF K.R. WILLIAMS, VICE PRESIDENT AND
GENERAL MANAGER, SUPPLIER MANAGEMENT, DOUGLAS AIRCRAFT
COMPANY, McDONNELL DOUGLAS CORPORATION, ON BEHALF OF THE
EMERGENCY COMMITTEE FOR AMERICAN TRADE, BEFORE THE WAYS
AND MEANS TRADE SUBCOMMITTEE HEARINGS ON U.S.-CHINA TRADE
RELATIONS.

FEBRUARY 24, 1994

Mr. Chairman and members of the Subcommittee on Trade, I am Ken Williams, Vice President of Douglas Aircraft Company, and I am pleased to be here to testify to the strong support of the members of the Emergency Committee for American Trade (ECAT) for the continuation of MFN trade status for China, which is a requisite for U.S. participation in the explosive growth in China's economy.

The approximately 60 members of ECAT are large U.S. firms with substantial overseas business operations. They are among the country's largest exporters and employers. Worldwide annual sales of ECAT members are nearly \$1 trillion, and ECAT members employ about 5 million workers.

Increasing numbers of ECAT member companies are establishing business relations in China. It is a market of huge potential and prospective huge benefits for U.S. firms and workers. In 1993, China's GDP grew by 12 percent, the highest growth rate in the world. Projecting China's economic growth out a few years indicates that China's economy could become the world's largest early in the 21st century.

Just like yourselves and others who have and will testify here today, all members of ECAT share the desire that China treat its citizens in a humane and civilized manner. What essentially separates us from those who want to condition China's MFN trade status on human rights advances is a clear disagreement as to how further progress in advancing the human rights of China's citizens can best be accomplished.

As U.S. firms with on-site facilities in China, many members of ECAT are in a position to observe firsthand that the rapid economic modernization underway in China supports democratic elements in China and substantially and effectively improves the basic human rights of China's citizens.

Allow me to provide an example of this. Over the last 19 years McDonnell Douglas and our Chinese partners have been inexorably linked. We have been active in China since 1975. In 1979, we began purchasing aircraft components in Shanghai which, in 1985, led to the export of component kits for the co-production of the highly successful MD-82 and MD-83 aircraft for the newly emerging airlines of China. The original agreement was for 25 aircraft kits. Ten additional kits were subsequently added, raising the total to 35. The 35th aircraft will be delivered in August, 1994.

Our program in China is recognized around the world as a tremendous technical achievement. Beyond the technical achievement, however, there is another story. It is the transference of ideas and values. The tens of thousands of hours of training which our Chinese colleagues went through and the culture shock of having to adapt to complex American systems required to assemble a high-technology airliner, is an amazing cultural transformation. The close day-to-day training and working with our Chinese colleagues has been a conduit for our values to be imparted.

We have a long-term vision in China. The relationships we have developed over the years are the foundation for the expansion of our business in China and for the further development of our relationships with the citizens of China.

After an intense international competition, in 1992, McDonnell Douglas was selected to be China's partner for the production of a 150 passenger aircraft for their trunk airline system. Our MD-90 will fulfill that role. The agreement calls for the export of 40 aircraft kits to be assembled in China and delivered to Chinese airlines. In addition, we have exported our Long Beach, California-manufactured MD-80's and MD-11's to Chinese airlines.

As already noted, China is truly a slumbering giant that clearly is awakening. Even among its historic and aged leaders, there is a growing recognition that China's economic welfare can better be advanced through economic competition than through China's traditional statism. A private sector is as a result slowly spreading throughout the provinces of China. As it does, an improved economic condition is bringing with it an improved and freer human condition. Basic human rights can better be achieved through conditions of economic plenty than of economic scarcity.

The 1980 extension of MFN by the United States to China has led to a gradual opening of China to the U.S. business community. Substantial economic relationships have been established and have prospered as bilateral trade has vastly increased. I will illustrate with a McDonnell Douglas example later in my statement.

The withdrawal of MFN for China would fundamentally alter the U.S. economic and political position in China. There would be a very substantial diminution in bilateral trade and in existing and future U.S. investments in China.

Unfortunately for U.S. firms and their employees in this country and in China, absence of the U.S. presence would quickly be substituted by the presence of others -- our foreign competitors. Whether they would be as constructive forces for change in China as we are is conjectural. On balance, it is unlikely that they would be, so that human and other rights in China might not as well be advanced as with a continued U.S. presence.

It should be noted that U.S. employers in China substantially contribute to the economic and social well-being of their employees and that the provinces of China where there is a U.S. and other foreign presence are the provinces where human rights and other reforms are the most advanced.

The U.S. presence in China is demonstrably important to the advancement of economic and social freedom in China. It is also important to the economic well being of U.S. firms currently and prospectively doing business with and in China.

I have already mentioned that China is rapidly becoming one of the few economic super powers of the world. Indeed, some feel that China already has achieved that status. To be on the sidelines of this developing economic drama could be terribly costly to the United States -- a prospect that could be expected to follow the denial of MFN to China by the United States.

Without MFN, U.S. trade with China would be substantially curtailed. In fact, it is almost certain that U.S. exports to China would dramatically drop. This is because the bulk of U.S. exports to China as well as sales in China of products produced there by U.S. firms are purchased by governmental entities in China. They certainly could be expected in retaliation for the withdrawal of MFN to react in kind and to divert their purchases to non-U.S. firms. Because the United States is not a sole or unique supplier of goods to China, it would be easy for China to switch its purchases from U.S. to foreign suppliers.

Let me illustrate this point. It is no secret that America's aerospace industry has been experiencing some extremely difficult times. Employment has declined dramatically. California, where our commercial aircraft production is based, has been exceptionally hard hit. Yet, through all the gloom, there has been a bright spot. Although the world's airlines have fallen on hard economic times, the airlines

of China are growing and have continued to order aircraft. Chinese demand for American aircraft translates into American jobs.

Forecasts call for a \$40 billion commercial aircraft market in China over the next 20 years. Currently American manufacturers account for the vast majority of that market. Should China choose to turn away from the United States as its primary supplier of commercial aircraft, the European consortium, Airbus Industrie, is poised and ready to fill the void.

Another illustration of possible export loss involves another major U.S. exporter and member of ECAT - the Caterpillar Company. With a very intense effort, Caterpillar has developed a very substantial share of the Chinese market for earthmoving equipment. Again, the customer is the government of China -- a customer almost certain to be lost should MFN be withdrawn.

There are a large number of other ECAT member companies with substantial business in China. Some export large quantities of industrial and farm products that easily could be lost to foreign competition should MFN be withdrawn.

My purpose here is not to catalogue the economic losses that ECAT members and thousands of other U.S. companies would experience were MFN to be withdrawn, but to simply illustrate that there are substantial economic costs involved for the United States. The economic costs will be long term to the United States. The benefits, however, will go to our foreign competition, and it is difficult to conceive how there would be any consequent improvement in China's human rights and other policies absent a U.S. presence.

We in the business community appreciate the rhetoric in the Congress and the Administration about the need to improve U.S. competitiveness in the global market place. We are often dismayed, however, at proposed actions whose effect would be to limit the ability of U.S. firms to compete. American business is hard at work in meeting and besting global economic challenges. We need the cooperation of our government in our effort. Denying us the opportunity to play a meaningful role in competing for the enormous business opportunities in China will very much redound to the disadvantage of the United States and its role in the world. It will also deny millions of Chinese the hope for a better way to live.

One has only to look to the coastal provinces of China where most of the economic growth is to see how the economic, social, and political welfare of China is being advanced through trade with the United States and others. These are the areas where China's future leaders will likely come from -- leaders who have personal experience and knowledge of the vast benefits of a growing entrepreneurial society.

There is an intensifying scramble for markets throughout the world. The United States is in no position to ignore foreign market opportunities. No other government or foreign business community does. No other government is proposing to deny MFN trade status for China. It is difficult to contemplate any other government even considering doing so. They are rather heavily engaged in providing a variety of assists to the global competitiveness of their firms in the recognition that their countries otherwise might be relegated to a back seat in the emerging global economy.

In light of this, we would urge the Administration and the Congress to revisit the Jackson-Vanik amendment enacted 20 years ago as part of the Trade Act of 1974. The amendment was intended as an instrument to help secure the right of the citizens of the Soviet Union and other communist countries freely to emigrate. The objective of the amendment has been accomplished.

As applied to China alone, the Jackson-Vanik amendment has been expanded beyond the human right of emigration to the achievements of other non-

related human rights as conditions of MFN trade status. Annual debates over MFN for China are increasingly contentious and pose serious long-term risks for American interests.

For several years ECAT has recommended in testimony to the Congress that the Jackson-Vanik amendment be reviewed for the purpose of either eliminating it altogether or amending it to provide authority for long-term extensions of MFN trade status for periods of up to five years. Annual reviews of MFN create uncertainty for prospective investors. It is not unreasonable to expect American businessmen to be reluctant or unwilling to invest funds and effort into building or expanding business relations with China in light of the prospect that MFN might be withdrawn. Uncertainty dampens economic activity.

Before concluding, I would like to applaud the Clinton Administration's policy of engaging China in discussions on a variety of security, trade, and human rights issues. This seems a much more promising means of promoting U.S. objectives in the human rights and other areas. The new engagement policy is proving productive.

We would hope that the Administration will seek to mobilize our European and Japanese allies in a multilateral effort to encourage China to bring its human rights, commercial, and security policies into closer conformity with international norms. Such multilateral efforts promise to be more productive than unilateral U.S. measures, and would help to avoid the risk that American firms and workers alone would bear the costs of retaliatory Chinese measures should China so decide to react to external pressures.

Let me end by noting that the stakes in the China MFN issue are of enormous consequence. U.S. trade increasingly is focused on Asia. Our trade with nearly all countries of that region is sharply upward. Japan and China are the giants of Asia. It is critical to our national interest that our relations with China be as positive as is possible. U.S. security is at issue.

Again, thanks for having me here.

Chairman GIBBONS. Thank you.
Mr. Edinger.

STATEMENT OF LYN W. EDINGER, 1993 CHAIRMAN OF THE BOARD, AMERICAN CHAMBER OF COMMERCE IN HONG KONG

Mr. EDINGER. Mr. Chairman, when I was preparing for this session, I came across a quotation from an Indian technologist I thought was relevant in characterizing the impulse felt by our country in its policies toward China. Let me quote:

“Europe and North America built their economies with the help of coercion, work force exploitation, child labor and environmental plunder; but the First World has now announced to the Third that these and other violations of human rights are quite unacceptable. This is not fair, of course, but it is excellent policy.”

It is an excellent policy for the United States to promote the well-being, security, dignity and prosperity of the Chinese people. That our Government pursues these goals reflects well on us as a society. Our Chamber has repeatedly assured Chinese leaders that America's sensitivity and commitment on human rights are as abiding as Chinese sensitivities on questions of sovereignty. We have been helping the United States speak with one voice on this issue.

Our members wish to share with you a bit of the feel of being American and part of the epic development of a third of mankind.

The personification of tyranny for most victims is not some distant czar or dictator in a faraway seat of power. It is the block warden, the party boss or the security man who decides whether one can marry, go to school, visit the next village or province, get a promotion or a ration card, live quietly or live a life of harassment and hysteria.

When I started to work in China well before the normalization of relations in 1979, China was certainly such a place, where even the extraordinary pride of the Chinese people was submerged in fear and confusion.

The horrific events of 1989 had the ironic effect of accelerating economic development and private sector growth. Hardliners who might have tried to turn back the clock were bankrupt of ideas when they were confronted with the question, “What can you now do to deal with the 100 million people who will enter the Chinese work force in the next 10 years?” They had no answer.

We could not have imagined back in the 1970s the situation of 1994. Paced by private sector growth and foreign investment, China is the world's fastest growing economy. What is even more striking for some of us who were in China in the 1970s is the amount of energy, productivity, confidence and ambition that have been released among the people.

Hundreds of thousands of their best minds study in foreign universities. Millions are beginning to enjoy freedom from the constraints and abuses of the work unit system, working now with foreign managers in ventures that are integral to the world's trading system. And the Chinese increasingly have access to that nemesis of authoritarianism, the flow of information.

In good times, there is an expression the Chinese use. In good times, they say, “Heaven is high and the Emperor is far away.”

They say that most often now where "we" are—American companies, traders, students, teachers and tourists. American business and its concepts of workers' rights, ethical behavior, environmental consciousness, empowerment and fair practice are good news for China.

Ambassador Barshefsky this morning mentioned the wonderful work done by the USTR to open the Chinese market for American telecommunications equipment. My company, Northern Telecom, is bringing telephones to villages that have never had them before. China's telecommunications growth will be the fastest the world has ever seen. Think about this: When information flows, abuse and misgovernment become publicly known and hard to implement. Equally vital, telecommunications is the necessary building block for the creation of wealth. Prosperity is everywhere a force for civilized behavior.

America's desire to promote human rights is chained, however, to the MFN debate. There are commercial factors to be considered, you know that. I am convinced through our conversations, our many conversations, that the dollars and cents of this issue are very well understood.

Equally compelling, however, is that removal of MFN would undermine what we most wish to achieve, the evolution of China to be a responsible player in the world system. It would harm those that we most wish to help. We urge you to step back and consider the immense significance of China's economic development and the positive role that Americans are playing there.

Has the good which has been achieved in recent years resulted from MFN diplomacy, or has it resulted from China's desperate drive to change its system: To create the conditions for growth, because they have no alternative to growth?

You are right to wish the best for the Chinese people, as we do. The MFN card, however, is overwhelmed by the reality in the field. The administration's new engagement policy is a policy of consummate good sense. Revocation of MFN is not. The MFN debate is not about what is right versus what is profitable. It is about what is effective versus what is no longer effective in the promotion of our national goals.

Thank you.

[The prepared statement follows:]

Statement for Public Hearing of Subcommittee on Trade #25
Committee on Ways and Means, U.S. House of Representatives:
February 24th, 1994

U.S. China Trade Relations

By: Lyn W. Edinger
American Chamber of Commerce in Hong Kong

A day or two after the disaster in Tiananmen Square, in June 1989, I was one of several American embassy staff sent to Beijing's university district, to seek out American students and assist their evacuation. As our little convoy approached the campus, we were astonished to see what seemed thousands of people milling about, attracted to the scene everyone thought would be the next army target. They were quiet and subdued. Not just students, the gathering included all of the urban types which make up any Beijing crowd.

As we drove toward the gate and the people saw the American flags on our cars, they stood and, slowly, at first, then with wild enthusiasm began to cheer. I remember thinking "every American should have this experience once in his or her life."

I mention this incident not as a war story, but as a reflection of the immense reservoir of good will felt for America and Americans by the people of China. And of the expectation on the part of many Chinese that America and Americans can and will make a difference in their lives.

I speak to you today as a representative of the American Chamber of Commerce in Hong Kong. Ours is the largest American Chamber in the world, and includes the vast majority of American companies active in China. However, I do not particularly wish to speak to you of commercial opportunities, deals being won or lost, or apocalyptic visions of a trade relationship without MFN. My many conversations with members of your House persuade me that the dollars and cents of this issue are well and truly understood.

I am certain that you do not question the economics or the opportunities. The issue that motivates the great debate over China policy arises from the desire of America to promote the well-being of the Chinese people.

A prominent Indian technologist recently summarized the impulse which underlies our policy toward the newly emerging economies:

"Europe and North America built their economies with the help of coercion, work-force exploitation, child labor, and environmental plunder, but the First World has announced to the Third that these and other violations of human rights are quite unacceptable. This is not fair, of course, but it is an excellent policy."*

It is an excellent policy for the United States to promote the conditions that will improve the well-being, security, dignity and prosperity of the greatest possible number of the people of China. That the administration and government of the United States have pursued such goals reflects well upon us as a nation and a society.

During this Spring, our government must once again consider how we can most effectively achieve those goals. There are great issues at stake. We have been pleased in recent months at the numbers from Congress that have traveled to China to see and understand first hand what is happening in that country.

Our members wish to share with you a bit of the *feel* of being American and part of the epic and unprecedented development of a third of humankind.

The personification of any tyranny for individuals who live under its sway is not a Czar or a dictator in a distant seat of power. Authoritarianism for most victims takes the form of the block warden, or the local party boss, or a faceless security apparatus whose reach controls every aspect of the individual's life - whether one can marry, go to school, go the next village or the next province, get a promotion, get ration cards, live quietly or live a life of endless harassment and hysteria.

When I began to work there, before the 1979 normalization of Sino-American relations, China *was* such a land, where even the extraordinary pride of the Chinese people was submerged in fear and confusion.

Had you suggested in 1979 that by 1994 China would be a people of energy, drive, productivity, ambition and confidence, we should have considered the idea to be unlikely.

Had you suggested in 1979 that by 1994 China would have become a major player on the world's *commercial* stage, we would have considered the idea impossible.

Nor would we have believed in 1979 that the driving force of economic development in China would be the *private sector*, paced by foreign trade and foreign investment.

It would have seemed utterly inconceivable in 1979 that Chinese firms would be traded on the New York Stock Exchange in 1994.

Economic development has created a China that has hundreds of thousands of its best minds trained in foreign universities, millions of workers freed from the constraints of the authoritarian work unit system, working side-by-side with foreign managers in ventures that have become an integral part of the world trading system. The people of China, as a result, increasingly enjoy access to the nemesis of authoritarianism -- the flow of information.

In MFN debates over the past four years, the American business community has not painted a lyric vision of China. Our members know only too well the frustrations and imperfections that remain. China is a difficult place to live and work. Many of the concerns and issues addressed by this committee are very real and enduring.

Our Chamber has regular exchanges with Chinese leaders. We do not just talk with them of the trade and market access agenda. We have called for Sino-American engagement on the full range of issues that must be addressed by great and powerful states - including human rights. We have affirmed to them that America's sensitivity and commitment on issues of human rights are as abiding as China's sensitivity and determination over issues of sovereignty. We have also spoken out on issues such as environmental catastrophe and the rising dangers of corruption which plague China's modernization.

Perhaps in our representations to the American people, on the other hand, we should have done more to articulate our vision of China - for we are a part of it. American companies and traders and investors and students and teachers and tourists are *all* part of it. With all respect, you cannot properly see the extent of change in the lives of the Chinese people from here.

Why is business the most effective force for progress in China today?

As horrific were the events of June, 1989, their ultimate result has been to accelerate the pace of economic development and inevitably to accelerate the impact on China of private sector growth and international commerce.

It was feared that "hard liners" would undo every vestige of progress and economic liberalization after June 4th. Those who might have tried have failed utterly. When, in effect, asked the question "what can you do for the 100 Million people who will enter our work force in the next ten years?," they were bankrupt of ideas and answers.

The economic take-off of the past three years is proof of their failure to turn back the clock.

The Chinese have an old saying for times when people can proceed about their lives with some element of freedom from interference and harassment, "Heaven is high and the emperor is far away". You can hear this phrase now in many parts of China. You hear it most loudly and clearly where WE are, and where economic development is producing better lives for the people.

There is in American folklore an enduring picture of American businesses abroad as exploitative and ruthless, the uncaring oppressors of banana republics. This is an image that in no way reflects the impact on China of contact with American business. In China, America can be proud of the influence and the conduct of its citizens and its companies, which are -- and are perceived to be by the workers of China -- a force for good.

The best lessons that China will learn about the dignity and treatment of workers, education and training, fair practice free of corruption, environmental consciousness and ethical conduct are being learned from American enterprises.

My company, Northern Telecom, is helping to build modern telecommunications networks in China, often bringing telephones into villages and provinces that never before have had such service. China plans the most dramatic growth in telecommunications capabilities the world has ever seen. Think of the implications of this. Telecommunications do more than any other factor in a society to create the basis of enlightened politics and government. When information flows, mispractice and abuse are more difficult. Any witness to history can see the impact on closed societies of access to information and telecommunications. "Telecommunications helps to create wealth, and prosperity is everywhere a force for civilized behavior. ..it is technology that makes humane development feasible."*

I mention telecoms as merely one example of how the impact of economic development and American business are contributing to those conditions we should most wish for the people of China.

America's desire for the promotion of human rights in China has become chained to the annual debate on MFN. There are obvious commercial factors in this debate: That China has become what we did not imagine even in 1988 -- a major market for American technology and creator of American jobs. That our MFN policy is unilateral, and creates strategic opportunities for America's competitors. That our relations with a third of mankind are too important to be held hostage to one issue or one annual debate. That Hong Kong could be the unintended victim of American policy.

Equally compelling, however is the likelihood that removal of MFN will undermine everything that we wish to achieve, and undo much of what has been achieved already. That we may harm those whom we most wish to help. We urge you, as you ponder these matters to step back and consider the immense significance of economic development in China, and the positive role that America will continue to play. Has the good that has been achieved all resulted from the coercion of MFN warnings, or has it resulted from China's desperate need to change its system to create the conditions for economic growth - because they have no alternative to growth?

The United States is right to wish the best for the people of China. The annual MFN debate has been overtaken by reality in the field. By playing a central role in China's development, America is bringing new concepts and standards and technologies to bear that are demonstrably forces for good. This administration has responded to the logic of "engagement". Engagement is a policy of compelling good sense for the for America and for the people of China. The China debate is not about "What is Right vs. What is Profitable". It is about what is *effective* vs. what no longer is effective in the promotion of our national goals.

*"Development, Democracy,
and The Village Telephone"
Sam Pitroda, *Harvard Business
Review*, Nov '93

Appendix to Statement by before Subcommittee on Trade #25,
The Committee on Ways and Means, The U.S. House of Representatives

**The American Chamber of Commerce in Hong Kong
1994 Position Statement**

**RENEWAL OF MOST FAVORED NATION STATUS
FOR CHINA**

The Issue

Each year the United States Government must decide whether to extend Most Favored Nation (MFN) tariff treatment for imports of goods from the People's Republic of China. The vast majority of the United States' trading partners receive MFN treatment. However, as the law currently stands, China may receive MFN status only if the President certifies to Congress that China permits free emigration of its citizens, or if he waives this requirement. Last year President Clinton extended MFN by an Executive Order conditioning 1994 renewal on significant progress in several specific areas of human rights.

AmCham believes that rescinding MFN would cause serious damage to American economic interests at a time when China's economy is experiencing the world's fastest growth and its markets are rapidly opening. Moreover, US strategic interests and ability to cooperate with China on important international issues would be compromised. The resulting dramatic decline in US-Chinese economic interchange would represent the loss of a powerful force for positive social and political change in China.

Position

**MOST FAVORED NATION TARIFF TREATMENT SHOULD BE
UNCONDITIONALLY EXTENDED TO CHINA**

Rationale

1) Effects on the United States

The granting of MFN is reciprocal: If China loses MFN, so does the U.S. If MFN is withdrawn, China will retaliate. Per figures of the U.S.-China Business Council, this would put at risk some \$9 billion in U.S. exports and could cost as many as 150,000 American jobs especially in the agriculture, aviation, and high-wage, high-technology industries. U.S. exports to China have grown by an average of 25% in the last two years

making China one of our fastest growing export markets. Also, American consumers will be required to pay significantly higher prices for items such as apparel, footwear, electrical appliances, and toys.

2. **Removal of MFN would undermine the United States, historically strong and strategically important economic influence in Asia.** This could result in a long-term estrangement of U.S.-China relations that would be difficult to repair. Moreover, by withdrawing MFN, the U.S. would cede valuable business opportunities to other nations, most notably Japan. China is enjoying one of the highest growth rates in the world and is committed to economic reform. In the 1980's, China was the fourth largest recipient of worldwide foreign direct investment (FDI) among the developing countries. In 1992 alone, it attracted US\$57 billion in new FDI contracts, slightly more than the total value for the previous twelve years, and enjoyed dramatic growth in 1993. This flood of new FDI was in response to the Chinese government's relaxation of restrictions on selling to China's domestic market and the opening of new sectors of the economy to foreign investment. European and Japanese governments are offering concessionary loans to assist their respective companies in the China market; the United States is the only country that is considering new trade sanctions against Beijing, thereby hindering U.S. competitiveness in this huge market.

The annual renewal of MFN is having a damaging effect on the reputation of U.S. companies as credible and reliable long-term suppliers. This is particularly harmful for large-scale, high value-added sales for infrastructure and high tech projects. If Chinese customers cannot be sure that U.S. companies will be around for the long term to follow through, to perform maintenance, and to offer other ancillary services, the Chinese will turn to European or Japanese suppliers who do not face the annual MFN uncertainty.

3) **Effects on Hong Kong**

Hong Kong would be dealt a heavy economic and political blow if MFN is withdrawn. The territory is greatly dependent on reexport trade between the U.S. and China, and has benefited from China's reforms by acting as a middleman between China and overseas markets. If China no longer has MFN status, the loss of re-exports and the knock-on effects would hurt virtually every sector of Hong Kong's economy.

The Hong Kong Government estimates that withdrawal of China's MFN status would result in a loss of US\$15 to 21 billion in overall trade, US\$2.1 to 2.9 billion in income and up to 69,000 jobs.

American business interests in Hong Kong would likewise suffer. The U.S. enjoys a high degree of popular support in Hong Kong as one of the territory's largest markets and foreign investors. Some 900 American companies employ an estimated 250,000 people (10% of the work force) and are effective promoters of American interests and values.

Hong Kong is a powerful catalyst for reform in China. To damage Hong Kong's economic well-being would be a setback in the process of reform in China.

4) Effects on the Chinese People and on their Government

Withdrawal of MFN would severely damage the economy of Southern China and the coastal regions, the very areas that have been at the forefront of China's reform movements. An estimated 2 million people in Guangdong province alone could lose their jobs. This would not hasten positive change in China, but delay it. The U.S. should be encouraging rather than undercutting the pro-reform elements that lead this economic region.

Withdrawal of MFN could sidetrack China's commitment to reform in order to join the GATT. This would guarantee that one of the largest potential economies in the world would be trading outside of agreed multilateral rules, disciplines, and dispute settlement procedures.

Removal of MFN will not effectively promote the cause of human rights in China. Advocates of stripping China of its MFN benefits have failed to demonstrate just how this will improve China's human rights situation. Removal of MFN may undermine improvements in human rights in China by heightening Beijing's sense of isolation and resentment. Economic interchange with the outside world has been shown to be a strong positive force for improving human rights in China. It has stimulated Chinese citizens' growing access to information, which will lead to greater accountability and transparency in government. It has also contributed to significant improvement in the economic rights of individuals such as the right to own property, and improved freedom to travel, change employment, and seek educational opportunities that have never been available in the past.

Chairman GIBBONS. Thank you.
Mr. Cuza.

STATEMENT OF FERMIN CUZA, DIRECTOR, AMERICAN ASSOCIATION OF EXPORTERS AND IMPORTERS; AND VICE PRESIDENT, INTERNATIONAL TRADE AND GOVERNMENT AFFAIRS, MATTEL, INC.

Mr. CUZA. Thank you, Mr. Chairman. Good afternoon.

My name is Fermin Cuza, and I am the vice president of International Trade and Government Affairs for Mattel, one of the largest toy companies in the world, headquartered in El Segundo, Calif. I am appearing today on behalf of the American Association of Exporters and Importers (AAEI), an organization comprised of approximately 1,200 U.S. member companies.

AAEI's members are engaged in all aspects of U.S.-China trade, including the exportation, importation, distribution and manufacturing of a broad range of products. For those of our members who are retailers, between 30 to 40 percent of their imports are from China. AAEI strongly supports renewal of China's MFN status for the coming year and beyond. Renewal would ensure that American companies continue to have access to the enormous economic opportunities being created, as China opens its markets to the United States and other foreign goods.

AAEI members share the President's concerns about the human rights issues addressed in last year's Executive order. We agree that these are issues that demand attention. However, we believe that the threat of terminating China's MFN status is neither an appropriate tool for addressing human rights concerns, nor a constructive one.

In our written testimony, we have outlined the many factors supporting this conclusion. In my oral remarks, I would like to note a few aspects of the MFN issue that are of most immediate concern to AAEI members.

From the perspective of our many importers, the imposition of non-MFN duties, ranging in some cases over 100 percent, would have a severe immediate impact. Importers would incur significant losses on yet-to-be-delivered merchandise already contracted at a specific price. Some importers would be quickly forced out of business.

In the case of my industry, the toy industry, if MFN status for China is not renewed, tariffs will rise to 70 percent, an increase of approximately \$2.5 billion. The impact upon U.S. toy companies doing business in China would range from extremely serious to bankruptcy. The short-term impact on consumer prices would, in the opinion of the toy manufacturers of America, raise retail prices by approximately 25 percent at a minimum. In addition, it would have a serious impact upon the dominant marketing position the U.S. toy industry has in the world today. It would also put at risk many of the 32,000 U.S. jobs in the U.S. toy industry.

For those importers able to survive this initial stage and to momentarily withstand the higher duties, the cost of tracking down and then switching to alternative sources of supply would be high. Many consumer products imported from China are not manufac-

tured in the United States, and alternative foreign sources would be more costly, of lesser quality, or both.

This is clear from the fact that, despite the serious threats to China's continued MFN status in recent years, U.S. imports have continued to grow. It is not that U.S. importers have a head-in-the-sand attitude to the MFN threats, but that for most of us switching sourcing away from China would entail a very high cost. I might add that this is a cost that would be borne disproportionately by American consumers with limited incomes, since imports from China frequently are skewed toward low-cost, basic necessity consumer goods.

From our exporters' perspectives, the impact of a termination in China's MFN status would be devastating. During the extensive congressional debate on this issue over the last few years, no one has seriously questioned the assumption that China would move quickly to choke off U.S. exports, if its MFN status is revoked. The result of this action would be a reduction of up to \$8 billion in U.S. exports, based on last year's trade levels, and a loss of over 150,000 U.S. jobs.

But, in fact, the export losses could be much greater. Over the last 2 years, the U.S. Government has secured significant commitments from China to open its markets further. China, of course, is implementing these market excess concessions on an MFN basis. It would be ironic, if, after these hard-fought victories by U.S. negotiators, exporters from all countries except the United States were to reap these expanded market opportunities because of a breakdown in U.S.-China trade.

These and the other concerns expressed in our written testimony will be as applicable 1 year from now as they are today. For this reason, AAEI wishes to register strong support for initiatives in Congress and the administration to grant China MFN status on a permanent basis.

On behalf of the American Association of Exporters and Importers, I wish to thank you, Mr. Chairman, and the Trade Subcommittee for this opportunity to present these views.

Thank you.

[The prepared statement follows:]

Introduction and Background

Good morning, Chairman Gibbons and members of the Trade Subcommittee. My name is Fermin Cuza, and I am Vice President of Government Affairs, for Mattel, Inc. I am also a Director of the American Association of Exporters and Importers (AAEI).

AAEI is a national organization comprised of approximately 1,200 U.S. company-members who export, import, distribute and manufacture a complete spectrum of products, including chemicals, electronics, machinery, footwear, food, toys, specialty items, textiles and apparel. Members also include many firms and companies which serve the international trade community, such as customs brokers, freight forwarders, banks, attorneys, insurance firms and carriers.

U.S. businesses in these areas of international trade will benefit, either directly or indirectly, from a decision to extend Most-Favored-Nation (MFN) status for China beyond July of 1994. A substantial number of AAEI exporters and importers are currently engaged in direct trade with China, with AAEI retailer members sourcing approximately 30% - 40% from China. Overall, more than one-half of AAEI's membership is involved in trade with China in some capacity. Considering the importance of continued China MFN for U.S. industry, including AAEI's members, we urge the Administration and Congress to revamp U.S. policy in an effort to avoid the annual MFN debate. To this end, AAEI urges serious exploration of long-term or permanent renewal of China's MFN status, with a de-linkage of human rights concerns from MFN.

U.S.-China trade has grown tremendously in volume and complexity since the U.S. first provided China with MFN status. Total trade has more than tripled since 1981 and nearly doubled since 1990. Total cumulative U.S. investment in China is now over \$6 billion, and China is one of our fastest growing export markets, purchasing an estimated \$8 billion in U.S. goods last year.

MFN status is the cornerstone of normal commercial trading relationships with countries worldwide, including China, and is a key aspect of the bilateral trade agreement with China negotiated in 1979. The term "most-favored-nation" is something of a misnomer, suggesting some sort of privileged trading relationship. In fact, MFN merely entitles a U.S. trading partner to the standard tariff rates available to other trading partners in good standing. The U.S., like most other countries, maintains two complete tariff schedules -- one set of standard rates for MFN countries, and a second set of often prohibitive rates for non-MFN countries. The tariff differential between these rate schedules generally ranges from 10% to 50%, and can be as high as 100% or more for some products, so that the loss of MFN status can effectively price a country's exports to the U.S. out of the market.

AAEI Views on Presidential Executive Order

AAEI members share the President's concerns about the human rights issues addressed in last year's Executive Order. We hope that the President is able to find sufficient progress in human rights issues to support extension of China's MFN status after July of 1994. This decision would ensure American companies continued access for another year to the enormous economic opportunities being created as China opens its markets to U.S. and other foreign goods.

The Chinese market is already the world's third largest, according to an International Monetary Fund (IMF) study, and has continued to grow at an annual rate of more than 10%. This market is simply too important to our future international competitiveness to ignore or to jeopardize through an unstable trading relationship. As President Clinton has recognized, MFN is the essential cornerstone for a

long-term, stable bilateral relationship with China, and what this makes possible, both in economic and foreign policy realms.

AAEI members agree that human rights issues warrant attention and further bilateral negotiations between the U.S. and China. However, the Association does not believe that the threat of terminating MFN is an appropriate or constructive tool for pursuing this important U.S. foreign policy objective. History suggests that despite China's strong interest in trade with the U.S., efforts to force the Chinese leadership's hand through an embarrassing public demand will be ineffective, and ultimately counterproductive. MFN is the foundation on which the U.S. bilateral relationship with China rests.

Terminating MFN for China would not simply result in higher tariff rates for some imported goods; it would sever the basic economic -- and, consequently, geopolitical -- relationship between the two countries. It would also buttress those in China who desire to see the People's Republic turn inward again, away from ideologically threatening capitalist influences -- Hong Kong as well as the United States. Far more progress is likely through appropriate use of available U.S. trade remedy and export control laws.

China's Post-June MFN Status Should Be Renewed

While AAEI supports the President's human rights objectives, for reasons noted above, we do not believe the threat of eliminating MFN -- and the uncertainty associated with annual MFN debates -- helps to further either U.S. foreign policy or trade objectives. As an association of companies engaged in trade with China, the balance of our comments will focus on the trade and economic aspects of the debate. This, however, should not in any way be construed to suggest lesser interest in the successful resolution of U.S. human rights concerns in China.

Over the last several years, the benefits of a more stable relationship with China based on extension of MFN status have become increasingly clear. In particular, China has made significant good faith efforts to respond to U.S. market-opening initiatives and concerns about the protection of U.S. intellectual property rights, having entered Memorandums of Understanding with the United States on both. Among other important developments, China has agreed to remove high tariffs on hundreds of U.S. imports and to increase transparency with regard to its trade operations. Last year, A.T. & T. and the Chinese State Planning Commission started a joint venture involving telephone switching equipment. A.T. & T. had been precluded from working with the Chinese government in the past by a secret agreement giving a monopoly on the switching equipment to Germany, France and Japan. The current joint venture is a result of China's agreement to open its markets to U.S. companies.

There are a number of other reasons for supporting the continuation of MFN treatment for China. Trade with China must be kept open to maintain benefits to U.S. industry of a bilateral economic relationship with China. Failure to renew MFN would threaten the jobs of thousands of U.S. workers producing goods for export to China and would harm American businesses relying on Chinese imports for their livelihood. Tariffs, which are at an average 4% - 5%, would skyrocket to as high as 110% in some cases, increasing costs to American consumers by billions of dollars.

An MFN Cut-Off Would Harm U.S. Importers

Loss of China's MFN status would also have both immediate and long-term consequences for AAEI members involved in importing from China. In the short-term, they would incur significant losses on merchandise already contracted for sale at a specific price, but not

yet delivered. If duty rates increased from Column 1 to Column 2 levels before Customs clearance, these companies would be required to absorb the increases. The duty increases could completely destroy profits after consideration of fixed costs, such as royalties, sales commissions and capital investments.

Over the longer term, the cost of delays, lost time, and unavailability of alternative supply could be even more damaging to businesses than duty increases. Many consumer products imported from China are not available in the U.S., and alternative sources of supply overseas would likely be much more costly than Chinese goods, of lesser quality, or unavailable altogether. With the long lead times necessary for orders in many industries, some companies could easily lose a whole season, or even a whole year. This could cause major economic hardship. Companies would be forced to raise prices on goods, with consumers bearing the ultimate burden. In most cases, U.S. producers would not benefit from a cut in supply of Chinese goods because of their inability to produce competitively-priced products. Yet, a reduction in supply of these basic consumer items would cause considerable hardship for Americans with limited incomes who purchase basic-necessity consumer goods imported into the U.S. from China.

Termination of China's MFN status could also make it difficult for U.S. companies to obtain products which are not easily accessible from other countries, or as in the case of textiles and apparel, only a certain, limited amount of every product can be imported into the U.S. from each foreign country. In this situation, many of the countries with the ability to provide a competitive supply of a particular product may have used up their "quota", or rights to import into the U.S., for the year. Furthermore, when quota is in short supply, as it most certainly would be in other countries if China MFN status were terminated, U.S. importers would pay a premium for quota itself.

An MFN Cut-Off Would Also Harm U.S. Exporters

Failure to renew China's MFN status would harm U.S. exporters as well as importers. China represents a significant, and very promising, market for U.S. exports, with approximately \$8 billion worth of American goods purchased by the Chinese last year. The Department of Commerce estimates the value of U.S.-China trade and investments will be \$600 billion in the next five to seven years. Historically, China has been quick to retaliate against foreign countries perceived as interfering with domestic issues. It would not be surprising for China to withdraw MFN for American goods in response to elimination of MFN for Chinese goods. In fact, in 1987 during negotiation of a bilateral textile agreement with the U.S., China threatened to find another supplier for the nearly \$500 million worth of annual U.S. agricultural exports to China.

Unilateral U.S. action against China would cause a severe blow to U.S. exports to China. In addition to a possible loss of \$8 billion in U.S. exports, loss of the Chinese market would have a significant impact on some of our most competitive industries -- agriculture, aircraft and chemicals. And, with our Western allies keeping the door open for many of their goods to China, the hard-won U.S. market share could disappear overnight, resulting in lost jobs in the export sector of the U.S. economy and an increase in the trade deficit. It would be truly ironic if the net result of last year's hard-won Chinese market opening commitments expanded business for European and Japanese competitors because U.S. companies are effectively excluded from the market by a U.S.-China breakdown.

Beyond the immediate loss of business in China and Hong Kong, an MFN cut-off would significantly jeopardize long-term U.S. commercial interests in the region. A Sino-American trade war would deprive

U.S. companies of important business relationships and opportunities at a critical time in the growth of the Chinese economy. Events in Russia should serve as an example where economic collapse only places pressure on the U.S. to offer aid. It would be better for Russia to learn trade rather than to depend on foreign aid.

China's economy has grown rapidly in recent years, at an average annual rate approaching 10%, and about 12% in 1993, and is poised for major expansion over the next decade. According to an IMF study, China's economy is now the world's third largest. Some predict it will be the largest economy in the world by the year 2010, or the year 2020 at the latest. U.S. companies have established a major presence in China, providing an ideal foundation for future expansion. A trade breach would threaten this foundation. It would also provide U.S. competitors in Asia and Europe with a major advantage.

MFN Trade Sanctions Would Be Counterproductive

Trade sanctions imposed for foreign policy purposes have a poor history of effectiveness. They serve mainly as symbolic gestures, often at great expense to U.S. economic interests, U.S. exports and foreign market share, and consumer prices.

Elimination of China MFN, and the resulting withdrawal of U.S. business from China, would remove the exposure to Western values and free market ideas which have clearly played a part in China's move toward trade liberalization and a market economy. Liberalized, market-oriented sectors, such as those in South China, would be the first to be injured or even shut down if MFN were withdrawn, and Chinese authorities would direct business back to state-owned enterprises. Terminating MFN would merely enable Chinese authorities to blame the U.S. government for their current domestic economic problems, further strengthening hard-line, anti-Western elements in the government.

Furthermore, sanctions run counter to other U.S. foreign policy interests, including the stability of the Hong Kong economy and the future of the Hong Kong people. Hong Kong accounts for two-thirds of all foreign investment in China and one-third of China's foreign exchange, and is the port of entry and exit for much of the world's trade with China, especially that of the United States. Because of the unique combination of communications, financial and technical support, established and reliable legal system, and common language available in Hong Kong, more than 900 American companies have established a significant presence there, and of these, 200 have chosen Hong Kong as their base for business operations throughout the region.

The damage to Hong Kong resulting from an MFN cut-off -- which has been estimated at more than \$21 billion in trade alone, a figure double the estimated impact on China itself -- would seriously jeopardize Hong Kong's continued ability to serve this important role for American companies as entrepot and investment "gateway" for China and the region. Damage to Hong Kong would also have counterproductive effects on political and economic reform in China. Hong Kong is South China's most important source of external investment, with Hong Kong companies providing employment to three million people in Guangdong Province alone. The impact of MFN removal would be felt disproportionately there, weakening the very forces of liberalization key to future economic and political progress in China, and Hong Kong's security and well-being.

Finally, the U.S. should not unilaterally act without the support of our major trading partners. Unless multilaterally imposed, sanctions are certain to be unsuccessful and the U.S. could run the risk of alienating its allies.

Conclusion

AAEI strongly supports renewal of MFN for China for another year. As stated, AAEI supports the President's efforts to focus attention on human rights concerns in China. However, we do not believe that terminating China's MFN status will contribute to this worthy objective. For the coming year, we hope that the President is able to find sufficient progress in human rights issues to support extension of China's MFN status.

In fact, AAEI supports initiatives by the Administration and Congress to grant China MFN status on a permanent basis and urges serious consideration of a revision of the Jackson-Vanik Amendment toward this aim. For future years, however, AAEI hopes that mechanisms, other than the threatened termination of MFN, will be found to attain U.S. human rights objectives, with ultimate de-linkage of human rights concerns from MFN. Terminating China's MFN status could only harm U.S. trade and foreign policy interests, and ultimately, the progressive forces in China on which future progress will depend.

On behalf of the American Association of Exporters and Importers, I wish to thank Chairman Gibbons and the Trade Subcommittee for this opportunity to present the views of our membership on this important issue.

Chairman GIBBONS. Thank you.

I think it is important that we go back and review, while we are here, what this is all about. Back in the 1970s, the Senator from Washington, Mr. Jackson, and the Representative from Ohio, Mr. Vanik, who sat right over there, decided that they would collaborate and rescue those Jewish people who were still being incarcerated against their will in what was then the Soviet Union. Senator Jackson and Congressman Vanik therefore came up with the idea that we should not grant most-favored-nation treatment to any Communist country that restricted emigration.

Some of us tried to convince Representative Vanik and Senator Jackson that such linkage would not prove workable or effective. Well, the Jackson-Vanik amendment carried nonetheless and became law.

The Soviet Union, which had been letting out about 50,000 Jews a year, responded, as I expected, by dramatically curtailing Jewish emigration. For the next year, after having let out 50,000 a year for a number of years, the Soviet Government released maybe 2,000 or 3,000, and waved its finger at us in defiance.

Mr. Vanik and I were sitting in Deng Xiaoping's office not very long after that, and when Mr. Vanik was introduced, Deng said I know who you are, Mr. Vanik. I have heard about you. How many Chinese do you want? He said I will send you all you can take. [Laughter.]

Mr. Vanik, as I recall, said, well, Jackson-Vanik does not apply to China since China does not have a freedom-of-emigration problem. For years, there was no congressional opposition to MFN status for China, and then the events in Tiananmen Square took place and somewhere along the way a revolution took place in the thinking here in Congress. Jackson-Vanik was thereafter seized upon as the tool with which to link trade status and human rights policy.

I have argued with Members of Congress indicating that Jackson-Vanik focuses on emigration and therefore does not apply to China. But Members make up their minds on how they are going to vote on MFN extensions based on input from all different sources. Members have turned the Jackson-Vanik amendment into a general human rights tool; and as long as Jackson-Vanik is on the books, we will likely be forced to vote on China's MFN extension every year.

I do not know how Members are going to vote. You heard some of the oratory on this issue here this morning, and there is a lot more like that out there in the House.

MFN is a blunt instrument with which to try to effect change in the human rights area. Revocation of MFN would hurt the American economy proportionately just as badly as it would the Chinese economy. But I have not found Congress very reluctant to use such a blunt instrument. There are a few that are reluctant, but the rest want to make a point with the Chinese by cutting off trade. One can object on the grounds that revocation would hurt us badly but that has not counted. It was only the fact that there were not enough votes in the Senate to override the President's veto that allowed the continuation of China's MFN status since Tiananmen.

We probably ought to repeal Jackson-Vanik. After all, we are getting along well with the Russians now, and emigration is pretty

good from Russia. But there are a lot of people in the United States who are not sure where Russia is going, and they do not want to let go of our link with the Jewish people in Russia. Many will not allow us to change Jackson-Vanik, and Jackson-Vanik has now taken on a general human-rights connotation, whereas this amendment started as a provision on emigration only.

That is where we are. I do not know what to tell you to do. You heard the previous witness say American corporations over there ought to be more proactive in talking to the Chinese about human rights. Well, you have to sell airplanes to them. I never was very successful in arguing with any of my customers, and I do not know whether you could be or not.

I do believe that there is a lot in the way of demonstration that goes on, as you say, Mr. Edinger and Mr. Williams, when working with people. But, we have a vote coming up very soon and it is pretty obvious that nobody could claim that the Chinese have done enough yet to meet Bill Clinton's overall, significant progress standard.

You know, in my own frustrated sort of way, I am trying to let the Chinese, the rest of the world, and this Congress know that we have to vote on this issue. Any time after June 3, and before August 1, we have to vote on this matter, and I do not know where the votes are. I do not think anybody could successfully count them. On every vote we have ever had on this subject, we have lost. China's MFN status would have been cut off, but for the veto of the President and the Senate's inability to override that veto. That is the situation we face today.

And Bill Clinton is a new face. He said in the campaign that he was going to make human rights a part of his China policy, and now he seems trapped in his own rhetoric. He may be. He just may be. This is a serious matter. Anything you can do to help us solve it would be much appreciated.

Thank you very much for coming. Mr. Kapp.

STATEMENT OF ROBERT A. KAPP, PRESIDENT-DESIGNATE, U.S.-CHINA BUSINESS COUNCIL, PRESIDENT, WASHINGTON COUNCIL ON INTERNATIONAL TRADE, AND EXECUTIVE DIRECTOR, WASHINGTON STATE CHINA RELATIONS COUNCIL

Mr. KAPP. I am glad you said what you did, because if you have the time to hear me for a moment, I will certainly not go back over ground that you have covered so many times, Congressman.

Chairman GIBBONS. That is all right.

Mr. KAPP. Thanks so much for letting me come in. I am here from the West Coast, where I am in charge of two trade associations made up of both large businesses, the usual West Coast ones, and small, less well-known firms. As of April 1, I am looking forward with great excitement to becoming the president of the U.S.-China Business Council here in Washington.

Chairman GIBBONS. You mean you want to live in Washington?

Mr. KAPP. Before making our offer on a house here, I confess that I thought about it long and hard.

Chairman GIBBONS. You have a chance to live in Washington State, and you want to live in Washington, D.C.

Mr. KAPP. We will keep our cabin on the oyster-covered shore just for emergencies, Congressman.

Chairman GIBBONS. That is wise.

Mr. KAPP. Thank you for letting me be back here.

I have a little bit of testimony which I presume will go in the record, and I only want in the course of my remarks to refer to it once. Let me make a few points, more on the basis of what has been said today, that I feel quite strongly about. When they are purely my own view, as opposed to the view of the two councils in Seattle, I will make that clear.

No. 1, killing MFN, if it happens, is a huge policy failure. It is a policy disaster which will not soon be forgotten, and those who remember other U.S. political debates over China over the last 40 or 50 years should remember that. And if they do not know what those debates are, there are many of us, including you, Congressman, who I am sure would be happy to help them understand.

It would be the collapse of a policy, rather than the triumph of a policy, no matter how good it felt for the first 15 minutes of the first day on which trade and other U.S.-China relations went down the tubes. The only way to save face out of that would be a further worsening of U.S.-China relations. In other words, if you could turn China into a real enemy, you might get off the hook on having gotten yourself into this impossible trade policy breakdown. So the first point is that the ultimate end of all this is a catastrophe, rather than a triumph of U.S. policy.

The second point is that we could get stuck on the MFN debate for the next 20 years, as we now have for many years. There are a couple of reasons for that. I might say in passing that, especially in light of your own remarks, Congressman, we ought to develop a sheet on which each argument is given a number. I could walk in and say, "Congressman, I stand for 36, 29, 114, 57 and 82," and sit down; we could do the whole thing using arguments-by-number and make a lot of speed through these hearings.

But if we get stuck with annual hearings for the next 5 or 10 or 15 or 20 years, it seems to me there are two principal reasons. A crucial reason, which is the core of what I try to say here, is we are asking the wrong question. The question on which everything hangs is, what can the United States do to make the following things happen in the Chinese domestic, political and social system? How can we make them happen inside China? The question cannot be answered.

The comment that was made by the gentleman from Asia Watch—that MFN may be a blunt instrument, but that there is no alternative available as a viable means of making certain things happen—does not hold, because MFN cancellation itself is not a viable means of making things happen in China. So we are stuck on the wrong question.

Instead of asking—and this goes theoretically to all members and any staffers who read the text of this hearing—instead of asking what should we do here in Congress and in the White House to make certain things happen in China, we should be asking this: Under what circumstances will China evolve and progress, socially and politically, in directions most congenial and compatible with deeply held American values and deeply held American notions of

political justice and humane and tolerant relations between the citizens and the State or the citizens and the Government?

And if we and Members of Congress ask that question, is it possible that anybody would argue that massive disruption of the economy of China; rupturing of relations with the most important military and economic power in the world; providing the most reactionary elements of Chinese leadership with the old-fashioned nationalist argument as a justification for tightening or reimposing repressive controls, is a better way of getting to those circumstances in which China evolves in the ways that Americans hope it will, than continued economic empowerment of hundreds of millions of people who did not use to have enough pants to wear, continued engagement with the world, very much including the United States, in intellectual, as well as economic terms, and further growth of an entrepreneurial and civil society?

Of course not. Nobody in this room would argue that. So if you ask the right question, you come out with a very different answer, and the answer then is that the maximum engagement of the United States and the rest of the world economically is the best way. Focusing on how to compel changes inside China is an exercise in American vanity which we have to try to get away from. We do not make things happen in China, but we may be a part of an environment in which China takes its own direction in ways that we will feel very happy about.

If we do not change the question this year and break the logjam this year, then we will be back here next year and next year and next year, and you, Congressman Gibbons, will be the only member—the Chairman at that—spending enormous amounts of valuable time in an empty hearing room listening to us speak.

In that regard, let me move on for just 1 second. You know your committee is the Trade Subcommittee, with perhaps the greatest concentration of resources on trade policy issues in the Congress. We have all thought about NAFTA and GATT and many other issues of policy and philosophy, over time. In the present case, we have to get rid of this notion that denial of the U.S. market is the equivalent of sending the bombers over Sarajevo.

I mean that there is a sort of broad, unspecified notion that if we just exert enough pressure—whatever kind of pressure—if America just exerts enough pressure, the other side will do what we want.

But that depends on what we want and what kind of pressure we choose to exert. If you exert total military and economic pressure on the enemy in war and you vanquish the enemy, you can tell him to do anything you want. You can tell him the women should have the right to vote or that they should have a whole different relationship of the citizen with society.

If you exert trade pressure on trade issues, you may get trade responses. But if you think that trade pressure in the form of market closure is sufficient to achieve domestic political transformation in a huge society, the point has been lost. The equation of some of these other situations to this situation is a fallacious one, and we need to somehow get people away from that.

Chairman GIBBONS. I have to go vote. I do not disagree with you. Mr. KAPP. Well, we have got to get the message out to everybody.

Chairman GIBBONS. But the question comes to us: Shall the Congress approve the President's recommendation for continuing China's MFN treatment for 1 more year? That is the question we have to answer, because that is the way the question comes to us, because it is prescribed by law, a law that we cannot change, for political reasons.

I understand your point. I sympathize with you. But there are 435 people out there and I do not think I have ever voted on the winning side except this last time, on the China MFN question. I have always been beaten badly on the House floor.

Mr. KAPP. If we are stuck with 1 year on Jackson-Vanik, I think you are right, and my personal view is you will not knock Jackson-Vanik off.

Chairman GIBBONS. Well, we are stuck with it.

Mr. KAPP. But we are going to have the vote, so we make these arguments and hope that somebody will say, yes, we should sustain it for another year. Of course, if—

Chairman GIBBONS. I hope so.

Mr. KAPP. I do not mean to take too much of your time. We did APEC in Seattle this year. It is important to remember that there is an Asian-Pacific region, of which the United States is a part, but there are a great many Asian members of that region who think of it as an Asian region, of which the United States may not be a part.

Chairman GIBBONS. I understand.

Mr. KAPP. And this is the classic case. We are talking here about a situation in which the United States will, if this goes to the extreme, have taken action which cuts us off from the very dynamic region that President Clinton has proclaimed to be the key ingredient in our economic survival in the future.

We could go on and on. My final point is very personal. To me personally—and I have said this over and over again to Chinese visitors at all levels—the issue is still Tiananmen. We saw Tiananmen on TV. We saw Yuan Mu get up the next day and tell Tom Brokaw that nobody was killed. We saw Gen. Scowcroft make the famous toast however many months later. That still rankles.

It is my absolute firm belief that, in the course of time, we will see a reevaluation inside China of what happened in 1989. And when that happens in the People's Republic, my prediction is that debates like this within the Congress will take on a very different cast. I hope it is soon. It is not ours to control, but it will happen, and when it happens we are all going to feel a lot better about this situation.

[The prepared statement follows:]

TESTIMONY OF DR. ROBERT A. KAPP
President, Washington Council on International Trade
Executive Director, Washington State China Relations Council
President-Designate, US-China Business Council

Subcommittee on Trade, Committee on Ways and Means
US House of Representatives
February 24, 1994

Mr. Chairman, Members of the Subcommittee:

Thank you for inviting me to offer brief remarks today.

My name is Robert A. Kapp. I am currently president of the Washington Council on International Trade, a member-supported association headquartered in Seattle which is devoted to the analysis and elucidation of major public policy issues of concern to the international trade community of the state of Washington. Simultaneously, I serve as Executive Director of the Washington State China Relations Council, also a private, nonprofit business association, but one that focuses exclusively on the development of mutually beneficial commercial and cultural relations between the state of Washington and the People's Republic of China. The China Relations Council, too, is based in Seattle.

I received my Master's and Doctoral degrees in the modern China field, and from 1970 until 1980 was an academic specializing on twentieth century Chinese affairs.

From April 1 of this year, I will be president of the US-China Business Council, headquartered here in Washington, DC. As you know, the US-China Business Council is the nation's principal association of US businesses--large and small--doing business in China. Founded in 1973, the US-China Business Council has long enjoyed the support of a very significant array of US corporations, many of them extensively engaged in business with the People's Republic. The past year has seen robust growth in the US-China Business Council's membership.

If we didn't all have calendars in front of us, how many of us would be able to judge from this MFN dialogue what year it was? We have fallen into a predictable and established pattern: opening salvoes are launched after the first of the year, press attention grows as the "three month warning bell" sounds, opposing armies are mobilized in time for Congressional hearings, phone calls and manifestoes from all parties--including my Councils--are made as the moment of presidential decision looms, frantic maneuvering on Capitol Hill (prior to 1993, at least) takes place after the presidential announcement, and finally, the post mortems and predictions about the year to come are made at the end of the cycle. The interested actors in all areas of this drama are by now familiar. So are the arguments offered to Congress; they need little restatement now, though I shall be happy to go into more detail for Members who might be coming fresh to this question. The domestic politics of the issue have, of course, changed, most notably in 1993. But the essential situation is hardly new, neither to me and my colleagues in the China business community, nor to the Congress, especially the Members and staff of this Subcommittee.

Therefore, let me make only a few points, without elaborating on any of them, in the hope that we might take a few minutes to discuss them together.

1. For many US businesses, and for many US states and local communities, two-way trade and investment relations with China are now an economic factor of real, measurable importance. We in Washington State often point to the fact that one of every six Boeing airliners delivered last year went to a PRC customer, but we have seen that fact twisted and misused. It is misleading and disingenuous to imply, as is sometimes done, that only Boeing cares about MFN, or that jobs making planes for China are somehow ignorable as "special-case" jobs. In Washington State and throughout the United States, the positive impact of growing US-China trade is being more and more widely felt. The China trade community is

a big one, embodying companies both large and small, exporters and importers. A US decision to cripple economic and trade relations with China cannot be hermetically sealed off from the well-being of a broad range of US citizens.

2. Cancellation of normal trade US treatment of the PRC, if it should happen, would represent a colossal failure of US policy. It is absolutely crucial for policy makers to understand that the end of MFN will be a policy debacle, not a policy triumph. The overall damage, both to the US and Chinese economies and the vast range of non-economic ties between these two great and powerful nations, cannot simply be undone by putting the relationship on "fast forward" later.

3. We have misinterpreted the lessons of history. I would be delighted to elaborate on these points in Q&A if you wish; for the purposes of this hearing, I will simply list them.

a. In the MFN debate and other looming debates over US trade policy, denial of our market to others seems to be a "magic weapon" with which the US can (and should) compel changes in other nation's political and social systems.

The threat to deny access to the US market may be useful in certain highly-focused trade disputes, where the US seeks to compel by its own trade action a change in someone else's trade-related behavior.

b. We seem to have forgotten that unilateral sanctions against another economy, taken alone and without the cooperation of the world community, are quixotic and self-defeating.

4. My final, and I believe most important concern, is that the central question on which this annual MFN exercise has always hinged is the wrong question. The reason that once again the usual suspects are making the usual arguments to the usual audiences, is that the basic policy question on which the United States has been fixated since 1990 is the wrong question. It can't be answered, intellectually or in policy terms, because its premise is fallacious.

The question we keep asking over and over again is: What course of action should the US take to bring about in China those political changes that the US deems desirable?

That is the wrong question. Asking what we "ought to do to make XYZ happen inside China" is an exercise in our own vanity.

The right question, which we should be asking, is this: Under what circumstances will China be most likely to evolve politically and socially in ways that harmonize with Americans' deeply held notions of political morality and justice?

If we really hope to see in China what most of us would consider a more humane and tolerant political order, we must ask what circumstances in China are most likely to foster those favorable developments, and then we should consider how the world community and our own nation can realistically help promote those circumstances. If we ask that question--the right question--is it conceivable that any thinking American--to say nothing of the experienced and politically alert members of this distinguished Subcommittee--would find externally-imposed economic dislocation, political hostility toward one of the world's great powers, and sudden interruption of the course of economic progress in China to be more promising guarantors of social progress than escape from poverty, economic empowerment of hundreds of millions of Chinese citizens, and full Chinese economic engagement with the world economy?

Since the day after Tiananmen, I have carried with me a newspaper photograph that everyone here would instantly recognize. It shows a young man in a white shirt and dark pants, facing a column of tanks. None of us should or will forget that scene. But none of us should inadvertently help to re-stage it. Let us make the decision in 1994 not to forget 1989, but to ask the right question at last and to answer it in the right way about how to proceed from now on.

As long as we cling to the idea that it is up to us to "do something" to "make" China change its internal policies, we are going to be stuck. The minute we carry the implications of this

mistaken premise to their logical conclusion (i.e., "They didn't do what we told them to do, so we're removing MFN"), our policy has failed irrevocably.

In the end, what I am suggesting is consonant with the Administration's oft-stated commitment to a set of legitimate ethical values. The United States has every right to conceive of its own existence in moral terms, and to perceive certain moral values as transcending issues of humanity itself. Realization of those values in a complex and culturally diverse world, however, depends not only on rectitude, but on sound policy-making rooted in accurate perception. On the MFN issue, our values and our policy-making are disconnected. I hope and believe that those who make policy in our country, particularly the conscientious and thoughtful members of Congress in whose hands this issue so largely rests, will take the initiative this year in breaking the logjam on China MFN by asking the right political-moral question and then answering that question by removing the threat of destruction that has hung over US-China commercial relations since Tiananmen.

Let us continue to build economic bridges between China and the world, as we are already doing, rather than blow up the links that have already been established. The economic advancement of China, linked part and parcel to China's immense engagement with the world economy, is the best hope we have of witnessing the evolution of a more humane and tolerant Chinese domestic political environment.

Chairman GIBBONS. I hope you are right. I have to go vote. Would the next panel please come forward: The International Campaign for Tibet, Puebla Institute, Independent Federation of Chinese Students and Scholars, and Rev. Dennis Balcombe.

I will be right back.

[Recess.]

Chairman GIBBONS. The subcommittee will be in order.

Rev. Balcombe, we will take you first.

STATEMENT OF REV. DENNIS BALCOMBE, PASTOR, REVIVAL CHRISTIAN CHURCH, HONG KONG

Rev. BALCOMBE. Thank you.

My name is Dennis Balcombe, and I have lived in Hong Kong for the past 25 years. I am a permanent resident of Hong Kong, an American citizen, and I have made many trips into China. I have done business, as well as I have visited the Christians.

I was very concerned about something that happened to me just about 2 weeks ago. Myself and six other foreign friends, including two Hong Kong people, visited the southern part of Henan Province in northern China. We went to visit our Christian friends during the Chinese New Year festival, and it was just purely a visit of Hong Kong overseas Christians visiting Chinese Christians. We had planned to go to conduct meetings or to distribute Bibles. We had a wonderful time in this part of Henan. There are literally millions and millions of Christians and they meet in the house churches or the nongovernment unofficial churches.

After the second day, early in the morning, about 3 o'clock, the police came into our room, and we heard them start to arrest Christians. They began to beat them. We heard people screaming as they were being detained by the police. After that, they told us that we had violated some new regulation that Li Peng had put into effect on January 31 and we were going to be detained for questioning.

After that, there were several dozen policemen that came into the premises and they took all the belongings of the Christians and dumped them in a big pile and began to take the money away from these belongings, without any registering. We said you cannot do that, that is stealing, you are police, how can you steal from the people.

Eventually, we found that they not only stole from the people, they also stole from us, as I said, three Americans who were kept in captivity for 4½ days, treated not very nicely. We were constantly interrogated. After 4½ days, they told us that we had broken these new laws. Actually, they only showed us a newspaper clipping of the new laws that Li Peng apparently had spoken in the Government of China on January 31, and on February 6 it was published in the local newspaper. We said we did not know, because we did not come into China until February 7 and we had not read those new laws.

In talking with us, the policemen told us that it was a new regulation in China and they said only in the official government churches are you allowed to have any kind of religious activities, otherwise you are breaking the law. And they let us know that it was a very serious crime. It was what they called a criminal case,

and we were accused of disturbing the public peace or causing a public disturbance.

In talking with the police, they told us that they intended to take very strict measures to come against all these so-called house churches or underground churches. As I said, there are millions and millions and millions of people even in Henan alone that go to these house churches, because Christianity has seen quite a revival in the last several years. They said that this is the new law that we are going to enforce very strictly.

They told me that any Bibles that are in China that are not printed by their official Amity Press are illegal, if I give that Bible to someone, I have broken the law. If they receive the Bible, they have broken the law. I wanted to listen to my radio, and they told me that I was not allowed to listen to foreign religious radio programs, this is also a crime now with these new regulations.

So I believe myself and my several American friends and Hong Kong friends and Indonesian friends were the first people to test this new law. I did not realize at the very time that I was being detained and questioned that Li Peng was in Xunyang in southern China and that he gave a speech in which he said foreigners taking part in any kind of religions activity in China should be dealt with as criminals, they should be dealt with as the Chinese do with their own people, and then they should be expelled from the country.

I did not realize that just by being a Christian and going to a Christian meeting I had broken the laws of China, at least new laws. The reason I found out was because eventually they confiscated everything we had, our cameras, my personal computer, our tape recorders, almost everything of value, including our cash. Our group of six people lost altogether about US\$16,500 in cash and valuables, and I was deported from the country.

I was there legally, I have actually invested in business in that very city, I have invested a lot of money, I have a valid visa, and I was humiliated and forced to leave the country. My other friends were left penniless. Fortunately, they had smuggled some money on their persons, whereby they were able to leave the country. They told me that they were going to take strict measures against all of these churches in China, and from now on the only churches that operate are the official government sponsored churches, that will be able to have what they call normal religious activities.

Because of that, seven of our Christian friends were arrested, and three of them are still in prison. Mr. Chairman, I would like to ask that my statement be submitted for the record. Also appended to my statement are the names of the three Chinese citizens arrested at the time of my detention, and I submit that for the record.

We have been in contact with the Christians in that part of China, in the southern part of Henan Province called Fangcheng, and the Christians have told us there is no news, they have totally disappeared. We are definitely concerned about their safety. We are concerned about very serious things that might happen to them. The very fact of the way they treated me, that they expelled me from the country, my other friends, we lost everything, all of our possessions. It was a terrible humiliation.

I told them I am a friend of China, I am a permanent resident of Hong Kong, I am an American citizen. For 4½ days, we were all denied the opportunity to contact our embassy. Eventually, the American Embassy in Beijing contacted the police in Fangcheng in southern China to find out if we were being released. It was not they that contacted the American Embassy, though there were phones all around us. We were denied our basic privilege as being nationals of another nation, citizens of another nation inside of China.

In talking with the police, I seemed to sense that it looks like there is a new policy coming. I hope that this is not the case. I just hope that it was an unfortunate incident in which we happened to run into a lot of thugs and gangsters who dressed in police uniforms. But there is no doubt about it, they were definitely using the new laws that had been put into effect by Li Peng in his speech to deal with this.

I am also concerned about the safety of Christians in China. I would also be very much concerned about other Christians or people that believe in other religions who visit their Christian friends or religious friends inside of China. Because according to them, according to my experience, just a visit to these people can cause a lot of problems.

I do not really know, as a pastor, if I should make a statement on MFN. It sounds like a very complex issue. I have been here all day long, and there are many sides and pros and cons. They did tell me, when I brought up this issue, I said the way you treat us is not going to look very good for the MFN vote in the Senate and in the Congress on President Clinton's decision.

They told me that they do not care. They say that America needs the MFN more than the Chinese do, and, anyhow, we have many other markets for our goods, and if America denies us MFN, then they themselves will lose a lot of jobs and the economy will suffer as a result. This could perhaps be a smokescreen, just the way they are expressing the belief that their government has told them that MFN is not important.

I would agree with some of the speakers that there needs to be, perhaps in addition to MFN, some other very strong signals to the Chinese, perhaps as we heard John Kamm say, the Americans need to have more Representatives working on human rights and having more of a dialog with these people. But I am definitely concerned at this very time that there is not only not an improvement in the condition of human rights of Christians, but there is definitely regression, and this is worse.

Because we know that China has been opening and has been improving for many, many years, and so I just trust that this is only one incident that happened to me. But I have come here from Hong Kong, because I want this honorable chairman and this House to know what has happened and to be concerned, and especially I hope that some action can be taken whereby my three Christian friends can be released from detainment.

Thank you very much.

[The prepared statement follows:]

Dennie Balcombe
Pastor, Revival Christian Church

CHINA IS PREPARING TO RID THE NATION OF ALL UNREGISTERED CHURCHES AND PUT
A STOP TO ALL MISSIONARY ACTIVITY

I. The Christian Church and Chinese Society in the 1990s.

To a Christian who is tired of the formal, lifeless, complacent state of the Church in the West, going to South Henan is akin to stepping back into the pages of the Book of Acts and first century Christianity. Almost every village is aflame with revival fires. You can hardly find a village without an active "house church" of several hundred people, and almost every family boasts at least one Christian member. Hundreds are up for prayer by 5:00 a.m. Thousands, predominantly young people, are converting to the faith. Many will tell you about answers to prayer, miracles of healing, deliverance -- it is revival in every sense of the word.

Forget about the ideals of democracy -- the social and economic problems in the rural areas of China are unbelievable. Widespread government corruption, rampant crime, poverty, illiteracy, forced abortions, economic stagnation, just to name a few. Do not be fooled by the so called "prosperity" that Deng's economic reforms have brought to a few coastal areas. Many peasants living in the rural interior are no better off than their forefathers. That is why hundreds of thousands of these migrant farmers are flocking to the coastal cities in search of jobs and a "way out," a better life, creating massive social and economic problems in the process.

A couple of decades ago, the masses idealistically believed that the "New China" Mao dogma would somehow make their nation great. Now that dream is dead, and an amazing phenomenon has developed. The Christian Gospel is filling that void. Before, missionaries spent a lifetime winning just a few converts. Today, the churches in every county grow by tens of thousands yearly -- and all this without organized evangelistic crusades, buildings, bibles and literature or support from the West.

The positive effect on society is both visible and immediate. Crime goes down, productivity goes up as does literacy and the general health of the populace. An example is the Wenzhou area of Zhejiang Province, which has the highest standard of living and the highest percentage of Christians in China. One would think any government would welcome such a positive force in its society. But not the hardline communist tyranny of Premier Li Peng of China. It seems that he and his henchmen believe in their own dated Marxist ideology, namely, that religion is the opiate of the people, a tool of the imperialists to subdue China (in this case to overthrow the government), and missionaries are all imperialistic spies.

During my recent four days in detention with two other American citizens, I spent up to 8 hours in daily discussions with all the key leaders of the Fangcheng County PSB. From them, I heard one very clear message: *"With the authority we have been given on the new directives Li Peng signed into law on January 31, we are determined to stop all Christian activities not conducted under our Religious Affairs Bureau and the Three-Self Church. We will not only put an end to all religious activities of foreigners, we will mercilessly stamp out the house church movement."*

China's stock reply to any criticism is, *"what we do in regards to our religious policy is our own matter -- it has nothing to do with you in the West."*

Many would agree that there are too many major problems in the world that we do not have the time or energy to be involved in religious matters in China. However, my recent experience in China has convinced me that we had better wake up to the fact that a new wave of persecution is coming against Christians and all religious believers. They are perhaps just innocent pawns in the power struggle leading up to the imminent demise of Deng Xiaoping or it may be a concerted effort by the CCP (Chinese Communist Party) to rid China of Christians, once and for all. We are not sure, but the signs are ominous. We had better not stand aside and continue to do business with China while they imprison, beat, fine and sometimes even kill their own citizens whose only crime is following Christ.

II. My experiences in February 1994:

I have lived in Hong Kong for 24 years since 1969, and from the time China opened up in 1978 until now I have made more than 500 trips to this nation. Since 1988 I have made repeated trips to Henan, both for business and to visit Christians. During the Lunar New Year holiday this year I took a team of two Americans, two Indonesians and two Hong Kong Chinese to the southern Henan county of Fangcheng on Feb. 9. In the evening of that day we arrived in the village of Tongzhuang, 45 kilometers from the city.

We had only planned to visit Christian friends, have some fellowship with them and leave within a day for other parts of China. However, we were delighted to find they were having a meeting and we were invited to join them. That night we sang and shared testimonies, and then climbed a mountain for an all-night prayer meeting. The next day we had more singing, prayer, sharing of scriptures and a huge new year banquet. I shared for an hour on the danger of cults and some of our team gave a few dozen Christian pamphlets to the 90 or so people attending.

The three of us Americans went to bed at about 8.00 p.m. in a small room next to the meeting place, and the other 4 in our team slept at another house in the village. We were rudely awakened at 3.00 a.m. on February 11 when several PSB officers poured into our room and surrounded the village compound. We were ordered to remain under the covers as more reinforcements arrived. Then we heard shouts and cries as the PSB rounded up and beat the local believers. Miraculously, they managed to apprehend only 7 of them and they locked them up in the kitchen.

However all the personal belongings of the Henan Christians, bibles, notebooks, tape recorders and tapes were seized. Later, a PSB video cameraman filmed his colleagues collecting all the "evidence" and piling them on the floor in one heap. The police then emptied the believers' hand bags of all their cash and grabbed their ID (identity) cards. They did not record how much cash or what goods was taken from which bag but simply put everything into in one large sack. We protested, "You cannot simply steal their money like that and expect to get away with it!" The PSB could not care less.

Later, all the confiscated monies and goods, including the believers' bicycles and luggage, were taken away in a police truck (I suppose as evidence for this crime of peacefully meeting to sing and pray). They also raided the house where the rest of our team was staying. The PSB mistook our Hong Kong brother for a local Henan man, so they kicked and beat him up and yanked him out of the bed by his hair. Then they trussed him like a pig. It was only when they discovered he held a BNO (British Nationality) passport from Hong Kong that they changed their attitude and treated him better.

We were all taken to the Fangcheng County PSB office in the city and ended up in a big waiting room. From that time until our release four and a half days later, we continually insisted that we be allowed to contact our respective embassies, to no avail. The PSB first of all accused us of not registering within 24 hours of arriving at a local home, and then told us we had seriously violated the "Regulation Governing the Religious Activities of Foreign Nationals within China" signed by Premier Li Peng on January 31. They just showed us a newspaper article of the said regulation which was published on February 8 (this was the 11th), and but they would not let me read it and study it.

During the several days of interrogation we learned that:

(1) All house churches or any churches outside the official Three-Self Patriotic Church are now illegal and the government will spare no efforts to eliminate them. To conduct such meetings is a serious crime of "disturbing the public order."

(2) They will deal similarly with the itinerant preachers who run such house churches. While they denied persecuting Christians or preachers, they named several "sects" that have doctrines or practices that differ with the official Three-Self Church. According to them, these groups are committing serious offenses and must be dealt with severely.

(3) From now on the only Bibles allowed in China will be those printed by the official church. If any outsiders distributed Chinese Bibles or any other religious literature printed overseas, they have committed a serious offense. Those who receive such materials have also broken the law.

(4) Chinese who listen to overseas Christian radio programs are breaking the law.

(5) Foreigners taking pictures or videos in unauthorized religious gatherings are breaking the law. Not only will their film be confiscated, but their cameras and video cameras will also be confiscated.

Even though we were all foreign passport holders, we were treated horribly. We were kept in a freezing cold, filthy "guest house" that was really no more than a police detention center, as we and dozens of PSB were the only "guests". The door to our room had to remain open and we were under 24-hour surveillance. We were not allowed to lock the bathroom door, and the PSB men would come into the bathroom even when the women in our team were using it. There were many "spy-holes" throughout the room. We had no freedom to even walk down the hall. The seven of us fasted for 3 days (some longer) and some did not even drink water to protest the inhumane treatment.

We were told to sign many statements saying we had committed a criminal offence and were being investigated, etc. However, we refused to sign such documents. We only signed the "confessions" of our activities, which we were forced to do. We only told the truth, but were not allowed to add other facts like 1) we were denied the right to notify our embassy 2) some of our group were beaten and 3) the PSB robbed the local Christians of their possessions.

In their perverse interpretation of the new laws, they used three points of our confession to justify confiscating all our goods and monies and deporting us:

- (1) We admitted attending a Christian gathering.
- (2) We admitted speaking briefly in the meeting.
- (3) We admitted passing out a few dozen Gospel booklets.

When they searched our luggage and made us empty all our pockets, they registered all our goods and we signed the list. They reassured us everything would be returned including all our money, but only goods used for illegal activities would be confiscated. Who would think that our very presence in China was illegal (because we went to an unregistered religious meeting), and thus they would be justified in taking all our goods and cash? Our total loss was US\$14,500. It was simply robbery. In the end they left my six friends with a total of US\$25 to get out of China and returned only their passports. They stole everything I had and unceremoniously deported me from the country. We were physically assaulted and manhandled in the process, but nobody sustained any permanent injuries.

III. Religion and Chinese Society during the past few years.

We all hear the oft repeated argument that foreign investment and economic prosperity will lead to an improvement in human rights and relaxation of government control over the people. That seemed to be the case until 1989 and the Tiananmen Massacre. But the middle and late eighties were the years of Hu Yaobang and Zhao Ziyang's leadership in which these men tried to bring in a degree of reform to the political system and a less totalitarian government. Since Tiananmen there has been a policy from the central government to restrict and control Christian activities throughout the nation. This especially increased after February 1991 when Document 6, which dealt with "peaceful evolution", was issued. It stated that the fall of communism in Eastern Europe was part of a conspiracy by the West against communist governments, and one of the main tools was foreign religion, i.e. Christianity and Catholicism.

There have been hundreds of reports of arrests and imprisonment of Christian leaders, and I personally am aware of several who have spent up to 3 years in prison for either receiving Bibles from overseas sources or for itinerant preaching. Many are still in prison. I know a Mr. Li Jiayao of Guangzhou, who now has been in prison in Guangzhou for nearly 3 years for simply receiving and distributing Bibles from overseas. Recently human rights organizations received actual court documents in which six Anhui Christians were sentenced to up to 3 years of labor reform for simply conducting meetings in which a few dozen attended, receiving overseas editions of the Bible and listening to overseas radio broadcasts. It is incredulous that people could receive such heavy sentences for such minor matters. It is common for the PSB officials to enter home church meetings, declare the meetings illegal and exact heavy fines on the participants, usually equivalent to several months' wages.

The main reason for the above is that these Christians will not participate in the government-controlled "Three-Self Patriotic Church" and thus have broken religious laws. In fact, representatives of the official church often make complaints or reports to the PSB officials and request action be taken against the house church believers. I know of several house church leaders who have ended up in prison after purchasing Bibles from the Three-Self Church, which is under the direct administrative control of the Religious Affairs Bureau, which is under the United Front Department of the Communist Party. It is a well-known fact that many of the preachers in the Three-Self church are simply communist agents who have been trained in religion for the main purpose of infiltration.

The preaching and doctrines of the Three-Self go directly against standard Christian teaching, and as such is not at all accepted by the majority of Chinese Christians. For example, a few months ago the pastor of the Xian Three-Self church preached, "Christians should study and learn from Lei Feng." Lei Feng was a communist revolutionary PLA man, and has been part of government campaigns to control the masses for several decades. That government officials would make such statements is to be expected, but why make such political propaganda part of a Christian sermon? The Three-Self Church is so widely distrusted and even hated both in China and overseas, that several years ago there was talk of disbanding this organization. But if they did that, how would they control Christian activities in China?

The situation has gone from bad to worse, and the two new directives of Li Peng is a serious step backward to the policies of the 1950s and early 1960s, when countless numbers of Christian leaders were sent to prison for up to 30 years. Their crime was refusing to join the Three Self Patriotic Movement, which from its conception was a political tool of the communist government. The total number of participants in these churches would number no more than one million, compared with 80 to 100 million participants in all the unregistered house churches. The Three-Self Patriotic Association and China Christian Council is "a voice without a church" whereas the house churches I speak of are "a church without a voice."

I understand well the faith and thinking of the Christians in the rural areas. They love their nation and have no political aspirations. As a whole, they would not support a democracy.

movement such as that in early 1989. They do not even express the wish that the Communist government would fall. They only hope the government will stop its incessant persecution and harassment, and allow them to worship and evangelize as their conscience dictates. They are more aware than we are of the tremendous sociological and economic problems throughout their nation, and see the Gospel or Jesus Christ as the only solution. However they see the Three-Self Church as a "harlot church", a "tool" of the communists used to destroy them. In no way will they submit to Li Peng's directives. Many would rather go to prison or face execution than to register with the Three-Self Church.

I see massive suffering ahead as the Chinese government tries to turn the clock back to the restrictive policies of the early 1950s. Reports of continued arrests, harassment and torture of Christians will pour out of this nation at an alarming rate. There will even be many reports of overzealous PSB officials beating Christians to death, such as the case of Lal Manping of Xunyang County, Shaanxi Province, in April 1993, and the most recent report of a young Chinese believer who died at the hands of PSB officials in Hunan six weeks ago. The incidents will infuriate Americans and there will be constant negative news from human rights organizations. This will sour the investment environment as well as cultural, educational and scientific exchanges between our nations.

IV. What do the new laws mean for foreign Christians?

For centuries China has drawn missionaries like a magnet. How could this be otherwise? The Bible commands Christians to preach the Good News to "every creature under heaven." Over 20% of the world's population is in China. Christians will gladly risk death and suffering to fulfill this "Great Commission." They try to obey all laws, but wherever there is a contradiction, they would rather "obey God than men." China has stated that it is taking a more open reform policy. One of the slogans throughout Beijing's streets during its bid for the Olympics was, "A More Open China Awaits Olympics 2000." This obviously indicates it was not opened before and they wanted to change.

I told the PSB after my arrest on February 11, "You will have to learn to live with me and I will have to learn to live with you. We are in this together. I am an American, a pastor, a businessman working in China but also a permanent resident of Hong Kong. As long as we live we will try to help to evangelize China. We want to respect your laws, but as Christians it is totally unreasonable to expect us to do nothing to promote the cause of Christ in China. If you go too hard on us, it will do nobody any good, and will only damage relations between our nations." You can guess that the answer they gave was the hardline communist propaganda.

For the past 15 years we have attempted to be very discreet and low-key in our approach to Christian ministry in China. We recognize the home churches as the true "three-self" church. We do not try to control, organize or even support it. We usually go to learn from the Christians and have received much more from them than we give to them. We only want to work for the best of the Chinese nation. Since the early 1980s, the government has from time to time arrested and expelled foreigners working in China. There has been a relative degree of freedom as long as foreigners do not go overboard.

However, now it is a totally different ball game. Li Peng's directives indicate an imminent crackdown on all activities of foreigners and Hong Kong and overseas Chinese. We certainly feel embarrassed, ashamed and saddened by all the publicity given to events such as what we experienced. We are sorry for the time the American Embassy in Beijing has to spend on such matters, not to mention the strained relations between our nations. We wish such matters could have been avoided altogether or kept to a minimum.

I need to state that there are hundreds, if not thousands, of foreign nationals based in Hong Kong working in China in activities that would certainly be deemed "criminal" by Li Peng's new directives. Unless something is done to get the Chinese government to rescind these directives, you can be certain such arrests of Americans in China will be a regular occurrence. One has to experience it to realize how fearful it is. They will not let you notify your government, and you can only hope that somehow someone has notified your government for you and they will help you to get out. You do not know, under the circumstances, what will happen and fear the very worst. As PSB officials throughout China start to track down Christians working in their nation (they suspect almost everyone as it is), I can foresee continual arrests, expulsions and bad feelings between our peoples.

V. The Solution?

I know little about politics. I am not sure the denial of MFN is the best way to get China to change its human rights record. My discussion with the Fangcheng PSB left me with the unmistakable impression that they could not care less. They think we (USA) stand to lose more economically than they would, and at any rate they have many other markets. It is perhaps just a smokescreen. I do not know. They may look at this as a bargaining chip in the trade discussions between the Americans and not take seriously the moral responsibility behind human rights violations.

It may be just as effective for the Americans to make continual strong protests to the Chinese government, business and cultural representatives at every possible opportunity. It would make them lose face, but sooner or later they may wake up to the fact that they are making a big mistake in implementing Decree No 144 and Decree No. 145. It would be even better if individual businessmen refused to invest in China based on the fact that China is seriously violating the rights of local and foreign Christians. That way, at least it may bring it from a governmental level to a personal level. But perhaps this is just wishful thinking on my part.

VI. Conclusion

Three Americans, two Indonesians and two Hong Kong people, all Christians visiting mainland Chinese Christian friends in a rural part of S. Henan Province, through no fault of their own, had an unfortunate run in with the PSB authorities. They were treated horribly, denied their basic right to notify their embassies, had all their goods and money confiscated, and one of the group, Mr. Dennis Balcombe, was expelled from the country. Three of the seven local Christians are still in detention. There is no word at all on their whereabouts, and this has led to fears that the worse has befallen them.

The news of the above incident caused an immediate and adverse reaction around the world, coming only days following the publication of Li Peng's new decrees on religion in China. It seemed to signal the start of a new wave of persecution against the Christian church and believers of other religions.

It is hoped that this was just an isolated incident and does not signal a major change in policy. Even so the injustice of the case must be addressed and Americans travelling in China should be protected from arbitrary arrest, harassment and illegal detention without being given the right to notify their embassy for simply attending a Christian meeting not recognized by the official religious organs.

I personally do not want to make a political statement about MFN, for I do not understand all the complexities of the issue, and as a pastor I want to avoid involvement in such matters. I do hope that those reading this report are aware of our experiences and the possible wide implications of the new laws.

Chairman GIBBONS. Thank you, Rev. Balcombe.

That is another vote and I have to excuse myself in a moment. I apologize to the rest of you.

When you started out, Rev. Balcombe, I thought you said this happened in the northern provinces of China—

Rev. BALCOMBE. It is in Henan Province, which is north-central China.

Chairman GIBBONS. North-central China.

Rev. BALCOMBE. And it was in the southern part of Henan Province.

Chairman GIBBONS. I have it now. I know where that is.

Rev. BALCOMBE. Yes.

Chairman GIBBONS. We do not have a lot of Chinese news in our newspapers, so perhaps this is well known, but I do not know it. What you described, has that been happening all over China, or is it one isolated incident?

Rev. BALCOMBE. There have been arrests all over China and detentions and prison sentences for 2 or 3 years just for what I described. In other words, meeting in unregistered churches, which usually means people's homes, this has been continuing for several years. But this is perhaps the first time as far as I know that an American or a westerner has been involved. There are actually three Americans and other westerners that were involved in such a strict measure taken against us.

Chairman GIBBONS. I thank you for coming all this way to tell this story. It is an important story.

Rev. BALCOMBE. Thank you for letting me share this.

Chairman GIBBONS. It ought to be widely known, and I hope our Government is responding very rapidly to this new crackdown.

Let me go vote and I will be right back for the rest of you folks. Please excuse me. You may go, Rev. Balcombe, if you want to, to make your appointment.

Rev. BALCOMBE. Thank you very much.

Chairman GIBBONS. Thank you.

[Recess.]

Chairman GIBBONS. The subcommittee will be in order.

Mr. Gyari.

STATEMENT OF LODI G. GYARI, PRESIDENT, INTERNATIONAL CAMPAIGN FOR TIBET, AND SPECIAL ENVOY OF THE DALAI LAMA

Mr. GYARI. Mr. Chairman, thank you very much for this opportunity to speak here today. Particularly for me, as a Tibetan, it is a great honor to have such an opportunity, because 6 million fellow Tibetans in their own country do not have such a voice.

I also would like to take this opportunity, Mr. Chairman, through you to express the gratitude of the Tibetan people to the Congress of the United States. During the past several years, the Congress of the United States had passed numerous resolutions supporting justice and the rights of the Tibetan people. Particularly, I would like to express our gratitude for the historic resolution that was passed by the U.S. Congress in 1991, recognizing Tibet as an illegally occupied nation, and also recognizing His Holi-

ness, the Dalai Lama and the Government in exile as the legitimate representatives of the Tibetan people.

Mr. Chairman, during the past several years, the International Campaign for Tibet, of which I am the president, has worked very closely with your colleagues, Senator Mitchell and Congresswoman Nancy Pelosi, and the Congress on conditioning MFN for China. We did it, because we found no other way, no other leverage that the United States can use to bring about fundamental change in China and Tibet. This continues to be our belief today.

Therefore, we were very much encouraged, when President Clinton last year came out with his MFN Executive order with the very specific condition on Tibet. Obviously, as a Tibetan, I wanted the President to go much further than that. I would like him to go as far as the United States Congress went in the above-mentioned legislation passed in 1991, declaring Tibet to be an occupied country.

In fact, Mr. Chairman, with your permission, I would just like to read a small portion of a statement made by a delegation of the U.S. Government in 1960 at the United Nations. Mr. Plimpton was the particular person, and let me quote him. He says:

"The Chinese Communists have invaded Tibet in force. They have forcefully overthrown the legally constituted Government of Tibet headed by the Dalai Lama. They have brutally murdered unknown thousands. They have set out by the most revolting methods to uproot and to destroy the Buddhist faith, which is the main foundation of the Tibetan national life."

As you can see in the early 1960s, the U.S. Government had a very clear and a very firm policy with regard to Tibet. Mr. Chairman, I need not go into the details of why there was a reverse of this policy in a certain period. However, I think with the tremendous support that exists in the Congress, the administration is slowly changing its policy on Tibet. Therefore, I was very happy about President Clinton's Executive order even though, as I said, I would have liked the President to go even further than what he went in his Executive order.

I was also honored when he invited me to be with him when he signed the Executive order. Since then the International Campaign for Tibet has been actively supporting his policy because, as I said earlier, at this moment I know of no other leverage or no other vehicle that the United States can use to bring a fundamental change in China's policy toward Tibet.

Mr. Chairman, I have spent the entire day today listening to the testimony of others, because I felt it is very important for all of us to understand each other's perspectives and to see if there are any other options. We certainly must use the vehicle which is in the best interests of the United States, and which is in the best interests of the people of China and Tibet.

In fact, I also have had the honor of separately meeting with some of your colleagues who essentially have a slightly different view than I have on the issue of MFN, but, nevertheless, who are very strong supporters of Tibet. We spent a long time together to see if there is another way to bring about changes in Tibet. Of course, today I heard different views, but I did not hear anyone come out with any clear arguments or other vehicles besides MFN.

I am not very particular about which vehicle is used, as long as a change is brought about in Tibet. As I said today, I do not think anyone has come out with a clear and precise vehicle other than the one that President Clinton has come out with.

I also would like to depart from my written statement which, with your permission, I will submit for the record. But I thought it was very important, since you have given me this opportunity, for you and also for the others who are in this room to hear the views that I have.

I followed with great interest the exchange that took place between Secretary Lord and Congressman Matsui. I think it was very much a discussion about words, but at the same time I found it interesting, because I also believe, Mr. Chairman, that, of course, there must be different views. That is the great thing about your democracy. That is why I said at the beginning that I feel so privileged that I can speak my views, which I could not do in my own country.

At the same time, I think it is very important to send a very strong message to China, not necessarily unified in the sense that everyone says that we want to condition MFN. But I think it is very important, because I think if the Chinese get the wrong message, we will miss this opportunity to bring about any changes in China or Tibet.

For example, I think President Clinton is very serious about what he says. I believe so, because he is the President of the United States and one should respect what the President of the United States says, and one should believe what the President of the United States say. And if it is serious, then I think it is very important for everyone, whether one agrees with using MFN as a vehicle or not, to tell the Chinese that the President is serious. I think that is what Secretary Lord was trying to say.

I find it very peculiar that for the first time I seem to be agreeing more with the administration than with some of your colleagues. Usually it is the other way around. But today I really felt that I wanted to share my sentiments.

I think it is very important, Mr. Chairman, because I think we Tibetans understand the Chinese mind. I am sure there are many learned experts in the U.S. Government, the U.S. Congress and the business world who speak fluent Chinese, and I do not speak a word of Chinese. But at the same time, for thousands of years we have coexisted side-by-side, and I think the Chinese respect others if the message is very strong; if the message is firm. The moment we start sending mixed signals, what will happen actually is exactly what many of the friends in this room do not want to happen. They do not want China to lose MFN. If they do not want China to lose MFN, then I think everyone has to work together to send a strong message, so that China makes an effort to meet the conditions that President Clinton has set out for them to do.

Mr. Chairman, my organization has never supported revocation of MFN. We have only supported conditioning of MFN. And we certainly do not want China to lose MFN. But at the same time, I think it is very important that we all send a combined and very clear message to the Chinese Government. In this regard, and I think this is very important, Mr. Chairman, it is important for us

to listen to what the Chinese themselves are saying, to the Chinese intellectuals, to the Chinese youth leaders. Because let us agree that the Chinese themselves understand the Chinese Government much more than the Americans or the Tibetans do.

We also had on the panel this morning very eminent persons like Mr. Jendrzejczyk, and I think it would be wrong for any one of us to say that we care more about the future of China than Mr. Jendrzejczyk cares. I think that would be going too far. And Mr. Jendrzejczyk I think is saying that MFN is an important tool to use to bring about changes in China.

So I commend you, Mr. Chairman, for having on your panel a number of people from that region, a number of Chinese friends, and that you also invited me to testify. I think we will be able to contribute to the wisdom of this great organization, because I think when you make your final deliberations, it is very important for you to have a clear understanding of the aspirations, of the views of the people from that part of the world.

For me as a Tibetan, Mr. Chairman, it is vitally important, because today the whole country of Tibet has become a big prison. It has become a big military installation. In fact, day by day, Tibet is becoming another province of China. Some of your colleagues and a number of senior members of the Clinton administration during the last several months have been able to visit Tibet, and they have come back with one common agreement, that, yes, Tibet is becoming a province of China, Tibetans are becoming a minority in their own country.

For example, Mr. Chairman, I have here for illustration a map of one of the prisons in Lhasa. This is what happens in Tibet, if someone speaks out like I am speaking out today. He or she will end up in a place like this—and this is just one of the six prisons in Lhasa alone, and throughout Tibet there are scores of such prisons.

Similarly, Mr. Chairman, China and India are normalizing relations. I am using their own terminology. They said that they are normalizing their relations. So what makes it necessary for the Chinese Government to build such a huge military installation in Lhasa? This is the new headquarters of the People's Liberation Army in Lhasa, just completed a few months back. As you can see, it is still not yet occupied. So actually what Tibet is becoming today is a huge military camp and a huge prison for the Tibetan people.

At the same time, we are becoming a minority in our own country. Thousands and thousands of Chinese are being moved into Tibet. There is a disagreement here, because some people say, well, that this is not encouraged by the Government, that people are moving by their own choice because there are economic possibilities which do not exist in China proper.

I disagree. This is a deliberate policy on the part of the Chinese Government. Mr. Chairman, at some point I would like to submit to the committee two maps prepared by the Chinese Government under the instruction of the Chinese Communist Party. One is of Lhasa City today, and the other one is Lhasa City in the year 2000. All the areas which are seen as yellow are to be used for special purposes, which means for military and for the armed people.

[The maps are being retained in the committee's files.]

So I do think no one can disagree that everything has been planned, because this is a plan prepared by the administrative authority of Lhasa under the clear instructions of the Chinese Government. This is a Chinese Government map. This is not a map manufactured by supporters or friends of Tibet in the United States or the Tibetan Government in exile. This is a map that has been prepared by the Chinese Government.

So that is how, Mr. Chairman, an old nation, an old civilization is today being destroyed. There is a possibility, Mr. Chairman, that people like yourself and your colleagues can help save that civilization, the people. We are not asking much. We are just asking that we be allowed to live in our own land, to pursue our own culture, our own civilization.

In fact, as you know, Mr. Chairman, His Holiness, the Dalai Lama made a very painful decision several years ago. In fact, he first stated it to the U.S. Congress in 1987, when he said because of the real situation in Tibet that he would be prepared to not ask for total independence, if the Chinese are willing to negotiate with the Tibetan people and allow the Tibetan people to have the freedom to live in their own land, to pursue their own culture, to pursue their own religion. Even to that the Chinese Government has not responded.

So what we are asking the U.S. Government and the U.S. Congress is just to help by using MFN as a tool to ask the Chinese to come into the international community as a civilized nation—I use the word civilized, because the Chinese always think they are the only civilized people. They think that we Tibetans are uncivilized, they think we are very dirty, that we are very filthy. In Lhasa, if you visit, there are thousands of Chinese. Yet they find it very dirty there. There are several hundred Chinese high officials that have been there for 30 years and do not speak a single word of Tibetan.

Just like in the good old days when the colonial powers, such as the British and others, used to rule many parts of Asia and Africa, where they never saw a need to speak the native language, where in fact, to speak the native language would almost be a shameful thing to do. That is what has happened in Tibet.

We have for the first time with your help, Mr. Chairman, a window of opportunity. In the past it has been the Congress which really sent a very powerful message. The administration has now come halfway, and so I want to ask the Congress, the administration and also friends from the business community to help us together.

The problem is the business community does not listen to us. For example, Mr. Chairman, many of them came to testify today and I listened to their views. I was hoping that they would stay also and listen to our views, and maybe together we could find a solution.

I wrote to over 300 of your top executives. Only a dozen responded. Only a few met with me, and those that I met knew nothing about Tibet, knew nothing about what has been denied to our nation, what has been denied to our people.

Some weeks back, I also read an article, an op-ed piece by one of your very eminent colleagues, where he talked about how we

should be very careful, we should not condition MFN, because, according to him, the pro-Americans of the Chinese leaders, their policy would be weakened.

Mr. Chairman, I know and I think my Chinese friends will agree that yes, there are many pro-Americans in China, thousands and millions of them. There are many pro-Americans in Tibet. But they are not in the politburo. They are the ones that you saw on Tiananmen Square. They are the ones that will spend their time inside prisons. Because I believe that America means freedom and democracy.

Those in the politburo are prodollars. I absolutely agree that every member in the politburo today in China, whatever may be their political differences, is definitely prodollars, they want a dollar from the United States. So they are not pro-American at all, for they do not stand for freedom and democracy.

With that, Mr. Chairman, I would like to conclude. You have been very kind and I really must say that I greatly admire you, because you have spent so much time listening to all of us, and that I think shows very clearly how much you care and how much importance you attach to listening to the views of even the very weak and not powerful voices like the Tibetan voices.

Thank you very much, Mr. Chairman.

[The prepared statement follows:]

INTERNATIONAL
CAMPAIGN
FOR TIBET

Lodi G. Gyari
President, International Campaign for Tibet

Testimony before the
U.S. House of Representatives
Committee on Ways and Means,
Subcommittee on Trade

United States-China Trade Relations
February 24, 1994

Thank you, Mr. Chairman and distinguished members of this Committee, for providing me with the opportunity to testify before you today on China's compliance with President Clinton's Executive Order of May 28, 1993 conditioning future renewal of their Most Favored Nation (MFN) trade status, and particularly on the condition concerning Tibet.

My name is Lodi Gyari and I was born in Nyarong, in the Tibetan province of Kham. I am President of the International Campaign for Tibet, an American non-governmental organization dedicated to the promotion of human rights and democratic freedoms for the Tibetan people. I am also Special Envoy of His Holiness the Dalai Lama and have served in both the Tibetan Parliament and Cabinet in Exile in Dharamsala, India.

I would like to express my deep appreciation to the U.S. Congress for its tremendous leadership on the issue of Tibet. The numerous resolutions passed by you and your colleagues condemning human rights violations in Tibet and providing financial and other assistance to Tibetan refugees, have given great encouragement to the Tibetan people. In particular I would like to thank the Congress for the historic resolution passed in 1991 recognizing all of historical Tibet as an occupied country and His Holiness the Dalai Lama as the legitimate representative of the six million Tibetan people.

In 1960 Mr. Plimpton, speaking for the United States at the United Nations General Assembly made this moving statement. "The Chinese Communists have invaded Tibet in force. They have forcibly overthrown the legally constituted Government of Tibet headed by the Dalai Lama.... They have brutally murdered unknown thousands... They have set out by the most revolting methods to uproot and destroy the Buddhist faith which was the main foundation of Tibetan national life." With this support from the U.S., the international community condemned China's actions in Tibet in three United Nations General Assembly resolutions of 1959, 1961 and 1965. However, such forceful support for Tibet became a casualty of the normalization of relations between your country and the People's Republic of China in the late 1970s.

Mr. Chairman, the United States is undeniably the world's most powerful nation. But its economic and military strength must be supplemented by moral and ethical strength as well. It was therefore reassuring when President Clinton declared human rights to be one of the four pillars of his foreign policy and incorporated this principle into his policy towards the People's Republic of China. If any one country has the ability to influence China's policies towards Tibet, it is the United States.

Since 1989 the International Campaign for Tibet has supported the efforts of the Congress to use annual renewal of China's Most-Favored-Nation (MFN) trade status to help bring about a change in the policies of the People's Republic of China towards the Chinese and Tibetan people. We were therefore pleased when President Clinton issued his Executive Order and addressed the issue of Tibet independently by including a condition calling for the protection of Tibet's distinct religious and cultural heritage.

While this Tibet condition is disturbingly broad, it acknowledges that the problem in Tibet is not simply one of human rights violations, environmental degradation or even destructive development practices, but one at which the very survival of a people and their identity is at stake.

His Holiness the Dalai Lama has stated that the only way to bring about a peaceful resolution to the situation in Tibet is through a mutually-acceptable negotiated settlement between the Chinese and Tibetan people. The International Campaign for Tibet strongly supports the efforts of the Dalai Lama because we believe that the future of Tibet is for the Tibetan people, as a unified people under the leadership of the Dalai Lama, to determine.

The International Campaign for Tibet therefore calls on the Congress and Administration to insist that the Chinese begin negotiations with the Dalai Lama or his representatives before June 3, 1994. We further call on the Chinese to agree to the time, place and agenda for completion of negotiations on the future of Tibet before June 3, and on the United States to use its ongoing leverage with China to ensure that the negotiation process is successfully completed. This will guarantee that China follows through with such negotiations and does not simply agree to a single meeting with the Tibetans in order to meet the MFN condition. While such actions in and of themselves would not protect Tibet's religious and cultural heritage, they would represent some progress in an extended process which could lead to peace in Tibet.

CULTURAL SUPPRESSION IN TIBET

Since China invaded Tibet in 1949, over 1.2 million innocent Tibetans have lost their lives and the Chinese Government has attempted to destroy all vestiges of the unique Tibetan culture and religion. After demolishing over 6000 monasteries and places of worship, the Chinese authorities imposed strict rules against all displays of Tibetan culture and religion which remain to this day. The initial destruction in Tibet was so severe that in 1960 the International Commission of Jurists found "that acts of genocide had been committed in Tibet in an attempt to destroy the Tibetans as a religious group."

Today, the Chinese Government continues to violate the basic rights and fundamental freedoms of the Tibetan people.

Religious practice in Tibet remains tightly controlled, with strict regulation of almost all religious activity. For example, on February 5 China declared a ban on religious contact between people inside and outside of China. This decree signed by Premier Li Peng could target the many Tibetan religious teachers who live in exile and who wish to return to Tibet, if even for a short visit. The number of monks and nuns allowed in each monastery is to be further restricted by Communist Party authorities according to an article on December 2 in the official *China's Tibet* magazine. Also, Tibet's most sacred religious festival, Monlam, continues to be banned from the Jokhang temple in Lhasa, traditionally the most important site for it to be celebrated.

While we welcomed the release last month of two high profile political prisoners, Gendun Rinchen and Lobsang Yonten, hundreds of new political prisoners were arrested in Tibet in 1993. In Lhasa alone there are now over 400 prisoners of conscience, a more than 30% increase from 1992. Asia

Watch calculated in its recently released report, *Detained in China and Tibet*, that almost 80% of new political arrests made by the Chinese in 1993 were in Tibet. They also report that "the proportion of 'counterrevolutionaries' to common criminals in Tibetan jails today is almost twenty-one times higher than in China proper."

As the world prepares for the 1995 Fourth World Conference on Women to be held in Beijing, the Chinese Government has stepped up repression against Tibetan Buddhist nuns over the last nine months. Just four days ago, on February 20, the sentences of fourteen imprisoned nuns were doubled and tripled for singing pro-independence songs while in prison, including one woman whose sentence was increased from nine to seventeen years. Earlier this month, twelve nuns charged with demonstrating in June 1993, including a 15 year old girl, were given sentences of to up to seven years in prison. If such blatant violations of the rights of Tibetan women continue, we may be compelled to protest Beijing as the site for hosting the prestigious United Nations Women's conference, as we did with their bid for the 2000 Olympics.

The most serious ongoing threat to the survival of the Tibetan religious, cultural and national identity is the massive influx of Chinese settlers into Tibet. Tibetans are already a minority in most urban areas of Tibet and in Lhasa, Tibet's capitol, an estimated 70% of the population is Chinese.

In recent years, thousands of Chinese civilians have migrated to Tibet solely to exploit economic opportunities. While Beijing has instituted a new "economic reform and opening" program in Tibet, the new economic policies mostly benefit the Chinese settlers and further marginalize the Tibetan population. Furthermore, direct incentives and lax enforcement of residency regulations by governmental officials encourage the relocation of Chinese civilians in Tibet. By the end of 1992, for example, all controls on the movement of Chinese civilians into Tibet were abandoned. By contrast, movement of Tibetans within their own country, and particularly from rural to urban centers, is strictly regulated.

There has been considerable academic discussion about whether the increasing influx of Chinese into Tibet is the result of a deliberate policy by the Chinese Government. Evidence of China's intentions toward Tibet are now clearly revealed in a series of planning maps governing the development of Lhasa for the years 1980-2000. The maps, prepared by Lhasa municipal authorities in response to a edict from the Communist Party Central Committee, reveal the Chinese Government intentions of transforming all of Lhasa, even the tiny remaining Tibetan neighborhoods, into a sterile replica of any Chinese provincial capitol.

Despite the easing of Sino-Indian tensions and the signing of an agreement to reduce troops along the Tibeto-Indian border, China's military presence in Tibet has increased in recent years. Construction of military facilities in and around Tibet's urban centers has escalated. For example, in 1993 the People's Liberation Army (PLA) completed a sprawling new headquarters in western Lhasa that attests to Beijing's desire to maintain a high level of troops in the city. The People's Armed Police (PAP), a security force charged with quelling civil disturbance, has also markedly expanded its presence in Lhasa since the 1987 uprising. Several large tracts of the Lhasa valley are now occupied almost exclusively by PLA or PAP installations.

Demolition of traditional Tibetan homes and buildings has increased dramatically in the few remaining Tibetan parts of Lhasa and the bulk of development activity in Tibet benefits the increasing numbers of Chinese residents. Most commercial and retail space is built for Chinese businessmen and the construction itself is performed by Chinese labor.

The Chinese Government may demand credit for rebuilding a few of the monasteries that they had destroyed. However, funding and then dominating a few cultural institutions such as the Potala Palace does not constitute protecting cultural freedom.

Over the past nine months China's policies with regards to protecting Tibet's culture have worsened while there have been no steps taken to protect Tibet's religion. In sum, the Chinese Government has made no progress towards meeting the condition included in President Clinton's Executive Order calling for the protection of Tibet's distinct religious and cultural heritage.

Efforts of the Dalai Lama

The Dalai Lama has made numerous statements over the years calling for the Chinese to begin negotiations with the Tibetan people without preconditions. In fact he presented his forward-looking proposal, the Five Point Peace Plan, to the U.S. Congress in 1987. In this proposal and others, the Dalai Lama has stressed the importance of substantive negotiations and expressed that he is willing to not include the issue of independence on the agenda for such negotiations. However, even his proposals to visit Tibet to urge the Tibetan people to adhere to the principles of non-violence have been rejected by the Chinese Government.

Last year, representatives of the Dalai Lama traveled to Beijing to deliver a personal letter to Chinese leaders Deng Xiaoping and Jiang Zemin. In this letter he states that "I remain committed to the belief that our problems can be solved only through negotiations, held in an atmosphere of sincerity and openness, for the benefit of both the Tibetan and Chinese people. To make this possible, neither side should put up obstacles, and neither side should, therefore, state pre-conditions." I would ask the Chairman if this letter could be entered into the record, as I believe it clearly outlines the many steps the Dalai Lama has taken to bring peace to Tibet and the repeated failure of the Chinese to respond to these efforts.

In November when President Clinton was in Seattle for the Asia Pacific Economic Cooperation (APEC) forum he publicly called on President Jiang Zemin to begin negotiations with the Dalai Lama or his representatives. This policy of actively calling for negotiations has been reflected in the Administration's public statements following President Clinton's meeting with the Chinese President, Secretary Christopher's meetings with the Chinese Foreign Minister, and official meetings at all other levels. Similarly, Members of the House and Senate sent a letter to President Clinton last week reiterating their concern about China's lack of progress in meeting the Tibet condition and defining the Tibet condition to mean the commencement of negotiations.

While the commencement of negotiations may not have an immediate impact on the protection of Tibet's distinct religious and cultural heritage, we are encouraged that the Administration is calling on the Chinese to begin negotiations as a benchmark to meeting the Tibet condition. This exhibits a new understanding of what the Dalai Lama has been saying repeatedly over the years; that the key to a lasting solution to the conflict in Tibet is through a negotiated settlement. Through President Clinton's 1993 Executive Order and other mechanisms the Administration must make the successful completion of substantive negotiations a priority in all of its discussions with Chinese Government officials.

MFN as a Tool for Change

Despite the unimaginable hardships the Tibetan people have endured, we are not without hope. It is our belief that with continued insistence from the United States, China may yet show progress on the issue of Tibet. As members of the subcommittee with jurisdiction over international trade, you know better than I how much China stands to lose if their MFN status were to be revoked. China currently depends heavily on revenue from the lucrative American market which has given it a \$20 billion trade surplus with the United States. If the Chinese fear continuation of their MFN trade status is truly at stake they may indeed take some steps forward with regards to Tibet.

I am concerned that some of the recent statements by people in the Administration, Congress and business community which promote the de-linking of trade and human rights could weaken the opportunity for real change in Tibet. The Chinese must believe that the United States is serious about the conditions outlined in President Clinton's Executive Order and that it is not backtracking

on its commitment to seeing real improvements in China and Tibet. As the recently released Chinese political prisoners Wei Jingsheng and Xu Wenli stated with regards to the current U.S. policy, "if you retreat, you lose".

Today millions of people inside Tibet continue to suffer as the threat of cultural extinction grows with each day. However, as a result of the President's MFN Executive Order, the U.S. has a renewed opportunity to truly help bring about a change in China's repressive policies in Tibet, particularly if a strong, consistent message is transmitted to the Chinese Government over the next several months.

The U.S. Congress and Administration should therefore publicly and forcefully support the efforts of the Dalai Lama for peace. The more visible support the Dalai Lama receives from the U.S., the more the Tibetans will continue to adhere to his path of non-violence and the more they will trust in diplomacy as the viable solution to the conflict in Tibet. Just as the Goddess of Democracy has come to symbolize the aspirations for democracy of the Chinese people, His Holiness today symbolizes freedom and democracy for millions of people around the world. The return of the Dalai Lama to Tibet after a negotiated settlement has been reached can be the marker for when China has decided to abide by internationally accepted norms of behavior.

It is my belief that the United States should support the millions and millions of people fighting for freedom and democracy in the People's Republic of China, and not the few who are benefiting from the business boom with the West; for as long as China continues to blatantly disregard the basic rights and aspirations of the Tibetan people, it cannot be trusted as a responsible member of the international community. However, a democratic China that respects the rule of law would provide welcomed stability in the region, and indeed around the world. The active involvement of the United States in this process is vital.

Again I thank you for providing me this opportunity to testify before you today.

Original Text Tibetan

September 11, 1992

Mr. Deng Xiaoping
Chinese Communist Party Central Committee
Beijing
CHINA

Dear Mr. Deng Xiaoping,

I am pleased that direct contact has once again been established between us. I hope that this will lead to an improvement of relations and the development of mutual understanding and trust.

I have been informed of the discussions Mr. Ding Guangen had with Gyalo Thondup on June 22, 1992, and the position of the Government of China concerning negotiations for a solution to the Tibetan question. I am disappointed with the hard and inflexible position conveyed by Mr. Ding Guangen, particularly the emphasis on pre-conditions for negotiations.

However, I remain committed to the belief that our problems can be solved only through negotiations, held in an atmosphere of sincerity and openness, for the benefit of both the Tibetan and Chinese people. To make this possible, neither side should put up obstacles, and neither side should, therefore, state pre-conditions.

For meaningful negotiations to take place it is essential to have mutual trust. Therefore, in order to create trust, I believe it is important for the leaders and people of China to know of the endeavours I have made so far. My three representatives carry with them a letter from me, accompanied by a detailed note of my views and my efforts through the years to promote negotiations in the best interests of the Tibetan and Chinese people. They will answer and discuss any questions and points you wish to raise. It is my hope that through these renewed discussions we will find a way that will lead us to negotiations.

On my part, I have put forward many ideas to solve our problem. I believe that it is now time for the Chinese government to make a genuinely meaningful proposal if you wish to see Tibet and China live together in peace. I, therefore, sincerely hope that you will respond in a spirit of openness and friendship.

Yours sincerely,

Note accompanying His Holiness the Dalai Lama's letters to
Mr. Deng Xiaoping and Mr. Jiang Zemin, General Secretary of the
CCP, September 11, 1992

On June 22, 1992, Mr. Ding Guangen, head of the United Front Works Department of CCP Central Committee, met with Mr. Gyalo Thondup in Beijing and restated the assurance given by Mr. Deng Xiaoping to Mr. Gyalo Thondup in 1979 that the Chinese government was willing to discuss and resolve any issue with us except total independence. Mr. Ding Guangen also said that, in the Chinese government's view, "the Dalai Lama is continuing with independence activities," but the Chinese government was willing to immediately start negotiations as soon as I give up the independence of Tibet. This position, repeatedly stated in the past by the Chinese government, shows that the Chinese leadership still does not understand my ideas regarding the Tibetan-Chinese relationship. Therefore, I take this opportunity to clarify my position through this note.

1. It is an established fact that Tibet and China existed as separate countries in the past. However, as a result of misrepresentations of Tibet's unique relations with the Mongol and the Manchu Emperors, disputes arose between Tibet and the Kuomintang and the present Chinese government. The fact that the Chinese government found it necessary to conclude a "17-Point Agreement" with the Tibetan government in 1951 clearly shows the Chinese government's acknowledgement of Tibet's unique position.

2. When I visited Beijing in 1954, I had the impression that most of the Communist party leaders I met there were honest, straightforward and open-minded. Chairman Mao Zedong, in particular, told me on several

natural resources and use them for the development of the country. General Zhang Jingwu and General Fan Ming, were in Tibet to help me and the people of Tibet, and not to rule the Tibetan government and people, and that all Chinese officials in Tibet were there to help us and to be withdrawn when Tibet had progressed. Any Chinese official who did not act accordingly would be sent back to China. Chairman Mao went on to say that it had now been decided to establish a "Preparatory Committee for the establishment of the Tibet Autonomous Region" instead of the earlier plan to put Tibet under the direct control of the Chinese government through a "Military-Political Commission."

At my last meeting with Chairman Mao, before I left China, he gave me a long explanation about democracy. He said that I must provide leadership and advised me on how to keep in touch with the views of the people. He spoke in a gentle and compassionate manner which was moving and inspiring.

While in Beijing, I told Premier Zhou Enlai that we Tibetans were fully aware of our need to develop politically, socially and economically and that in fact I had already taken steps towards this.

On my way back to Tibet, I told General Zhang Guohua that I had gone to China with doubts and anxiety about the future of my people and country, but had now returned with great hope and optimism and a very positive impression of the Chinese leaders. My innate desire to serve my people, especially the poor and the weak, and the prospect of mutual cooperation and friendship between Tibet and China made me feel hopeful and optimistic about Tibet's future development. This was how I felt at that time about the Tibetan-Chinese relationship.

3. When the "Tibet Autonomous Region Preparatory Committee" was set up in Lhasa in 1956, there was no alternative but to work sincerely with it for the interest and benefit of both parties. However, by then the Chinese authorities had already started to use unthinkable brutal force to impose Communism on the Tibetan people of the Kham and Amdo areas, particularly in Lihang. This increased the resentment of the Tibetans against Chinese policies, leading to open resistance.

I could not believe that Chairman Mao would have approved of such repressive policy because of the promises he had made to me when I was in China. I, therefore, wrote three letters to him explaining the situation and seeking an end to the repression. Regrettably, there was no reply to my letters.

In late 1959, I visited India to attend Buddha Jayanti, the anniversary of the birth of Buddha. At that time, many Tibetans advised me not to return to Tibet, and to continue talks with China from India. I also felt that I should stay in India for the time being. While in India, I met Premier Zhou Enlai and told him how deeply saddened I was by the military repression inflicted upon Tibetans in Kham and Amdo in the name of "reforms." Premier Zhou Enlai said that he regarded these matters as mistakes committed by Chinese officials and that "reforms" in Tibet would be carried out only in accordance with the wishes of the Tibetan people, and that in fact the Chinese government had already decided to postpone the "reforms" in Tibet by six years. He then urged me to return to Tibet as soon as possible in order to prevent further outbreaks of unrest.

According to the Indian Prime Minister, Jawaharlal Nehru, Premier Zhou Enlai told him that the Chinese government "did not consider Tibet as a province of China. The people were different from the people of China proper. Therefore, they (the Chinese) considered Tibet as an autonomous region which could enjoy autonomy." Prime Minister Nehru told me that he had assurances from Premier Zhou Enlai that Tibet's autonomy would be respected and, therefore, advised me to make efforts to safeguard it and cooperate with China in bringing about reforms.

By then, the situation in Tibet had become extremely dangerous and desperate. Nevertheless, I decided to return to Tibet to give the Chinese government another opportunity to be able to implement their promises. On my return to Lhasa through Dromo, Gyantse and Shigatse I had many meetings with Tibetan and Chinese officials; I told them that the Chinese were not in Tibet to rule the Tibetans, that the Tibetans were not subjects of China, and that since the Chinese leaders had promised to establish Tibet as an autonomous region with full internal freedoms, we all had to work to make it succeed. I emphasised the point that the leaders of China had assured me that all Chinese personnel in Tibet were there to help us, and that if they behaved otherwise, they would be going against the order of their own government. I believe, I was once again doing my best.

4. However, because of the harsh military repression in the Kham and Amdo parts of eastern Tibet, thousands of young and old Tibetans, unable to live under such circumstances, began to arrive in Lhasa as refugees. As a result of these Chinese actions the Tibetan people felt great anxiety and began to lose faith in the promises made by China. This led to greater resentment and a worsening of the situation. Nevertheless, I continued to counsel my people to seek a peaceful solution and to show restraint. At the risk of losing the trust of the Tibetan people, I did my best to prevent a break-down of the communications with the Chinese officials in Lhasa. But the situation continued to deteriorate and finally exploded in the tragic events of 1959 which forced me to leave Tibet.

Faced with such a desperate situation, I had no alternative but to appeal to the United Nations. The United Nations, in turn, passed three resolutions on Tibet in 1959, 1961 and 1965 wherein it called for 'the cessation of practices which deprive the Tibetan people of their fundamental human rights and freedoms including their right to self-determination' and asked member States to make all possible efforts toward achieving that purpose.

The Chinese government did not respect the United Nations resolutions. In the meantime, the Cultural Revolution started and there was absolutely no opportunity for solving the Tibetan-Chinese problems. It was in fact not even possible to identify a leader with whom we could talk.

Chinese government, and since Tibet and China will always remain our neighbours, I am convinced that we must strive to find a way to resolve our peace and help each other. This, I believe, is possible and worthy of our efforts. With this conviction I said in my statement to the Tibetan people on March 10, 1973: "In spite of the fact that we Tibetans have to oppose Communist China, I can never bring myself to hate her people. Hatred is not a sign of strength, but of weakness. When Lord Buddha said that hatred cannot be overcome by hatred, he was not only being spiritual. But his words reflect the practical reality of life. Whatever one achieves through hatred will not last long. On the other hand, hatred will only generate more problems. And for the Tibetan people who are faced with such a tragic situation, hatred will only bring additional depression. Moreover, how can we hate a people who do not know what they are doing? How can we hate millions of Chinese, who have no power and are helplessly led by their leaders? We cannot even hate the Chinese leaders for they have suffered tremendously for their nation and the cause which they believe to be right. I do not believe in hatred, but I do believe, as I have always done, that one day truth and justice will triumph."

In my March 10th statement of 1973, referring to the Chinese claim of Tibetans being made the "masters of the country" after being "liberated" from the "imperialist, feudal, and enjoying unprecedented progress and happiness," I stated: "The aim of the struggle of the Tibetans outside Tibet is the attainment of the happiness of the Tibetan people. If the Tibetans in Tibet are truly happy under Chinese rule then there is no reason for us here in exile to argue otherwise."

Again, in my 1979 March 10th statement, I welcomed Mr. Deng Xiaoping's statement "to seek truth from facts" to give the Chinese people their long cherished rights, and of the need to acknowledge one's own mistakes and shortcomings. While commending these signs of honesty, progress and openness, I said: "The present Chinese leaders should give up the past dogmatic narrow-mindedness and fear of losing face and recognise the present world situation. They should accept their mistakes, the realities and the right of all peoples of the human race to equality and happiness. Acceptance of this should not be merely on paper, it should be put into practice. If these are accepted and strictly followed, all problems can be solved with honesty and justice." With this conviction I renewed my efforts to promote reconciliation and friendship between China and Tibet.

5. In 1979, Mr. Deng Xiaoping invited Mr. Gyalo Thondup to Beijing and told him that apart from the question of total independence all other issues could be discussed and all problems can be resolved. Mr. Deng further told Mr. Thondup that we must keep in contact with each other and that we could send fact-finding delegations to Tibet. This naturally gave us great hopes of resolving our problem peacefully and we started sending delegations to Tibet.

... The Chinese government has been unable to deal with the Tibet problem on all its aspects in the situation of Tibet. ... The Tibet problem is presented with other major issues in the world. ... The Chinese government should be aware that the Tibet issue is a global issue and is not just a local problem. ... We are waiting in vain for the Chinese government to take a step through an open and fair dialogue with the Tibetan people. Therefore, genuine efforts must be made to reach a solution in accordance with the existing realities in a reasonable way.

... In order to do this, we must improve the relationship between the Tibetans inside and outside Tibet. ... With the right political foundation, we must try to develop friendship between

... Tibetans inside and outside Tibet in a spirit of friendship and mutual respect to achieve genuine happiness for the Tibetan people in a sense of dignity. ... On my part, I remain committed to contribute to the welfare of all human beings and in particular the poor and the weak to the best of my ability without making any distinction based on national boundaries.

... I hope you will let me know your views on the foregoing points.

There was no reply to my letter. Instead, on July 25 1985 General Secretary Hu Yaobang gave Mr Gyalo Thondup a document entitled "Five-point Policy Towards the Dalai Lama".

This was a surprise and a great disappointment. The reason for our consistent efforts to deal with the Chinese government is to achieve lasting and genuine happiness for six million Tibetans who must live as neighbours of China from generation to generation. However, the Chinese leadership chose to ignore this and, instead, attempted to reduce the whole issue to that of his personal status and the conditions for his return without any willingness to address the real underlying issues.

Nevertheless, I continued to place hope in Mr Deng Xiaoping's statement "seeking truth from facts" and his policy of liberalisation. Therefore, I sent several delegations to Tibet and China and a heretic visit. ... was an opportunity we explained our views in promote understanding through discussion and dialogue. ... As initially suggested by Mr Deng Xiaoping, I agreed to send Tibetan teachers from India to improve the education of Tibetans in Tibet. ... But for one reason or the other the Chinese government did not accept this.

These contacts resulted in four fact-finding delegations to Tibet, two delegations to Beijing, and the start of family visitations between the Tibetans in Tibet and in exile. However, these steps did not lead to any substantial progress in resolving the problems between us owing to the rigidity of the Chinese leaders' positions which, I believe, failed to reflect Mr Deng Xiaoping's policies.

... Once again, I did not give up hope. This was reflected in my annual public speeches to the Tibetan people in 1981, 1983, 1984 and 1985 wherein I said the following:

... "The past custom has disappeared in the past. What is more relevant is that in the future there actually must be real peace and happiness through developing friendly and meaningful relations between China and Tibet. For this to be realised, it is important for both sides to work hard to have tolerant understanding and be open-minded." (1981)

... "The right to express one's ideas and to make every effort to implement them enables people everywhere to become creative and progressive. This engenders human society to make rapid progress and experience

genuine harmony. ... The deprivation of freedom to express one's views, either by force or by other means, is absolutely anachronistic and a brutal form of oppression. ... The people of the world will not only oppose it but will condemn it. Hence, the six million Tibetan people must have the right to preserve, and enhance their cultural identity and religious freedom, the right to determine their own destiny and manage their own affairs, and find fulfilment of their free self-expression, without interference from any quarters. This is reasonable and just." (1983)

irrespective of varying degrees of development and economic disparities, continents, nations, communities, families, in fact, "all individuals are dependent on one another for their existence and well-being. Every human being wishes for happiness and does not want suffering. By clearly realising this, we must develop mutual compassion, love, and a fundamental sense of justice. In such an atmosphere there is hope that problems between nations and problems within families can be gradually overcome and that people can live in peace and harmony. Instead, if people adopt an attitude of selfishness, domination and jealousy, the world at large, as well as individuals, will never enjoy peace and harmony. Therefore, I believe that human relations based on mutual compassion and love is fundamentally important to human happiness." (1984)

"... in order to achieve genuine happiness in any human society, freedom of thought is extremely important. This freedom of thought can only be achieved from mutual trust, mutual understanding and the absence of fear.... In the case of Tibet and China too, unless we can remove the state of mutual fear and mistrust, unless we can develop a genuine sense of friendship and goodwill the problems that we face today will continue to exist.

It is important for both of us to learn about one another.... It is now for the Chinese to act according to the enlightened ideals and principles of the modern times; to come forward with an open mind and make a serious attempt to know and understand the Tibetan people's view point and their true feelings and aspirations.... It is wrong to react with suspicion or offence to the opinions that are contrary to one's own way of thinking. It is essential that differences of opinion be examined and discussed openly. When differing viewpoints are frankly stated and sensibly discussed on an equal footing, the decisions or agreements reached as a result will be genuine and beneficial to all concerned. But

so long as there is a contradiction between thought and action, there can never be genuine and meaningful agreements.

So, at this time, I feel the most important thing for us is to keep in close contact, to express our views frankly and to make sincere efforts to understand each other. And, through eventual improvement in human relationship, I am confident that our problems can be solved to our mutual satisfaction." (1985)

In these and other ways I expressed my views clearly. But, there was no reciprocity to my conciliatory approaches.

8. Since all the exchanges between Tibetans and Chinese yielded no results, I felt compelled to make public my views on the steps necessary for an agreeable solution to the fundamental issues. On September 21, 1987, I announced a Five-Point Peace Plan in the United States of America. In its introduction, I said that in the hope of real reconciliation and a lasting solution to the problem, it was my desire to take the first step with this initiative. This plan, I hoped, would in the future contribute to the friendship and cooperation among all the neighbouring countries including the Chinese people for their good and benefit. The basic elements were

1. Transformation of the whole of Tibet into a zone of ahimsa (peace and non-violence);
2. Abandonment of China's population transfer policy which threatens the very existence of the Tibetans as a people;
3. Respect for the Tibetan people's fundamental human rights and democratic freedoms;
4. Restoration and protection of Tibet's natural environment and the abandonment of China's use of Tibet for the production of nuclear weapons and dumping of nuclear waste;
5. Commencement of earnest negotiations on the future status of Tibet and relations between the Tibetan and the Chinese peoples.

As a response to this initiative, Mr Yang Minglu, met Mr. Gyalto Thondup on October 17, 1987 and delivered a message containing five points criticising me for my above peace initiative and accusing me of having incited the demonstrations in Lhasa of September 27, 1987 and of having worked against the interests of Tibetan people.

This response, far from giving a serious thought to my sincere proposal for

Despite this, I tried once again to clarify our views in a detailed 14-point response on December 17, 1987.

9. On June 15, 1988, at the European Parliament in Strasbourg, I once again elaborated on the Five-Point Peace Plan I proposed as a framework for negotiations to secure the basic rights of the Tibetan people. China could remain responsible for Tibet's foreign policy and maintain a restricted number of military installations in Tibet for defence until a regional peace conference is convened and Tibet is transformed into a neutral peace sanctuary. I was criticised by many Tibetans for this proposal. My idea was, to make it possible for China and Tibet to stay together in lasting friendship and to secure the right for Tibetans to govern their own country. I sincerely believe that in the future a demilitarised Tibet as a zone of ahimsa will contribute to harmony and peace not only between Tibetans and Chinese, but to all the neighbouring countries and the entire region.

10. On September 23, 1988, the Chinese government issued a statement that China was willing to begin negotiations with us. The announcement stated that the date and venue for the negotiations would be left to the Dalai Lama. We welcomed this announcement from Beijing and responded on October 25, 1988, proposing January 1989 as the time and Geneva, an internationally recognized neutral venue, as our choices. We announced that we had a negotiating team ready and named the members of the team.

The Chinese government responded on November 18, 1988, rejecting Geneva and expressing preference for Beijing or else Hong Kong, as the venue. They further stated that my negotiating team could not include "a foreigner" and consist only of "younger people," and that it should have older people, including Mr. Gyalo Thondup. We explained that the foreigner was only a legal advisor and not an actual member of the negotiating team and that Mr. Gyalo Thondup would also be included as an advisor to the team.

With a flexible and open attitude we accommodated the Chinese government's requests and agreed to send representatives to Hong Kong to

hold preliminary meetings with representatives of the Chinese government. Unfortunately, when both sides had finally agreed on Hong Kong as the site for preliminary discussions the Chinese government refused to communicate any further and failed to live up to their own suggestion.

11. Although I championed this proposal for over two years there was no evidence of consideration or even an acknowledgement from the Chinese government.

Therefore, in my March 10th statement in 1991, I was compelled to state that unless the Chinese government responded in the near future I would consider myself free from any obligation to abide by the proposal I made in France.

Since there appeared to be no benefit from the many solutions I had advocated concerning Tibet and China, I had to find a new way. Therefore, in a speech at Yale University on October 9, 1991, I said:

"... I am considering the possibility of a visit to Tibet as early as possible. I have in mind two purposes for such a visit."

"First, I want to ascertain the situation in Tibet myself on the spot and communicate directly with my people. By doing so, I also hope to help the Chinese leadership to understand the true feelings of Tibetans. It would be important, therefore, for senior Chinese leaders to accompany me on such a visit, and that outside observers, including the press be present to see and report their findings."

"Second, I wish to advise and persuade my people not to abandon non-violence as the appropriate form of struggle. My ability to talk to my own people can be a key factor in bringing about a peaceful solution. My visit could be a new opportunity to promote understanding and create a basis for a negotiated solution."

Unfortunately this overture was immediately opposed by the Chinese Government. At that time, I was asked on many occasions by the press whether I was renewing the call for Tibetan independence since I had declared that the Strasbourg proposal was no longer valid. To these questions, I stated that I did not want to comment.

... The Chinese government has, with great doubt and suspicion, described our struggle as a movement to restore the "old society" and that it was not in the interest of the Tibetan people but for the personal interest of the Dalai Lama. Since my youth, I was aware of the many faults of the existing system in Tibet and wanted to improve it. At that time I started the process of reform in Tibet. Soon after our flight to India we introduced democracy in our exile community, step by step. I repeatedly urged my people to follow this path. As a result, our exiled community now implements a system in full accordance with universal democratic principles. It is impossible for Tibet to ever revert to the old system of government. Whether my efforts for the Tibetan cause are as charged by the Chinese for my personal position and benefit or not is clear from my repeated statements that in a future Tibet, I will not assume any governmental responsibility or hold any political position. Furthermore, this is reflected clearly in the Charter which governs the Tibetan Administration in Exile and in the "Guidelines for Future Tibet's Polity and the Basic Features of Its Constitution," which I announced on February 26, 1992.

In the conclusion of these guidelines, I suggested that "Tibet shall not be influenced or swayed by the policies and ideologies of other countries but remain a neutral state in the true sense of the term. It shall maintain a harmonious relationship with its neighbours on equal terms and for mutual benefits. It shall maintain a cordial and fraternal relationship with all nations, without any sense of hostility and enmity."

... genuinely cordial relationship is established between the Tibetan and the Chinese, it will enable us not only to resolve the disputes between our two nations in this century, but will also enable the Tibetans to make a significant contribution through our rich cultural tradition for mental peace among the millions of young Chinese."

My endeavours to establish a personal relationship with Chinese leaders include my offer, presented through your Embassy in New Delhi in the latter part of 1980, for a meeting with General Secretary Hu Yaobang during one of his visits abroad at any convenient place. Again in December 1991, when Premier Li Peng visited New Delhi, I proposed to meet him there. These overtures were to no avail.

13. An impartial review of the above points will clearly show that my ideas and successive efforts have consistently sought solutions that will allow Tibet and China to live together in peace. In the light of these facts it is difficult to understand the purpose of the Chinese government's position that Mr. Deng Xiaoping's statement on Tibet of 1979 still stands and that as

soon as "the Dalai Lama gives up his splittist activities," negotiations could start. This position has been repeated over and over again with no specific responses to my many initiatives.

If China wants Tibet to stay with China, then China must create the necessary conditions for this. The time has come now for the Chinese to show the way for Tibet and China to live together in friendship. A detailed step by step outline regarding Tibet's basic status should be spelled out. If such a clear outline is given, regardless of the possibility of an agreement or not, we Tibetans can then make a decision whether to live with China or not. If we Tibetans obtain our basic rights to our satisfaction then we are not incapable of seeing the possible advantages of living with the Chinese.

I trust in the far sightedness and wisdom of China's leaders and hope that they will take into consideration the current global political changes and the need to resolve the Tibetan problem peacefully, promoting genuine lasting friendship between our two neighbouring peoples.

Chairman GIBBONS. Thank you very much.
That is a very urgent message.
Ms. Himmelfarb.

**STATEMENT OF ANNE HIMMELFARB, RESEARCH ASSOCIATE,
PUEBLA INSTITUTE**

Ms. HIMMELFARB. The Puebla Institute, a human rights group that defends religious freedom for all worldwide, has documented religious oppression in China since 1989. We are very grateful for the opportunity to testify here today, and I will try to keep my remarks brief.

Since appearing before this subcommittee in June, Puebla has documented mounting persecution of Chinese Christians whose churches are among the only nationwide institutions operating independently of the Government. Religious repression is one of the most persistent human rights problems in China today.

Despite some notable releases, Christians are now being rounded up faster than they are being let go. Roman Catholicism and independent Protestant worship remain outlawed, and atheists in the Chinese Communist Party and Religious Affairs Bureau continue to claim control of all religious worship and activities.

At last 28 clergy and leaders of China's Christian churches have been arrested for religious reasons in the last 8 months. In January, Premier Li Peng signed two orders reinforcing restrictions on religion, and, as Rev. Balcombe described to us earlier, just 2 weeks ago, seven Chinese and seven foreign Protestants, including three American citizens, were arrested in Henan Province, merely for their religious affiliation and for meeting with coreligionists from abroad. Three Chinese house church leaders seized in this raid remain in detention, as Rev. Balcombe told us.

Puebla's data show that over 100 Chinese Christian clergy and leaders are now in prison or otherwise restricted for religious reasons, though there are almost certainly many others whose cases we have not been able to document. At least seven religious leaders arrested since June are detained in reform labor camps for periods of between 1 and 3 years. At least five of these seven are sentenced administratively, that is, without benefit of trial or other due process guarantees.

What crimes have these Christians committed? Well, two evangelical preachers from Anhui Province were arrested in July for training other preachers, bringing believers together to listen to religious radio broadcasts from Hong Kong and holding adult religious education classes. Two Roman Catholic priests of Fujian Province were arrested just this December, merely for worshiping according to their faith, along with four nuns and three deacons. They were apprehended as they celebrated Mass in a private home during the holy Christmas season.

In a direct affront to U.S. human rights efforts, Roman Catholic Bishop Su Zhimin was arrested in Hebei Province on January 20 of this year, less than 2 weeks after he had met with the delegation of Congressman Chris Smith. On the very day of his arrest, Treasury Secretary Bentsen was in nearby Beijing trying to impress on the Chinese the need for greater progress in human rights. After being held for over a week and interrogated about his conversa-

tions with Congressman Smith's delegation, Bishop Su was released, but a Roman Catholic priest arrested with him, Fr. Wei Jing-Yi, remains in detention.

Even as it intensifies repression of Christians, Beijing asserts that no clergy are in prison for religious reasons. China's Religious Affairs Bureau assured Puebla during a visit to Washington in October that the Government does not interfere with people's freedom to worship, although the very day they began their U.S. tour, authorities closed a large Evangelical house church in Guangdong.

No one in China is arrested simply for his religious beliefs, the bureau told us; only those who break the law are punished. This claim ignores the fact that Chinese laws restricting worship themselves violate international human rights standards, just as laws institutionalizing apartheid in South Africa did. Chinese Christians are indeed arrested and punished for worshiping according to their conscience in the privacy of their own homes, a right protected by human rights law.

The PRC touts the releases of celebrated prisoners, but its secretive judicial and penal systems, along with its lack of a free press and human rights monitoring, allow repression to go on unreported. China also employs low-profile repressive tactics such as house arrest, administrative detention in so-called old people's homes, and internal exile. The Chinese are thus able to cash in on the public relations benefits of releasing a few well-known prisoners, even as they quietly go about arresting others.

Nor is rearrest unusual in China. Six religious leaders arrested since July have been previously detained by the Government for religious reasons. Catholic Bishop Shi Enxiang, freed amidst much fanfare in November following several years of administrative detention in an old people's home, is now wanted again by the police for interrogation.

President Clinton cannot ignore China's abuses of religious and other human rights when he decides on MFN for the PRC in June. His Executive order, which conditions renewal of MFN on significant overall progress on human rights, specifically calls for the release of religious prisoners.

The administration must not be satisfied with cosmetic gestures and isolated promises, as long as repression in this most fundamental area of conscience continues.

While we welcome China's promise to allow prison inspections by U.S. customs officials and the ICRC, we caution that such inspections are particularly susceptible to manipulation and deceit.

Puebla recommends that the administration make full use of the leverage provided by conditional renewal of MFN. It should press for the complete liberty of all Christians detained or restricted for religious reasons, for an end to further religious arrests and harassment, and moreover for a fundamental change in religious policy.

Thank you.

[The prepared statement follows:]

Statement of Anne Himmelfarb, Research Associate
The Puebla Institute
 Before the Subcommittee on Trade of the
 Ways and Means Committee of the U.S. House of Representatives
 February 24, 1994

SUMMARY AND RECOMMENDATIONS

The Puebla Institute, a human rights group that defends religious freedom for all creeds worldwide, has been documenting religious repression in China since 1989. Our sources include private religious contacts in Hong Kong developed through a fact-finding mission to China; Christian religious orders and mission groups with contacts in the mainland; human rights groups in Hong Kong and the West; and religious news services in Hong Kong with mainland contacts.

Since testifying before this subcommittee in June, Puebla has documented mounting persecution of Chinese Christians. In spite of some notable releases, Christians are being rounded up faster than they are being let go. Roman Catholic and independent Protestant worship remains outlawed, and atheists in the Communist Party and Religious Affairs Bureau continue to claim control of all religious worship and activities.

Puebla believes religious repression to be one of the most persistent human rights problems in China today. At least 28 clergy and leaders of China's Christian churches, the only nationwide institutions operating independently of the government, have been arrested for religious reasons in the last eight months. In January, Premier Li Peng signed two orders reinforcing restrictions on religious belief and practice, one severely limiting religious activities by foreigners, the other banning "unauthorized" places of worship. Just two weeks ago, seven Chinese and seven foreign Protestants -- including three American citizens -- were arrested in Henan province; although the foreigners have been freed, three Chinese remain in detention. Puebla's data show that over 100 Chinese Christian clergy and leaders are now imprisoned or otherwise restricted by the Chinese government for religious reasons.

Intensifying repression of Chinese Christian comes at a time when the highest level U.S. officials -- the President and former President, cabinet members, and members of congress -- are urging Beijing to make improvements in human rights or risk revocation of MFN. Pres. Clinton's executive order, issued last May, conditions renewal of MFN for China this year on "significant overall progress" in human rights, and specifically calls for the release of religious prisoners. It also stipulates the need for China "to begin adhering to the Universal Declaration of Human Rights," a document that guarantees, among other things, freedom of thought, conscience, and religion.

China's flagrant disregard for religious and other human rights; and its flouting of U.S. recommendations, cannot be ignored when Pres. Clinton decides on MFN for the PRC less than four months from today. The administration must not be satisfied with cosmetic gestures and isolated promises as long as repression in this most fundamental area of conscience continues. Nor should it yield to pressure from the business community to overlook ongoing abuses. The PRC's \$24 billion trade surplus with the U.S. will not easily be replaced by Taiwan or Japan. It needs MFN far more than the United States does.

Puebla recommends that the administration make full use of the leverage provided by conditional renewal of MFN. It should keep the pressure on China -- by appealing for the complete liberty of all Christians detained or restricted for religious reasons and of other prisoners of conscience; for an end to further religious arrests and harassment; and for a fundamental change in religious policy.

MOUNTING RELIGIOUS REPRESSION SINCE MID-1993

At least six religious leaders arrested between July and November are now detained in "reform through labor camps" for periods of between one and three years. Puebla Institute has information showing that at least five of the six were sentenced administratively -- that is, without benefit of trial or other due process guarantees.

Who exactly are these dangerous Chinese Christians, charged with counter-revolutionary crimes or with "disturbing the social order," or simply seized by Public Security officials on no charge at all?

Some, like Ge Xinliang and Zhang Lanyun, both of Anhui province, are Evangelical preachers. The former was arrested for training other preachers and for bringing believers together to listen to religious radio broadcasts from Hong Kong. The "crime" committed by the latter was holding adult religious education classes.

Some of the recently arrested Christians, like Fathers Miao Lehua and Guo Xijian of Fujian province, were arrested merely for worshipping according to their faith. These Roman Catholic priests, who remain loyal to the Vatican in defiance of Chinese law, were arrested in December, along with four nuns and three deacons, as they celebrated Mass during the holy Christmas season in a private home.

The most recent religious arrests by the Chinese constitute not only a violation of human rights but an affront to the U.S. government. During a February 11 raid in Henan province in which seven Chinese house-church Protestants were arrested, Public Security Bureau officials also arrested three American Protestants and detained them for five days. (Three of the Chinese arrested remain in detention at this time.)

On January 20, less than two weeks after he had met with the delegation of Congressman Chris Smith (R-NJ), Catholic Bishop Su Zhimin was arrested in Hebei province. On the very day of his arrest, Treasury Secretary Lloyd Bentsen was in Beijing, two-and-a-half hours away by car, trying to impress on the Chinese the need to make greater progress on human rights. After being held by authorities for over a week and thoroughly interrogated about his conversations with Congressman Smith's group, Bishop Su was released. But a priest arrested with him, Father Wei Jingyi, remains in detention at this time.

These examples give a sense of whom China considers a threat to society, and of the nature of their "crimes." A harder question to answer is precisely why the PRC perceives independent Christians as threatening. To be sure, Christianity is growing in China. Evangelical house churches (homes where worship services and Bible studies are held for believers wanting to avoid state oversight) are springing up all over the country, in spite of the persecution and harassment those caught attending them commonly suffer. Father Stan Deboe, a Catholic priest who traveled to China with Congressman Smith, reports that Roman Catholics in Baoding, a part of Hebei province, have defied the government by building three churches, making the bricks by hand.

But Christians remain a small minority in China. According to a 1992 survey conducted by China's State Statistic Bureau whose findings were supposed to remain secret, they number under 75 million in a total population of 1.2 billion, or about 6 percent. What's more, China's Christians are not as a group active in fomenting dissent or making human rights demands beyond those affecting their ability to practice their religion freely. Internal Chinese documents and the official press suggest that the PRC fears a repeat of what happened in Eastern Europe, where both Catholics (in Poland) and Protestants (in Romania) were instrumental in bringing down Communist regimes. Citing the role of the Churches in effecting change in Eastern Europe, a 1992 article in China's state-run press asserted that "if China does not want such a scene to be repeated in its land, it must strangle the baby while it is still in the manger." But this fear is misguided, since Chinese churches have never been the nationalistic force that the Eastern European churches were.

BEIJING'S DUPLICITY

To date, the Clinton administration is giving China's human rights progress mixed reviews. On February 1, Secretary of State Warren Christopher said that the Chinese have taken "positive but limited steps" and that much remains for them to accomplish. But as the administration reassess China's progress in the coming months, it must be mindful that there is one hallmark of Communism that the increasingly capitalistic Chinese have not yet relinquished: duplicity.

Beijing asserts that no clergy are imprisoned in China for religious reasons, but it continues to

arrest and detain leaders of the independent Christian churches. Officials of the Religious Affairs Bureau, which is responsible for overseeing and carrying out China's religious policy, assured Puebla Institute during a visit to Washington in October that the government doesn't interfere with people's freedom to worship, although on the very day they began their U.S. tour authorities were shutting down a large Evangelical house church in Guangdong. "No one in China is arrested simply for his religious beliefs," RAB head Zhang Sheng-zuo told Puebla; only those who break the law are punished. This claim ignores the fact that Chinese laws restricting worship, evangelizing, and distribution of Bibles themselves violate international human rights standards, just as laws institutionalizing apartheid in South Africa did.

Thus far, the chief "positive steps" China has taken toward greater respect for human rights are promises to allow prison inspections by the International Committee of the Red Cross and U.S. customs officials. But such steps remain particularly susceptible to manipulation and deceit. Inspectors may be allowed only into showcase "Potemkin" prisons, prisoners may be moved to other facilities, and prison conditions may be drastically improved only for the duration of the inspection. (It is also worth remembering that the promise concerning U.S. customs inspections, which Secretary Bentsen gained a few weeks ago, is one the Chinese had already made -- in a 1992 memorandum of understanding with the U.S. -- and then renege on.)

The Chinese make sure to tout the releases of celebrated prisoners, like two Tibetan human rights activists last month, political activist Wei Jingsheng in September, and some other political and religious prisoners over the course of the last year. But China's secretive judicial and penal systems, along with its lack of a free press and human rights monitoring, allow repression to go on unreported. It often takes months and sometimes years before news of arrests reaches Western rights groups, a fact that allows the Chinese to cash in on the public relations benefits of releasing a few well-known prisoners even as they quietly go about arresting others. The Chinese are also experts at low-profile repressive tactics such as house arrest, administrative detention in what are euphemistically called "old people's homes," and internal exile.

Nor is it unusual for China to rearrest religious leaders they have previously released. Seventy-three-year-old Catholic Bishop Shi Enxiang, freed amidst much fan-fare in November following several year's administrative detention in an "old people's home," is now wanted by the police once again for interrogation. Five Catholics and one Protestant who were recently arrested -- Bishops Su Zhimin, Julius Jia Zhiguo, Han Dingxiang, and Fathers Pei Ronggui and Wei Jingyi; and Henan house-church leader Zhang Yongliang -- had been previously detained by the Chinese for religious reasons.

* * * * *

Religious freedom is a fundamental human right acknowledged in the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, and the United Nations Declaration on the Elimination of All Forms of Intolerance and of Discrimination Based on Religion or Belief. A government that doesn't respect freedom of conscience, the starting point of all human freedoms, is not likely to respect other freedoms, such as association and expression. Thus as long as religious repression continues in China, it is probable that human rights in general will suffer. We urge President Clinton to scrutinize China's actions carefully in the coming months and to hold China to the conditions specified in his executive order.

CHINESE CHRISTIANS PERSECUTED FOR RELIGIOUS REASONS

February 24, 1994

The following people, listed in reverse chronological order of arrest date, are imprisoned or detained by the government, under house arrest, restricted in their movements and associations, under close police surveillance, or otherwise targeted for persecution.

Catholics (categorized as bishop, priest, or lay person):

1. **Bishop Su Zhimin (Zhi Ming)**. 61 years old. Coadjutor of Baoding diocese, Hebei province. Detained by police January 20, 1994, after meeting with members of U.S. Congressman Chris Smith's delegation, and held until January 29. Priest arrested with him, Father Pei Jing-Yi, remains in detention. Previously arrested five times, including December 17, 1989. Sentenced on May 21, 1990, to three years' "reform through labor" at a labor farm near Tangshan, Hebei province. Released in mid-1992; remained under close surveillance until rearrest in January 1994.
2. **Bishop Johannes Han Dingxiang**. 55 years old. Of Handan diocese, Hebei province. Seized by Public Security Bureau officials November 18, 1993, and still detained. Previously arrested December 26, 1990, and detained without trial, reportedly in an indoctrination camp in Handan. Released, reportedly some time in 1993, but kept under restrictions until rearrest. Had been arrested four other times previously.
3. **Auxiliary Bishop Shi Hong-Zhen** of Tianjin, Hebei province. As of November 1993, activities severely restricted; must return to home village every night.
4. **Bishop Fan Yufei**. Bishop of Zhouzhi, Shaanxi province. Arrested around Easter 1992; transferred September 1992 to a form of house arrest.
5. **Bishop Lucas Li Gingfeng**. Bishop of Fengxiang. Following authorities' "invitation" to "study" in April 1992, placed under house arrest. Now restricted to his church in Fengxiang.
6. **Bishop Joseph Li Side**. Bishop of Tianjin diocese. In his 60s. Arrested May 25, 1992. Exiled in July 1992 to rural parish of Liang Zhuang, Ji county, which he is forbidden to leave. According to most recent report, held under a form of house arrest on top of a mountain.
7. **Bishop Julius Jia Zhiguo**. Bishop of Zhengding, Hebei province. Born in 1935. Subjected to frequent short detentions at the hands of the Public Security Bureau. Most recent detention occurred January 20, 1994. As of early February, no longer detained.
8. **Bishop Joseph Fan Zhongliang**. Bishop of Shanghai. 73 years old. Arrested June 10, 1991. On August 19, 1991, transferred to a form of house arrest in Shanghai. Forbidden to leave Shanghai and is kept under very close police surveillance. Police have not returned church and personal property seized from him at time of his arrest.
9. **Bishop John Baptist Liang Xisheng**. Bishop of Kaifeng diocese, Henan province. Born in 1923. Arrested in October 1990. Released, reportedly in February 1991; remains under police surveillance.
10. **Bishop Vincent Huang Shoucheng**. Bishop of Fu'an, Fujian province. Arrested in an unspecified location on July 27, 1990. Remained in detention until June 1991. Now restricted to home village.
11. **Bishop Mark Yuan Wenzai**. Bishop of Nantong, Jiangsu province. 69 years old. After period of detention, placed under custody of the local CPA bishop, Yu Chengcoi, in July 1990.
12. **Bishop Mathias Lu Zhensheng (or Zhengshang)**. Bishop of Tianshui, Gansu province. Born January 23, 1919. Arrested in late December 1989; released some time afterward, possibly April 26, 1990, as a result of poor health. Now restricted to home village.
13. **Bishop Guo Wenzhi**. Bishop of Harbin, Heilongjiang province. Born January 11, 1918. Most recent arrest

on December 14, 1989; released in March 1990 to home village in Qiqihar, which he is forbidden to leave. Remains under strict police surveillance.

14. **Bishop Jiang Liren.** Bishop of Hohhot, Inner Mongolia. Arrested, possibly in November or December 1989. Reportedly imprisoned until April 1990, when transferred to house arrest. Now confined to his home village.

15. **Bishop Huo Guoyang.** Of Sichuan province. Arrested early January 1990 and detained until early 1991. Now under police surveillance in Chongqing City, Sichuan.

16. **Bishop John Yang Shudao.** Bishop of Fuzhou, Fujian province. Most recent arrest on February 28, 1988, in Liushan Village, Fujian. Transferred to house detention in February 1991; still restricted to home village.

17. **Bishop Casimir Wang Milu.** Bishop of Tianshui diocese, Gansu province. Arrested April 1984; sentenced 1985 or 1986 to 10 years' "reform through labor." Released on parole April 14, 1993. Remains under travel restrictions until expiration of sentence in April 1994.

18. **Father Wei Jing-Yi.** 36 years old. Secretary of underground Bishop's Conference. Arrested January 20, 1994, with Bishop Su Zhi Ming of Baoding, Hebei province. Bishop Su was released January 29, 1994, but Fr. Wei remains in detention in an unknown location. Arrested twice before for religious reasons and served a total of five years in prison.

19. **Father Pei Ronggui.** Trappist priest of Youtong village, Hebei province. 59 years old. Arrested January 7, 1994, and detained in Shijiazhuang, Hebei province. As of early February, no longer in detention. Previously arrested on September 3, 1989, in Beijing, and charged with "disturbing the social order" for having led an outdoor Mass. Sentenced by Luancheng County court on January 26, 1991, to five years' imprisonment. Incarcerated in Prison No. 4 in Shijiazhuang, Hebei. Released on parole in March 1993. Under restrictions of movement and association until rearrest.

20-21. **Fathers Miao Lehua and Guo Xijian.** Priests of Fuan, Fujian province. Arrested December 16, 1993, with four nuns and three deacons as they were celebrating Mass in a private house. Police are reportedly looking for four other priest also involved in the incident.

22. **Father Su De-Qien.** Priest of Tianjin diocese, Hebei. Required to report to PSB once a month. Has been prevented since Christmas 1993 from administering sacraments.

23. **Father Chu Tai.** Arrested November 1993 while celebrating Mass. Sentenced to one year of reform through labor. Serving sentence in Zhangjiakuo, Hebei province.

24. **Father Yan Chong-Zhao.** Priest of Handan diocese, Hebei province. Arrested September 1993 for refusing to join Catholic Patriotic Association. Now detained in Guangping county.

25. **Father Zhang Li.** Priest of Hebei province. Arrested June 1993 and serving a sentence of reeducation through labor. Previously arrested November 1, 1991, while celebrating Mass, and sentenced to three years of reform through labor. Reportedly released March 1993.

26. **Father Zhou Zhenkun.** Priest of Dongdazhao Village, Baoding, Hebei province. Arrested December 21, 1992, by Public Security Bureau, with Deacon Dong (?) Linzhong in pre-Christmas raid on Baoding area.

27. **Father Liao Haiqing.** Priest of Fuzhou, Jiangxi province. 63 years old. Arrested, reportedly while celebrating Mass, on August 16, 1992. Chinese authorities reported in March 1993 that he had been released, but this has not been independently confirmed.

28. **Father Wang Daniao.** Arrested in June or July 1992 in Suzhou, Jiangsu. Not known to have been released.

29. **Father Liu Heping.** 28 years old. Most recent arrest on December 13, 1991, at his home in Shizhu Village, Dingxing County. Reportedly being held without trial; according to another report, has been

transferred to house arrest.

30. **Father Ma Zhiyuan**. 28 years old. Arrested on December 13, 1991, at Houzhuang, Xushui County, Hebei province. Being held without trial.

31. **Father Xiao Shixiang**. Priest of Yixian diocese, Hebei province. 58 years old. Arrested December 12, 1991. Reportedly being held without trial; according to another report, has been transferred to house arrest.

32. **Father John Wang Ruowang**. Priest from the Tianshui diocese. Disappeared on December 8, 1991. No longer detained, but under strict surveillance.

33. **Father Peter Cui Xingang**. Parish priest at Donglu Village, Qingyuan County. 30 years old. Arrested July 28, 1991, and held without trial. Current whereabouts unknown.

34. **Father Gao Fangzhan**. 27 years old. Priest of Yixian diocese, Hebei province. Arrested in May 1991 outside Shizhu Village in Dingxing County. Being held without trial.

35. **Father Wang Jiansheng**. 40 years old. Arrested May 19, 1991; sentenced to three years of reeducation through labor. Imprisoned in Xuanhua Reeducation Through Labor Center in Hebei province. Chinese authorities reported in March 1993 that he had been released, but this has not been independently confirmed.

36. **Father Chen Yingkui**. Priest of Yixian diocese, Hebei province. Arrested in 1991 and being held without trial.

37. **Father Li Xinsan**. Priest of Anguo diocese, Hebei province. Arrested in December 1990 or early 1991. Sentenced to three years' reform through labor. Detained in a labor camp in Tangshan, Hebei. Chinese authorities reported in March 1993 that he had been released, but this has not been independently confirmed.

38. **Father Peter Hu Duoer**. 32 years old. Arrested by Public Security Bureau personnel at Liangzhuang Village, Xushui County, on December 14, 1990. Being held without trial.

39. **Father Joseph Chen Rongkui**. 28 years old. Arrested December 14, 1990, at the Dingxian train station in Hebei province. Being held without trial.

40. **Father Paul Liu Shimin**. 32 years old. Arrested December 14, 1990, in Xiefangying, Xushui County. Being held without trial.

41. **Father Li Zhongpei**. Arrested in December 1990 and sentenced to three years of reeducation through labor. Imprisoned at Tangshan Reeducation Through Labor Center in Hebei province. Chinese authorities reported in March 1993 that he had been released, but this has not been independently confirmed.

42-45. **Fathers Liu Guangpin, Zhu Ruci, Zou Xijin, and Xu**. Priests of Fu'an, Fujian province. All arrested July 27, 1990, at Luojiang Church in Fu'an and currently imprisoned. According to one report, Fr. Zhu has been transferred to house arrest.

46-48. **Fathers Guo Qlshan, Guo Shichun, and Guo** (given name not known). Priests of Fu'an, Fujian province. All arrested July 27, 1990. All three released for health reasons in August 1991. Now under house arrest.

49. **Father Pei Guojun**. Priest of Yixian diocese, Hebei province. Arrested and imprisoned between mid-December 1989 and mid-January 1990 in connection with underground episcopal conference in Shaanxi province. No recent news.

50. **Father Shi Wande**. Priest of Baoding diocese, Hebei province. Arrested December 9, 1989, in Xushui, about 70 kilometers southwest of Beijing, and reportedly imprisoned. No recent news.

51. **Father John Baptist Wang Ruohan**. Priest of Tianshui diocese, Gansu province. Arrested December 1989. After period of imprisonment, under severe restriction of movement.

52. **Father Pei Zhenping**. Priest of Youtong village, Hebei province. Arrested October 21, 1989, and imprisoned. Chinese authorities reported in March 1993 that he had been released, but this has not been independently confirmed.
53. **Father Wang Yiqi**. Priest of Fujian province. Reportedly arrested in Liushan village, Fujian province, on February 28, 1988. Reports of his release have not been confirmed.
54. **Father Francis Wang Yijun**. Vicar General of Wenzhou diocese, Zhejiang province. 75 years old. Arrested May 19, 1982, and sentenced to eight years' imprisonment. In March 1990, sentenced to an additional three years' "reform through labor" for "stubbornness." Released from prison May 21, 1992; remains under restrictions of movement and association.
55. **Father Joseph Guo Fude**. Member of the Society of the Divine Word. 69 years old. Most recent arrest and imprisonment in spring 1982. As of late 1986, interned in a labor camp in southern Shandong; according to unconfirmed reports, since transferred to house arrest and/or strict police surveillance. No recent news.
56. **Father Joseph Jin Dechen**. Vicar General of Nanyang diocese, Henan province. 72 years old. Arrested December 18, 1981; sentenced July 27, 1982, to 15 years. Released from prison May 21, 1992; remains under restrictions of movement and association.
57. **Father Fu Hezhou**. 68 years old. Arrested and imprisoned November 19, 1981. Reportedly since transferred to house arrest and/or strict police surveillance. No recent news.
58. **Father Zhu Bayou**. Priest of Nanyang diocese, Henan province. Arrested in the early 1980s and sentenced to 10 years. Now free on parole and restricted to village of Jingang, Henan.
59. **Father Lin Jiale**. Reportedly imprisoned in Fuzhou, Fujian province. No other information available.
60. **Father Liu Shizhong**. Reportedly imprisoned in Fuzhou, Fujian. No other information available.
61. **Father Fan Da-Dou**. Priest of Beijing diocese. Under house arrest for several years. Not permitted to administer sacraments.
62. **Deacon Dong (?) Linzhong**. Of Dongdazhao Village, Baoding, Hebei province. Arrested December 21, 1992, by Public Security Bureau, with Father Zhou Zhenkun.
63. **Deacon Ma Shunbao**. 42 years old. Arrested November 6, 1991, and detained without trial.
64. **Zhang Guoyan**. 35 years old. Layman from Baoding, Hebei province. Sentenced in 1991 to three years of reeducation through labor. Chinese authorities reported in March 1993 that he had been released, but this has not been independently confirmed.
65. **Wang Tongshang**. Deacon and community leader in Baoding diocese, Hebei province. Arrested December 23, 1990, and sentenced to three years of reeducation through labor. Now serving prison term in Chengde Reeducation Through Labor Center in Hebei. Chinese authorities reported in March 1993 that he had been released, but this has not been independently confirmed.
66. **Zhang Youshen**. Lay leader from Baoding, Hebei province. Sentenced in 1991 to three year's reeducation through labor for refusing to join the Catholic Patriotic Association and criticizing the government's religious policies. Reportedly released September 1993, but this has not been independently confirmed.
67. **Zhang Youzong**. Lay Catholic arrested in December 1990 or early 1991 and reportedly sentenced to three years' imprisonment. Chinese authorities reported in March 1993 that he had been released, but this has not been independently confirmed.
68. **Zhang Weiming**. Catholic apprehended with his wife, Hou Chongyan, on December 14, 1990, and held without charge. Chinese authorities reported in March 1993 that he had been released, but this has not been independently confirmed. Hou was released after two months of detention and told that her husband was

being held for religious and political reasons.

69. Wang Jingjing. Layman of Fujian province. Arrested probably on February 28, 1988, in Liushan village. Reportedly released, but this has not been independently confirmed. No recent news.

Protestants:

1. Yong Zhangliang. 43 years old. House-church leader in Fengcheng, Henan province; and

2. Tian Mingge. 58-59 years old. House-church leader in Fengcheng; and

3. Zheng Xintai. 38-39 years old. All three arrested February 11, 1994, with four other Chinese and seven foreigners (including three Americans), in Fengcheng, Henan. The foreigners, who were in China to meet with local Protestants, were held for five days, but the three Chinese named here remain in detention.

4. Lin Zilong. 80 years old. Leader of "Shouters" sect, which is outlawed by Chinese government, in Fucheng county, Fujian province. Arrested December 23, 1993, by Public Security Bureau officials. Reportedly held administratively in Fucheng police station jail. Reportedly arrested twice before for religious reasons.

5. Guo Mengshan. 41 years old. House-church preacher from Wangdian (or Wangding) township, Lixin county, in northern Anhui province. Arrested July 20, 1993, with

6. Liu Wenjie and

7. Zhang Lanyun, both house-church preachers. All three accused of conducting "New Believers' Edification" classes in rural area of Dafeng. Guo Mengshan sentenced to three years' reform through labor, apparently without trial; other sentences unknown.

8. Zhang Jiuzhong. House-church preacher from Jiwangchang township, Lixin county, northern Anhui province. Arrested in 1993 for "illegal" religious activity and sentenced to two years' reform through labor.

9. Ge Xinliang. House-church preacher from Yuefang township, Mengcheng county, northern Anhui province. Arrested August 25, 1993, one day after holding a prayer meeting in Simen Village, Qin Zhuang, which was attended by over 100 people. Charged with "disturbing the public order" and accused specifically of organizing others to listen to religious radio broadcasts from Hong Kong; receiving Bibles from abroad; and holding a "preachers' training class" for about 60 people between Dec. 31, 1992 and Jan. 5, 1993. Sentenced to two years' reform through labor, apparently without trial.

10. Dai Guiliang. 45 years old. House-church preacher from Yuefang township, Mengcheng county, northern Anhui province; and

11. Dai Lanmei. 27-year-old female house-church preacher from Yuefang township, Mengcheng county, northern Anhui province. Both arrested August 25, 1993, with Ge Xinliang (above) and sentenced respectively to two and three years' reform through labor, apparently without trial.

12. Li Haochen. House-church preacher from Sanyi township, Mengcheng county, northern Anhui province. Arrested in March 1993 for organizing a "healing crusade" and held until June; rearrested in September 1993 and charged with counter-revolutionary crimes. Sentenced to three years' reform through labor (another source says one year).

13. Zheng Yunsu. Leader of Jesus Family religious community in Duoyigou, Shandong province. Arrested June 1992, with more than 30 other church leaders. Sentenced to 12 years' imprisonment. Thought to be held at the Shengjian Motorcycle Factory labor camp near Jinan city. Four of his sons were arrested and sentenced to as many as nine years' imprisonment. Other church leaders received sentences of five years.

14. Zheng Jiping. Son of Zheng Yunsu. Arrested June 1992 in raid on Jesus Family religious community and sentenced to nine years' imprisonment. Held in an unknown location.

15. **Zheng Jike**. Son of Zheng Yunsu. Arrested June 1992 in raid on Jesus Family religious community and sentenced to nine years' imprisonment. Held in an unknown location.

16-17. **Zheng and Zheng** (given names unknown). Sons of Zheng Yunsu. Arrested June 1992 in raid on Jesus Family religious community. Length of sentences and prison location(s) are unknown.

18. **Xie Moshan**. House-church leader from Shanghai. In his 70s. Arrested April 24, 1992; released July 23, 1992. Remains under restrictions of movement and is required to report periodically to local Public Security Bureau.

19. **Chen Zhuman**. 50-year-old member of New Testament Church in Fujian. Arrested December 14, 1991. Tortured by police at Putian County Detention Center. Sentenced without trial in July 1992 to three years' reeducation through labor. Transferred a month later to a prison in Quanzhou, Fujian, where he was again tortured.

20-23. **Wang Dabao, Yang Mingfen, Xu Hanrong, and Fan Zhi**. All four arrested in Yingshang County, Anhui province, after August 1991.

24-26. **Zhang Guancun, Zeng Shaoying, and Leng Zhaoqing**. All three arrested in Funan County, Anhui province, after August 1991.

27. **Mr. Dai**. Bible distributor from Hubei province. Arrested June 1991.

28. **Chang Rhea-yu** (or **Zhang Ruiyu**). House-church Protestant from Fujian province. Fifty-four years old. In May 1990, badly hurt when Public Security Bureau officials ransacked her home and confiscated Bibles and Christian literature. Detained August 25, 1990; charged March 27, 1991, with "inciting and propagating counter-revolution." Tried April 9-10, 1991. Still thought to be detained.

29. **Yang Rongfu**. House-church Protestant of Anhui province. Reportedly arrested before June 1990 for unspecified reasons. Now prevented from seeing his family.

30. **Xu Guoxing**. Shanghai house-church leader. Born March 16, 1955. Arrested November 6, 1989; sentenced November 18 to three years' reform through labor. Currently imprisoned in Dafeng, Jiangsu.

31. **Li Jiayao**. Thirty years old. House-church leader from Guangdong province. Arrested September 25, 1990. Sentenced without trial September 17, 1991, to three years of reeducation through labor. Now held in Chek Li prison near Guangzhou.

32. **Xu Yongze**. Leader of a house-church network in central China and founder of "New Birth" Protestant Movement. Fifty-one years old. From Nanyang, Zhenping County, Henan province. Arrested April 16, 1988, in Beijing; sentenced to three years' imprisonment. Held in Zhenping County Prison, Henan, until April 26, 1991, and in Henan Public Security Bureau office until May 20, 1991, when released. Remains under very strict police surveillance. Possibly being forced to report periodically to the local Public Security Bureau.

33. **Zhu Mei** (or **Sha Zhumei**). Born May 12, 1919. Member of an independent Protestant church. Arrested June 3, 1987, in Shanghai; reportedly beaten by police. Tried November 3, 1987, reportedly in secret; convicted of "harboring a counter-revolutionary element." Released on parole on April 3, 1992, for medical reasons stemming from torture in prison. Hospitalized for two months. Remains under some travel and other restrictions.

34-36. **He Suolie, Kang Manshuang, and Du Zhangji**. House-church leaders from Henan province. Arrested in 1985 for opposing the TSPM. Sentenced in 1985 to eight, five, and four years in prison, respectively. Not known to have been released.

37. **Song Yude**. Forty years old. House-church leader from Tongbo County in Henan. Arrested July 16, 1984. Tried January 29, 1986; sentenced to eight years' imprisonment. Reportedly released from prison in April 1992. Still deprived of political rights, and possibly restricted in his movements.

38. Pei Zhongxun (Chun Chul). Ethnic Korean Protestant activist from Shanghai. Seventy-five years old. Arrested in August 1983. Charged with spying for Taiwanese government because of ties to Taiwanese Christians and activity in house-church movement. Sentenced to 15 years of imprisonment. Currently reported imprisoned in Shanghai Prison No. 2. Is allowed visitors only once a month.

Nos. 39-45, house-church lay leaders and elders from Lushan County, Henan province, were arrested July 9, 1983, and tried together in 1986. They were accused of belonging to an evangelical group outside the government-sanctioned TSPM; planning to overthrow China's proletarian-dictatorship and socialist system; having ties to overseas reactionary forces; receiving and distributing foreign materials; disturbing the social order, and disturbing and breaking up normal religious activities.

39. Wang Xincal. Evangelical leader from Zhangcun Village, Fuling Brigade, Xinji Commune. Thirty-nine years old. Sentenced to 15 years' imprisonment.

40. Zhang Yunpeng. Evangelical leader from Zhaozhuang Village, Houying Brigade, Zhadian Commune. Sixty-eight years old. Sentenced to 14 years' imprisonment.

41. Qin Zhenjun. Evangelical deacon from Xinji Commune. Fifty-seven years old. Length of sentence unknown.

42. Cui Zhengshan. Evangelical elder of Lushan County. Forty-five years old. Length of sentence unknown.

43. Xue Guiwen. Evangelical elder from Liuzhuang Village, Xinhua Brigade. Thirty-eight years old. Length of sentence unknown.

44. Wang Baoquan. Evangelical elder from Second Street, Chengguan Township. Sixty-seven years old. Length of sentence unknown.

45. Geng Minxuan. Evangelical elder from Sunzhuang Village, Malon Commune. Sixty-six years old. Length of sentence unknown.

46. Mr. Bai. Elderly member of Little Flock house church from Ye County, Henan province. Arrested in 1983; charged with belonging to the Shouters, holding illegal religious meetings, and receiving foreign Christian literature. As of March 1987, thought to be held in Kaifeng, Henan.

47. Zhao Donghai. House-church leader from Henan province. Sentenced to 13 years' imprisonment in 1982 or 1983.

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Chairman GIBBONS. Thank you. Mr. Shi.

**STATEMENT OF HEPING SHI, VICE PRESIDENT, INDEPENDENT
FEDERATION OF CHINESE STUDENTS AND SCHOLARS**

Mr. SHI. Thank you, Mr. Chairman.

My name is Heping Shi, and I am with the Independent Federation of Chinese Students and Scholars.

I am here today to request on behalf of my organization that human rights conditions be continually attached to the renewal of China's MFN trade status.

The recent economic boom in China has led some to question whether MFN should be conditioned on human rights. While my organization welcomes and applauds the efforts made by the Chinese Government to move toward a market-oriented economy, it feels called upon to insist that significant progress be made in regard to human rights, as outlined in President Clinton's Executive order.

In the past, our organization has presented the U.S. Congress with ample evidence of human rights violations in China. Today, I will only present two individual cases which I believe will speak volumes for the continued necessity of associating China's MFN status with its human rights situation.

In addition, I have a number of letters to the U.S. Government written by family members of political prisoners, and I would like to ask for your permission, Mr. Chairman, that these letters be included in the record.

Chairman GIBBONS. If you will submit them, we will make a judgment as to their length.

Mr. SHI. Thank you.

Mr. Tang Yuanjun, a 36-year-old engineer, was sentenced to 20 years imprisonment for organizing a counterrevolutionary group and engaging in counterrevolutionary propaganda in the wake of the June 4 massacre. In prison, he was repeatedly beaten, and one of his ribs was broken. He contracted tuberculosis and hepatitis in the detention center in 1989, and because of inadequate medical attention, is still suffering from the diseases.

Mr. Tang's parents are in their sixties. His brother is paralyzed, and his daughter is only 6 years old. The burden of supporting the whole family is now on his wife, who has pleaded to our organization to help make her voice heard.

Mr. Chen Lantao, a graduate of Ocean University in Qingdao, was only 25-years-old when he was sentenced to 18 years imprisonment. His crime was "posting leaflets containing news from Voice of America and spreading rumors that Army tanks dashed around Tiananmen Square." The only evidence listed in his indictment consisted of two armbands made of black cloth and a diary. Eight other people were put in prison together with Mr. Chen. Among them was an 18-year-old who was also sentenced to an 18-year term.

Mr. Chairman, my organization fully understands the importance of trade relations between the United States and China and is willing to work with the Chinese Government as well as the U.S. Government to bring about improvement in these relations.

However, we also believe that the moral principle of safeguarding human dignity should not be compromised for economic contingencies. Unconditional renewal of China's MFN may result in higher profits for some U.S. corporations, but it will certainly not command the respect of the United States as a country that claims to value human lives above everything else.

As a footnote to my testimony, I would like to tell you my own story.

Last week, I went to the Chinese Embassy to have my passport renewed. Having learned my name, the officer in charge told me that my passport would not be renewed unless I submitted a written statement, which is a euphemism. It means that I have to express my repentance for my involvement in the Independent Federation of Chinese Students and Scholars.

According to the officer, this requirement was set by the Department of Education of the Chinese Embassy in Washington, D.C. As a PRC citizen, I do not know any law that gives a government agency at this level the power to deprive me of my right to a passport. It is ironic that while I am here asking that human rights conditions be attached to China's MFN status, the Embassy is attaching conditions to my passport renewal.

This violation of my constitutional right may well reflect the overall human rights situation in China today.

Thank you, Mr. Chairman.

[The prepared statement and attachments follow:]

Statement by Heping Shi
Vice President, Independent Federation of Chinese Students and Scholars
February 24, 1994

Dear Mr. Chairman, Honorable Members of the Subcommittee on Trade, Ladies and Gentlemen:

I am here today to request, on behalf of the Independent Federation of Chinese Students and Scholars in the U.S.A., that human rights conditions be continually attached to the renewal of China's MFN status.

The recent economic boom in China has led some to question whether MFN should be conditioned on human rights. While my organization welcomes and applauds the efforts made by the Chinese government to move towards a market-oriented economy, it feels called upon to insist that significant improvement be made in regard to human rights as outlined in President Clinton's Executive Order. In the past, our organization has presented the U.S. Congress with ample evidence of human rights violations; today I will only present two individual cases, which I believe will speak volumes for the continued necessity of associating China's MFN status with its human rights situation. In addition, I have a number of letters to the U.S. government written by family members of political prisoners and I would like to ask the permission of Mr. Chairman that they be included in the records.

Mr. Tang Yuanjun, a 36-year-old engineer, was sentenced to twenty years imprisonment for "organizing a counter-revolutionary group" and "engaging in counterrevolutionary propaganda" in the wake of June 4th Massacre. In prison, he was repeatedly beaten and one of his ribs was broken. He contracted TB and hepatitis in the detention center in 1989 and, because of inadequate medical attention, is still suffering from the diseases. Mr. Tang's parents are in their sixties, his brother is paralyzed, and his daughter is six years old. The burden of supporting the whole family is now on his wife, who has pleaded to our organization to help make her voice heard.

Mr. Chen Lantao, a graduate of Ocean University in Qingdao, was only 25 years old when he was sentenced to 18 years imprisonment. His "crime" was "posting leaflets containing news from Voice of America" and "spreading rumors that 'army tanks dashed around Tian An Men Square.'" The only evidence listed in his indictment consisted of "two armbands made of black cloth and a diary." Eight other people were put in prison together with Mr. Chen. Among them was an 18-year-old who was also sentenced to an 18-year term.

Mr. Chairman, my organization fully understands the importance of the trade relations between the United States and China and is willing to work with the Chinese government as well as the U.S. government to bring about improvement in these relations. However, we also believe that the moral principle of safeguarding human dignity should not be compromised for economic contingencies. Unconditional renewal of China's MFN may result in higher profits for some U.S. corporations, but it will certainly not command respect for the United States as a country that claims to value human lives above everything else.

As a footnote to my testimony, I would like to tell you my own story. Last week, I went to the Chinese Embassy to have my passport renewed. Having learned my name, the officer in charge told me that my passport would not be renewed unless I submitted "a written statement" on my involvement in the Independent Federation of Chinese Students and Scholars, which means that I had to express my repentance for the human-rights-related work in which our organization has been engaged. According to the officer, this requirement was set by the Department of Education of the P.R.C. Embassy in Washington DC. As a P.R.C. citizen, I do not know any law that gives a government agency at this level the power to deprive me of my right to a passport. It is ironic that while I am asking that human rights conditions be attached to China's MFN status, the embassy is attaching conditions to my passport renewal. This violation of my constitutional right may well reflect the overall human rights situation in China today.

Thank you.

The Independent Federation of Chinese Students and Scholars has collected a number of letters from China written to President Clinton. They reflect the voice of normal Chinese citizens who have been brutalized by the Chinese government. Four of these letters are translated and copied below. The names of the writers have been deleted for fear of reprisal.

Letter #1

Dear Mr. President:

I am a Chinese middle school student. This year I will be seventeen years old. My father is a university professor. Because he gave a speech during the political movement in 1989, he was arrested and sentenced to eight years in prison. These past four years my mother and I have lived a bitter life and have missed him dearly. We must endure jeers from those around us. Today, the fact that I have the opportunity to pick up my pen and write to you—a leader who represents a new hope—makes me very happy.

The memories are bitter, but I can never allow myself to forget the night of June 14, 1989. I was thirteen and was all alone in our home. Maybe you think my parents were not being responsible, leaving a child alone at home. But on that terrible night my only hope was that they would be as far away from me as possible—I didn't worry about never seeing them again. But let me continue with my story: That day my heart was beating wildly, as if it knew something strange was going to happen. I didn't realize that this was the night I would lose my childhood, my naivete and my happiness. Around twelve o'clock I was awakened by the sound of glass breaking. My first thought was that a burglar was breaking in, so I just curled up into a ball not knowing what to do. As the sound of breaking glass and voices got louder, like a robot, I walked to the door and opened it. Many uniformed police charged in, followed by men who looked like officials. They had a big spotlight and a video camera (they were planning to film my father being taken from his bed). When they had completed a thorough search of the house and did not find my father, they circled around me and started questioning and threatening me viciously. I don't know where I found the bravery to answer them—maybe it's because I have a drop of my brave father's blood in me—but I did not tell them what they wanted to know. They cursed me violently and then left.

I awoke from this numb state of mind to find myself weak and without energy. I was shaking from grief. Crouched down on the cold floor, I started crying. The winter wind, feeling no sorrow for me, blew in from the broken window panes. Even now I can still see myself on that dark night kneeling on the floor covered with black boot prints, crying...crying...

That night was only the beginning. I heard the television anchorman delightedly announce the news of the capture of my father. I was alone and had to face the arguments and the questioning of over twenty policemen. During the following year the only thing I knew was that my father was locked up with murderers and that I would never be able to see him or hear him call my name again. I cannot even receive a short letter from him. I can only look at the high walls and metal bars that separate us. The only feeling I have is that my heart is slowly bleeding to death.

How many more children like me are in China? Why must we suffer this kind of torment and pain? Can you give me an answer? I am waiting with sincere hope!

Finally, I would like for you to give my regards to your daughter. I wish that children all over the world could show the same sweet, cute smile that she shows.

A middle school student
March 1993

Letter #2

Dear Mr. President:

How are you? I am a Chinese woman. I am also a Chinese who has met with unfortunate circumstances. My husband was a university professor. Because he supported the students in 1989 and spoke out against the repression, he was arrested and sentenced to eight years in prison. The day of his sentencing was June 26, 1990, two days after Fang Li Zhi left China. Early in the morning the sky opened and it began to rain steadily. I stared at my husband as he was led off the prisoner's truck in handcuffs--I could not believe what I was seeing: within one year, how could an energetic, vigorous man be turned into a pale prisoner in handcuffs? Staring at the truck, I could only try to hold back the tears and pray silently in my heart.

These past few years I've experienced life's suffering: the loneliness of missing someone, the jeers and laughter of others, and the burden of raising a family on my own. In 1990 I was hospitalized for arthritis. At first, the doctor refused to treat me because my husband was in prison. At that time, I was denied my right to medical treatment simply because I was related to a prisoner! The hospital I was admitted to was next door to the prison where my husband was kept. At night, when the security personnel were off duty I would go up to the roof of the hospital and look over at the grounds of the prison. I tried to guess behind which barred window my husband was being kept. Often I sat there until daybreak. I wanted to yell out to the sky and to the earth: "What crime did my husband commit? Why must we suffer this way?"

After my husband was imprisoned, the physical and mental stress brought on a tumor in my uterus that required a hysterectomy. I went to many clinics asking doctors to sign the paperwork for my surgery, but was ignored. To obtain medical treatment, I had to get up very early every morning to stand in a long line of patients waiting to see the gynecologist. I could only swallow my tears. When I was finally admitted, I had no choice but to insert my own catheter and walk into the surgery room.

The Chinese government is always talking about how they value human rights. But because of my husband's experience and the things happening around me, my eyes have been opened: China does not have even basic human rights! This is especially true in this city--closed off to the influence of the world's conscience. Corrupt officials abuse their power, from the provincial governor all the way down to the local security officials. They use whatever power they hold to their own advantage while breaking the backs of the people. Even a simple procedure such as applying for an identification card could take years and would mean putting up with dirty looks and scorn from the bureaucrats. This is China's current human rights situation.

The most unconscionable thing is that the Chinese government says one thing but does another; they do one thing in full view of the public and another thing behind our backs. What if you were to ask the Provincial High Court, "Why was Wang Dan sentenced to four years in prison and my husband was sentenced to eight? Wasn't this for the same crime, and under the same law?" The answer would be: "Why do you compare your husband with Wang Dan? You are lucky he was not executed like the others!"

This is the state of China's legal system! If we try to sue, the courts will not even accept our case. Their answer is, "The policy from above is that these cases won't be heard. You can sue eight hundred times and it won't make any difference!" That is the answer I get from a place which claims to be "The People's Court." This is how they treat the people! Look at those people who want justice: dressed in rags, grey-haired, or in tears. They were ordered around and pushed about by those who hold the law in their hands. I want to yell out: "People! How can you bear such humiliation?" Even if I did yell, what difference would it make? These public servants who supposedly "Serve the People" have unlimited power--people mean nothing to them. People like my husband, who loves freedom, had his freedom taken away. While he was in detention, he was even denied water. People like my husband, who loves life, had his rights taken away. Even a simple act of writing a letter home is often

denied.

The only thing the current government respects is international opinion and pressure from the U.S. government. In order that the many other wives and children can be reunited with their loved ones, we sincerely hope, Mr. President, that when you consider your policy toward China you will place priority on China's human rights situation. If unconditional MFN is given to China it will only allow China to more openly oppress dissidents and give it more opportunities to trample the human rights of the Chinese people. This is the opposite of what the U.S. and you, Mr. President, are working toward.

Please open your heart and show your care for the future of the Chinese people!

The wife of a persecuted person
March 1993

Letter #3

Dear President Clinton:

I sincerely hope that China's MFN status will bring about economic development in China as well as human rights improvements.

My husband was sentenced to seven years in prison for participating in the June Fourth movement and for openly opposing the massacre. He organized, participated in, and gave a speech at a memorial service for those killed in the massacre. If this type of peaceful expression of opposition warrants a seven-year long sentence, then what about other more serious political activities?

When my husband was arrested, our daughter was only a little over one year old. The past few years my daughter and I have lived a lonely, hard life relying on the assistance of friends.

The Chinese government has been releasing famous political prisoners on the one hand, while at the same time arresting others. Conditions for other political prisoners have not improved at all. I am hoping that President Clinton will add human rights conditions to China's MFN status, and save us from our bitter situation. Otherwise, my husband as well as other prisoners with longer sentences will not have any hope. Is it possible that the U.S. can watch the horrible human rights situation in China and the misery of political prisoners and their families without doing anything? Can you give them MFN with no conditions and allow them to continue to trample on human rights and the world's conscience? I am sure you will not allow this to happen. I am confident that the fairness and progress that you represent will be reflected in China's human rights situation.

March 18, 1993

Letter #4

Dear President Clinton:

I am a reporter.

After the Tiananmen massacre my name was placed on the wanted list. I was arrested but the police did not have any evidence against me. The police were determined to discipline me, so under the orders of the provincial party organization and without any respect for the law, I was placed under detention for thirteen and a half months. No reason was given and I never

appeared in court.

During my detention I was subjected to all kinds of torture and mistreatment. I was not allowed outside and was not allowed access to sunlight. Even time to use the toilet was strictly controlled to the shortest time possible. The food was never washed and after each meal there was a thick layer of sand and dirt on the bottom of the plate. Over ten prisoners were crammed into a 3 x 12-foot cell. Because food was scarce and there were not enough places for everyone to sleep, there was often fighting among the prisoners. A steel worker (arrested for participation in the June 4th movement) suffered a burst intestine because of a fight over sleeping space.

The physical suffering from poor prison conditions did not compare with the mental suffering. The detention center where I was placed was considered "progressive." Beating of prisoners was a common occurrence.

I opposed the guards' personal persecution of me and attempted to stop them from beating the students who were arrested during the June 4 movement. Because of this I was repeatedly hit and kicked and beat with a baton. My hands were placed in handcuffs which that were connected to a chain over 100 pounds in weight. I was put in a cold, damp cell and was not given humane medical treatment. I became completely paralyzed as a result. Finally, I was given medicine by an untrained prisoner.

Though I can stand up now, I still have serious medical problems as a consequence: On cold days and nights my legs and shoulders are lifeless. My memory is greatly affected, my teeth have all rotted, my hands shake constantly, and my waist is constantly in pain due to a spinal injury. The doctor says that if I do not receive proper medical treatment, I could be paralyzed again.

I have brought my case before every level of the judicial branch, but my personal appeal has been ignored. Now, I not only am not able to work, I do not even have a chance to get a job (since I am a June 4 "criminal"). I have no money for medical care. I must try and support my family, but I do not have the resources to even take care of myself, much less others too.

Please Mr. President, when giving MFN, remember that China should give me, and others who have been treated like me, at least our minimum human rights so we can keep on living!

March 18, 1993

*****End of Statement*****

Chairman GIBBONS. Thank you, Mr. Shi. And I want to thank all of you for coming and waiting so long and telling your stories. We appreciate your coming. Thank you very much.

We will now go to Dr. C. Fred Bergsten, whom I have seen waiting here all day also. Fred, it is good to see you.

Dr. Bergsten is the director of the Institute for International Economics and has served long and with great distinction in the U.S. Government in prior administrations.

We are glad to have you here again, Fred.

STATEMENT OF C. FRED BERGSTEN, DIRECTOR, INSTITUTE FOR INTERNATIONAL ECONOMICS

Mr. BERGSTEN. Mr. Chairman, thank you very much.

The hour is late, and I am carrying you back to some of the mundane economics of the trade issue.

Chairman GIBBONS. All right, good.

Mr. BERGSTEN. So I will be brief.

I mainly wanted to bring to your attention today some of the conclusions of a major new study that my Institute for International Economics is about to release. It is called "China in the World Economy," and it is a comprehensive analysis of the impact on the world economy on the United States, and on international economic affairs of the emergence of this new economic superpower. It is written by Nicholas Lardy, who is a professor at the University of Washington. I would have preferred that he speak to you, but he is in Asia, and could not be here, so in a sense I am sitting in for him.

I simply wanted to give you a few of the main conclusions of that study, which suggest that there are several paradoxes concerning China's role in the world economy and U.S. economic relations with China that the committee ought to have in mind as it considers this whole range of questions.

The first is to remember that China is a huge economy, but it is full of very poor people. There has recently been a flurry of controversy and public attention to estimates emanating from the IMF and the World Bank suggesting that China is already the third largest economy in the world, might rapidly overtake Japan and become the second largest, and might even within a decade surpass the United States and become the largest economy in the world.

Now it is true that when you have more than 1 billion people, they do not need to have a very high per capita income to create a big economy.

But, in fact, our estimates suggest that these World Bank and IMF studies have vastly overblown the size of China in the world economy. The per capita income is probably about \$1,000. That still gives China a total economy of \$1 trillion, which would put it in the top five or six in the world, but it is certainly nothing like the second or third largest economy.

That is an important point, because the people who characterize it as in the top world league suggest that we ought to start treating it like one of the most important economies in the world, bring it into the G-7, and give it a central role. None of that, based on our analysis, is correct.

Another related point is that China is very unlikely to keep growing at 12 to 14 percent a year. No countries have sustained such rates. They are going to run into internal bottlenecks. They could run into political constraints.

Our analysis indicates China is not going to be as big as the United States in economic terms for at least half a century and maybe more, and it is not going to have anything like the per capita income of the United States, even if they grow twice as fast as we do, for another couple of centuries. This is only to say that China, though big, is still a poor country. It is a developing country. Its per capita income is low, and we have to think of it in those terms rather than thinking of it as a big, new economic superpower on the order of the United States or Japan.

The second point: It has come up frequently in your testimony today, and the discussion of this issue, that China is a major export market for the United States and creates lots of jobs here domestically.

I certainly do not espouse a train wreck or any of the things that have been discussed earlier today. But it is very important to put the China market in perspective.

China now takes less than 2 percent of American exports. We sell them less than 10 billion dollars' worth of product a year. That means perhaps 200,000 U.S. jobs, which is not minuscule, but neither again is it very big. At this point, China is still emerging as a market; it is not now a very big one.

Moreover, in terms of China's effect on U.S. jobs, like any country, the question is gross jobs versus net jobs. We gain a couple of hundred thousand jobs in exporting to them, but the net effect of our trade with China on our job situation goes to the trade balance, and that, of course, is in large deficit.

Now it is true that the official statistics overstate our trade deficit with China. Transshipments through Hong Kong have to be considered. We do that in our study. That reduces the actual U.S. deficit with China by several billion dollars, but it is still big. It was still \$12 to \$14 billion in 1992, and that means it is a net cost to U.S. jobs, not a net gain.

A few caveats are important. If we did not import the textile and apparel and footwear products that we do from China, we would import some of them from elsewhere. And so we cannot simply say that the net trade balance with China is costing us that many jobs.

In addition, it is very important for the committee to recognize that U.S. exports to China have been badly depressed by our own U.S. national export disincentive policies, particularly our export controls, our foreign policy controls, and our inadequate export credits. We give to China, particularly since 1989, export credits equal to about one-seventh to one-eighth that given by Japan. We tie our own hands in trying to sell to China.

As I think you know, Mr. Chairman, we published at the Institute a major study about 6 months ago called "Sizing Up U.S. Export Disincentives." We did the first comprehensive analysis of the adverse effect on U.S. exports of our own policies, and we came to the stunning conclusion that our own policies may be choking off U.S. exports to the tune of \$30 to \$40 billion annually—\$5 to \$10 billion of that total in 1989, the year that we used for our study,

was in lost exports to China. That year the bilateral imbalance with China was about \$5 billion. In short, our own policy choked off more than enough exports to explain the bilateral deficit.

I do not think that our export disincentives have risen as fast as the deficit has risen, but the export disincentive effect probably has gone up because we have kept controls in place while other countries have gotten rid of them, and we are still clearly shooting ourselves in the foot.

So the point is that the impact of U.S. trade with China on our job and domestic economic situation is more complicated than simply saying: We sell them so much; we gain 200,000 to 300,000 jobs stemming from 10 billion dollars' worth of exports. It is a much more complicated story, having a lot to do with our policies, and the bottomline is actually unclear. It could even be negative.

The third and final point in terms of the underlying analysis, and this is one that I want you and the committee to keep very much in mind, is that in discussing U.S. economic relations with China there has been an enormous focus on this bilateral trade deficit.

It is crucial to remember—and this may stun you—that China is not a surplus country. We have a big bilateral deficit with China, but China has a global trade deficit, this year probably on the order of \$11 billion, next year probably \$14 billion or so. It obviously runs a surplus with us, but it runs large deficits with the rest of the world. Not Japan, incidentally; it has roughly a balance with Japan. But it runs large deficits with other countries—Hong Kong and other countries in Asia.

In fact, since the Chinese launched their economic reforms in the late 1970s, they have run global trade deficits in 2 out of every 3 years. They are not a chronic surplus country. They are not like Japan. They are not even like Taiwan.

And so when you come to issues such as the exchange rate, one of my favorites, you cannot say that the exchange rate for China is undervalued and that they are somehow getting an unfair advantage because they are running a global deficit.

And so in addressing policies to them, it must be remembered that China is not like Japan with its chronic global surplus. China is more like Mexico and Indonesia or Korea, which through their early decades of development borrow capital from the rest of the world and run trade deficits.

China is a major debtor country; it is not a creditor country. It borrows from the rest of the world. Last year, in fact, it was the world's biggest single recipient of capital inflows for direct investment. Many of these companies you hear about wanting to invest there are doing it. That is a net capital inflow to China. That, of course, is the counterpart of a trade deficit.

So the structural situation in China is quite different from that in Japan or elsewhere.

Having said that, I want to again make a point that must be of great concern to the United States. We have a bilateral trade deficit with China on the order of probably about \$23 billion in 1993. It is even worse than it sounds because the ratio of our imports to our exports with China is something like 3.5 to 1. That is worse

than it ever got with Japan. At the height of our deficit with Japan in 1987, the ratio was 3 to 1.

If our imports are 3.5 times as great as our exports, it means the following: Our exports have to start growing 3.5 times as fast as our imports grow just to keep the deficit from getting worse. When you start with a huge imbalance, it is thus almost impossible to keep the imbalance from growing. For example, if exports and imports grow at the same rate, the deficit is going to get that much bigger. And so it is almost a certitude to predict that our bilateral deficit with China is going to expand, and within 5 years it could be bigger than the deficit with Japan and could be the biggest single bilateral deficit we have.

At the same time, China, for the reasons I indicated, is likely to keep importing capital and running a global trade deficit. So there will be a huge paradox between our running a big deficit with China and China's running a big deficit with the world. And it is therefore a much more complex and difficult situation to handle than Japan, Taiwan, or many of the other countries that we deal with in this sense.

I would close with a couple of guidelines for policy and by no means try to address the whole complex of issues.

One thought is to echo what Barber Conable was saying this morning in terms of trying to multilateralize the process. I think it is important to bring China as quickly as possible into all of the international economic institutions in order to wean it in the direction of market-oriented thinking and broader principles, including human rights, democracy and the like.

When I was at the Treasury in the period you referred to, running the international part of the Treasury in the late 1970s, we brought China into the IMF and the World Bank. I think one of the great unsung success stories of the IMF, and particularly the World Bank, was the critical role they played in that period in helping China reorient its economic strategy toward world markets, market forces, and the kind of economic liberalization we like to see.

The World Bank did many of the initial blueprints for that. Bob McNamara personally worked very closely with the Chinese leadership, and the World Bank, in particular, played a very big role in orienting the Chinese economy in directions that are much to our liking and which have tended to pay off, I would submit in political as well as economic terms over the last 15 years.

We should now try to do the same thing with the GATT. It is hard to assimilate nonmarket economies. But China is becoming more market-oriented. Other nonmarket economies have been brought into the GATT in the past. All the Eastern Europeans were, in fact, brought in when they were still part of Comecon and a communist command-based economic system. We should do that as soon as we can with China in order to facilitate their orientation toward markets and the world economy.

The other institutional innovation that is very important is the APEC, the Asia-Pacific Economic Cooperation forum. If you recall, President Clinton hosted the first summit meeting of the Asian-Pacific countries in Seattle last November. That began a serious process of turning APEC into a meaningful, operational inter-

national economic institution. It has already come to concrete decisions that have been very important.

China is key to it. In fact, without the negotiated solution in 1991 bringing the three Chinas—China, Taiwan, and Hong Kong—into APEC, it never would have gotten off the ground.

I am chairman of the APEC Eminent Persons Group, as you may recall. Our proposals underlay much of what happened at Seattle. In our internal deliberations, it was very clear that all of the Asian countries feel that it is essential that China be a part of the evolution of any regional arrangements in the Asian-Pacific. If we were to go into a train wreck situation with China in our bilateral relations, that could throw off course what is otherwise a very promising evolution of regional cooperation on economic affairs in the Asian-Pacific area, which as a whole is obviously the most dynamic and most important part of the world economy to the United States.

The Chinese so far have been cooperative in the development of APEC. They are a participant in our Eminent Persons Group; they have been very supportive. After we got over some linguistic problems in Seattle, they were very supportive of the Leaders' Vision Statement that came out of the summit and the Ministerial Statement. Therefore I think it would be a tragedy, in addition to the other problems of the train wreck that you have talked about, to risk impeding that set of developments because of a difficulty in our bilateral relations.

In summing it up, I simply wanted to put on the table some important analytical aspects of the Chinese entry to the world economy, the implications that has for the United States and our policy and a few suggestions for considerations to keep in mind as you move forward this year.

Chairman GIBBONS. Well, Dr. Bergsten, we have made one serious mistake today. We should have had you first instead of so late in the day. I think you would have added a lot of good perspective to this discussion.

I appreciate your testimony very much. I look forward to carrying on this dialog with you.

Mr. BERGSTEN. Well, I would like to do so, and as I say, we will have this new book out within the next month or two. We will send copies to you and members of the committee.

Chairman GIBBONS. Please.

Mr. BERGSTEN. And as you have further hearings and informal discussions and you get close to decision points, we would be happy to help wherever we can.

Chairman GIBBONS. Well, you have helped me a lot, and I appreciate that very much.

Mr. BERGSTEN. Thank you.

Chairman GIBBONS. The National Retail Federation, the American Textile Manufacturers Institute, the United States Association of Importers of Textiles and Apparel, the Fashion Accessories Shippers Association, and we will place the Toy Manufacturers of America's statement in the record, if they have one.

First let me say to each of you that we regret that the hour is so late and that you have had to wait here for so long.

So, Mr. Hall, why don't you proceed? You are first.

**STATEMENT OF ROBERT HALL, VICE PRESIDENT AND
GOVERNMENT AFFAIRS COUNSEL, NATIONAL RETAIL
FEDERATION**

Mr. HALL. Thank you, Mr. Chairman.

I am Robert Hall, vice president and government affairs counsel at the National Retail Federation, which is the Nation's largest and oldest retail trade association speaking for the industry. We represent the entire spectrum of retailing, including the Nation's leading department stores, discount stores, chain stores, specialty stores, as well as independent stores, and several dozen national retail associations and all 50 State retail associations, including the fine folks in Florida, Bill Kundrat and John Rogers and all the rest.

Our membership represents an industry that encompasses over 1.3 million retail establishments, 20 million Americans, 1 in 5 working Americans, and registered sales last year in excess of \$2 trillion.

Mr. Chairman, the Nation's retailers and American consumers support the continuation of most-favored-nation status for China. We urge Members of Congress to reject any legislative proposals that would either terminate MFN status or place conditions on its extension.

Retailers share the Government's concerns about human rights abuses, but we believe that extension of MFN is the best way to bring about effective means of encouraging positive change in China.

Should the United States revoke MFN, the likely Chinese response would be retaliation. The price of that retaliation would fall on the more than 170,000 highly skilled Americans who work in U.S. export business, such as aerospace, heavy machinery, computers, agriculture, chemicals, and others.

Since 1990, U.S. exports to China have more than doubled. China imported nearly \$9 billion of American-made goods just last year.

China's economy, as noted here earlier today, has grown by 13 percent, and we expect it to grow, but perhaps not at the same extent.

Over the next decade, China will be investing billions of dollars in energy equipment, telecommunications technology, and transportation improvements. U.S. workers deserve a shot at filling those orders. A revocation of MFN would block chances for export market growth and destroy that opportunity.

A revocation of MFN would also impact not only American workers, but would also place a heavy burden on American consumers. American consumers, particularly low- to middle-income consumers, would no longer be able to afford or find goods that are made in China, which is a key producer of products like footwear, clothing, toys, and small consumer electronics.

Without MFN status, there would be an average tenfold increase in tariffs on most goods, driving up prices dramatically. Tariffs on men's trousers would skyrocket from 7.7 percent to 90 percent. A pair of sneakers which today costs \$10 would cost more than \$20, severely impacting the low-income consumers who enjoy those products.

Economists predict that should MFN be revoked, then imports of all or nearly all consumer items would be reduced or eliminated, resulting in a cost to U.S. consumers of as much as \$16 billion.

The Nation's retailers applaud President Clinton's decision last year to delink the weapons proliferation and trade practices issues from the annual MFN debate. We are also supportive of the Clinton administration's efforts to improve human rights in China. We have constantly and consistently stressed the importance of the human rights to the Chinese Ambassador here in Washington, to China's representatives in Geneva, and to our suppliers in China.

As a result of our efforts, we remain convinced the best way to effect positive change is to continue the U.S. policy of engagement. And this policy is clearly working. Negotiations on longstanding market access and intellectual property rights are progressing in a positive manner. Last month, China and the United States reached a 3-year bilateral textile agreement. In recent weeks, China has released several important political prisoners and has indicated that more releases are forthcoming.

Just last month, during Secretary Bentsen's official visit, the United States and China announced they had reached agreement on enforcement provisions for the prison labor Memorandum of Understanding. And further, China, as you know, is working with the United States in an effort to avoid any nuclear crisis with North Korea.

A revocation of MFN at this sensitive time would be counterproductive to America's economic and national security interests. As my former boss, Senator Sam Nunn, the chairman of the Armed Services Committee, has recently suggested, "a total cutoff of MFN is too heavy a weapon" and would jeopardize our cooperative relationship with the Chinese with regard to managing international crises in Asia and particularly in avoiding a nuclear showdown with North Korea.

Secretary Bentsen said last month that one of the ways to improve human rights is to encourage market reform and trade in China. We should heed the Secretary's advice. We can best effect change through a continued relationship of trade and investment.

In summary, the Nation's retailers support continued MFN trading status with China without conditions. Should MFN be revoked, American workers will be forced to pay a heavy price with as many as 170,000 jobs on the line.

Further, American consumers will be forced to pay higher prices for, or be cut off from, the high-quality, relatively inexpensive products they now purchase from China. Estimates are that price hikes and shortages will force customers and consumers to pay \$16 billion in additional taxes on consumer products equal to \$170 per family.

The human rights improvements we all want to see can best happen through a continued working relationship with the Chinese. We should not jeopardize all of the recent progress with a revocation of MFN or the further conditioning of MFN trading status.

Mr. Chairman, I thank you and the committee for this opportunity, and I look forward to working with you in the weeks and months ahead.

[The prepared statement follows:]

TESTIMONY OF ROBERT HALL, NATIONAL RETAIL FEDERATION

Good afternoon, Mr. Chairman. I am Robert Hall, Vice President and Government Affairs Counsel for the National Retail Federation, the nation's largest and oldest trade association which speaks for the retail industry. I appreciate this opportunity to present the views of the nation's retailers on China MFN.

The National Retail Federation represents the entire spectrum of retailing, including the nation's leading department, chain, discount, specialty and independent stores, several dozen national retail associations and all 50 state retail associations. Our membership represents an industry that encompasses over 1.3 million retail establishments, employs 1 in 5 working Americans (20 million people) and registered sales in excess of \$2 trillion last year. NRF's international members operate stores in over 50 foreign nations.

Mr. Chairman, the nation's retailers and American consumers support the continuation of Most Favored Nation (MFN) trading status for China. We urge Members of Congress to reject any legislative proposals that would either terminate MFN status or place conditions on its extension. Retailers share the government's concerns about human rights violations in China, but we believe that the extension of MFN is the most effective means of encouraging positive change in China.

Should the United States revoke its MFN status with China, the likely Chinese response would be retaliation. The price of that retaliation would fall upon the more than 170,000 highly skilled Americans who work in U.S. export businesses, such as aerospace, heavy machinery, computers and chemicals. In 1993, China imported nearly \$9 billion of American made goods. Since 1990, U. S. exports to China have nearly doubled and China is expected to continue purchasing our products. China's economy grew by 13 percent last year, the world's fastest growth rate. Over the next decade, China will be investing billions of dollars in energy equipment, telecommunications technology, and transportation improvements. U.S. workers deserve a shot at filling those orders. A revocation of MFN would block chances for export market growth, and destroy that shot.

A revocation of MFN would not only impact American workers, it would also place a heavy burden on American consumers. American consumers, particularly low to middle income consumers, would no longer be able to afford or find goods made in China, which is a key supplier of products like footwear, clothing, toys, and small consumer electronics. Without MFN status, there would be an average ten-fold increase in tariffs

on most goods, driving prices up dramatically. For example, tariffs on men's trousers would skyrocket from 7.7 percent to 90 percent. A pair of sneakers which today costs \$10 would cost more than \$20, severely impacting low income consumers. Economists predict that should MFN be revoked, then imports of nearly all consumer items would be reduced or eliminated resulting in a cost to U.S. consumers of as much as \$16 billion.

According to a 1993 study conducted by the International Business and Economic Research Corporation, this \$16 billion cost to U.S. consumers would be equal to an average tax of \$170 per year on each of the 94 million American households. Further, the revocation of MFN could as well mean that thousands of jobs in the retail industry would be lost, throughout the industry from department stores to mass merchandising. Clearly the revocation of MFN would be directly harming Americans instead of the hoped for result of forcing the Chinese to correct any human rights abuses.

The nation's retailers applaud President Clinton's decision last year to de-link the weapons proliferation and trade practices issues from the annual MFN debate. We are also supportive of the Clinton administration's efforts to improve human rights in China. We have constantly and consistently stressed the importance of the human rights message to the Chinese ambassador here in Washington, to China's representatives in Geneva and to our suppliers in China. As a result of our efforts, we remain convinced that the best way to affect positive change is to continue the U.S. policy of engagement.

The new engagement policy is clearly working. Negotiations on longstanding market access and intellectual property rights are progressing in a positive manner. Last month, the U.S. and China reached a three year bilateral textile agreement. In recent weeks, China has released several important political prisoners and has indicated that more releases are forthcoming. Last month during Secretary Bentsen's official visit, the U.S. and China reached agreement on the enforcement provisions for the prison labor Memorandum of Understanding. Further, China is working with the United States in an effort to avoid any nuclear crisis with North Korea.

A revocation of MFN at this sensitive time would be counter-productive to America's economic and national security interests. Senator Sam Nunn, the Chairman of the Senate Armed Services Committee, has recently suggested that a "total cutoff of MFN is too heavy a weapon" and would jeopardize our cooperative relationship with the Chinese with regard to managing international issues in Asia and, particularly, in avoiding a nuclear showdown with the North Koreans.

Treasury Secretary Lloyd Bentsen said last month that "one of the the ways to promote human rights is to encourage market reform and trade" in China. The United States should heed the Secretary's advice. We can best affect change through a continued relationship of trade and investment.

In summary, the nation's retailers support continued MFN trading status with China, without conditions. Should MFN be revoked, American workers will be forced to pay a heavy price with as many as 170,000 jobs on the line. Further, America's consumers would be forced to pay higher prices for, or be cutoff from, the high quality, relatively inexpensive products they now purchase from China. Estimates are that price hikes and shortages will force consumers to pay a \$16 billion additional "tax" on consumer products, equal to \$170 per family. The human rights improvements we all want to see can best happen through a continued working relationship with the Chinese. We should not jeopardize all of the recent progress with a revocation of MFN or with a further conditioning of MFN trading status.

Mr. Chairman, I thank you and the Committee for this opportunity to share the views of the nation's retailers. We stand ready to work with you and others in the weeks and months ahead on this important issue.

Chairman GIBBONS. Thank you, sir.
Mr. Bremer.

STATEMENT OF CHARLES V. BREMER, DIRECTOR, INTERNATIONAL TRADE, AMERICAN TEXTILE MANUFACTURERS INSTITUTE

Mr. BREMER. Thank you, Mr. Chairman.

My name is Charles Bremer. I am director of international trade for the American Textile Manufacturers Institute (ATMI), which is the national association of the textile mill products industry.

Mr. Chairman, since China is the single largest foreign source of America's textile and apparel imports, ATMI and its members have a keen interest in U.S. trade policy regarding China.

As the subcommittee is aware, a key element of our trading relationship and our entire trade policy with China is the granting of most-favored-nation status to China, which is the subject of your hearing today.

ATMI believes that most-favored-nation status for China should not be renewed beyond its scheduled expiration on July 3 of this year and that there are compelling reasons for it not to be renewed.

Now most of the debate surrounding China's MFN status and most of the testimony the subcommittee will receive is concerned with China's human rights policies, nuclear proliferation, and weapons sales. These are certainly important issues that should be considered, but they are not the only ones.

From ATMI's perspective, a decision whether or not to continue China's MFN status should be equally conditioned on China's conduct as a trading partner. In this regard, the record is clear. It is an understatement to say that China's conduct has been deplorable. To say that it has been resolutely criminal would be more to the point and more in accordance with the facts.

Whether it be false declarations to the U.S. Customs Service for the purpose of evading tariffs, mislabeling of merchandise, or transshipping through third countries in order to evade bilateral quota agreements, there is not a single type of customs fraud that the Government of China and its agents have not engaged in repeatedly during the past several years.

Of the many infractions that have been committed, the type that has received the most notoriety, of course, is transshipment, falsely declaring goods to be the product of another country in order to not have them counted against China's quotas, even though those quotas are rather generous by any measure.

On not less than seven occasions, the Committee for the Implementation of Textile Agreements has published notices in the Federal Register relating to charges against China's quotas for goods found to have been transhipped. There have been indictments, trials, and convictions on both our east and west coasts of firms and individuals controlled by the Chinese Government for every type of import fraud imaginable.

In its trade relations with the United States, China has made a mockery of our laws and of international and bilateral agreements to which it is a signatory.

In our view, Mr. Chairman, these transgressions alone are sufficient grounds for the revocation of China's MFN status.

But the wrongdoing does not stop there. While evading tariffs and quotas on a scale that can only be described as colossal, China is at the same time one of the worst intellectual property pirates in the world. ATMI's members have been damaged by this behavior as well.

Our member companies have had their copyrighted patterns and designs, creative works that are result of much effort and considerable expenditure of money, stolen by Chinese textile mills, reproduced without their permission or knowledge, and sold all over the world in competition with our members' legitimate merchandise. This theft costs American textile firms millions and millions of dollars in lost sales every year.

There are other types of intellectual property piracy also extant in China, and the resulting economic harm to many American firms is undoubtedly even greater than it is to the textile industry. Who knows how many pirated and counterfeit sound recordings, books, video cassettes, and computer software programs are produced in China each year?

Suffice it to say that one can today still buy copies of pirated American computer software on the streets of Beijing.

In connection with this, Mr. Chairman, I have attached to my written statement a copy of an article that appeared only this week in the Journal of Commerce, the headline of which is "Business Groups Demand Action on Chinese Piracy", and the story relates to a coalition of American intellectual property producers whose estimate is that just for themselves alone, Chinese intellectual property piracy costs them \$827 million per year.

Finally, Mr. Chairman, to add insult to injury, while shipping to the United States 7 billion dollars' worth of textile and apparel products annually and transshipping billions of dollars more illegally, while flouting our laws and stealing our intellectual property, China keeps its market closed tight as a clam.

China does not believe in bilateral trade, at least not in the area of textiles and apparel. In this sector, trade, for China, is a one-way street. Through a combination of high tariffs, import licensing schemes, and a bewildering array of regulations which it refuses to publicly disclose, the Government of China keeps out of its market all textiles and apparel except those goods which it will import to produce for export. It is possible to sell yarn and fabric in China, but it will not stay there; it will be exported in a matter of weeks.

Last year, we exported to China 40 million dollars' worth of textiles, intermediate products, and apparel, while China exported to us 7 billion dollars' worth. If that illegal trade were curbed and half of those goods were produced here, over 100,000 job opportunities would be created in our country.

To conclude, Mr. Chairman, last year while breaking our laws, stealing our intellectual property, flaunting our textile trade agreement, and slamming the door in our face, China managed to run up a \$23 billion trade surplus with the United States. This \$23 billion is China's reward for its truly egregious behavior, and it is undeserved.

As the subcommittee and the House of Representatives consider the question of China's MFN status, it is essential to keep one important fact in mind. MFN status is not a right which is automati-

cally granted to each and every country which seeks it. MFN status is a privilege granted by the United States, a privilege which must be earned. Simply put, China has not earned it. Therefore it should be withdrawn.

ATMI recommends to the subcommittee, the Committee on Ways and Means, and the House of Representatives that China's most-favored-nation status not be renewed and that it be withheld until China demonstrates conclusively, not through promises or understandings, that it has achieved the reforms necessary to be treated as a coequal trading partner.

Thank you, Mr. Chairman.

[The prepared statement and attachment follow:]

**STATEMENT OF CHARLES V. BREMER
DIRECTOR OF INTERNATIONAL TRADE
AMERICAN TEXTILE MANUFACTURERS INSTITUTE**

This statement is submitted by the American Textile Manufacturers Institute (ATMI), the national association of the textile mill products industry. ATMI's member companies are engaged in every facet of textile manufacturing and marketing. They range in size from small, family-owned enterprises with one producing facility and a few score employees to publicly-owned billion dollar corporations with several thousand workers. Collectively they account for over eighty percent of total textile mill activity in the United States.

Last year these companies and these members suffered from the influx of almost 19 billion square yards' worth of imports of textile and apparel products. China is the single largest source of these imports accounting for 13.3 percent of the world total officially and probably an additional ten percent in illegal shipments. Therefore, the United States' policy regarding trade with China is of keen importance to ATMI's members and some 700,000 U.S. textile workers. As the Subcommittee is aware, a key element of that policy, in fact, the single most important element, is the granting of most-favored-nation (MFN) status to China, the subject of this hearing.

ATMI believes that MFN status for China should not be renewed beyond its scheduled expiration on July 3 of this year and that there are compelling reasons for it not to be renewed.

Most of the debate surrounding China's MFN status and most of the testimony the Subcommittee will receive is concerned with China's human rights policies, nuclear proliferation and weapons sales. These are certainly important issues that should be considered, but they are not the only ones. From ATMI's perspective, a decision whether or not to continue China's MFN status should be equally conditioned on China's conduct as a trading partner. In this regard, the record is clear: it is an understatement to say that China's conduct has been deplorable. To say that it has been resolutely criminal would be more to the point and in accordance with the facts.

Whether it be false declarations to the Customs Service for the purpose of evading tariffs, mislabeling of merchandise or transshipping through third countries in order to evade bilateral quota agreements, there is not a single type of Customs fraud that the government of China and its agents have not engaged in -- repeatedly -- during the past several years. Of the many infractions that have been committed, the type that has received the most notoriety is transshipment, falsely declaring goods to be the product of another country in order to avoid having them counted against the quotas which the United States maintains on textile and apparel imports from China -- even though these quotas are extremely generous by any means. On not less than seven occasions the interagency Committee for the Implementation of Textile Agreements (CITA) has published notices in the *Federal Register* relating to charges against China's quotas for goods found to have been transshipped. There have been indictments, trials, and convictions on both our east and west coasts of firms and individuals controlled by the Chinese government for every kind of import fraud imaginable, not merely transshipment. In its trade relations with the United States, China has made a mockery of our laws and of international and bilateral agreements to which it is a signatory.

These transgressions alone are sufficient grounds for the revocation of China's MFN status, but the wrongdoing does not stop there. While evading tariffs and quotas on a scale that can only be described as colossal, China is at the same time one of the worst intellectual property pirates in the world. ATMI's members have been damaged by this behavior as well. Our member companies have had their copyrighted patterns and designs, creative works that are the result of much effort and considerable expenditure of money, stolen by Chinese textile mills, reproduced without their permission or knowledge and sold all over the world in competition with our members' legitimate merchandise. This theft costs American textile firms untold millions of dollars worth of lost sales every year.

There are other types of intellectual property piracy extant in China and the resulting economic harm to all American firms is undoubtedly even greater than it is to the textile industry. Who knows how many pirated and counterfeit sound recordings, books, video cassettes and computer software programs are produced in China each year? Suffice it to say that one can today buy copies of pirated American computer software on the streets of Beijing. (Please see attached Exhibit A)

Finally, to add insult to injury, while shipping to the United States \$7 billion worth of textile and apparel products annually (and transshipping billions of dollars more), while flouting our laws and stealing our intellectual property, China keeps its market closed tight as a clam. China does not believe in bilateral trade, at least not in the area of textiles and apparel. In this sector, trade for China is a one-way street. Through a combination of high tariffs, import licensing schemes and a bewildering array of regulations which it refuses to disclose publicly, the Government of China keeps out of its market all textiles and apparel except those goods which it must import to produce goods for export. It is possible to sell yarn and fabric to China, but it will not stay there: it will be exported in a matter of weeks. We sold China \$40 million of textiles and apparel last year, while China exported \$7 billion legally and another \$2-3 billion illegally. If that illegal trade were curbed and half of those goods were produced here, over 100,000 job opportunities would be created in this country.

Last year while breaking our laws, stealing our ideas, flaunting our textile trade agreement and slamming their door in our face, China managed to run up a \$23 billion trade surplus with the United States. This \$23 billion is China's reward for its truly egregious behavior and it is undeserved. As the Subcommittee and the House of Representatives itself consider the question of China's MFN status, it is essential to keep one important fact in mind: MFN status is not a right which is automatically granted to each and every country seeking it. It is a privilege granted by the United States, a privilege which must be earned. Simply put, China has not earned it; therefore, it should be withdrawn. ATMI earnestly recommends to the Subcommittee, the Committee on Ways and Means and the House of Representatives, that China's MFN status not be renewed and that it be withheld until China demonstrates conclusively, not through promises or "understandings", that it has achieved the reforms necessary to be treated as a co-equal trading partner.

Business Groups Demand Action On Chinese Piracy

By JOHN MAGGS
Journal of Commerce Staff

WASHINGTON — Despite rules adopted in 1992, China has become an international haven for copyright piracy, and U.S. business groups are demanding that the Clinton administration put a stop to the problem or retaliate with trade sanctions.

Papers filed with the administration last week charge that illegal copying of U.S. movies, records and computer software is costing U.S. businesses \$827 million a year.

The request turns up the heat on the administration, which is threatening to break trade relations with China unless it makes significant progress in improving human rights conditions.

At the same time that the administration is trying to convince Chinese leaders to make these reforms, it also will have to secure a crackdown on the lucrative pirate trade.

An alliance of companies that de-

pend on copyrights also named Brazil and India — longtime targets of piracy complaints — and asked U.S. trade officials to begin an investigation against the two, a process that could lead to trade sanctions. Losses in Brazil are estimated at \$295 million a year and in India, \$191 million a year.

Worldwide, U.S. companies lost \$15 billion to \$17 billion to copyright piracy in 1993, the most ever, according to the filing by the International Intellectual Property Alliance (IIPA) in Washington.

The complaint was made under the U.S. Special 301 law, which requires a yearly accounting of major patent and copyright piracy problems and sets a deadline for resolving the worst of them.

In a separate filing, U.S. pharmaceutical companies targeted India and Brazil for allowing the piracy of drugs patented in the United States.

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and added Argentina and Turkey to their list of countries that should be threatened with retaliation.

Estimated losses from this piracy in Brazil are \$500 million, \$150 million in India and \$60 million in Turkey. No estimate was submitted for Argentina, which has been threatened with sanctions before for alleged piracy.

The administration is expected to make a decision on the Special 301 list by May 1, starting a negotiation that is supposed to last no longer than nine months.

This year's decision is overshadowed by a new international code on copyrights and patents agreed to in Geneva in December by the more than 100 nations in the General Agreement on Tariffs and Trade. The agreement takes effect in July 1995.

To convince developing countries to agree to the rules, the GATT agreement gives them five years to comply with the copyright provisions and 10 years to comply with the patent rules. Once July 1995 comes along, these countries will be protected by GATT and allowed to continue their piracy until the new code takes effect.

For that reason, U.S. businesses

that depend on copyrights and patents consider this their last chance to use U.S. law to bring pirate countries to heel.

This is still true for China, even though it is not a member of GATT, because it is expected to join the trading organization soon.

In early 1992, before China passed patent or copyright laws, the United States was poised to block imports of over \$1 billion in Chinese products under a Special 301 complaint. China agreed to the reforms at the last minute but has not been enforcing its copyright laws, according to the new complaint from the IIPA.

U.S. businessmen say that unbridled capitalism in China has made it a comfortable home for pirates from other countries who have been chased away by lighter rules. For example, U.S. pressure on Taiwan in the last few years has succeeded in largely eliminating piracy there, but has triggered a wave of investment in China as illegal compact disc factories sprout up.

To raise the profile of the issue, U.S. officials are expected to press a complaint about a compact disc and laser disc factory in Southern China owned by a relative of Chinese Premier Li Peng.

In a separate filing last week, Hollywood producers stuck with a plan to ease pressure on the European Union for its limits to exports of American-produced movies and television programs. They asked that the EU be put on a watch list, which does not carry a threat of sanctions.

In addition to the \$827 million lost in China by the members of the IIPA, Nintendo of America says that piracy of its video games in China is costing it up to \$1.2 billion a year. The company, based in Seattle, is owned by a Japanese company.

Chairman GIBBONS. Thank you, Mr. Bremer for your very strong statement.

Mr. Lewin, you are next on this list here. Go right ahead.

STATEMENT OF MARTIN LEWIN, COUNSEL, UNITED STATES ASSOCIATION OF IMPORTERS OF TEXTILES AND APPAREL, ON BEHALF OF JULIA K. HUGHES, CHAIRMAN

Mr. LEWIN. Thank you, Mr. Chairman.

My name is Martin Lewin. I am a partner in the law firm of Aiken, Irvin & Lewin. I am counsel to the United States Association of Importers of Textiles and Apparel (USA-ITA).

Our chairman, Julia Hughes, who was scheduled to testify today, could not make it and asked that I testify on her behalf.

Chairman GIBBONS. All right, fine.

Mr. LEWIN. USA-ITA is a national organization of over 150 companies which employ approximately 1 million people, American workers, annually.

We strongly support continued MFN treatment on U.S. imports from China. We have presented written testimony which details the reasons for our support, which I would like to be included in the record.

Chairman GIBBONS. Yes, it will be.

Mr. LEWIN. And I will not read it. I would just merely like to summarize some of the key points.

The first point is that we strongly believe that MFN and human rights go hand-in-hand, and, in fact, there is not a dichotomy between continued MFN treatment and human rights improvements, but that continued MFN is necessary for continued human rights improvements.

Our members have been active in China since 1981, and we have seen the progress the country has made, not only economically, but in terms of human rights, and we believe that the opening of China to trade and the opening of its economy is instrumental in those human rights improvements.

Anybody who has been to China in recent years has seen this dramatic progress. Years ago, Western magazines would be confiscated at the border; today you can buy them in hotels. Trains are jammed with people traveling around the country; people are not tied down to their job and village. People dress as they please. Hong Kong pop music is in the air.

These are all real marks of progress as far as we are concerned. We are concerned that if MFN is removed, there will be retrenchment, and it will derail this progress.

We see an analogy between the situation in China today and the situation in some of the other Asian countries, 10 or 15 years ago, particularly Korea and Taiwan. Those countries also had human rights abuses. The United States was very concerned about those abuses, but we did not cut off our trade relations with them.

What happened was, the economies of those countries flourished. A middle class developed, and that middle class was instrumental in the evolution of democracy in those countries. We believe that the beginnings of that are occurring in China today, and we hope it will continue.

We are not saying that the current Chinese leadership are closet Democrats, but we believe that progress economically will lead to progress in human rights, and conversely that a closing of the economy will lead to a diminution of human rights.

We also support continued MFN because of the adverse impact of withdrawal of MFN on the U.S. economy. China, as has been stated before, is the largest exporter of textiles and apparel to the United States. It accounts for approximately 14 percent of total imports of textile and apparel.

This quantity of trade cannot be replaced. There are not alternative sources for this amount of apparel. It will not be produced in the United States. It would be produced in the United States now if it could be.

Moreover, the U.S. textile program places all the alternate sources of apparel under quotas. So what would happen if MFN were lost would be a massive disruption of international sourcing in textiles and apparel.

A lot of that apparel was already ordered through 1994, being planned into 1985. The companies, the importers, the retailers who are involved in this trade do not have the financial resources to absorb the increases in duties which would result from MFN withdrawal.

We are very concerned that if MFN were withdrawn that a number of these firms would go out of business, and there would be major job losses, and I think these job losses are separate from the job losses on the export side. We are talking about the dislocation resulting from lack of supplies.

The impact on consumers also is enormous. Each 1 percent increase in the cost of imported apparel raises the cost to consumers of apparel annually \$1 billion. And the impact with respect to imports from China would be most dramatically felt on the poorest consumers, because that merchandise is purchased disproportionately by those consumers.

So in sum, we believe that continued MFN is in the best interests of both the United States and China, and we hope that it will be continued.

We also urge that the committee consider permanent granting of MFN status to China, because we believe, also given the importance of the relationship, that the uncertainty that is generated each year is not beneficial.

Thank you very much.

[The prepared statement of Julia K. Hughes follows:]



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TESTIMONY OF JULIA K. HUGHES
CHAIRMAN OF
UNITED STATES ASSOCIATION
OF IMPORTERS OF TEXTILES AND APPAREL
ON CONTINUED MOST FAVORED NATION TREATMENT FOR CHINA

February 24, 1994

Good afternoon. My name is Julia K. Hughes. I am the Divisional Vice President, Government Relations, for the Associated Merchandising Corporation. I am testifying today in my capacity as Chairman of the United States Association of Importers of Textiles and Apparel (USA-ITA).

USA-ITA is a national organization of more than 150 American importers, importer-manufacturers, and retailers of apparel and related services companies. Our members source apparel domestically and abroad, accounting for over \$40 billion in U.S. sales annually and employing more than 1 million American workers. The apparel import and retail industries as a whole account for over 3 million jobs, more than twice the number in the traditional textile and apparel manufacturing sectors combined. Thus, we constitute a significant part of the industry.

USA-ITA is a member of the Business Coalition for U.S. China Trade and we endorse the position of that group. We are testifying today on our own behalf because the impact of MFN withdrawal on textile and apparel trade is particularly acute, and because that trade is of great consequence, not only for our members, but for both countries generally. Textile and apparel products are China's largest exports to the United States, in the range of 6 billion dollars annually. China also is the largest supplier of these products to the U.S. market. Textiles and apparel, together with other consumer products sold by U.S. retailers, such as toys, games, sporting goods, electronics, footwear, and leather products, constitute an overwhelming portion of total U.S.-China trade, exceeding 17 billion dollars annually.

USA-ITA strongly supports continued MFN treatment for U.S. imports from China. Our members see the extension of MFN as being not only in the U.S. economic interest, but also the interest of further improving the human rights environment in China. Our members have been active in China for over a decade. Based upon these companies' experience, we have first hand evidence that

increased trade with China supports a more open economy and greater personal freedom. While supporters of conditioning MFN on human rights' policies are well intentioned, our Association believes this is misguided. The loss of MFN would more likely result in a diminishing of human rights in China than in its improvement.

Effect of Loss of MFN on China's Human Rights Policies

The members of USA-ITA share the concern of members of Congress, and of the American people generally, regarding human rights in China. However, we do not believe withdrawal of MFN from China will improve China's human rights situation. On the contrary we see withdrawal of MFN as counterproductive, strengthening xenophobic elements in China's leadership and weakening those most supportive of western values.

The structure of U.S. trade with China often is misunderstood. China is perceived to be a centralized economy dominated by state enterprises, as in the former Soviet Union and Eastern Bloc countries. The reality in China is far different, however. China's strongest economic sectors, and particularly its important trade sectors such as apparel, are predominantly controlled by locally owned enterprises. The benefits of trade accrue to the residents of the townships and municipalities which own these enterprises and not the state sector.

Apparel importers and retailers have been active in China since MFN was approved for China in 1981. We have seen dramatic progress in China, both in its economy and in its human rights environment. From our first hand perspective we have seen trade as a major catalyst for progress in both areas. It is our experience that economic progress and progress in human rights go hand in hand.

It is no coincidence that the regions most active in international trade, Guangdong and Shanghai, are the regions with the greatest degree of personal freedom. Withdrawal of MFN would hurt these regions most and would deter the further decentralization of China's economy. This would not be in the interest of China or the United States.

We have seen the positive relationship between increased trade, economic development and progress in human rights elsewhere in the region, most notably in Taiwan and Korea. Today both countries are flourishing democracies, but, in the past, these countries also experienced human rights problems. The United States did not ignore the human rights problems in those countries.

However, we did not consider the threat of severing bilateral trade relations to be a useful tool to encourage improvements in human rights. Instead, we maintained strong trade relations with these countries even as we pressed for human rights improvements.

As the economies of these countries developed, a substantial middle class emerged and that middle class spearheaded the transition to democratic rule.

We see the beginnings of this process emerging in China today. No one visiting China in recent years can seriously deny the progress of personal freedom in that country since MFN was first granted. In the past, western magazines were confiscated by stern-faced Customs officials. These same magazines are now on sale in hotel shops. People are no longer tied to their job and village; trains are jammed with ordinary people seeking better jobs in the coastal provinces or returning home for a holiday visit. Rooftops are dotted with antennas facing Hong Kong, with the occasional satellite dish also visible. People dress as they please. Music fills the air from store front shops selling the latest in Hong Kong pop.

While the pace of progress may be slower than we would like, we believe the human rights situation will continue to improve as China's economy develops further and as the next generation assumes greater positions of leadership. Withdrawal of MFN is far more likely to derail progress in human rights than it is to foster it. We do not pretend to see closet democrats in China's current political leadership. However, we see the fundamental political struggle in China today as being between those who tacitly accept the gradual liberalization of social controls on the Chinese people as a price for sustaining China's rapid economic development and those who would be willing to sacrifice a measure of economic growth for social control. Withdrawal of MFN would undercut the former group and strengthen the latter group in the succession struggle which will only intensify in the next few years.

Adverse Effect of the Loss of MFN on U.S. Business and U.S. Jobs

Imports of textiles and apparel from China are of critical importance to the economic viability of the U.S. apparel import and retail industries. China accounts for over 13 percent of total U.S. textile and apparel imports, the largest single source of these products. As noted above, the value of these imports exceeds 6 billion dollars annually.

China cannot be replaced as a source for these textile and apparel products. Alternative production does not exist for this magnitude of trade, certainly not at the prices and quality of Chinese production. Even if other sources could be found to replace a portion of China's production, importers and retailers would be precluded from using these sources because of the pervasive system of quotas in effect under the U.S. Textile Program. Virtually all textile and apparel trade from significant producers of moderately priced textiles and apparel are subject to comprehensive quotas which allow only minimal growth.

Under these conditions, the loss of MFN for textiles and apparel from China would result in chaos in international apparel sourcing, with prices increasing across the board as importers and retailers compete for the limited production available from countries other than China. The disruption to both import and retail operations throughout the United States would be enormous.

Compounding this problem, the lead time between ordering and delivery for much apparel is six months or more. Apparel is not an "off the shelf" product purchased from producer inventories. U.S. apparel import and retail companies currently are planning production for 1995, and have orders outstanding under irrevocable letters of credit for most of 1994 shipments.. The loss of MFN would increase the cost on this merchandise dramatically, in some cases by as much as 80 percent. Importers and retailers lack the financial cushion needed to absorb cost increases of this magnitude. Inevitably, many apparel import and retail companies would go out of businesses if MFN were removed from textiles and apparel from China, with significant U.S. job losses.

Cost to U.S. Consumers

The loss of MFN on these products would also be a costly blow to U.S. consumers. Apparel accounts on average for over 6 percent of consumer expenditures in the United States. The poorest 20 percent of U.S. households spend over 15 percent of their budgets on these products. Existing quota restrictions and tariffs already add \$550 annually to the cost of apparel for the average family. Loss of MFN on these products from China would increase these consumer costs significantly, not only for Chinese made apparel, but for apparel from all sources, as the effect of increased Chinese apparel costs ripples throughout the apparel sourcing system.

Each one percent increase in the cost of apparel increases the

consumer cost to American families by well over one billion dollars annually. These costs will be borne disproportionately by the poorest consumers not only because they spend a higher portion of their income on clothes, but also because sales of clothing made in China is sold predominantly lower income consumers.

Conclusion and Recommendations

We see expanding trade with China as an important vehicle for positive change in China in the area of human rights and that continued MFN for China is an essential component to expanding trade. For this reason, we are concerned that frustration over the pace of human rights progress in China may result in the adoption of a short-sighted policy of denying MFN to China to "punish" China's leadership. Such a policy would not accelerate human rights progress. On the contrary, the disruption to China's economy resulting from withdrawal of MFN could well provide an excuse for China's central government to assert greater economic and political control over the Chinese people at the expense of more pragmatic local and provincial governments. We strongly urge that Congress allow MFN to continue so that the existing forces for change in China can continue to move China in the direction of greater individual freedom and human rights.

We also believe it is time to rethink the very concept of an annual MFN review for China. Despite its designation, most favored nation treatment is the norm in U.S. bilateral trade. Our bilateral trade relationship has expanded to the point that withdrawal of MFN from China would have severe repercussions on U.S. investment and on the U.S. economy generally. Particularly given the importance of our relationship with China in the political as well as the economic sphere, granting permanent MFN status to China is in the best interest of both countries.

USA-ITA thanks the Committee for the opportunity to testify on this important issue.

Chairman GIBBONS. Mr. Simon.

STATEMENT OF JOEL K. SIMON, COUNSEL, FASHION ACCESSORIES SHIPPERS ASSOCIATION, INC. AND RUSS BERRIE & CO., INC.

Mr. SIMON. Thank you, Mr. Chairman, for again giving us the opportunity to appear before you today.

I am Joel Simon, customs and trade counsel to the Fashion Accessories Shippers Association (FASA) and Russ Berrie & Co., Oakland, N.J.

FASA is a trade association located in New York City and is comprised of 80 member companies located throughout the United States. Our members import handbags, luggage, small leather goods, umbrellas, gloves, and belts from all parts of the world.

China is by far our largest source of product. Most of our member companies are small privately held businesses who employ less than 500 workers each. Total employment for our members is over 10,000 men and women.

Russ Berrie & Co. is an importer of giftware, toys, stuffed animals, and trolls and is a publicly held company whose shares are traded on the New York Stock Exchange. Russ Berrie employs more than 1,400 people in the United States and has employees in each of the 50 States. More than half of all products imported by FASA members and Russ Berrie are currently made in China.

As in the past, FASA members and Russ Berrie are extremely concerned over the possible loss of MFN treatment for products made in China. This year is especially difficult because it is the first year that we are working under the threat of the loss of MFN should China fail to meet the conditions set forth by President Clinton when he renewed MFN in June of last year.

Among the questions to be answered are: Has China made overall, significant progress in human rights? Has China ceased exporting to the United States products made by prison labor? Has China complied with the Jackson-Vanik amendment allowing freedom of emigration for its citizens?

These are all difficult questions for us to answer with any degree of certainty. We have read Ambassador J. Stapleton Roy's opinion recently published in The New York Times that China has made dramatic progress in improving the lives of its citizens, and this should be taken into consideration with regards to most-favored-nation renewal.

We have the documented release of a number of political prisoners, some of whom appear to have been released in response to the request made by yourself and members of this subcommittee during your visit this past August to China.

And we have a statement, the recent statement of Secretary Bentsen that progress was being made on the prison labor front, and China has agreed to permit inspection of five prisons allegedly producing products for export.

Unfortunately we also have heard today and read in the press about reports of arrests of dissidents, expulsion of clergymen, and other incidents reported in the State Department's interim report of January 31, 1994. That report also shows a somewhat inconsis-

ent pattern of human rights abuses, as well as progress made by the Chinese Government

What does all this mean? Is the MFN glass half-empty, or is it half-full?

We would like to think that significant progress has been made, for to believe otherwise would result in an economic and political catastrophe.

Senator Baucus in a speech before the U.S.-China Business Council, likened our current MFN policy with China as, "perpetually threatening the economic equivalent of nuclear war." That is a little bit more severe than a train wreck, which we discussed earlier today, and I think probably more aptly a syllogism.

This is not an understatement. Millions of people in China are threatened with the loss of their economic livelihood should most-favored-nation status be withdrawn. Hundreds of thousands of Americans are also in jeopardy with the absolute real prospect of losing their jobs and everything they own should trade with China be destroyed.

At this point, Mr. Chairman, I would like to interject into my statement, we have heard talk all day about people who are working in the United States producing product for export to China, and there are hundreds of thousands of them. But I suggest that there may be millions of people working in this country on the import side, dealing with product that comes from China, both in the creative way of designing and producing those products, distributing those products, selling those products, whether they are in stores or salesmen, et cetera, and hundreds of thousands of those people, people who work in the import industry, also stand to lose their jobs should we lose most-favored-nation status for China.

As a matter of fact, Russ Berrie & Co. estimates that up to one-third of their 1,400 employees may be out of work should we lose the ability to import from China without most-favored-nation status.

With this spectre before us, I say to you that we must somehow find that there has been progress made in China's human rights efforts and that China has met their obligations with regard to prison labor and immigration. The President and Congress cannot allow the issues of human rights to destroy the only vehicle that we see in China which currently improves the human rights of its people.

The economic well-being of the Chinese people and their continued contacts with America and American businessmen has enabled significant change and improvement to be made in the lives of the Chinese people. It would be a disaster for all of us to see this progress be destroyed.

Those of us at FASA and Russ Berrie are not saying that the human rights in China is perfect or even acceptable in its present condition. However, what we are saying is that perhaps it is about time that we seek to remove the linkage between trade and most-favored-nation status and human rights, so that we can all get on with doing what we do best and seek to, at the same time, to improve the life and the human rights of the people of China.

China is anxious to join GATT. It needs the capital that the World Bank has to expand its internal infrastructure. It needs help

with environmental and health issues. These are all areas where our Government can influence the Chinese Government's actions on human rights without threatening to destroy our trade relations.

We join with Congressman Matsui, who has recently formed a bipartisan group that seeks to remove the linkage between human rights and MFN, and we support Senator Baucus and Senator Johnston, who have recently spoken out in favor of permanent MFN for China and a delinkage of the human rights issue.

We do not have any solutions, but we know from our experience—and we have been working in China since trade reopened back in the late 1970s—that the loss of MFN is not going to be the answer to improved human rights conditions.

I think it was Congressman Kopetski who said earlier—asked the question of Ambassador Lord: Has anybody done a study on what the human rights impact will be on the loss of most-favored-nation status in China?

I think that question—he knew what the answer would be, and Ambassador Lord said that they had not done a study. But I think that the answer is quite clear. I think the answer to that is that human rights in China will suffer tremendously with the loss of most-favored-nation status, far more so than is presently the case, and that perhaps there are people in the Government in Beijing who would like nothing more than to turn back the clocks some 20 or 30 years when China was closed, a closed society, and they did not have to deal with the interference of the United States. And I believe that China's history over 4,000 years has given us ample evidence of the fact that, as stated earlier, they would have no compunction to shut their gates and drop that Bamboo Curtain again and continue to do business in China as they see fit.

With that, we urge the members of this committee to help us—American businessmen, American workers, and the Chinese workers—by urging the continuation of most-favored-nation status.

Thank you.

[The prepared statement follows:]

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TESTIMONY OF THE FASHION ACCESSORIES SHIPPERS ASSOCIATION
 ON U.S. - CHINA TRADE RELATIONS
 BEFORE THE SUBCOMMITTEE ON TRADE
 COMMITTEE ON WAYS AND MEANS
 SUBMITTED BY: JOEL K. SIMON, ESQ. COUNSEL TO THE ASSOCIATION

FEBRUARY 24, 1994

The Fashion Accessories Shippers Association, Inc. (FASA), is a trade association located at 330 Fifth Ave., New York, NY. The Association is comprised of seventy (70) member firms who import handbags, luggage, small leather goods, gloves and belts from all parts of the world. The members are located throughout the United States, and are comprised mainly of small to medium size privately held companies, employing less than 500 workers, although some of the members are large public companies with thousands of employees. In total, FASA members employ more than ten thousand workers in the United States.

At the present time, approximately 87% of all handbags and related products sold in the United States are imported, with the largest percentage of products sold in the low to medium price range.

I am submitting this testimony today to express FASA's concerns regarding the continued "Most Favored Nation" (MFN) status for the People's Republic of China in 1994 - 1995, and to offer our comments on China's efforts to comply with the conditions set forth in President Clinton's executive order.

During the past several months, the Administration, the Congress, and the Chinese government all appear to have focused on the problem of China's attempts to meet the conditions necessary for renewal of MFN.

Last month United States Ambassador to China, J Stapleton Roy, was widely quoted as advocating a de-linkage of Human Rights in China and trade, while at the same time recognizing that China has made progress towards meeting the conditions set forth by the President in Proclamation 12350.

As reported in the New York Times, January 1, 1994, he said, "At the core of our approach is not the idea that we can somehow get beyond the human rights factor in our relationship with China. Rather it is a question of what is the most effective way to press human rights concerns, while conducting normal diplomacy on crucial Asian security issues."

On January 20, 1994 Treasury Secretary Lloyd Bentsen spoke before the Chinese Academy of Social Sciences, in Beijing. In his speech he stated that China has made "progress on human rights." But also cautioned that "much remains to be done". He urged the Chinese government to do more before early June when President Clinton must decide on renewing MFN for next year.

In discussing the exporting of goods made from prison labor Secretary Bentsen stated.
 "I'm pleased to announce today that we've made some progress on the prison

labor front. Our governments have agreed on measures to ensure more effective prevention of the export of goods made with prison labor. China has also agreed to permit inspections of five prisons alleged to be producing goods for export."

On February 9, 1994 the Journal of Commerce reported that Representative Robert Matsui, a member of this Subcommittee, has formed a bipartisan group of members of the House of Representatives, in an effort to promote a plan to drop human rights conditions from the decision to extend MFN treatment. We strongly support Congressman Matsui in his efforts.

In the Senate, Senator Max Baucus, has argued that "MFN is an outdated Tool". Speaking before the U. S. - China Business Council, on January 27, 1994 Senator Baucus also urged that we cease threatening the removal of MFN for China, if China fails to make significant improvements in the area of human rights. Instead, he urged that the United States use all other means available to press for improvements in the human rights of the Chinese people. He correctly recognized that, "Perpetually threatening the economic equivalent of nuclear war is not sound policy."

There have been numerous reports in the press of China's actions in which it has sought to comply with the conditions set forth by the President for the next renewal of MFN. It is difficult for us to gauge how these efforts are viewed by the administration, but we would hope that the recent reports of Administration and Congressional support for a de-linkage indicates that there has been some recognition of an attempt to meet the conditions that were set forth by the President.

In addition, in August of 1993, Chairman Gibbons and eight members of the Subcommittee on Trade, travelled to China on a fact finding mission and to discuss a range of Trade related issues, including human rights and market access.

According to the Subcommittee report of that mission, dated January 26, 1994, the members of the delegation expressed their concerns about human rights in China and stressed the need for China to meet the conditions set down for obtaining a renewal of MFN in 1994.

It was reported that at those meetings, Congressman McNulty, on behalf of the delegation presented to President Jiang Zemin, a list of ten prominent political prisoners, as inquired as to their status and time of release. In addition, Mr. McNulty asked about the whereabouts of Bishop Chen Jianzhang. The report indicated that two of the people on the list were released and Bishop Chen has reappeared at his home.

While there are eight persons on the delegation's list that are remain in custody, the release of the others does indicate that China is concerned about MFN and is making progress in the human rights area.

As to the conditions set out by the President, two conditions, the cessation of exports of goods made by prison labor, and the freedom of emigration for Chinese citizens were "must meet" conditions. With regard to prison labor issues, as stated by Treasury Secretary Bentsen, significant progress has been made in this area, and we believe that this issue will be ended before June of this year. From our experience, we know of no toy or gift items that were made with prison labor, nor reported to be made by prison labor.

The question of freedom of emigration is one that we find extremely difficult to answer, since there does not appear to be any country willing to accept the millions of Chinese who might potentially wish to leave China. For the United States to demand freedom of emigration from China would mean that we would encourage people to leave China only to be faced with the specter of living in refugee camps, as there is no place for them to go. This would certainly be a cruel hoax to perpetrate upon the Chinese people.

We agree that the efforts to improve the human rights should continue, and hope that the Chinese government recognizes how important this issue is to the American people and its government. We also hope that the Administration and Congress takes into account the sensitive nature of this issue and recognizes the steps taken by China.

There is great concern among the members of FASA that action may be taken by Congress or the Administration, no matter their intentions, which will cause great hardship for many American workers and their families, as well as the workers and families in China.

In 1992, approximately \$2,000,000,000 worth of handbags, luggage and flat goods were imported into the United States. By far, the majority of these imports were from China. The duties on these products range from 5.3% for straw bags to 20% duty for man-made fiber or plastic bags.

Most textile handbags and luggage from China are subject to import restrictions because they are subject to quota limitations imposed by the Multi-Fiber Arrangement (MFA). The loss of MFN status would create a tremendous burden on our industry as there is not enough quota available in other producing countries to allow for a shift in production.

Should China lose MFN status, the duties on the products which our members import will increase to such an extent as to make most if not all products totally non-competitive. Leather bags will increase from 9% or 10% to 35%. Plastic bags will go from 20% to 45%, man-made fiber bags will go from 20% to 65% and braided bags will go from 8.4% to 90%. Similar large increases will apply to luggage, gloves and belts.

The loss of MFN status for our products from China would cause a tremendous hardship for our industry and our employees. Many workers would, at least temporarily lose their jobs if MFN were lost. Since many of the products that are imported from China are subject to quota, our members will not be able to shift their production to other countries, because most other countries that are capable of producing our products will not have the quota necessary to allow entry into the United States.

Even if we could overcome the quota problem, there is not enough production available in other countries to allow for a shift in orders to other MFN countries. In the last few years production in Taiwan and Korea, our industry's historic producers, has fallen as costs in those countries increased and their economies moved away from low technology industries. Nor could our members add the additional duty costs to their sales price. Duty would average about 50%, an increase of 2.5 to six times that paid currently. Since most of these products are low to moderately priced merchandise, the American consumer would be unable or unwilling to pay the price.

We are not unmindful of the plight of the Chinese people in these difficult times, but we do not believe that the removal of MFN status for Chinese products will advance the cause of freedom and democracy in China. The Chinese people had made great strides, both economic and political during the decade of the eighties, before the events in Tiananmen Square.

We believe that credit must be given to the business ties that arose in the past ten years which expanded contacts between the Chinese people and the United States, and also gave rise to a new entrepreneurial class in China which pressed for the democratic and social ideals which were temporarily halted in 1989. By all current reports, we are encouraged that the Chinese government seems to be listening to our concerns.

We believe that continued business contacts with the Chinese people will show the people that the United States has not abandoned them. Loss of MFN will mean loss of hundreds of thousands of jobs in China and will result in economic dislocation and possibly social and political unrest.

It has been our experience that life in China had improved greatly for many people during the past ten years. We must believe that some of that improvement is attributable to the hundreds of thousands of jobs created by our trade and the billions of dollars that have been paid to the Chinese workers for their labor and their products.

The removal of MFN will hurt the Chinese worker most of all. This does not make sense. These are the people who have been our friends and have looked to America as a source of inspiration and hope.

At the present time, more than half of all foreign students in the United States come from China. This exposure to our way of life, to the best and brightest of Chinese youth will go a long way towards insuring that in the years to follow, China will certainly continue down the inevitable path towards a free and democratic society. The loss of MFN would greatly jeopardize this process.

We do not believe that the loss of economic contact will aid in obtaining democracy for China or improve the life of the Chinese people. To the contrary, if China should lose MFN, most importers would look for new and more stable sources of supply. It would be unlikely that having made a move to other countries, that importers would quickly shift back to China if MFN were to be later restored.

This would result in the permanent loss of trade relations with China and would also result in the loss of tens of thousands of jobs in the United States, as China would certainly cancel orders for American products. The loss of the Chinese market for American manufacturers would be disastrous.

On behalf of the Fashion Accessories Shippers Association, and its member companies across this nation, we hope that Congress and the Administration recognize that China has complied with the President's Executive Order 12350, that no new conditions would be added to future MFN renewals. Thank you.

Chairman GIBBONS. Well, thank you.

First of all, I am glad that this panel is here, because, Mr. Hall and Mr. Lewin and Mr. Simon, you all could do a lot of good for yourselves and everybody if you would just tell the Chinese suppliers: There may not be any MFN status for China after this summer.

I am not joking or kidding with you. I have done probably as much as anybody in this Congress to try to open U.S.-China trade relations.

But the President has now tied MFN to human rights, and he may try, as best he can, to separate the two. So might my fine colleagues, Mr. Matsui and Mr. Kopetski.

But MFN and human rights are married for life now. I have seen this develop over the 20-some odd years that we have had the Jackson-Vanik amendment. As I outlined to you earlier, Jackson-Vanik had nothing to do with human rights when it started, but a political evolution has married these two, and they will not be split. Jackson-Vanik is not going to go away for huge political reasons that involve a lot of important constituencies of the American people.

As long as China is a Communist country, we will have to vote on its MFN status every year. I do not enjoy this, but we have to take it up every year. And you had better tell the Chinese that MFN may not survive this year.

I would guess, you know, if we took a vote today on the floor, 60 percent, at least, would vote no, and no more than 30 or 40 percent would vote aye. The results might even be worse than that.

And, you heard Dr. Bergsten testify before you. He says China is not really that big. On an economic basis, we are probably supporting the Chinese. We are losing jobs to them. That kind of news would catch like wildfire on the floor.

Yes, sir. Go ahead, Mr. Simon.

Mr. SIMON. If I may, in response to—with all due respect to Mr. Bergsten's comments about us losing jobs to China, the toy industry is a good prime example of that. Something like 70 percent of all the toys sold in the United States are imported. More than 50 percent of those toys are made in China.

Chairman GIBBONS. Yes, but they were made somewhere else before they were made in China.

Mr. SIMON. Yes, but they were not made in the United States, unfortunately.

Chairman GIBBONS. The toy manufacturers will go anyplace to get their toys made, and they do not have to go to China.

Mr. SIMON. That is right.

Chairman GIBBONS. China is just the cheapest place they can get them made right now.

Mr. SIMON. But Mr. Bergsten made the point that we are exporting jobs or losing jobs to China. The United States unfortunately is not losing the kinds of jobs that the Chinese are performing. We are not losing those jobs to China. We may be losing jobs to Japan, to Germany, to France, but we are not losing the dollar-an-hour, 50-cent-an-hour, 20-cent-an-hour jobs to China.

You cannot expect to sell a doll that costs—a Barbie doll or any other doll—that is going to retail for \$18 or \$20 that is made in the United States.

Chairman GIBBONS. You cannot tell me that Americans did not buy dolls before we ever imported a single doll from China. We did.

Mr. SIMON. Yes, but unfortunately, though—

Chairman GIBBONS. They will manufacture them in some other cheap-labor country. It does not have to be China. It could be all of South America, all of Central America, all of the Caribbean, all of Africa. There are lots of other cheap-labor markets in the world that manufactured toys before the first Chinese toy came into this country.

Mr. SIMON. But no American businessman—

Chairman GIBBONS. And this will not start if we cut them off. I am telling you that.

Mr. SIMON. I know they are going to.

Chairman GIBBONS. Believe me, this is possible.

Mr. SIMON. We have talked before, and I know this is very real, and we are very much concerned about it.

Chairman GIBBONS. I am just suggesting that you tell those Chinese suppliers of yours that they had better get on the ball; they had better start doing better on this human rights situation; and they had better open up their market, so that this crazy imbalance of trade does not go on, because you know Dr. Bremer has a good point.

Mr. SIMON. I think part of the problem—

Chairman GIBBONS. He has a very good point.

Mr. SIMON. Part of the problem is that the Government in China are not—our factories that make toys, that make handbags, that make luggage in China are not owned by the Chinese Government. That is the problem. They are owned by Hong-Kongese, by Taiwanese, by American companies, and the Chinese Government, if you talk to the Government—I think it was—I forget who it was—Mr. Kamm, who made the comment about when the heavens are clear and the Emperor is far away. Well, you have got an Emperor that is far away in Beijing, and as long as the people in South China can produce, everything is OK in the world.

Chairman GIBBONS. Well, I cannot imagine anything sillier than the Chinese interfering with religion.

Mr. SIMON. I agree.

Chairman GIBBONS. Let me tell you what happened—

Mr. SIMON. I agree.

Chairman GIBBONS [continuing]. Just in the last 2 days in my congressional office in Tampa, Fla., and in every 1 of the 435 congressional offices in the United States.

One of those religious broadcasters got on the air and said Congress was passing a lousy bill on teachers. Well, the contents of this bill were entirely misrepresented. But, we amended that bill today in response to that broadcast, and do you want to know why? I received in 2 days the largest number of phone calls in my office I had had in 32 years over this one issue. They tied up every phoneline I had, every line that the Government gives people, just telling me how I should vote against this bill.

If constituents call about religious activities and persecutions in China, you can just kiss MFN goodbye for China. There is nothing that will turn this Congress around quicker than lots of calls from lots of people throughout the United States about religious liberties and freedoms. This Congress just will not tolerate that. And the Chinese better understand that.

These crazy regulations they are passing, the case that that minister described here about being locked up in the middle of the night, if that gets spread around the United States, the Chinese can kiss MFN goodbye. They will not get it.

Mr. SIMON. I agree with you.

Chairman GIBBONS. I will not vote for it, and neither will any of the rest of the Members. And Bill Clinton will not recommend it. The Chinese better understand that very clearly.

I do not know anybody that can tell them any better than the three of you sitting there. You all buy a great deal from them.

Mr. LEWIN. Congressman Gibbons—

Chairman GIBBONS. And if they do not have sense enough to listen to their customers, you know, they are not going to be in business very long around here. You all better get on the plane and tell them very clearly that they are skating on extremely thin ice.

Mr. LEWIN. Congressman Gibbons, we appreciate that message, and I will tell you that I have been involved in this debate for years, and I have communicated on a regular basis to whomever I can in China. But this is a very serious issue in the United States.

One of the dilemmas, though, is—it is an irony—is that China is no longer a monolithic State.

Chairman GIBBONS. I understand.

Mr. LEWIN. And so there is a real problem here. You know, who do you—you know, who is in control, and who do you communicate with?

What you have now is really essentially a decentralization, so we have a real dilemma here. And I appreciate the frustrations that we all have with regard to it. But I just hope that we recognize that the situation is not going to improve in that way.

With that being said, I assure you that we will all continue to push as best we can.

Chairman GIBBONS. Well, they will have another Tiananmen Square incident on their hands if they keep monkeying around with religion. You know, religion and human rights are trigger points for American voters. Americans take very seriously their religious freedom and religious liberty.

Also, the Chinese have this huge imbalance of trade with us. We are financing all of their external debt, that is, the American people are. And this is not going to be tolerated for much longer. They have got to open up their market. They have got to stop the religious harassment, and they have got to improve their human rights record substantially, or MFN treatment is gone. It is gone.

You are their biggest customers. You had better tell them. You had better tell them. If I were in your shoes, I would say: We have lost the Chinese source of supply; we will just have to go some other place to buy product. That is what you have to do.

There will be some adjustment. I know it takes time. And it will hurt us, too. But that is what is going to happen. That is what is going to happen.

We have never won an MFN vote on China since the Tiananmen Square incident, except last year, because everybody got together and agreed that the President had gotten involved in human rights in China, and deserved a year to play out his strategy.

But now China's MFN status is in trouble.

Mr. BREMER. Mr. Chairman, as to the question of whether or not the central government in Beijing still exercises a modicum of power over all of China, I would suggest that the Governor of Hong Kong might offer some valuable insights into that, and his answer would be: Yes, they do.

Chairman GIBBONS. I have talked to the Governor of Hong Kong on a couple of occasions about that. I understand your position.

Chairman GIBBONS. OK. Thank you all very much.

Mr. LEWIN. Thank you.

Mr. SIMON. Thank you, Mr. Chairman.

Mr. HALL. Thank you.

Chairman GIBBONS. Deliver the message.

Mr. SIMON. We will.

Chairman GIBBONS. OK. The AFL-CIO, and then George Tseo is here, too. Mr. Tseo is still here? Please come forward.

Go right ahead.

**STATEMENT OF JEFFREY FIEDLER, SECRETARY TREASURER,
FOOD AND ALLIED SERVICE TRADES DEPARTMENT, AMERICAN
FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL
ORGANIZATIONS (AFL-CIO)**

Mr. FIEDLER. Thank you, Mr. Chairman.

I am going to depart—I am going to submit my testimony for the record. I have been sitting here all day, and I have attempted to—

Chairman GIBBONS. I know. You must be exhausted.

Mr. FIEDLER. Oh, no. I am getting my second wind, like you appear to be, sir. [Laughter.]

I intend to address two principal issues, the MOU and certain provisions of the Universal Declaration of Human Rights. But I cannot refrain from commenting on a number of the arguments made today that have been made year after year after year. It bothers me to some extent that I have to listen to repeatedly American businessmen speaking on behalf of American workers.

You can appreciate my concern. And what bothers me particularly is that these same people who always talk about consumer prices, that higher consumer prices are going to have to be paid by poor people, tend to be the same people who do not do much for poor people in the United States.

And if, sir, you and I were to walk through the Wal-Mart in Tampa and count the 30 different countries where textiles are coming from, and we were to find a pair of blue jeans made in China and sold for \$19.94, and the pair we can get out of West Virginia was made and sold for \$13, we might begin to get a better understanding of the motivation, of the fear of the loss of MFN.

The loss is not the consumer price. The loss is the profit that major discounters and major chains are currently making off of poor people in the United States today.

So I would like to clarify that point before I enter into the more appropriate discussion on the conditioning of MFN on the MOU.

I would like to say that the MOU discussion or the conditions were not ones that we particularly approved of, because we never felt that the MOU itself had value. It has extremely limited value.

As you know, the MOU talks about prison labor. Never anywhere in the MOU is mentioned the word "forced labor," which is the accurate description of what goes on in the Chinese Laogai, the world's largest network of forced labor camps.

Prison labor is something that may go on in the State of Florida. It may go on in France; it may go on Britain; it may go on elsewhere in America. But forced labor is what happens in China, Vietnam, Burma, North Korea. It is what happened in Nazi-occupied Europe. And forced labor was endemic to the Soviet gulag system.

I think it was not unintentional that the term "prison labor" was used in the MOU. It is confusing; it is intentionally confusing to Members of Congress, to the American people.

China is the only country known in the world today that exports forced labor products. The MOU, although weak and ineffective, is relatively straightforward. It asks for immediate investigations, and I underscore the term "immediate." It allows the United States to request visits. It requires the Chinese to provide information in a form that can be used in judicial proceedings in the United States. None of its provisions have been complied with since its signing in 1992 in Washington.

A few short weeks after the original signing of the MOU, the State Department requested visits to five prisons, the same five that Secretary Bentsen refers to in his recent visit. The Chinese allowed a visit to one prison, Yunnan No. 1, which produces diesel engines which had previously been imported into the port of San Diego by a U.S. company.

They made that visit, but the very next week they requested a revisit because they were convinced that they were not taken to the right place. They outright refused to let them visit the other four prisons.

In response to a series of questions by the U.S. Government under the MOU, the Chinese responded with things like: This is a prison, but it does not export; it is only for domestic use; it is a worker facility which employs members of police families; or it does not export to the United States. No evidence was ever given to the U.S. Government to support these assertions at all.

Now comes the Secretary of the Treasury. And you will allow my skepticism or understand my skepticism when he visits China and reaches verbal agreement to supplement written agreements which have not been complied with in the first place.

My suspicions are raised, and the conclusion that I hesitate to reach and have not quite reached yet is that this is the beginning of a charade to make it appear as if the Chinese have complied with the MOU. A visit to four prisons 18 months after the original request in sufficient time to move out prisoners' production equipment and whatnot is not compliance.

Once last May in the Cannon Office Building—we had a press conference where we revealed that chain hoists were being imported into the United States from a Chinese prison, from actually two Chinese prisons. This case is currently under investigation by the Customs Service. They seized 1.2 million dollars' worth of the company's inventory. It has been 10 months; we have not heard hide nor hair of that investigation. We do not believe that this Laogai camp, Zhejiang No. 4 Prison, is among the five that are requested to visit.

For your information, then, to give you a sense of what we are dealing with here in China, this one prison exports 60 percent of China's chain hoists.

In that same press conference, we revealed information about a prison in Zhejiang called Zhejiang Chemical. Dow Chemical Co. has visited and tried to do business with that company—I mean with that prison—some years back.

That Laogai produces, according to Chinese documentation, 60 percent of China's rubber vulcanizing agent; that is, 60 percent of all rubber vulcanized in China uses a chemical produced by prisoners.

The straightforward, linear analysis would say to you that perhaps 60 percent of the rubber coming into the United States from China is arguably illegal under current U.S. law.

Are the Chinese complying with the MOU? No.

I do not think in the next 3 months, sir, that they can. And as you will recall, it is a "must-do" condition. It is at a different level than the other human rights conditions that we have been talking about today.

I would like to turn some attention to freedom of association, which is one of the many provisions of the Universal Declaration of Human Rights. It is a topic that I did not hear mentioned today by any of the businessmen. I did not hear it mentioned by the Government. So I think that it is appropriate that I talk about it.

Articles 20 and 23 of the Universal Declaration both deal with two important rights. Article 20 deals with the right of a citizen to his or her country; article 23 deals with the right of an individual to join a union and to form a union.

There is an intersection of those two rights in the individual, Han Dongfang, founder of the Beijing Workers Autonomous Federation in 1989, jailed after Tiananmen for 2, 2½ years, beaten, tortured, and given tuberculosis in prison. He was put in a cell with a tubercular prisoner.

I have met with him extensively. He came to the United States for medical treatment, and in August of this year he attempted to return to his country. Selecting a customs post where they did not have a computer, he did gain entry to the country. He got as far as Guangzhou, where in the middle of the night he and his friend were put in the car, driven back to the Hong Kong border, and he was thrown out of the country. A single man whose only desire is to establish a free and independent trade union, a Chinese, was exiled from his own country.

The Chinese Confederation of Labor is a phony union. It is a complete creature of the Communist Party. The Chinese workers say that they are only good for cheap movie tickets. They are now

going to be forced into joint ventures where they have been kept out, so now our business friends will be dealing with the union in China; they will be dealing with a Communist Party union.

And you have to ask yourself: If any substantial progress is to be made in the country, what role do free trade unions have in its development? And they have a considerable role, not just the establishment of a market economy, but what goes along with that, which are free and independent trade unions, so that the workers can get a fair share and a fair shake and can fight for what is right.

Han Dongfang was a single man. The Chinese Government clearly demonstrated by exiling Han Dongfang that they are afraid of their own people.

I would—I think that our business friends today are shortsighted in thinking that stability in China is completely a function of a market economy. In fact, workers in China are striking spontaneously now. Industrial accidents are happening daily. Without real unions, instability in the country in the long run is greater.

I would like to end by saying, sir, that if the President maintains his position—and I do believe him to be serious; he has placed his own credibility on the line and that of the United States—that he must accurately report to the Congress that his conditions have not been met.

And as a matter of practice, if not policy, if one thing is good for a man or good for a country, it should be his word. We should say what we mean, and we should do what we say, and people should understand that we mean it when we say it. And I think in the next few months, that is going to be determined.

I suspect that the President will do the right thing. I hope he will. And I think it is a very important thing for American foreign policy, for the American people, and for the Chinese.

Thank you.

[The prepared statement follows:]

TESTIMONY OF JEFFREY FIEDLER
SECRETARY TREASURER, FOOD AND ALLIED SERVICE TRADES DEPARTMENT
AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL
ORGANIZATIONS
TO THE SUBCOMMITTEE ON TRADE, WAYS AND MEANS COMMITTEE
U.S. HOUSE OF REPRESENTATIVES
ON
UNITED STATES TRADE POLICY TOWARDS
THE PEOPLE'S REPUBLIC OF CHINA

February 24, 1994

On behalf of the AFL-CIO, I appreciate the opportunity to share our views on Chinese compliance with the human rights conditions included in the President's Executive Order renewing China's Most Favored Nation trading status last year.

The AFL-CIO has long opposed the extension of MFN benefits to the Chinese dictatorship. Thus, we were disappointed with last May's decision by the Clinton Administration to continue MFN for yet another year. This is not to say that we were opposed to the imposition of human rights conditions on any further extensions. In fact, since the AFL-CIO believes that there can be no real "free trade" with people who are unfree, we fully support all efforts to have the Chinese government live up to the conditions.

We also believe that an objective analysis of the human rights situation in China will lead to the conclusion that the Chinese government has not met the President's conditions, and therefore, the time has come to withdraw their MFN status.

Every year, the Congress and the American people are subjected to a cynical barrage of arguments emanating from corporations with financial interest in maintaining the status quo in China. Their concern for human rights, democracy, and freedom for the Chinese people rarely extends beyond superficial rhetoric. These same advocates for continuing business as usual trot out the hackneyed warnings that thousands of U.S. jobs will be lost, consumer prices will skyrocket, and political and economic reform in China will be set back.

At the same time, the Chinese government makes a series of token gestures and issues threats of retaliation. A few famous political prisoners are released, while thousands of nameless and faceless prisoners continue to languish in the Laogai, China's vast network of forced labor camps. An elderly priest or two finally is allowed to breath free, as though this would negate the government's continuing efforts to gain total control over the practice of religion. While the releases are being planned and orchestrated countless others -- workers, intellectuals, religious believers and Tibetans -- are being rounded up and thrown into camps.

The games get more elaborate every year. This year, because of the President's conditions,

the charade is starting earlier than ever. Hints are being dropped, signals sent, and promises by the aging leaders of the discredited dictatorship are apparently being made to top-level American officials. Variations of this cynical game have been played in years past, but never so long before the annual MFN debate, and never with such apparent and careful orchestration.

You will hear testimony today from others who can better address the Chinese failure to make any progress on the release of political prisoners, the continued repression of the brave people of Tibet, the humane treatment of prisoners, and whether or not China is taking steps to begin adhering to the Universal Declaration of Human Rights.

I will confine myself to the "must do" condition concerning compliance with the 1992 "Memorandum of Understanding on Prison Labor" and a few important provisions of the Universal Declaration, including freedom of association.

First, the MOU. Sandwiched between Treasury Secretary Bentsen's talks with Li Peng and his visit to the McDonald's near Tiananmen Square, there was an announcement that the Chinese would allow -- more than a year after the original request -- American officials to "inspect" five "prisons" suspected of exporting their products to the United States.

Secretary Bentsen was reported to have told 200 members of the Chinese Academy of Sciences: "Our Governments have agreed on measures to insure more effective prevention of exports made by prison labor. China has also agreed to permit inspections of five prisons alleged to be producing goods for export."

The original bilateral agreement took months to negotiate, but officials of the Bush Administration made maximum political use of it during the MFN debate in 1992. Beginning in April, four months before its actual signing, officials leaked to the press an agreement was imminent. Their hope was to remove "prison labor" as a factor in the debate. They failed, but a presidential veto saved MFN for another year.

When the agreement was finally signed in August, the reaction of the AFL-CIO and human rights organizations was that it was seriously flawed. The term "prison labor" -- instead of the accurate term "forced labor" -- was used throughout the agreement. This confused many people, including more than a few in the Congress. The simplest way to illustrate the difference is to say America, France, and Great Britain have prison labor; Nazi Germany and Nazi occupied Europe and the Soviet Union had forced labor camps. China, North Korea, Vietnam and Burma, among others, still have forced labor camps. Only the Chinese are known to export forced labor products throughout the world, including the United States.

The MOU itself, while weak and ineffective, is relatively straightforward. Upon "request" Chinese authorities "will promptly investigate companies, enterprises or units suspected" of violations and "immediately report the results" to U.S. authorities; upon "request" Chinese authorities will furnish...available evidence and information regarding suspected violations...in a form admissible in judicial or administrative proceedings..."; and in order to resolve specific outstanding cases...(the Chinese) "will upon request...promptly arrange and promptly arrange and facilitate visits" by U.S. officials.

Secretary Bentsen used the term "inspect" in his recent speech in Beijing. The MOU says "visit" and a high-level Chinese official told the press emphatically in Hong Kong in 1992 that China had not agreed to "inspections."

As a result of the struggle international nuclear monitors have gone through to "inspect" Iraqi and North Korean nuclear weapons facilities, there is hardly a newspaper reader anywhere in the world who does not understand the difference between "inspect" and "visit." Both Saddam Hussein and Kim Il-Sung were open to "visits," but resisted "inspections." It is certain both Li Peng and Secretary Bentsen know the difference, as well.

Before the Secretary visited China, the U.S. had requested visits to five Laogai camps. They were only allowed to go to one on October 29, 1992. This was Yunnan Province No. 1 Prison, also known as the Jinma Diesel Engine Factory. The U.S. team was denied access to certain areas and, therefore, could not conclusively report on the facility. Less than a week later, the U.S. requested a re-visit, but was not allowed. We believe this is one of the five prisons the Secretary referred to in his announcement. A new visit, however, is likely to be a worthless exercise; 18 months is quite enough time to move out production equipment and prisoners.

Last May, the AFL-CIO and a number of its affiliates provided the funding for an investigation inside China by the Laogai Research Foundation. Evidence was uncovered that two Laogai camps in Zhejiang Province were producing chain hoists which were exported to the United States. An American company was discovered to be involved with one of the "factories." A customs investigation is apparently still in progress.

Last October, five months after the initial revelations, one of our people photographed the second prison's hoists on display at the largest export commodities trade fair held annually in Guangzhou. The Chinese were offering them for sale in the United States. All they had done was switch the trading company from one province to another.

The Chinese have responded to numerous inquiries by the U.S. government about specific prisons with short answers like: this facility does not export its products; that facility no longer has prisoners in it; this facility employees family members of police families, etc. Never have they provided evidence for their claims. We are simply supposed to accept their word.

The MOU means nothing to them. Compliance has been nonexistent.

It would be a travesty for the Administration and Congress to gloss over the reality of this non-compliance -- or to participate in the Chinese government's charade that compliance has been achieved.

The condition referring to "taking steps to begin adhering to the Universal Declaration of Human Rights" has not been met. In fact, during August 1993, a lone man forced the Chinese government to run miles away from adhering to Article 13, Section 2, which states simply: "Everyone has the right to leave any country, including his own, and to return to his country."

Han Dongfang, a founder of the Beijing Workers Autonomous Federation, spent 22 months in prison where he was beaten, tortured and through deliberate exposure, contracted tuberculosis. After

several appeals by the U.S. government, he was permitted to leave the country for medical treatment in the United States.

On August 13, 1993, Han tried to return home. Within 24 hours of his border crossing, Chinese security police entered Han's hotel room, seized his money, handcuffed him, forcibly transported him to the Hong Kong border, then pushed and punched him across to the other side. He was left on the road, stunned and stateless. He tried again many times. The Chinese government has succeeded both in preventing his return, and not adhering to one of the more fundamental provisions of the Universal Declaration.

The Chinese have taken no steps towards adhering to sections of Articles 20 and 23, which read: "Everyone has the right to freedom of peaceful assembly and association."; and, "Everyone has the right to form and to join trade unions for the protection of his interests."

The establishment of free and independent unions, not controlled by the Chinese Communist Party, is illegal. Hundreds, if not thousands, of ordinary workers whose only "crime" was to organize or join independent trade unions continue to languish in the Laogai -- under sentences, we must add, which are much more severe than those meted out to students and intellectuals. Dozens are known to have been arrested in 1993. And we will never forget the many who were executed in 1989.

While we always welcome the release of workers jailed for exercising their basic human rights, we cannot ignore that they and others like them run risks greater than any other dissidents when they take even small steps toward forming real trade unions. The Chinese government's failure to permit independent unions illustrates clearly that it continues to fear its own people.

The President's conditions on adherence to the Universal Declaration were a less than precise "taking steps." We trust his advisors understand that "taking steps" means forward not backward.

Last year President Clinton took an important step forward by conditioning MFN. By doing so, he placed his own credibility and that of the United States on the line. There appear to be many in the business community, the Congress, and among his advisors who take the position that profit is the most important ingredient in a New World Order foreign policy.

Let us understand the stakes for America and for human rights in the world. If the President allows himself to be persuaded he should renew MFN -- despite the fact his conditions have not been met -- or to delink MFN from human rights considerations once and for all, as one advisor urges, the credibility of American foreign policy itself will be damaged for years to come. Dictators and despots everywhere, not just in China, will dance in delight as democracy activists despair.

Chairman GIBBONS. Thank you very much for your very fine statement, sir. We appreciate it.

Mr. Tseo.

STATEMENT OF GEORGE K.Y. TSEO, PROFESSOR OF GEOGRAPHY, PENNSYLVANIA STATE UNIVERSITY, HAZLETON, PA.

Mr. TSEO. My name is George Tseo. I am a professor at Penn State. I specialize in Chinese development economics. I have been going to China since 1981. And before I start, I would just like to set your mind at ease. This is just a stack of cheat-sheets; they all melt away in a few minutes.

America's leaders have a long history of wanting to help China but are misunderstanding the country instead. For example, in the late 1980s, China's economy was booming. But it had some problems. We tried to help with advice to deregulate prices quickly. This only led to rapid inflation.

In 1988, I was studying the development process of China's interior. I traveled from north to south and east to west. I talked with peasants and nomads, workers and managers, students and scholars, soldiers, cadres, even criminals. The word that burned on every lip was "inflation."

Students were especially frustrated because they were locked into State career tracks that usually led to low-wage, dead-end jobs in State enterprises and organizations. When the students protested in Tiananmen, we fixated on the styrofoam statue they erected, but they focused on personal opportunity and such things as corruption which helped rob them of opportunity. Workers and everybody else joined mainly for the sake of livelihood.

We watched the Government respond with tanks, and we condemned this as cruel, which it was, but what we failed to understand was the context of this cruelty. Imagine four generations of civil war. Imagine tens of millions of people dead from slaughter, disease, and starvation.

In 1989, China's leaders could not only imagine this; they could remember it. In their youth, when they were my age, they had fought a revolution to end the chaos. In old age, they ordered tanks into Tiananmen to stop the chaos from returning. In light of Yugoslavia, who can say that this was naive.

But the leadership of China did not simply stop with tanks. They also ended crash reforms and steered the country back to a course of gradual, careful deregulation. They stopped inflation, and they restored the economic stability. And I might also add, by maintaining a strong hand, they avoided the fates of India and Brazil by controlling somewhat the great flood of peasants into the cities.

I returned to China in 1990, and about half of the people I talked with supported the Government. I have gone back every year since, and more and more support the Government, including young professionals who once occupied Tiananmen as students, my own friends, my own family members. They do have opportunity now because the non-State sector has grown to provide it. Even current students attend lectures with beepers on their belts, so they can get up and attend to their business at a moment's notice.

Chinese move freely in their country. They have for years. But now prosperity allows them to choose where they want to live and how they live. Five million Chinese travel abroad every year.

Just like in this country, prosperity is the true key to individual freedom. If there is another insurrection, possibly due to the peasants who are falling behind economically, do not expect the students and young professionals and workers to stand up with them. They want stability now.

Very few Chinese, nobody I have talked to, support Congressional proposals to end China's MFN status. The Chinese do understand human rights, and they want human rights. But forcing the hand of their Government will do nothing to change the State's attitude.

Congress wants to help a few hundred or thousand political prisoners, admittedly a truly noble goal, but at the risk of harm to tens or hundreds of millions of ordinary people.

What will and is making a difference is the rise of the massive middle class, as has already been stated. Economic clout is what is compelling, little by little, State concessions in power and winning for the people political stature. This happened in Korea and Japan over the last two generations; it is happening now in China.

This true progress is what the Chinese have at stake. This is what Congress may jeopardize, and this is what the Chinese people do not understand. They come up to me in the streets when they find out I am an American, and they ask me why the American Government wants to punish them. They always thought that the American Government was their friend.

Finally, China and America have very different perspectives. To us, political rights are of utmost importance. But to the Chinese, what is most important are rights to such things as education and opportunity, personal safety and health care.

Here in this country, we have almost 1.5 million prisoners, not political prisoners in the classic sense, but in a very real sense prisoners to political inertia. They have been driven to crime by troubled personal histories and drug abuse, by poverty, lack of education, and the disappearance of urban jobs and opportunity.

Our President tells us 35 to 37 million Americans have no guarantee of medical treatment if they become sick or injured. And nobody here feels safe anymore, not on the streets, not even in our own homes.

Do the Chinese take offense at how we neglect our own people? Maybe. I know the people are bewildered. Perhaps the Government is, too.

But the point is that they do not predicate their policies toward us on our progress on such things as education or economic revitalization, on gun control or health care. They do not have that right.

In conclusion, we want to help to advance the cause of human rights in China. But our proposed tactic can only hurt and hinder it. We want to influence affairs in China through pressure. But we do not have that right either.

And I would like to conclude by thanking you for this opportunity to voice my views. Indeed, I feel that I may be voicing the views of the vast, but unheard, majority of Chinese.

[The prepared statement follows:]

Chinese MFN Status and Basic Human Rights

George K.Y. Tseo
The Pennsylvania State University
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February, 1994

Throughout 1988, I happened to be a postdoctoral fellow of the Chinese Academy of Sciences undertaking an economic study of northern arid lands development. My travels, both official and personal, took me from the grasslands of Inner Mongolia in the Northeast to the desert oases of Xinjiang in the Far West, from the dusty, desolate highland plateau of lower Tibet in Qinghai to the lush, verdant mountains of Sichuan in the Southwest, from the political heart of the country in Beijing to the economic epicenter of the booming South in Guangzhou. I engaged in hundreds of conversations with nomads, peasants, soldiers, workers, managers, officials, scholars and students, and save for two half-hearted mentions of the possible need for democratic free elections, the word that burned on almost every lip was "inflation". I harbor no illusions about what triggered the popular insurrection of the Spring of 1989. University students, faced with prospects of professional jobs in state enterprises and organizations with pittance for wages and no say over location of placement, publicly protested to vent their frustrations. The workers and everybody else, angered by their threatened livelihoods, rallied behind the students to underscore the urgency of the inflation crisis and to give mass impetus to the movement. The international media focused on the image of a styrofoam figure reminiscent of our Statue of Liberty and fixated on the cry for democracy. To Western analysts, the unfolding events seemed to vindicate their call for rapid liberalization, but in actuality, it was precisely the attempt to effect price deregulation in one "breakthrough" reform that had precipitated a crisis. By convincingly recommitting itself to its original policy of slow, incremental pricing adjustments and a tight credit policy inflation was quickly brought under rein. The economy stabilized and growth soon started to accelerate. Today China is booming.

So what folly occurred in China during the spring of 1989 to draw such unflagging hostility from certain Western quarters, especially the U.S. Congress? For the first month or so of mass demonstrations in Tiananmen Square nothing happened. A similar prolonged occupation of a central public site in any Western capital would have elicited a forceful response much earlier. How many days would, say, several hundred thousand protesters on the long forecourt and broad steps of Washington's Capital Hill have been tolerated? Then in early June, China's leaders did the unthinkable and ordered the slaughter of their own citizens. Hundreds, possibly thousands died. What could those bloody tyrants possibly have been thinking, and what did they achieve? Or *did* they achieve something, unjust as that may seem. We in the West must understand that those bloody tyrants are old, old men who in their youths had lived through, fought through and survived the final decades of more than one hundred years of foreign invasion and civil war. Chinese history is characterized by long intervals of peace (the dynasties) periodically interrupted by decades and sometimes centuries of unimaginable violence. Hence, the antiquitous mandate of China's rulers to stave off chaos, above all else and at any price. Perhaps the modern rulers realized the economic utility of stability, perhaps their motives were tainted by hateful pride, but they who know the chaos first hand most surely acted upon a conviction or instinct born of bitter experience.

I returned to China in the year after the massacre. Of those people willing to talk with me about half condemned the leadership. A few seemed to smolder with rage. The other half seemed to "understand" what had happened and why it had to, sad and in a few instances also apparently thankful. In my annual visits to China since, the expressions of resentment and contempt have steadily decreased until they are now true rarities. More and more people, especially among the ranks of the young professionals, look back and concede the foresight of the government. Some of my friends, who had themselves participated in the insurrection as students and had lost close friends to bullet or bayonet, acknowledge that despite the extreme price, it was their country which had been saved. China has avoided the fates of Russia and Yugoslavia. More subtly, the Chinese government, by upholding authority, has maintained its ability to somewhat limit and control the peasant migration into the cities. While the plights of transient workers is at the best only adequate and at worst deplorable, the labor-supporting capacity of urban economies have not been exceeded or at least exceeded to the point that massive ghettos have formed. China has also avoided the fates of Brazil and India.

Stability has bought time. In 1984, 6 million non-state rural enterprises employed 52 million workers, and by 1991, 19 of these firms employed 96 million workers. By the turn of the century, this subsector may provide as many as 150 million jobs. Without rural industrialization and urbanization, the "floating population" might well inundate the cities

no matter what the state efforts at limitation. As price deregulation progresses, the residence registration system, which is still the state's device for inhibiting the permanent resettlement of peasants in cities, slowly loses much of its relevance since, as alluded to earlier, officially registered urban residents will forfeit the benefit of their subsidized pricing for basic commodities, most notably grain. They and registered rural residents will then be on a slightly more even financial footing. The major inequality remaining is, of course, proper housing, which city dwellers with permanent positions in state enterprises and organizations are entitled to at low cost but everyone else can usually only obtain with a great deal of money. Permanent resettlement has, in actuality, come to depend not on official approval but personal wealth.

Personal wealth and its avenue to housing has already given occupational mobility to China's professional classes, in much the same way as it has to America's. Perhaps in contrast to popular Western perception, China is not a closed or shackled society; regimentation broke apart quickly after the death of Mao. Just as in the West, people in China are free to move and make decisions about their own lives, constrained only by financial means. Now that the economy offers a vast and fast-growing array of opportunities, personal freedom has assumed a tangible significance. In contrast, the economic decline of our own country has diminished the meaning of personal freedom for so many of us. Witness the brigades of American college graduates unemployed or indentured to fast-food jobs and the armies of inner city youths with all but the slimmest prospects for decent employment now that manufacturing jobs are so scarce. What does freedom present to these people: a realm of bright possibilities or a hopeless void?

There is a bloc in Congress opposed to the renewal of China's "most favored nation" or MFN status. Currently, 33% of U.S. trade is with East Asia (66% more than with the European Community), and the estimated \$118 billion in goods the U.S. sells to the region annually supports 2.3 million American jobs. In 1991, \$8 billion of U.S. East Asia exports went to China, and this translates into tens of thousands of American jobs. Are we willing to see these jobs vanish when China's MFN does? On the opposite side of the ledger, "Made in China" now marks everything in American stores from plastic pens to brass lamps, leather basketball shoes to fine silk suits. For the most part, Chinese products are comparatively low in price and high in quality. What will China's loss of MFN cost American consumers in terms of savings and choice?

Members of Congress are motivated by the need to project a certain public image as well as by personal conviction. Those members of Congress opposed to China's MFN renewal may perceive that the American public remains transfixed by images of tanks crushing students and, accordingly, feel compelled to express their outrage. Or they may genuinely wish to redress a tragic wrong. In either case, how many of them have analyzed the deeper implications of their endorsement? I have yet to meet a single Chinese citizen who supports economic sanctions against his country. How could it be otherwise when the Chinese realize what is at stake with regards to their economic well-being and political future. Mortimer B. Zuckerman, editor-in-chief of *U.S. News and World Report* recently wrote:

China is not a renegade country like Iraq, Iran or Libya. It is no longer weak and divided. It is transforming itself into an economically open and powerful market economy--a reform that is irreversible, since the constituencies who benefit are now too widespread and entrenched. The people are making their own choices of where to live, how to live. Five million of them travel outside of China every year. They are all committed to commercial prosperity, and this is what will ultimately decide how they will be ruled.

Revolutions are born of widespread misery. But freedom is born of prosperity. This is the reality for both China and the United States. There are probably more "free" people in authoritarian China than in "democratic" India. Over the past decade, 200 million Chinese have risen above poverty and truly gained in stature while many millions of Americans have slipped into poverty, their stature shrunk, their freedom paled. Rescinding China's MFN would work to reverse the former trend and promote the latter.

President Clinton's May 1993 executive orders require that China permits free emigration, but this an abstract privilege since the freedom to leave China rarely means the freedom to settle in other countries, especially the U.S. and its Western partners which have among the toughest immigration restrictions. The executive order also stipulates the halting of exports produced using prison labor and access to prisons for Western inspectors. While this would probably affect the Chinese prison population, that group represents but a sliver of the nation. Political prisoners, in turn, comprise a minute fraction of the sliver. Beyond these "must meet" conditions, five lesser conditions require adherence to the U.N. Universal Declaration of Human Rights, humane treatment of

prisoners, release of political prisoners, protection of Tibet's unique religion and culture and permission of international radio and T.V. broadcasts.

As for these executive conditions and other unstipulated Congressional concerns: China does sell arms, but the U.S. sells a lot more. China does explode nuclear devices, but the Chinese nuclear arsenal and the threat it poses are molehills next to the U.S. arsenal and its destructive power. China does pressure Hong Kong (soon to revert from British back to Chinese rule and originally surrendered at the end of a war started by Britain to pry open China as a narcotics market), but the U.S. invaded Panama (a sovereign country economically decimated by U.S. sugar tariffs during the Reagan free trade years and compelled by poverty into drug trafficking). China does persecute the Tibetan culture for reasons ultimately grounded in strategic and national security concerns, but the U.S. assaults all but the most isolated societies in the world in pursuit of commercial interests, so much so in fact that our allies the French seek refuge in legislation outlawing Amer-Anglo encroachments into their language and limiting public exposure to the Hollywood blitz. China does use prison labor for the manufacture of market goods; the conditions of these penal factories can be uncommonly hazardous and toxic, and inmates are sometimes kept beyond their sentenced terms and, in the cases of some professionals, seemingly incarcerated in the first place to operate these factories. But U.S. prisoners vegetate in their cells with cable T.V. and come out of captivity with few if any vocational skills to show for their time and, all too often, no avenues for livelihood or vents for frustration other than crime. In the realm of human rights, China, a nation of one billion one hundred million people, does hold several hundred to several thousand political prisoners, but the U.S., a nation of two hundred and fifty million, keeps nearly one million four hundred thousand of its citizens behind bars, more proportionately and absolutely than any other society on earth. America's inmates are not political prisoners in the strict sense that they are interned due to expressions or acts against the state. They have been locked away because of crimes committed due to dark tendencies fostered by long personal histories of abuse or to lack of education coupled with the lack of opportunity or to addiction, illness, hunger and cold. In a very real sense, many if not most of them are prisoners of Washington's political inertia.

What were the leaders of China thinking when they ordered the tanks to Tiananmen? What are the members of Congress thinking when they dawdle away term after term in partisan turf battles rather than coming to grips with such urgent problems as handguns and assault weapons on our streets or the public school system's rot? A growing number of *average* Americans are becoming victims of political inertia as violent crime trickles up into middleclass communities and renders people virtual prisoners in their own homes (which does not necessarily save them). They are becoming victims of public schools that can no longer make them fit enough to find niches in the hyper-competitive global economy. U.S. Department of Education findings released last year astonishingly indicate that nearly half of our country's 191 million adults are functionally illiterate. A growing number of Americans, 35 million by President Clinton's count, are no longer safe even from themselves in that their health care coverage has whittled to nothing and one serious injury or illness can push them into bankruptcy and out onto the streets. Indeed, millions of Americans are already there. As huge, bustling and unruly a country as China is, the vast majority of her one billion one hundred million citizens feel safe on the streets since violent crime rates are in the range of ten to one hundred times lower there than here in America. And the Chinese feel reasonably secure in their lives since their basic human rights of education and health care are adequately covered.

The Chinese do not shun to do business with us because of our rather shabby record in basic human rights or the injustices we perpetuate on ourselves. They do not predicate their contracts with us on our progress in gun control or public education or health care. Perhaps they separate political and commercial issues, as they claim. Perhaps they realize that they have no moral high ground from which to judge other nations. Or perhaps they simply cannot afford the luxury of predicating business upon morality. Do we hold the moral high ground? And, for the good of ourselves and those we presume to champion, can we afford to predicate business upon morality? China's MFN status is a non-issue. It is a conceit. Congress would be wise and responsible and right to set it aside and focus their energies upon the true work at hand.

Chairman GIBBONS. Well, thank you, Mr. Tseo, for your statement. We appreciate your coming here, waiting all day so patiently, and I thank you very much for what you have contributed.

Well, this concludes today's hearings, and I would like to thank, of course, all witnesses who appeared and participated and waited so long.

Submission of written statements for the printed record will be accepted until the close of business on Monday, February 28.

Thank you very much.

[Whereupon, at 5:57 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

STATEMENT OF AMNESTY INTERNATIONAL USA

Amnesty International USA appreciates this opportunity to submit a statement to the Subcommittee for the hearing on US-China trade relations.

The following statement describes the cases of several dozen dissidents who have been detained in various places in China since 1992. Some are still awaiting trial after being held for over 18 months without access to their family. Others have been sentenced in 1993 to terms of imprisonment after unfair trials or to terms of administrative detention imposed without trial.

Amnesty International considers that they are prisoners of conscience detained for the peaceful exercise of their right to freedom of expression or association, in violation of international human rights standards. It is calling on the Chinese authorities to release them immediately and unconditionally.

This document describes the cases of over 50 democracy supporters who have been detained in China in 1992 and 1993 for the peaceful exercise of fundamental human rights.

Some of them have been sentenced to terms of imprisonment after unfair trials or to terms of administrative detention imposed without trial. Others are now awaiting trial in Beijing and other cities.

Those awaiting trial and some of those already sentenced were secretly detained in 1992 during large-scale arrests of people suspected of having formed or joined underground dissident groups, or planned activities around 4 June 1992 to commemorate the third anniversary of the crackdown on the 1989 pro-democracy protests. Following their arrest, Amnesty International issued a series of appeals calling on the Chinese government to disclose information about their legal status and whereabouts and to release unconditionally all those who had not been charged with recognizably criminal offences in accordance with international human rights standards. The authorities have neither responded, nor made public any information about their arrest and detention.

Many of those detained in 1992 have remained in custody. They were illegally held without charge for several months and their family were denied information as to the charges against them for more than a year. They have been held incommunicado since their arrest and are still being denied access to their relatives.

At least 15 of those held in Beijing are known to have been jointly indicted in late July 1993, together with one other man who was released on bail pending trial in November 1992. This was the largest group of prisoners of conscience to have been indicted together in many years. In September 1993, their relatives were notified to find lawyers for their trial, which usually indicates that the trial is imminent. The trial, however, was postponed, reportedly due to international pressure and foreign policy considerations, including a visit to the United States of America (USA) by President Jiang Zemin in November 1993. According to unofficial sources, in October 1993, the court which was due to hear the cases returned the indictment to the prosecuting authorities, apparently because there was insufficient evidence for conviction. No new indictment has been issued as yet.

Amnesty International appealed again to the Chinese authorities about their cases in October 1993. It urged that, if the trials go ahead, the defendants be granted fair and open trials, with full facilities to defend themselves, and that independent observers be allowed to attend the hearings. It also urged the authorities to make public the names of and charges against all those to be tried, as well as the dates and places of the trials.

As mid-January 1994, however, the Chinese authorities still had not made public any information about those held or their legal status. Neither had the detainees' relatives been informed of any new charges against them. Should they eventually be tried, it is expected that the trial will be closed to the public, as is the practice in all political trials in China.

Amnesty International considers that those awaiting trial in Beijing and most of the other prisoners cited in this document are prisoners of conscience detained solely for the peaceful exercise of their right to freedom of expression or association, in violation of international human rights standards. It is calling again on the Chinese authorities to release them immediately and unconditionally.

1. UNDERGROUND DISSIDENT GROUPS AND THE 1992 ARRESTS

Many of the dissidents arrested in mid-1992 in Beijing and elsewhere were detained on suspicion of organising, joining or having connections with underground dissident groups formed in recent years in various places in China. Some of these groups started publicizing their existence and aims in late 1991 and early 1992, issuing public statements and leaflets calling for reforms in advance of 4 June 1992 - the third anniversary of the 1989 massacre in Beijing.

During the spring of 1992, the authorities tried to put a stop to such activities by arresting scores of activists and suspected supporters of such groups. Some of those held were released without charge after the 4 June 1992 anniversary. Others however were kept in custody and are now facing trial. The dissident groups which publicized their existence included the following:

The Liberal Democratic Party of China

The Liberal Democratic Party of China (LDPC, *Zhongguo Ziyou Minzhu Dang*) first became known through an appeal signed in its name which was posted in November 1991 at Beijing University and distributed to foreign journalists in Beijing. The appeal, entitled "Statement on the Question of Human Rights in China", was issued shortly after the government published a "White Paper on Human Rights in China" to defend its human rights record. The LDPC statement criticized the authorities for violating human rights and called for the release of all political prisoners, an end to political repression and the convening of a national assembly representative of different sectors of society and parties. Another statement in the name of the LDPC, also calling for the release of political prisoners, was circulated in March 1992, just before the opening session of the National People's Congress in Beijing.

The China Progressive Alliance

The China Progressive Alliance (CPA, *Zhonghua Jinbu Tongmeng*) was reportedly founded in mid-1991 by people who had participated in or supported the 1989 pro-democracy movement. In May 1992, members of the group reportedly held a meeting and adopted an 11-point programme which later circulated outside China. The programme stressed the need for a "radical transformation of the existing social, political and economic systems, and the setting up of a new society based on humanism, justice, freedom, democracy and solidarity". According to the programme, China was in a political, economic and moral crisis precipitated by totalitarianism and the one-party dictatorship. It dealt with political and economic issues in practical terms. It proposed a variety of solutions to economic problems, for example that a market economy be introduced; that a social security system be installed to defend minimum living standards; that the state's role in guiding economic activities be respected. It strove to fight without violence against the one-party dictatorship, but also aspired to cooperate with democratic progressive forces within the Chinese Communist Party and other groups, so as to achieve strength through unity in the long term.

The Free Labour Union of China

A Preparatory Committee of the Free Labour Union of China (FLUC, *Zhongguo Ziyou Gonghui*) is reported to have been set up in late 1991. In January 1992, leaflets publicizing the existence of the FLUC Preparatory Committee were distributed, encouraging workers to form free labour unions. After some of its members were secretly arrested in June 1992, the group sent a letter of appeal to the International Labour Organisation in Geneva, to publicise the grievances of workers in China. It documented the way in which workers were deprived of their rights to speech, assembly, strike and employment in China. It also spoke of the deterioration of workers rights since the start of the economic reforms in the late 1970s, including the lack of provisions to defend the rights of workers in the new private sector. It included a commitment to "building an economic and political system of justice and human rights".

The Social Democratic Party of China

The Social Democratic Party of China (SDPC, *Zhongguo Shehui Minzhu Dang*) is said to have been one of

the largest underground dissident organizations founded in China after the suppression of the pro-democracy movement in 1989. It was reportedly founded in 1991 and had its base in Lanzhou, Gansu province, with local groups in several provinces and cities, including Beijing. It claimed to have over 100 members, including students, workers, intellectuals and government cadres, most of whom had participated in the 1989 democracy movement. The SPDC publicised its existence in April 1992, while the National People's Congress (NPC) was meeting in Beijing, by distributing a manifesto setting up its political programme. It called on the NPC to implement democratic reforms and urged the release of political prisoners and an end to the one-party dictatorship. The group expressed support for all forms of advances in democratic reforms and stated its wish to join forces with other groups and individuals committed to democratization, including from within the Chinese Communist Party. Arrests of suspected members of the group immediately followed. By May 1992, some 50 people had reportedly been apprehended in various places in China, 10 of whom have been identified. For months after their arrest, their relatives were denied information about their detention.

2. DISSIDENTS AWAITING TRIAL IN BEIJING

At least 16 people detained in 1992 and charged with "counter-revolutionary" offences are awaiting trial in Beijing. A joint indictment against the 16 men was issued on 29 July 1993 by the Beijing People's Procuratorate. One or them was released on bail pending trial in late November 1992, apparently for medical reasons. The 15 others have been detained since mid-1992 and are now reported to be held in the Banbuqiao Detention Centre in Beijing (Beijing Municipal Public Security Bureau Detention Centre). They have been denied family visits since their arrest.

According to unofficial sources, in October 1993 the Beijing Intermediate People's Court returned the indictment to the Beijing People's Procuratorate (procuracy), apparently because the court believed there was not enough evidence for conviction. In such cases, the procuracy usually is required to carry out supplementary investigation and provide further evidence for the case to be brought to trial. According to the law, the supplementary investigation should be completed within one month. This time period, however, has long expired and the defendants' relatives have still not heard what the outcome of this process is and whether the trial will or not take place. The procuracy's review could possibly result in the releases of some or all of the detainees or in a new indictment being issued.

According to the 29 July 1993 indictment, a copy of which has reached Amnesty International, ten of the defendants were charged with either "organizing and leading" or "taking part" in "counter-revolutionary groups" and seven among them were additionally charged with "carrying out counter-revolutionary propaganda and incitement". The other six defendants were charged only with "carrying out counter-revolutionary propaganda and incitement". The ten charged with involvement in "counter-revolutionary groups" were accused of having formed or taken part in three of the dissident groups mentioned above, namely the Liberal Democratic Party of China, the Preparatory Committee of the Free Labour Union of China and the China Progressive Alliance. Some of them were accused of having been involved in the three groups.

While it gives detailed information about the formation of the three groups and the activities of its alleged members, the indictment provides no evidence to show that the groups' aim was to overthrow the government or the Chinese Communist Party. According to Chinese law, it is necessary in "counter-revolutionary" cases to prove that the defendants had such "counter-revolutionary" purposes. The lack of such evidence may have been one of the reasons for the postponement of the trial in October 1993.

The indictment also shows that the defendants were illegally detained for four to six months before they were formally arrested under the Criminal Law. According to the indictment, they were "arrested" (charged) between late September 1992 and late November 1992, though most of them are known to have been in police custody since May or June 1992. Thus they were detained without charge for several months before being formally arrested, in violation of the procedures for arrest and detention prescribed in China's Criminal Procedure Law. According to the law, the maximum permitted time for detaining a suspect before he or she is either formally arrested or released is 10

days.

The sixteen men listed as defendants in the Beijing People's Procuratorate's 29 July 1993 indictment are:

Hu Shigen (also known as Hu Shengjun), 37, a lecturer at the Beijing Foreign Languages Institute. He was detained on 28 May 1992, along with Gao Yuxiang (see below). Pro-democracy leaflets were reportedly found in their possession and on 6 June 1992 their homes were searched by police officers of the Beijing Public Security Bureau and items taken away. No formal arrest, detention or search warrants were issued at the time. Hu Shigen, who is married and has one child, has been held in incommunicado detention since his arrest.

According to the July 1993 indictment, Hu Shigen was formally arrested on 27 September 1992. He was accused of having established the Liberal Democratic Party of China (LDPC) together with Wang Guoqi (see below) in January 1991, of recruiting members into the party and drafting the LDPC "political principles" and other documents such as the "Statement on the Question of Human Rights in China" which was issued in November 1991 in the name of the LDPC. He was also accused of having planned with others, in December 1991, the establishment of the Preparatory Committee of the Free Labour Union of China (FLUC), and of drafting documents about it and the issue of free trade unions. According to the indictment, he also "plotted" with others to distribute "counter-revolutionary" leaflets in various cities prior to 4 June 1992 and also had links with the China Progressive Alliance (see below, Kang Yuchun's case). He was charged with "organizing and leading a counter-revolutionary group" and "carrying out counter-revolutionary propaganda and incitement".

Kang Yuchun, 28, a doctor at Beijing's Andingmen Hospital, was detained on or around 29 May 1992. At the time, his home was searched and pro-democracy leaflets were reportedly confiscated. According to unconfirmed reports, Kang Yuchun was ill-treated during interrogation shortly after being taken in custody. His parents have been denied access to him since his arrest. The only information they received after his arrest was from officials at the hospital where Kang worked who said that the State Security Bureau was responsible for his detention and that "it was best for them not to pursue the matter". By late October 1993, they had still not been officially notified of the reason for their son's detention or the place where he was being held.

According to the July 1993 indictment, Kang Yuchun was formally arrested on 27 September 1992. He was accused of having formed the China Progressive Alliance (CPA) in June 1991, together with Lu Zhigang, An Ning, Wang Jianping, Lu Mingxia and others, and of taking part in the drafting of various CPA's organisational documents. He was also accused of having gone to Zhengzhou (Henan province) in January 1992 to contact An Ning and others there and enquire about the progress of An Ning's job in organising the "Henan Work Committee of the CPA" in Zhengzhou. According to the indictment, Kang Yuchun also had contacts with Hu Shigen (see above) and Liu Jingsheng (see below), was recruited by them into the LDPC, and also recruited them into the CPA. Kang Yuchun was charged with "organizing and leading a counter-revolutionary group" and "carrying out counter-revolutionary propaganda and incitement".

Wang Guoqi, 30, unemployed, formerly a printing worker at the Beijing Foreign Languages Institute. He was reportedly detained on 22 June 1992 at his wife's home. At the time, in contrast with other arrests of dissidents, the police reportedly produced either a detention or search warrant. Wang Guoqi had spent two years in jail from June 1989 till mid-1991 for taking part in the 1989 democracy movement. He was further detained twice for short periods before his latest arrest, including for taking part in the funeral of a dissident in December 1991. He had been unemployed since his release from prison in mid-1991. Wang is divorced and has a five year old daughter.

According to the July 1993 indictment, Wang Guoqi was formally arrested on 27 September 1992. He was accused of having established the LDPC together with Hu Shigen and of recruiting members into it. He was charged with "organising and leading a counter-revolutionary group".

Lu Zhigang, 24, a law student at Beijing University, originally from Shanghai. He is reported to have been detained some time around 4 June 1992. According to the July 1993 indictment, he was formally arrested on 27 September 1992. He was accused of having formed the CPA together with Kang Yuchun and others, and of being

involved in the production of the CPA magazine, "Freedom Forum", and of documents concerning the FLUC Preparatory Committee. He also allegedly took part in plans to distribute pro-democracy leaflets prior to 4 June 1992, "went to Shenzhen for this purpose and secretly contacted people from abroad" from whom he allegedly received financial support. He was charged with "organizing and leading a counter-revolutionary group" and "carrying out counter-revolutionary propaganda and incitement".

Liu Jingsheng, 39, a worker at the Tongyi Chemical Plant in Tong county, outside Beijing. He was detained on 1 June 1992. A veteran pro-democracy campaigner, Liu Jingsheng had taken part in the "Democracy Wall" movement of the late 1970s and co-edited the dissident journal *Explorations* with Wei Jingsheng, who was arrested in 1979 and subsequently spent fourteen and a half years in prison. Liu Jingsheng was also detained in 1979 but released after a few months. At the time of his arrest in June 1992, pro-democracy leaflets were reportedly seized at his home by police. Liu Jingsheng is married and has a 10-year-old daughter.

According to the July 1993 indictment, Liu Jingsheng was formally arrested on 27 September 1992. He was accused of having had a leading role in the LDPC and in the drafting and dissemination of documents concerning the Preparatory Committee of the FLUC. He was also alleged to have "plotted", together with Hu Shigen (see above) and Gao Yuxiang (see below), the distribution of pro-democracy leaflets around 4 June 1992. He allegedly wrote some of the leaflets, printed more than 6000 copies of them and prepared with others to distribute them. He was charged with "organizing and leading a counter-revolutionary group" and "carrying out counter-revolutionary propaganda and incitement".

Gao Yuxiang, 36, a private entrepreneur at the Hongqiao market of Xuanwu District in Beijing. He is reported to have been detained on 28 May 1992 along with Hu Shigen. They reportedly had pro-democracy leaflets in their possession. Their homes were searched on 6 June 1992 by police officers and items confiscated but no formal arrest, detention or search warrants were issued. Gao Yuxiang is married and has a four year old son. His family has been denied access to him since his arrest.

According to the July 1993 indictment, Gao Yuxiang was formally arrested on 27 September 1992. He was accused of having been a member of the LDPC and having joined in activities related to the FLUC Preparatory Committee. According to the indictment, he was also involved in planning with others the distribution of pro-democracy leaflets around 4 June 1992. He was charged with "actively taking part in a counter-revolutionary group" and "carrying out counter-revolutionary propaganda and incitement".

Wang Tiancheng, 29, a law lecturer at Beijing University Law Department. He was reportedly detained on 2 November 1992 and, according to unconfirmed reports, several students from the Law Department were also detained at around the same time. Wang Tiancheng's detention was not officially acknowledged. Two weeks after his arrest, officials at Beijing University said that they had no information on his case, though foreign press reports indicated he had been arrested for suspected links with underground dissident groups. In his academic work, Wang Tiancheng had been critical of the system of administrative law in China. His views about the relations between human rights, the rule of law and executive power were expressed in an article entitled "Those who Rule are Ruled by Law: Administrative Law and Human Rights", which was published in 1992 in his college journal *Zhong-Wai Faxue* (Peking University Law Journal), of which he edited some issues.

According to the July 1993 indictment, Wang Tiancheng was formally arrested on 14 December 1992. He was accused of having been a member of the LDPC, of involvement in the drafting of material concerning the FLUC Preparatory Committee and of leaflets for distribution around 4 June 1992. According to the indictment, the leaflets included some entitled "The Heroic Souls of 4 June Exist Eternally" and "Letter to the Whole Citizenry by the United Democratic League", which were written by Liu Jingsheng, Chen Wei and Wang Tiancheng, respectively" and subsequently printed in more than 6000 copies. Wang Tiancheng was charged with "actively taking part in a counter-revolutionary group" and "carrying out counter-revolutionary propaganda and incitement".

Wang Peizhong, 24, a graduate student at the Oil Prospecting and Exploration Research Institute in

Beijing, originally from Shanxi province. He was detained some time around 4 June 1992. According to the July 1993 indictment, he was formally arrested on 27 September 1992. He was accused of having joined the CPA, of helping prepare and mailing more than 50 copies of the group's journal "Freedom Forum", and of typing the text of leaflets written by others for distribution around 4 June 1992. He was charged with "actively taking part in a counter-revolutionary group" and "carrying out counter-revolutionary propaganda and incitement".

Chen Qinglin, 24, originally from Inner Mongolia, a cadre at the Hangu Saltworks Meteorological Station in Tianjin city. He was reportedly detained some time between late May and 7 June 1992. Formerly a student in Beijing, he had been a member of the Beijing Students Autonomous Federation during the 1989 pro-democracy movement.

According to the July 1993 indictment, he was formally arrested on 27 September 1992. He was accused of having joined the LDPC and, under Hu Shigen's direction, of having gone to Xinjiang at an undisclosed time in order to "develop the organisation". He was charged with "actively taking part in a counter-revolutionary group".

Li Quanli (previously named as Li Jinli), 42, a worker at the Beijing Car Factory's Electric Appliance Branch. He is believed to have been detained in June 1992 but was bailed a few months later. The July 1993 indictment does not specify the date at which he was formally arrested, but indicates he was "released on bail pending trial" on 24 November 1992. He was accused of having joined the LDPC and been involved in the planning of the FLUC Preparatory Committee. He was charged with "actively taking part in a counter-revolutionary group".

Chen Wei, 24, unemployed, a former student of the Beijing Technology Institute, originally from Sichuan province. He was detained at the end of May 1992. He had been detained several times before: in 1989 he was jailed for his involvement in the pro-democracy movement and released in January 1991; he was detained again in June 1991 for a brief period before the 4 June anniversary of the 1989 crackdown; and again for a brief period in December 1991 for attending the funeral of Wen Jie, a dissident who had been jailed for 18 months after June 1989 and became seriously ill with cancer while in prison.

According to the July 1993 indictment, Chen Wei was formally arrested on 27 September 1992. He was accused of having been involved, together with Liu Jingsheng and Wang Tiancheng, in drafting some pro-democracy leaflets before 4 June 1992 and in plans to distribute them. He was charged with "carrying out counter-revolutionary propaganda and incitement".

Zhang Chunzhu, 41, unemployed, originally from Shandong province, he was living in Beijing before his arrest. According to the July 1993 indictment he had previously been jailed for five years after being convicted of theft in 1972. The date at which he was detained is not known but, according to the indictment, he was formally arrested on 27 September 1992. He was accused of having helped to distribute in Beijing the "Statement on the Question of Human rights in China" issued by the LDPC in November 1991 (see page). He was charged with "carrying out counter-revolutionary propaganda and incitement".

Rui Chaohuai, 23, a worker at the Beijing Construction Materials and Machinery Factory, originally from Tianjin city. The date at which he was detained is not known, but according to the July 1993 indictment, he was formally arrested on 30 November 1992. He was accused of having helped to "hide" pro-democracy leaflets prepared by others for distribution prior to 4 June 1992. He was charged with "carrying out counter-revolutionary propaganda and incitement".

Xing Hongwei, 25, a cadre at Chengde's Jianjiang coal mine in Sichuan province, originally from Shaanxi province. The exact date at which he was detained is not known, but information in the July 1993 indictment indicates this was either late May or early June 1992. According to the indictment, he was formally arrested on 27 September 1992. He was accused of having been involved in plans to distribute pro-democracy leaflets prior to 4 June 1992. According to the indictment, on 28 May 1992, he took 700 copies of leaflets written by others and "was caught when he was about to take them back to Chengde (Sichuan province) for distribution and mailing". He was charged with "carrying out counter-revolutionary propaganda and incitement".

Xu Dongling, 37, a worker at the Dongbei Paper Mill in the Haidian district of Beijing. The date at which he was detained is not known, but according to the July 1993 indictment, he was formally arrested on 27 September 1992. He was accused of helping Liu Jingsheng and others to address more than 6000 envelopes for the distribution of pro-democracy leaflets prior to 4 June 1992 and of helping to move the envelopes and leaflets to the house of Gao Yuxiang (see above). He was charged with "carrying out counter-revolutionary propaganda and incitement".

Zhang Guojun (previously named as Li Guojun), 31, a restaurant owner in the Fengtai district of Beijing, originally from Liaoning province. The exact date at which he was detained is not known, though it is believed to be in early June 1992. According to the July 1993 indictment, he was formally arrested on 27 September 1992. He was accused of having helped to address some 6000 envelopes for the distribution of pro-democracy leaflets prior to 4 June 1992. The leaflets were allegedly printed at his restaurant. He was charged with "carrying out counter-revolutionary propaganda and incitement".

Three other people, who are mentioned in the July 1993 indictment against the 16 people named above, may also go on trial separately on charges of involvement in "counter-revolutionary groups". According to the indictment, the three were founding members of the China Progressive Alliance. One of them, **An Ning**, is believed to be held in Henan province (see page). The other two are **Wang Jianping**, about whom little is known, and **Lu Mingxia**, a former student at Beijing's People's University who had been involved in the 1989 pro-democracy movement. The indictment states that their "cases are being handled separately", indicating that there may be other defendants involved and/or that they may be tried outside Beijing.

Several other people were also arrested in Beijing around 4 June 1992, reportedly for their connection with dissident groups, but little has been heard about them since then and it is not known whether they are still being held and awaiting trial. They included **Guo Shaoyan**, a postgraduate student of Beijing University, **Li Jie**, a student of Beijing University, **Wang Qishan**, an employee of the Institute of Geology in Beijing, and **Wang Xiaodong**, a former student of the Beijing Institute of Technology.

3. DISSIDENTS FACING TRIAL IN VARIOUS PROVINCES

Apart from those held in Beijing, dozens of democracy activists suspected of having connections with underground dissident organizations were also arrested in 1992 in various provinces, including Henan, Gansu, Anhui and Hunan provinces. There have been little news about those held since then, though it is believed that at least some of them will soon face trial.

Several people may go on trial in Zhengzhou, the provincial capital of Henan, in connection with the prosecution of members of dissident groups in Beijing. At least two are known to have been detained in 1992. They are **An Ning**, a former student at Beijing University who had returned to Zhengzhou after graduation and was jailed previously for taking part in the 1989 pro-democracy movement; and **Meng Zhongwei**, a chemistry student from Zhengzhou University and a friend of An Ning.

Both were detained in September 1992, apparently in connection with the return visit to China in August 1992 of exiled dissident Shen Tong, who had been living in exile in the USA since 1989. In September 1992, the Chinese authorities detained Shen Tong for attempting to set up an "illegal organization" after his return to China, though due to international publicity he was released shortly after and allowed to leave the country. Over a dozen people suspected of having had contacts with Shen Tong were arrested in various places in China between September and November 1992, including An Ning and Meng Zhongwei. There has been no news about Meng Zhongwei since then and it is not known whether his case is related to that of An Ning.

An Ning is cited in the indictment against the 16 people awaiting trial in Beijing (see page). According to the indictment, An Ning was a leading member of the China Progressive Alliance (CPA, see page) and was involved in drafting some of the CPA documents after the group was formed in Beijing in June 1991. The indictment indicates that he was in Zhengzhou in January 1992. At that time he allegedly was in charge of organizing a "Henan Working

Committee of the CPA" and was visited in Zhengzhou by Kang Yuchun (see page) and others. The indictment states that An Ning's case would be "dealt with separately" from those detained in Beijing, indicating that he may be prosecuted in Zhengzhou, possibly with other people accused of joining the CPA there.

At least ten people were arrested in April or May 1992, most of them in Lanzhou, Gansu province, on suspicion of involvement in a dissident group, the Social Democratic Party of China (SDPC, see page), whose base was in Lanzhou. According to unconfirmed reports, as many as 50 members of the group were arrested in various places in China at the time, though only ten have been identified. Eight of those known to have been arrested were held in Gansu province, but the place where the other two are held is not known.

The eight held in Gansu included five students from Lanzhou University of whom three, **Ding Mao**, **Liu Baiyu** and **Xing Shirmin**, were philosophy students; one, **Liu Wensheng**, was a history student and one, **Lu Yanghua**, was a graduate student in physics. They were all in their mid-20s and most had been involved in the 1989 pro-democracy movement, as a result of which at least two of them were jailed. Ding Mao was detained for nine months after June 1989. Liu Baiyu, who had been on a "wanted" list issued by the authorities in September 1989, was held for 19 months and was subsequently expelled from the university. Liu Wensheng was also reportedly on a "wanted" list after June 1989 but escaped arrest until May 1992.

The three other men arrested in Gansu province in spring 1992 are **Gao Changyun**, a teacher at Lanzhou University Administration Department; **Zhang Jian**, a staff worker at the Gansu Provincial Library; and **Cao Jianyu**, an employee at the Gansu Public Relations Association.

Two other men were reportedly arrested at the same time for their suspected links with the SDPC, but the place where they were held is not known. They are **Xu Zhendong**, a 25 year old cadre from the Tianshan Boiler Plant in Urumqi, Xinjiang Autonomous Region, and **Lu Yalin**, a 24 year-old teacher at the Yancheng City School of Light Industry in Jiangsu Province.

At least five people, in Anhui province, were reported to have been arrested in 1992 for suspected dissident activities. According to press reports, some of them were released in 1993, though the releases have not been confirmed and it is not clear who those freed are. Those arrested in 1992 included: **Yu Liangqing**, a government cadre from Anhui Province arrested around 4 June 1992; **Huang Jinwan**, a company manager arrested in May or June 1992 (he may be the same person as **Huang Xiuming**, a 28-year-old man who according to some sources was arrested on 9 May 1992); **Tian Yang**, arrested in April 1992 in Hefei; **Ma Lianggang**, a student in Hefei arrested in April 1992, and **Shen Liangqing**, an employee at the Hefei People's Procuratorate who was also arrested in April 1992. Described as a "key member" of the Hefei Independent Students Union in 1989, Ma Lianggang had been jailed previously in 1989. According to unconfirmed reports, Ma Lianggang and Huang Jinwan are among those who have been freed.

4. DISSIDENTS TRIED IN 1993

Liao Jia'an, a 24 year-old postgraduate student from Beijing's People's University, was sentenced by a Beijing court in August 1993 to three year imprisonment on charges of "carrying out counter-revolutionary propaganda".

Liao Jia'an, who worked part-time at a bookstore in Beijing before his arrest, was detained by police on 8 June 1992 together with Wang Shengli, a postgraduate student from People's University Philosophy Department. Both were illegally detained without charge for nearly three months for "shelter and investigation" - a form of administrative detention - before they were formally arrested and charged under the Criminal Law. They were accused of having written "reactionary" leaflets and distributed about 1,000 copies of the leaflets at the Beijing University campus in May 1991. The leaflets criticized the 1989 crackdown on the pro-democracy movement and called for commemoration of those killed on 4 June 1989. They were also accused of hanging a banner with the slogan "We Have Not Forgotten 4 June" out of a window on the University campus. An indictment against both was issued in November

1992. The charges against Wang Shengli were later dropped and he was released in April 1993, reportedly for alerting prison officials to an escape plan by prisoners who had tried to kill him.

According to unofficial sources, Liao Jia'an was initially due to be tried in March 1993, but the trial did not take place until 19 June 1993, though the sentence was not announced at the time. After he was indicted, his relatives reportedly found it difficult to find a lawyer to defend him as law firms in Beijing had reportedly been warned by the Beijing judicial authorities not to serve as his defence counsel. At the time of his trial in June, his relatives were reportedly not informed in advance of the trial and were unable to come to Beijing to attend the hearing. Liao Jia'an is said to have contracted hepatitis in prison but to have received no medical treatment for it.

Zhang Minpeng, a 38 year-old worker and democracy activist from Wuhan, in central Hubei province, was sentenced in August 1993 to five years' imprisonment and an additional two years' deprivation of political rights for "organizing a counter-revolutionary group". Zhang Minpeng had previously been jailed for three years during the early 1980s for publishing an unofficial magazine. In July 1992, he was taken in police custody and illegally detained without charge for over eight months for "shelter and investigation" before he was formally arrested and charged under the Criminal Law.

At his trial before the Wuhan Intermediate People's Court, Zhang Minpeng was accused of having formed in 1991 a political group, the Republican Party, which aimed to establish a multiparty system in China. According to the court verdict against him, Zhang had written a manifesto for the party, recruited members into it and divided tasks among them. During one of the group's meetings, in March 1992, he had read an article he had written, entitled "The Fate of the Intellectuals", in which he attacked the socialist system, the verdict said. According to the verdict, his lawyer argued before the court that, although Zhang had formed this group, there was no evidence to show that his actions and aims were to overthrow the dictatorship of the proletariat and socialist system; but the court disagreed, saying Zhang had "proven that he had counter-revolutionary goals". Thirteen other people were cited in the verdict as having been involved in the group. They are **Chen Yong**, **Liu Bangming**, **Zhang Weidong**, **Wang Yangli**, **Zhang Hanjiang**, **Hu Gang**, **Liu Gui**, **Wu Yingling**, **Lu Zhonghua**, **Liu Chongyun**, **Wang Yuqing**, **Zeng Dazhao** and **Ding Hancong**. According to the court verdict against Zhang, their cases were being "handled" separately, indicating that they might face trial on similar charges. No further information has become available as yet about their cases.

Yu Zhuo, a 24 year-old computer science student from Wuhan, Hubei province, was secretly tried in Wuhan in October 1993 and sentenced to two years' imprisonment for putting up posters on the campus of his college in 1992 to commemorate the 4 June 1989 crackdown on the pro-democracy movement.

Yu Zhuo was arrested by police in September 1992 and illegally detained without charge for nine months for "shelter and investigation", in violation of the provisions against arbitrary arrest and detention in the Chinese Constitution and Criminal Procedure Law. In early May 1993, Yu Zhuo appealed to the Wuhan Public Security Bureau (PSB) against the administrative detention order imposed on him, but the PSB reportedly refused to pass on his appeal to the relevant district court. The court itself apparently refused to receive a similar complaint by Yu Zhuo's father.

Yu Zhuo was eventually charged on 27 May 1993 with carrying out "counter-revolutionary propaganda and agitation" and indicted on 5 July 1993. His parents, who had appealed many times to the authorities against his illegal detention, were not formally notified of the charges against him and continued to be denied access to him. According to reports circulating in early July 1993, Yu Zhuo was due to be tried around 20 July and a sentence of four years' imprisonment had already been decided upon by the authorities before the trial. However, his trial was postponed and the pre-determined sentence appears to have been reviewed, apparently due to international appeals about his case. His parents were not notified of his trial. On 11 October 1993, they learned accidentally that Yu Zhuo had just been tried in secret and sentenced to two years' imprisonment.

Yao Kaiwen, a 53 year-old former high school teacher, went on trial in Shanghai on 24 September 1993 together with **Gao Xiaoliang**, a 26 year-old former worker and member of the banned Shanghai Workers Autonomous Federation (SWAF, formed in May 1989). They were accused of forming a "counter-revolutionary" group, the

China Branch of the Democratic Front. The verdict was pronounced three months later by the Shanghai Intermediate People's Court. Yao Kaiwen was sentenced to ten years' imprisonment and deprivation of political rights for an additional three years. Gao Xiaoliang was sentenced to nine years' imprisonment plus two years' deprivation of political rights.

Both men were arrested in Shanghai in May 1993 together with **Han Lifa**, a mechanic aged about 30 and former member of the banned SWAF, and **Yao Tiansheng**, a factory worker in his mid-20s. According to unofficial sources, the four men were planning activities around 4 June 1993 to commemorate the fourth anniversary of the 1989 crackdown on the pro-democracy movement. In March 1993, some of them had signed a petition calling for the release of two people who had been arbitrarily detained by the Shanghai police earlier that month. On 5 June 1993, Yao Kaiwen, Gao Xiaoliang, Han Lifa and Yao Tiansheng were reportedly charged with forming a "counter-revolutionary" group by the Shanghai People's Procuratorate (procuracy).

Two of them, Han Lifa and Yao Tiansheng, were released from police custody on 4 September 1993, though apparently they were not cleared of the charges against them. According to press reports, they were told before their release by the Shanghai procuracy that they would not be prosecuted because their offence was relatively light and they had "behaved well" in detention. Three days after their release, they reportedly decided to file an "administrative appeal" demanding that the authorities publicly declare their innocence. However, according to the 23 December verdict against Yao Kaiwen and Gao Xiaoliang, the charge against Yao Tiansheng appears to have been maintained (see below).

Yao Kaiwen and Gao Xiaoliang were kept in police custody. On 24 September 1993, they were brought to a secret trial from which their relatives were barred, but no verdict was pronounced at the time. It was expected that the verdict would be pronounced one month later. However, no announcement was made until 23 December, when they were sentenced by the Shanghai Intermediate People's Court to ten and nine years' imprisonment respectively. According to press reports, Yao Kaiwen and Gao Xiaoliang were convicted of "organising and leading a counter-revolutionary group" with the alleged aim of overthrowing the "dictatorial rule of the communist regime". The court verdict also cited Yao Tiansheng as a "core organiser" of the group and said that his case was being "dealt with separately". This indicates that he may also be tried, though he is reportedly still free.

According to press reports, the court verdict stated that Yao Kaiwen had drafted a 10-point plan of action allegedly indicating that the group was ready to take both peaceful and violent actions to achieve their aim. They had allegedly discussed plans to organise demonstrations, form workers' brigades, occupy radio and television stations, and detain local party and government leaders. They had also reportedly planned to publish a journal called "Free China".

There appears to have been little, if any, evidence to substantiate the accusations against them. According to unofficial sources, there is no evidence that the group ever had more than four or five active members; their alleged discussions on the possibility of using violence, even if true, had remained purely theoretical and they had never put their ideas into action. The information available so far on their case suggests that they may be prisoners of conscience held for the peaceful exercise of their right to freedom of association. Furthermore, they have received severe sentences after an unfair trial without any possibility to properly defend themselves against the accusations.

Yao Kaiwen and Gao Xiaoliang had been detained previously for one or two years of "re-education through labour" - Gao Xiaoliang for his involvement in the SWAF during the 1989 pro-democracy movement, and Yao Kaiwen for trying to flee the country following the 4 June 1989 crackdown. Their previous "offences" were apparently a factor in the severe sentences passed on them on 23 December 1993. Until their trial, they were held at the Shanghai No. 1 Detention Centre, but it is expected that they will be transferred to a prison or labour camp following the sentencing.

Other people were tried and sentenced on political grounds in 1993, including several journalists and officials accused of providing or selling alleged "state secrets" to foreigners.

Information also came to light about others tried in 1992 whose cases had not been previously reported.

They included three men arrested in Shanghai in April 1992 who were convicted in July 1992 by a Shanghai court of forming a "counter-revolutionary" group, the "China Alliance Association". The three are **Zhou Yuan**, a 28 year-old technician who received a five-year sentence, **Liu Kai**, a 22 year-old waiter at a hotel in Shanghai, who was sentenced to two years' imprisonment, and **Tang Weihua**, who received a one-year sentence and has now been freed. Five other members of the group were reportedly detained together with them but were not prosecuted. According to unofficial sources, members of the group advocated democracy and had been holding a few discussion meetings in their homes but had taken no action to promote their views. Zhou Yuan is reported to be serving his five-year sentence at Shanghai Municipal Prison (Shanghai Prison No.1, known as Tilanqiao) where he works making gloves. He was reportedly once denied a monthly family visit for failing to fulfil the required monthly production target and threatened with such further sanctions if work quotas were not fulfilled in future.

Others dissidents reportedly sentenced in 1993 include **Xiao Delong**, a 45 year-old worker and former member of the banned Beijing Workers Autonomous Federation (BWAFF), who, according to Asia Watch, received a three-year term in early 1993 for his participation in the BWAFF after escaping arrest for several years. He was reportedly arrested in September 1992, having been in hiding since his name appeared on a government's wanted list in August 1989, but few details are available about his case.

5. SENTENCES WITHOUT TRIAL:

FU SHENQI, ZHANG XIANLIANG AND OTHER CASES

A number of dissidents were also sentenced in 1993 to terms of "re-education through labour", an administrative punishment imposed without any judicial process which involves detention for up to three years, usually in a labour camp. In contrast to sentences of imprisonment which are imposed after trial by a court, sentences of "re-education through labour" are imposed by administrative committees composed of representatives from the public security (police), civil affairs and labour departments of the local governments of cities and provinces. In practice it is often imposed by the police alone. This and other forms of administrative detention are often used by the police or the political authorities as a convenient means of avoiding the safeguards of the criminal justice system.

Under a law which came into force in October 1990, those who receive such administrative sentences can present appeals for review of the sentence, first to an administrative body, then to a court. Such reviews, however, are no substitute for trial and the sentences are not suspended during the process of review. Furthermore, in political cases, the review is a mere formality.

The case of Fu Shenqi, which is described below, attests of the failure of the review procedure to compensate for the arbitrariness which characterizes the imposition of this punishment. His and other cases also show how administrative detention is used in China to suppress dissent and jail people on the basis of vague accusations which could not constitute charges under the Criminal Law.

Fu Shenqi, a 39-year-old veteran pro-democracy campaigner who had been imprisoned twice before, was arrested in Shanghai on 26 June 1993. He had last been released from jail in February 1993, having spent a total of seven and a half years in prison since his first arrest in 1981. Fu Shenqi is married and has a son aged four and a half.

According to unofficial sources, a reason for his arrest was to prevent a reunion of several veteran democracy campaigners, including Fu Shenqi, in Qingdao city, Shandong province, in mid-July 1993. Those apparently planning to attend had been imprisoned during the 1980s for taking part in the "Democracy Wall" movement of the late 1970s and had planned to meet in July in Qingdao together with their families. Fu Shenqi's arrest took place just after he bought train tickets to Qingdao.

On 4 July 1993, barely eight days after his arrest, Fu Shenqi was sentenced without trial to three years of "re-education through labour". His wife was informed of the sentence by police on 10 July, but was not told where her

husband was being detained and was denied permission to visit him. She only received formal notification of the sentence on 21 August 1993. Fu Shenqi was accused of having "incited trouble" for "planning" with others to draw public attention to the detention of two dissidents in Shanghai, including Wang Miaogen, who was confined to a mental hospital after being arrested by police in Shanghai in May 1993.

Fu Shenqi was first imprisoned in 1981 for his publishing activities during the Democracy Wall movement and contacts with other pro-democracy activists. Following his release from jail in 1986, he set up a private book stall in Shanghai and, together with others, started publishing a review, *Fuxing*, which included articles about political and human rights issues. This led to his second arrest in May 1991. After 21 months in detention, he was convicted by a Shanghai court in February 1993 of "carrying out counter-revolutionary propaganda and incitement" and sentenced to two years' deprivation of political rights. Though he was released from prison, the sentence of deprivation of political rights was to take effect immediately and was still in force at the time of his re-arrest in June 1993.

The "Decision on Re-education Through Labour", issued against him on 4 July 1993 by the Shanghai Municipal Re-education Through Labour Management Committee, states that Fu Shenqi is sentenced for his "behaviour of inciting trouble". The decision uses the term "*xingwei*" (behaviour), rather than crime. Indeed what Fu Shenqi is accused of would not amount to a crime had he been prosecuted under the Chinese Criminal law.

According to the Decision, in May 1993 Fu Shenqi had "schemed" with dissident Zhang Xianliang (see page) and others to raise the case of Wang Miaogen with the press and the police, and had also "revised" a letter of appeal drafted by Zhang Xianliang about Wang. The Decision further states that, when Zhang Xianliang was himself detained by police on 7 June 1993, Fu Shenqi was involved in "planning" a public protest against it. The protest was a hunger strike staged by four activists outside the Shanghai city hall shortly after Zhang's arrest. The four activists later signed a joint statement denying that Fu Shenqi had any part in their hunger strike. They were however prevented from testifying in his favour when his case was reviewed by a court in November 1993 (see below).

No other accusations or proof of Fu Shenqi's so-called "illegal" activities are cited in the Decision. It specifies that his sentence will run from 27 June 1993 to 16 June 1996 and that he can submit an application for review of the decision within 15 days of receiving it.

Fu Shenqi, who was then held by the Nanshiqu branch of the Shanghai Public Security Bureau, decided to appeal for review of the sentence. On 6 July, he reportedly requested permission to write his appeal from the police officer in charge and was slapped by him in the face half a dozen times as a result. He went on hunger strike for several days in protest, but was only allowed to submit an application for review on 23 July.

On 28 July 1993, Fu Shenqi was secretly transferred to the Xiaming re-education through labour farm in Dafeng county, Jiangsu province. His wife, Li Liping, was not informed of his transfer and was denied access to him until mid-September 1993, when she was allowed to see him for the first time since his arrest. At the farm Fu Shenqi was reportedly denied permission to write letters and forbidden to talk to other prisoners under threat of punishment. He suffers from kidney and heart trouble and his health has apparently declined since his arrest. Food rations at the farm are reportedly insufficient but inmates have to fulfil high work quotas. Whereas family visits are usually allowed once a month, Fu Shenqi is only allowed family visits once every three months. On 20 September, shortly after her first visit to the farm, Li Liping was detained by police for 23 hours, apparently as a warning for talking to foreign journalists about her husband's situation.

On 12 November 1993, the Huangpu district court of Shanghai held a hearing in the Dafeng county farm, where Fu Shenqi was held, to hear his appeal. According to information received by Amnesty International, Fu Shenqi, his wife and two lawyers hired by them attended the hearing, as well as over 30 other people who were all police or Labour Bureau officials. Some witnesses who had come to testify in Fu's favour were not allowed in court. Fu Shenqi was able to speak and stated that he was not guilty and that the police had fabricated false evidence against him. His lawyers complained that they had been denied access to filed documents on Fu's re-education through labour conviction and said they had evidence to prove that Fu was not guilty. One of the lawyers was allowed

to read some of the defence testimony, but was interrupted by the judge before he could present witnesses' testimony. His repeated requests later on to present further testimony were apparently ignored by the judge. The total time given for the lawyer's presentation was some ten minutes. The hearing ended without the court making any decision on the appeal.

On 28 December 1993, the court held another hearing to announce its decision: Fu Shenqi's appeal was rejected. Neither Fu Shenqi nor his wife were allowed to attend this hearing and Fu's wife was detained for "contempt of court" when she protested that the court had violated its own regulations. She was reportedly held for 15 days at the Huangpu district detention centre before being released.

Zhang Xianliang, 48, a veteran pro-democracy campaigner in Shanghai who was previously jailed for five years, was arrested in early June 1993 and sentenced without trial two months later to three years of "re-education through labour" for "inciting trouble". In late May and early June, Zhang Xianliang had given interviews to foreign journalists about the arrests of dissidents in Shanghai over the previous weeks, including Wang Miaogen, a labour activist who was confined to a mental hospital by police after his arrest. Zhang was also reportedly planning to hold a private commemoration of the 4 June 1989 massacre together with a few friends. On 3 June 1993 he was detained for 24 hours by the Shanghai police, apparently to prevent him hosting this gathering, then was detained again on 5 June 1993. During the following days, the police reportedly said that he was "on bail pending judicial process" and had been placed under "domestic surveillance", but they did not disclose where or why he was being held. Four dissidents who staged a hunger strike on 7 June to protest against Zhang's detention were themselves detained by police for 24 hours. Zhang Xianliang did not return home and his wife continued for weeks to be denied information about his whereabouts and the reason for his detention.

On 12 August 1993, Zhang Xianliang was sentenced to three years of "re-education through labour" by the Shanghai Municipal Re-education Through Labour Management Committee. He was accused of having "seized the pretext of the Wang Miaogen's affair" to "incite incidents", by writing in May 1993 a "Letter of Protest" and other similar material about Wang's detention and alerting foreign journalists to his case. He was also accused of having made plans with others to organise activities around 4 June 1993. According to the detention order against him, his sentence will run from 16 August 1993 till 15 August 1996. His wife, Yan Huli, received formal notification of the sentence on 21 August 1993. She was allowed to visit him for the first time in late October 1993.

During August 1993, Zhang Xianliang was transferred to the Qingdong re-education through labour farm in Qingpu county, Jiangsu province. He has reportedly been placed on several occasions under strict regime at the farm. He is said to suffer from kidney trouble and heart disease which causes him to feel dizzy when he bends down. Food rations at the farm are reported to be insufficient and it is feared that his health may further deteriorate due to the conditions of his imprisonment.

Zhang Xianliang had taken part in the 1978-79 Democracy Wall movement in Shanghai and been a founder of the unofficial journal "Science and Democracy". In 1982, he was arrested and sentenced one year later to five years' imprisonment on charges of involvement in "counter-revolutionary" activities. Following his release in 1987, both he and his family suffered harassment and discrimination, and Zhang Xianliang had been unemployed as a result over the past three years. He was in touch with a group in Shanghai who have tried for several years to seek legal registration for a Human Rights Association in Shanghai. They have so far been unsuccessful.

Other people reported to have been sentenced to terms of "re-education through labour" in 1993 include **Huang Shixu** and **Lu Gang**, two dissidents from Tianjin who were previously detained for their activities during the 1989 pro-democracy movement. They were arrested again in September 1992 after the return visit to China of exiled dissident Shen Tong (see page) whom they met in Tianjin in August 1992. Both were reportedly sentenced during the summer of 1993 to three years of re-education through labour. Huang Shixu had been first arrested in June 1989 together with three other people who had formed a democratic association in Tianjin; he subsequently spent over two years in prison. Lu Gang, a former worker in his 30s, had been jailed for three years in 1989 for his involvement in the

free labour movement in Tianjin.

Another dissident arrested in connection with Shen Tong's visit to China, **Qi Dafeng**, was also sentenced to two years of re-education through labour on 25 December 1992 and sent to a labour camp in Xuancheng, Anhui province. He was accused of having conducted "anti-government" activities with Shen Tong in Beijing and Tianjin. Both were arrested at the same time in Beijing in early September 1992. Qi Dafeng, a 29 year-old graduate student from Nankai University in Tianjin, had previously spent over a year in detention following the 1989 protests. In February 1993, unofficial sources reported that Qi Dafeng had gone on a hunger strike after his transfer to the labour camp to protest at malpractice in his case. He had apparently been transferred to the labour camp before receiving formal notification of his sentence, thus being denied the right to appeal for review of the sentence. Four days after starting the hunger strike, he was reportedly extremely weak and had been force-fed by staff at the labour camp. He later sent a letter appealing for review of his case to the Beijing authorities which had passed the sentence. There has been little news about him since then and it is not known whether his application for review was accepted. According to reports dating from February 1993, he was forced to work in a coal mine at the Xuancheng labour camp.

Numerous other cases of arbitrary detention or imprisonment have occurred in China during the past year. The cases described in this document are those of political dissidents who are known to have been sentenced or to be facing trial. This is not a comprehensive record of all political dissidents detained during the past year on whom Amnesty international has received information. Furthermore, they represent only a small fraction of the arbitrary arrests known to have been carried out in various parts of the country. Hundreds of other people, including Tibetans, Muslims and Christians, have been subjected to arbitrary detention or imprisonment for the peaceful exercise of fundamental human rights. Information about such cases is available in separate documents issued by Amnesty International during the past year.

STATEMENT BY
AMT - THE ASSOCIATION FOR MANUFACTURING TECHNOLOGY
BEFORE THE
SUBCOMMITTEE ON TRADE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
FEBRUARY 28, 1994

We are pleased to submit this statement on behalf of the Association for Manufacturing Technology ("AMT") to the Subcommittee on Trade in support of extending most favored nation status ("MFN") to the People's Republic of China.

The AMT represents the domestic machine tool industry, which totals about 345 companies employing thousands of people. In 1993, the domestic industry produced more than \$3 billion worth of machine tools. During the 1980s, the machine tool industry, whose vitality is critical to the well being of the nation's defense and manufacturing infrastructure, has undergone difficult times, primarily as a result of unfair foreign competition. Increased investment and modernization, as well as voluntary restraint agreements entered into with Japan and Taiwan to halt the dumping of machine tools, has enabled our domestic industry to become once again internationally competitive.

The AMT believes that it is critical that most favored nation status for China continue because:

- (1) Revoking MFN will not produce an improvement in human rights and promote democratization. The more likely result would be to damage the emerging middle class and to encourage repression.
- (2) Revoking MFN will damage the ability of U.S. industry to do business in China.
- (3) China is the most important emerging market for the U.S. machine tool industry. Anything adversely affecting U.S. access to the China market will severely damage the economic well-being of the machine tool industry, which serves as the domestic underpinning of the entire manufacturing base for the nation.

China and MFN

When President Clinton announced that he was renewing MFN for China in 1993, he set specific additional conditions for the mid-1994 extension of China's waiver and MFN status. These additional conditions relate to prison labor, adherence to the Universal Declaration of Human Rights, the release and accounting for Chinese political prisoners, protecting Tibet's religious and cultural heritage, permitting international radio and TV broadcasts into China and other conditions relating to nondiscriminatory trading practices, nuclear and missile non-proliferation, and like conditions.

MFN was never meant to be such an all-encompassing tool of foreign and economic policy. In fact, MFN, as this Subcommittee well knows, is really a misnomer. It does not connote favored treatment. Rather, it connotes normal trade relations -- nothing special or out of the ordinary. Indeed, if it were intended to accomplish such broad objectives as those set forth by the President, then why do countries like Burma, Syria and Iraq enjoy MFN status. While we have many problems with China, withholding MFN status is not the appropriate, nor the most effective, way to address them.

All this is not to say that we do not share the President's objectives. We do, but the debate should really focus on what is the best policy for promoting democracy and human rights in China.

It is convenient to think that simply revoking or conditioning MFN will produce the desired change, but China is sui generis, the so-called "Middle Kingdom." Unlike many other countries, China is more resistant to outside pressures. As one Christian missionary noted at the turn of the century, the Chinese were "proud, resistant to the Christian message of damnation and guilt." Similarly, the Chinese leadership today is likely to resist outside pressure to change their domestic political institutions.

The octogenarian leaders of China demonstrated during the Tianamen Square crisis that they were resistant to the message of democracy. While China's trading relationship with the United States has assumed considerable importance, it would not be unusual for the aging Chinese leadership to break ties with the United States rather than make internal political concessions. Such an approach would be consistent with thousands of years of Chinese history.

Historically, China has resisted the allure of foreign trade, especially with the West. International trade with China traces its origins to the Anglo-Chinese War of 1839-1842. The Chinese simply refused to trade with the British, which were required to go to war in order to trade. Eventually, through the force of arms, the British opened China to trade, but so great was domestic dissatisfaction with the ruling Manchu dynasty for capitulating to the West, that a revolt against the regime ensued which claimed millions of lives.

Throughout the rest of the nineteenth century and much of the twentieth, the Chinese have resisted foreign pressures. Xenophobia remains current in China. The generation which still rules in Beijing is closer in age and spirit to the Boxers which sought to expel foreigners from China at the turn of the century.

If China is to be democratized, the entrepreneurial middle class must be nurtured. Trade brings economic progress, growth of a middle class and democracy, whereas revocation of MFN will strengthen the hands of the octogenarian leadership in Beijing and play to the strong isolationist and anti-foreign sentiment in China.

In addition to undermining the emerging mercantile class in China, cutting off MFN would place the United States at a severe disadvantage with our trading partners. No other industrialized country is now using or contemplating the use of trade as political leverage against China. If we act to cut off MFN, we will be acting alone. History has shown that economic pressure does not work when pursued unilaterally instead of on a multilateral basis.

We are not unmindful of the numerous bilateral disputes with China. However, more targeted options than removing MFN are available to the United States that will enable us to press our grievances without undermining the very forces of change in China that we seek to assist.

Cracking down on China might make us feel good, but it will not produce the kinds of changes that are needed in that country. Depriving China of trade revenues will force it to rely even more on weapon sales to generate needed revenue. Isolation from the West will more likely lead to greater repression and human rights abuses whereas contact and trade have always produced positive developments.

We must be patient and not sacrifice our most promising opportunity to promote democracy in China, as well as a very

significant trading relationship that supports thousands of jobs in the United States. To do otherwise would not only be short-sighted but would ignore the lessons of history, most especially Chinese history.

The China Market and Machine Tools

Machine tool orders are often cited in publications such as the New York Times and the Wall Street Journal as a barometer for economic growth. We cannot have a strong manufacturing sector and the high-value-added jobs that go with it without a healthy machine tool industry. While the United States' economy is growing, much of the rest of the world remains in recession. The most notable exception is China, which has a booming market for machine tools.

The Chinese economy continues to grow at an astounding pace. Since 1978, growth has been 8.5 percent per year, including 13.0 percent GDP growth for 1993. Most analysts predict that real GDP growth will remain between 8.5 percent and 10.0 percent for 1994. To put this in perspective, if the U.S. economy was growing at this rate, we would now be discussing what to do with our enormous budget surpluses instead of worrying about the deficit. Simply put, growth in the Chinese economy is spurring demand for machine tools, and the U.S. industry wants the opportunity to compete for a fair share of this huge market.

In the last decade China's trade record has been astonishing. Chinese merchandise trade as a ratio of its GNP has increased from 12.8 percent in 1980 to 38 percent in 1992. While exports have been growing at a rate of roughly 12 percent a year over the last decade, China's imports have been increasing dramatically as well.

Although China had a \$4.4 billion trade surplus in 1992, in 1993 China will run an estimated \$12.2 billion trade deficit, primarily because of surging imports. U.S. exports to China constitute part of this growth. From 1991 to 1993 U.S. exports went from \$6.2 billion to \$9.2 billion, an increase of 48.4 percent. Still, despite this growth, the United States only has 10 percent of China's imports, and the \$24.3 billion trade deficit between the United States and China is a matter of great concern.

Since initiating serious economic reforms in 1978, China has actively sought foreign investment. Commitments for foreign investment in 1992 were five times higher than 1991's record level, and they were equal to all the foreign investment commitments for the previous thirteen years of China's reform period.

In 1993, investment increased at an even faster rate, with over \$100 billion worth of investment commitments. Only about \$20 billion of these funds were actually spent in 1993. The rest will be disbursed over several years.

While the United States, Hong Kong, Taiwan and Japan are the leading sources of foreign investment in China, most of the industrialized world is fighting to get in to the China marketplace. A November 1993 trade mission led by Chancellor Kohl produced nearly \$3 billion worth of contracts for German corporations.

Recognizing the enormous economic growth that was taking place in China, in May of 1993, the AMT opened an office in Beijing to help facilitate U.S. exports to China. The potential for the U.S. machine tool industry was too great to ignore.

China's machine tool consumption rose to \$2.5 billion in 1992, which made China the world's fourth largest machine tool market. China's domestic machine tool industry is increasing production to keep up with this growing demand. The quality of China's machine tools is also dramatically improving. However, while great strides have been made in the quality of Chinese machine tools, China is still dependent on imports for most advanced technology products. Thus, China will continue to import large amounts of manufacturing technology for the near future in order to fill their industrial infrastructure needs, and it is in the area of sophisticated machine tool technology where the United States has a competitive edge.

China's machine tool imports have grown nearly 200 percent since 1990. Data for the first three quarters of 1993 suggests that China will import nearly \$1.5 billion worth of machine tools in 1993, which will make China the third largest machine tool importer in the world. This \$1.5 billion figure is up from approximately \$830 million in 1992 and makes China the third largest machine tool importer in the world. If China were to lose MFN status, this large and lucrative market for U.S. machine tools would be jeopardized.

Historically, Germany has been the leading supplier of machine tool imports, accounting for nearly 40 percent of China's total machine tool imports as recently as 1987. However, Germany's market share has since eroded to 18.1 percent in 1993. Taiwan is now the leading exporter of machine tools to China with a 22.6 market share and exports valuing \$332 million in 1993. Japan and Germany occupy second and third place. Japan's growth has been particularly impressive, having increased machine tool exports to China by 275 percent since 1992. The United States is the fourth leading exporter of machine tools, exporting in 1993 \$147 million worth of equipment for a 10 percent market share.

After hitting a previous high of \$70.7 million in 1991, U.S. machine tool exports to China dipped slightly to \$69.3 million in 1992. However, U.S. exports of machine tools went up sharply in 1993 to approximately \$147 million -- over a 100 percent increase. In 1993, China was the United States' second leading export market for machine tools. By 1994, we expect China will be the largest export market for the U.S. machine tool industry. The U.S. share of China's machine tool market is also increasing, growing from 8.3 percent in 1992 to 10 percent in 1993.

Opportunities for greater machine tool exports are likely to continue. For example, the automobile industry is a large purchaser of machine tools. From 1991 to 1993, China doubled its automotive production to 1.3 million vehicles. With the Chinese automobile market predicted to grow to three million units by the turn of the century, almost every major automotive company in the world is pursuing some form of joint venture opportunity to gain access to the China market.

If the United States is precluded from participating in this growing automotive market, it is likely that the machine tools that will be purchased by this growing sector will not come from the United States but rather our international competitors.

Similarly, the Chinese aerospace industry is growing at a rapid pace and has become an important battleground for foreign competition. Air passenger traffic in China is increasing at an incredible rate, creating the demand for new airplanes. China is seeking coproduction agreements with foreign companies to help develop its own domestic aerospace industry. To date, the largest coproduction program is with McDonnell Douglas, whose planes will be assembled by Shanghai Aviation Industrial Corporation and other Chinese factories beginning in 1995.

This promising growth will be stunted, if not completely reversed, if the United States removes China's MFN status. The U.S. machine tool industry is already severely limited by export

controls in penetrating the China market. Obtaining an export license can be an insurmountable obstacle to doing business in China.

While not within this Committee's jurisdiction, we must be concerned that just as MFN should not be denied; neither should export controls constitute a substitute for denial of MFN status. If the United States acts unilaterally, whether regarding MFN or export controls, the Chinese will still be able to obtain needed products, and only American companies and workers will suffer.

On February 1, 1994, the Chengdu Aircraft Industrial Corporation informed one of our member companies which manufactures state of the art equipment that they would not even consider doing business with a U.S. firm because the Chinese were not confident that the necessary export licenses could be obtained. The Chinese company stated as follows:

"In view of the improvement of the Sino-French, Sino-German, Sino-Italy relationships and the dissolution of the COCOM, many European Machine Tools manufacturers rush into the China market. Currently we had technical discussions with [a number of European manufacturers]. They claim that they are fully supported by their governments and will obtain export licenses with ease. . . . Though we have interests in your company products as well as the other American products, but because of the difficulty in getting export license, we did not invite any American machine tools manufacturers for technical discussions. . . . We sincerely hope that the U.S. government officials who are in charge of exports to be more flexible and smarter not to kill the U.S. manufacturers opportunity in marketing their products in the fast growing China market and to let the European suppliers dominate this market. Our company is planning to send a delegation of 6 people to visit Germany, France, Italy, and Switzerland to determine machine models and possibly conclude orders. We are not planning to visit manufacturers in the U.S. because of difficulty in obtaining export license."

While export controls are a separate and distinct issue, it is impossible to ignore the difficulties which our own government sometimes places in the way of doing business. Should MFN be denied, the U.S. will have even fewer export opportunities and the growth that has been achieved in machine tool exports will be lost, forfeited to our foreign competitors. We will also be no closer to achieving our human rights or national security objectives in China. In fact, failure to renew MFN will very likely make things worse rather than better in China. We ought not take that chance.

As this statement is being filed, our Board of Directors is leaving for a two week tour of China to discuss various business opportunities. When the Board returns, we would be pleased to report to the Subcommittee on the results of this visit to our most important export market.

STATEMENT OF THE BOEING COMPANY

The Boeing Company appreciates the opportunity to submit this statement for the record of the Committee's hearings on the subject of China.

We wish to make known our full support for the continuation of Most Favored Nation (MFN) status for China. Indeed, the Congress and the American people would be better served if the divisive annual debate on MFN was avoided. Bilateral issues between our countries should be addressed as they would be normally between two countries who share significant mutual interests.

Our Company has a long history of experience in China and we believe it gives us meaningful insight into the benefits of a mutually beneficial trade relationship.

Boeing signed its first contract with the Chinese government for ten 707 jetliners in September 1972, shortly after President Nixon made his first visit to China aboard Air Force One, a Boeing 707.

At the time, China had only one carrier, CAAC. Today, China has 42 registered airlines where air travel continues to grow. China Airlines, for example, flies Boeing airplanes to 36 cities in China and 30 foreign destinations. China Southern, which operates out of Guangzhou, serves 48 domestic locations and 10 foreign cities. They are just two of Boeing's 15 airline customers in China.

But the dramatic growth in China's commercial aviation industry and Boeing's business interests in China are only part of the story.

Boeing has been working in China for nearly 22 years. The company's day-to-day business requirements involve Chinese government, business and airline officials, pilots, maintenance crews, engineers, factory workers, air traffic controllers, and many others. Personnel exchanges between Boeing and China are routine; we have a good working relationship.

The impact has been remarkable: Communication between parties is open; business procedures are consistent and reliable; idea sharing is the norm; perspectives have widened; air transportation in China has improved; and lives have been enriched - ours and theirs. Engagement works, and it works well -- for Boeing, for our aviation industry and other American industrial sectors. This includes the strategic, commercial, humanitarian and national security interests we share with China.

Since the end of World War II, our nation has championed efforts to open markets, keep them open, and create a more liberal but disciplined world trading system. America's trade leadership was instrumental in establishing GATT, and for more than 40 years the gradual reduction of tariffs worldwide has helped drive economic growth in the United States and abroad.

Now is not the time to retreat from this approach, particularly when it comes to the rapidly growing Chinese market -- indeed, open, fair access to the Chinese market is essential to America's efforts to retain its leadership position in commercial aviation, and in other fields.

Some facts about Boeing's long-term business relationship with China:

- Boeing's jetliners are the mainstay of China's growing air travel and cargo system.
- Twelve Chinese airlines now fly 170 Boeing aircraft. The number will soon rise to 15 airlines and 234 aircraft.
- Boeing field service personnel serve customer needs in 13 cities throughout China.
- China supplies parts for Boeing model 737, 747, and 757 airplanes. They are a good supplier, providing parts on time, with high quality.

In the normal course of daily business, Chinese officials, business executives and workers work closely with Boeing on a variety of business and legal issues, helping to adapt the Chinese system more toward world-class standards. Some examples of working together:

- In 1993, Boeing trained more than 800 Chinese pilots and maintenance technicians, twice as many as in 1992. Training serves a constructive role in broadening Chinese understanding and appreciation of American business and operational systems.
- The 1994 training schedule is robust. In addition to continued pilot and maintenance training, Boeing is providing safety management classes for 600 airline, government and airport personnel.
- In 1993, China and Boeing established a joint air traffic services task force to provide near-term solutions and long-term air traffic management plans.

Boeing and McDonnell Douglas are currently well positioned in the Chinese market, but Airbus -- as well as the Russians -- are waiting to quickly take advantage if the relationship between the United States and China deteriorates. Already, Airbus took 50% of new orders last

year. Over the next decade, China is poised to invest billions of dollars in transportation and communications infrastructure and energy-related equipment. The issue is whether America will be there to participate.

As the nation's largest exporter, with more than 60 percent of revenue from non-U.S. customers, Boeing is one of many American companies whose future clearly depends on continued access to global markets. But our relationship with China isn't just a matter of sales and trade figures. Boeing products, service and business relationships have a positive influence in China. For example,

- Air travel in China is growing rapidly. Domestic air traffic growth has averaged 22 percent per year over the past 17 years. By the year 2000, China's air traffic is expected to increase at least threefold over 1992 traffic. The Chinese are traveling, by air, and by train, in huge numbers, expanding their exposure and horizons.
- During the next 15 years, China will need 800 airplanes worth \$40 billion, making it the world's third largest aviation market.
- In 1993, U.S. aircraft manufacturers captured 50 percent of the \$2.7 billion new Chinese commercial jetliner orders, while exporting 53 new and used jetliners to China worth over \$2.7 billion, or 88% of all jet deliveries.
- In 1993, Boeing exported 46 of the 360 airplanes it produced to China (14 percent of production). In 1994, Boeing again expects to deliver 14 percent of its jetliner production to China.
- Boeing currently has orders for 64 airplanes for delivery to China with a value of \$3.9 billion. An additional \$2-3 billion in near-term potential orders would be at great risk if MFN is revoked.
- U.S. exports to China have nearly doubled since 1990. In 1993, China imported almost \$9 billion in U.S. goods.
- U.S. exports to China support 180,000 U.S. jobs. The work is concentrated in high-wage, high-skill fields such as aerospace, power generating machinery, computers, electric machinery, medical instruments and chemicals.
- California alone exports \$1.7 billion in goods to China, supporting 35,000 jobs in the state.

Active, constructive engagement with China is advancing U.S. strategic, commercial, humanitarian, and national

security interests. Some clear examples of this effect include:

- Private enterprise is expanding rapidly. With this expansion, pressure is growing for laws preventing arbitrary interventions.
- Government departments are being commercialized.
- Half of China's output is produced in the private sector.
- Millions of Chinese men and women are testing their skills against the demands of the market place.
- Since 1972, China's economy has been expanding 2.5 times faster than the economies of North America or Europe.
- Economic freedoms and trade enhance the opportunities for political freedoms and reform, as has been the case elsewhere in Asia, like Viet Nam, South Korea and Taiwan.

The possibilities for growth and continued advancement in China are almost limitless. A great deal of progress has already been made, and the momentum continues in the right direction.

It is our hope that the U.S. government continues its successful policy of constructive engagement with China. In our two decades of work with the Chinese people, we have come to know and respect them as customers and business partners, but perhaps most importantly, as people much like ourselves, interested in growing and improving the quality of life.

Boeing believes strongly that the President should extend MFN status for China and the Congress should support that decision. By uncoupling our human rights concerns from trade issues and making MFN status for China permanent, we believe we will further encourage movement in China toward the goals we all seek.



**THE
FERTILIZER
INSTITUTE**

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GARY D. MYERS
President

February 24, 1994

The Honorable Sam M. Gibbons
Chairman
Subcommittee on Trade
Committee on Ways and Means
U. S. House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

On behalf of The Fertilizer Institute, I respectfully request that this letter be included in the printed record of the hearing on United States-China Trade Relations held on February 24, 1994 before the Subcommittee on Trade of the Committee on Ways and Means.

The Fertilizer Institute is a voluntary, non-profit association representing approximately 95 percent of the domestic fertilizer production in the United States. The Institute's membership includes producers, manufacturers, traders, retail dealers and distributors of fertilizer materials. Its members are a vital link in the Nation's agricultural system.

The Fertilizer Institute supports retaining unconditional most-favored-nation (MFN) trade status for the People's Republic of China. Revocation of MFN status for China will harm U.S. interests and will not achieve its intended goals.

China is a major purchaser of U.S. phosphate, potash, and nitrogen fertilizers. 1992 fertilizer sales to China totaled \$629 million representing 4.7 million material tons (1993 data incomplete). Of the \$629 million in total fertilizer sales to China, 84%, valued at \$525 million, was for phosphate fertilizer materials.

China buys more than 80% of their phosphate fertilizer materials from U.S. phosphate producers. China purchases its remaining needs from Morocco, Jordan, and Europe. More than 40% of all phosphate fertilizer materials produced in the U.S. was exported in 1992. China bought 16% of these U.S. exports.

If MFN trade status is not extended to China, China would inevitably retaliate and stop buying U.S. phosphate fertilizer. U.S. phosphate fertilizer exports would immediately be cut nearly in half, and Florida would suffer the brunt of the resulting negative economic impact. Over 80% of U.S. phosphate fertilizer material production is in the State of Florida. A 40% drop of U.S. phosphate exports would send sales and prices through the floor. Most of the phosphate rock extraction is also in Florida, and a large drop in U.S. phosphate fertilizer exports to China will result in a significant drop in phosphate rock sales, rendering further hardship on an already depressed U.S. industry, and particularly in Florida.

As of 1992, nearly 9,000 people were directly employed in the Florida phosphate industry, providing Florida with a payroll of \$420 million. If the China export market is lost, nearly 4,000 Florida jobs would be in jeopardy. Also, phosphate fertilizer represents 67% of the freight tonnage out of the Port of Tampa, in your District. Port and transportation jobs would also be threatened.

China is also a major purchaser of U.S. potash, another primary agricultural nutrient. Revocation of MFN trade status would put this large amount of economic activity at risk, resulting in a one-half billion dollar loss to the U.S. balance of trade.

Since phosphate and potash are major nutrients essential for growing crops, the interruption of this trade is tantamount to using food production as a tool of foreign policy. Recent U.S. history is filled with examples of instances where the government has failed when it attempted to achieve foreign policy objectives using food as a weapon. The United States implemented a grain embargo in 1980 which inflicted lasting damage on U. S. agriculture while failing to alter foreign behavior. The clear lesson from history is that singling out China will only hurt U.S. industry. China will easily find other sources of needed materials and feel no foreign policy pressure.

The Fertilizer Institute urges the Administration and Congress to find other effective legislative and diplomatic channels to express U.S. concern for the basic human rights of the Chinese people. Revocation of MFN status will only harm U.S. interests without helping the people of China.

Sincerely,

Gary D. Myers

GDM:pab

Before the:
 Subcommittee on Trade
 Committee on Ways and Means
 U. S. House of Representatives

STATEMENT ON UNITED STATES-CHINA TRADE RELATIONS

SUBMITTED BY
 JAY MAZUR, PRESIDENT,
 INTERNATIONAL LADIES' GARMENT WORKERS' UNION, AFL-CIO
 FEBRUARY 18, 1994

This statement is submitted on behalf of the International Ladies' Garment Workers' Union, AFL-CIO. Our Union has some 175,000 members employed in the production of women's and children's apparel, accessories and related products. They live and work in more than two-thirds of the fifty states. Our members of Chinese extraction constitute one of the largest of the many ethnic and racial groups that make up the mosaic of our Union.

The Committee's hearing notice says that it seeks views on U. S. trade relations with the People's Republic of China and more specifically the Administration's proposals to condition extension of China's Most Favored Nation status on human rights progress. The ILGWU strongly urges the withdrawal of MFN status for China, opposes decoupling trade and human rights and asks the Congress to take appropriate steps in that direction. These actions are fully merited by China's continued violation of workers' rights and human rights.

We have several specific concerns over trade relations with China:

- Chinese workers are denied basic freedoms and the right to join unions of their choosing. Many are still in jail.
- Garments and other goods continue to be produced by unpaid "slave" labor in the Chinese prison system.
- A flood of low-wage apparel imports from China is wiping out thousands and thousands of U. S. jobs.
- China has repeatedly violated the terms of its bilateral textile and apparel agreement with the United States by transshipping goods through other countries.
- Failure to signify its objections to China's unacceptable behavior by withdrawing MFN status would suggest that the United State condones such practices and is unconcerned about how China treats its citizens.

Because of its huge population and ultra-low wage levels, China became a major production center for the world's clothing in the 1980's. Firms from Japan, Hong Kong, and above all the United States, are using China's sewing factories, are furnishing China with technical know-how and are purchasing the output of these plants.

China's apparel industry offers nothing in the way of innovation or creativity. It is utilized almost entirely to produce goods designed in other countries. China's one advantage is its low wage level. Using data from the International Trade Commission and other sources, the ILGWU Research Department, estimates that the average compensation (including all fringes) of a garment worker in China was 20 U. S. cents per hour in 1992 or about 3 percent of the compensation of a U. S. garment worker. Werner International, a major consulting firm, estimates China's 1993 apparel wage at 25 cents an hour.

Because China is a non-market economy with a virtually unlimited labor supply and the extremely low wage level, it has little concern over the productivity of its factories or the prices at which it sells its goods.

China's clothing shipments to the United States increased six-fold in the 1980's. It is now the world's leading exporter of clothing to the United States. In 1992, China shipped to the U. S. 948 million square meters of clothing made of textile fibers (measured in equivalent fabric used in its manufacture) and accounted for 14 percent of total U. S. apparel imports.

Official Commerce Department data on clothing imports from China clearly understate actual shipments because of the large amount of goods fraudulently transhipped through a huge number of third countries. U. S. Customs officials estimate that garments equal to at least 50 percent of the legally permitted imports from China enter the United States each year illegally through such transshipments.

Withdrawal of MFN status from China would have an uncertain, but probably modest, impact on apparel trade with that country. Prior to 1980, when China first obtained MFN status, apparel shipments to the United States grew rapidly despite the much higher duties then in place.

In overall trade, China's trade deficit with the United States in 1993 was \$23 billion. Only Japan contributed more to the U. S. trade imbalance.

Loss of MFN status would properly and publicly hold the Chinese government responsible for its inhuman, undemocratic and anti-worker behavior.

The world spotlight focused on only one aspect of the Tiananmen Square massacre in 1989 and its aftermath -- the plight of the students and other intellectuals. But the real story, generally ignored, was the Chinese government's terror against workers who dared to assert their rights.

Among the strongest supporters of the student insurgents were the workers. As events progressed, workers began to organize themselves and dared to put forth their claims to the right to form independent labor organizations. Mindful of the role of the Polish workers in 1987, the Chinese government aimed its most repressive actions against the worker groups. Many workers were thrown into jail -- and remain there five years later -- simply because they sought freedom and workers' rights.

Presidents Bush and Clinton have renewed China's MFN status annually, supposedly in the vain hope that offering a carrot would lead to significant improvements in China's human rights record. However, the record speaks otherwise. In its annual human rights report the U. S. State Department last month noted that, while China made some positive moves on rights, it still fell "far short" of internationally recognized norms. The report criticized Beijing for failing to account for the thousands of people detained during the military crackdown on pro-democracy demonstrators in Tiananmen Square in 1989. "In 1993 hundreds, perhaps thousands, of political prisoners remained under detention," the State Department stated.

The Daily News Record of February 14, 1994 quotes Jennifer Hillman, the Administration's chief textile trade negotiator, as stating to a meeting of the American Apparel Manufacturers Association, "China has not yet made sufficient progress on human rights issues to get renewal of its Most Favored Nation trade status."

However, In recent weeks, a new, unfortunate trend has emerged among some key Administration advisors and in the Congress as well. Look the other way, they say. Ignore human rights violations. Decouple human rights from trade policy. Do anything for the sake of profit.

The United States government must take a forthright stand against China's anti-democratic, anti-worker, anti-human rights policies. The Congress should urge the President to deny MFN status to China. Profits must not be allowed to come before human rights.

STATEMENT OF THE HONORABLE BARBARA B. KENNELLY
COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON TRADE
FEBRUARY 24, 1994
U.S.-CHINA TRADE RELATIONS

Thank you, Mr. Chairman. I would like to extend a warm welcome to all the panelists including my colleagues from the House, Deputy USTR Barshefsky and Assistant Secretary Lord for their persistence and commitment to improving the US-China trade relationship. A glance at the lengthy witness list reflects the complexity of this issue. All of us in this room are aware of the annual dilemma of debating the extension of most favored nation status to China. And many of us have differing opinions on how to avoid or improve this annual process. I hope today that these opinions become more clear.

The volume of U.S. trade with China has grown substantially and most of us recognize that China is currently the fastest growing market for U.S. exports. Trade helps to sustain China monetarily, but more importantly, it provides a vehicle for the influx of Western ideas and values, a strong impetus for reform. I am pleased that the President has emphasized the integral role of international trade in strengthening America's domestic economy. In my small state of Connecticut, exports are fundamental to our economic base - particularly at a time when much of our defense based economy is downsizing. In fact, Connecticut companies exported almost \$70 million worth of goods in 1992 alone.

However, all is not as it seems. Present conditions in China clearly indicate that there is still much room for improvement in the area of human rights. The U.S. must continue to press for improved treatment and tolerance of Chinese citizens, the persecuted religious, the prisoners and Tibetans. Our goal should be to encourage reform so that China evolves into a society that shares our respect for human rights, democratic principles and market-oriented economics. This is no easy task and given the cultural chasm that exists, a task that will take much time. Nothing done well is ever done overnight and clearly our trade relationship has weathered a tumultuous course. But our nation must press forward to encourage open markets, access for our companies and our products. China is in need of U.S. produced goods especially aerospace and high-tech goods.

Last year, the President took an important step on May 28 when he issued an Executive Order to extend MFN to China. I commended him then for his decision to pursue a new policy with China. His concerns reflected the concerns of this body and the American people. Our trade negotiators have made serious efforts to reach bilateral agreements with the Chinese and I commend their efforts. It is my hope that the Administration will continue to vigorously pursue a policy that promotes expanded trade. Yet, it is also my hope that the Administration, in consultation with the Congress, will adequately address and examine the issues traditionally seen as conditional items.

China MFN is a complex and controversial issue. It is one that rightfully deserves careful consideration on the part of this Subcommittee and I am confident that careful consideration will be given. Thank you, Mr. Chairman.

STATEMENT OF THE LEATHER APPAREL ASSOCIATION

Introduction

The Leather Apparel Association (LAA), an organization composed of 125 companies involved in the manufacturing, importation, and retailing of leather apparel products, appreciates this opportunity to present its views regarding the current state of U.S. - China trade relations, and its hopes for the future. Because China now accounts for more than one third of the leather apparel imported into the United States each year, the evolving state of U.S. - China relations is an issue we not only monitor carefully, but one on which we are compelled to express our strongly-held view that the time has come to substantially restructure U.S. policy toward China.

Given the obvious impact of the economic relationship on political and human rights reforms in China, the benefits of trade with China to U.S. businesses and U.S. consumers, and the importance of Chinese cooperation in maintaining U.S. security interests, U.S. policy toward China should be seeking to increase U.S. presence and influence in China, and not threatening to sever these essential ties.

Since 1989, U.S. - China trade relations have been precarious, a situation that places the American business community in an unacceptable state of uncertainty. The events at Tiananmen Square stirred legitimate outrage internationally, but only in the United States has it resulted in a protracted and repeated annual debate over renewing China's most-favored-nation (MFN) trade status. LAA in no way discounts the importance of the promotion of human rights reform. However, the time has come to recognize that this country's best hope of achieving that objective does not rest in a continuation of the conditional MFN policy enunciated by President Clinton's May 28, 1993 Executive Order extending China's MFN status for the period July 4, 1993 through July 3, 1994.

U.S. Investment and Trade With China Promotes Reform

There can be no question that trade with the United States has brought with it increased freedoms for the people of China and the emergence of a market economy and private sector that necessarily have compelled a loosening of state controls. America has exported not only U.S. know-how, investment, goods, and services, but also our thinking, including the importance of independence and a respect for human rights. This phenomenon has been noted repeatedly by top level Administration officials and by Members of this Congress. Thus, Secretary of the Treasury Lloyd Bentsen noted only last month that "one of the ways to promote human rights [in China] is to encourage market reform and trade." The U.S. Ambassador to China, Stapleton Roy recently noted how much change has occurred in China just since trade was opened with the West:

If you look at the 150 years of modern China's history . . . you can't avoid the conclusion that the last 15 years are the best 15 years in China's modern history. And of those 15 years, the last two years are the best in terms of prosperity, individual choice, access to outside sources of information, freedom of movement within the country, and stable domestic conditions.

Congressman Bob Matsui (D-Ca.) of this Trade Subcommittee similarly noted on February 8, 1994:

In the mid-1970s President Nixon began normalization of our relationship with China and in 1979 President Carter

established diplomatic relations. Since then, we have had two-way trade, a two-way exchange of technology and science, and a two-way exchange of students, artists and others. We would not be seeing the progress being made now in China if we had not started a policy of normalization in the 1970s.

Further, Congressman Dave McCurdy (D-Okla.), who previously supported conditional MFN for China, announced in a February 7, 1994 speech before the Center for Strategic and International Services (CSIS) Policy Forum that he has changed his view:

Economic reform and outside investment are rewriting China's political map. Everywhere, the Communist party is on the retreat and capitalist managers and businessmen are on the rise. . . . [W]e need to view the continuation of MFN as one element of a coordinated push for human rights. We can combine the effects of outside investment, which erodes the authority of repressive governments, with tough pressure on human rights.

A policy of conditional MFN, that could lead to the revocation of economic ties, clearly will not accomplish what economic integration guarantees. While the United States may not be satisfied with the pace of Chinese progress on human rights, that progress surely will not be enhanced if we are not present.

Trade With China Significantly Benefits U.S. Businesses and U.S. Consumers

As an industry that has been forced to become increasingly reliant upon China, LAA is particularly knowledgeable about the benefits trade with China has provided to U.S. businesses and to U.S. consumers. This industry has limited options for sourcing leather apparel. Historically, Korea has been the primary source of leather apparel production sourcing for the U.S. market. However, Korean capacity has drastically declined. Korea's work force has moved into other more lucrative industries, such as the service and high technology industries. Thus, the industry has been forced to investigate and develop alternative sources.

While the industry has been able to move some production to Indonesia and to maintain limited production in Hong Kong and Taiwan, clearly those locations do not have capability to produce the quantities necessary at the price points essential to success in the U.S. market, while other locations cannot meet our quality requirements. The table below demonstrates the extent to which leather apparel imports from China have increased as leather apparel imports from Korea, Hong Kong and Taiwan have declined:

U.S. Imports of Articles of Leather Apparel (HTS Subheading 4203.10) (In millions of dollars) (January - December)

	1991	1992	1993
World	1,079	1,229	1,222
China	151	285	413
Korea	705	639	438
Taiwan	17	20	13
Hong Kong	28	25	25
Indonesia	14	35	52

Leather garments have become a staple in the wardrobe of American consumers and cannot be viewed as a luxury purchase.

They are perceived by many consumers as an important alternative to cloth garments. The reasons are their utilitarian nature and the good value provided by the them, especially in light of their exceptional longevity. These leather garments are highly functional, value-oriented items, affordable to all consumers largely because of the presence of China as a source. And because leather is an affordable alternative to other fabric outerwear, a restriction on its availability from China, a primary source, would cause higher prices on all outerwear, thereby contributing to inflation, and harming low and middle income consumers.

Notably, however, as important a value as China provides to U.S. leather apparel businesses and consumers, very little value is added in China. China does not produce, and therefore does not earn any income from, the leathers and other submaterials used to produce leather apparel for the U.S. market. These are generally provided to the factories by the U.S. companies or by our agents from non-Chinese sources. In fact, many of the hides used to produce leather apparel in China come from the United States. The only value added in China is the labor for the cut, make and trim operations, which accounts for about 10 percent of the total cost of a leather garment.

Under these circumstances, it is clear that the sudden imposition of column 2 duties -- 35 percent in place of 6 percent under column 1 for leather apparel products -- would seriously harm the U.S. leather apparel industry without having a substantial impact upon China.

National Security Issues Require Maintenance of the Trade Relationship

LAA does not profess to be fully knowledgeable about national security issues. However, any perusal of the most recent national headlines makes obvious the importance of China to U.S. national security. With a nuclear capability, a sophisticated military-industrial complex, and a permanent seat on the United Nations' National Security Council, China is in a position to either help or hinder U.S. security objectives. China's cooperation on security issues, such as the current concerns about North Korea, is fundamental to preserving world peace and halting the proliferation of dangerous weapons. Confrontation and isolation -- the effect of a conditional MFN policy -- will not further U.S. security objectives.

LAA Endorses a Policy De-Linking Human Rights Progress And MFN Renewal

LAA is not in a position to evaluate whether China has made or will make "overall, significant progress" toward the achievement of the conditions set forth in the Executive Order. LAA hopes that the Chinese will take appropriate actions to ensure that a positive determination will be made this Spring, so that China's MFN status can once again be renewed. Assuming a favorable determination can be and is made, however, LAA urges both the Congress and the Administration to re-consider the annual renewal process for the maintenance of normal trade relations with China.

The Jackson-Vanik Amendment, which requires an annual certification regarding emigration practices, is not an appropriate means of promoting our human rights agenda. Even if it ever was an appropriate mechanism, the repeated threats by the U.S. to revoke China's MFN status now have greatly diminished its credibility. Human rights issues are important to this nation,

but they should be de-linked from the MFN renewal process and addressed through other forums, such as the United Nations, the International Committee of the Red Cross, and a bilateral (but preferably a multilateral) human rights panel.

While recognizing the political difficulty of revising the Jackson-Vanik Amendment, it is LAA's view that with respect to China, in which there has been so much U.S. investment since 1980, and which provides such tremendous benefits to U.S. businesses involved in importing from and exporting to China and to U.S. consumers, at the very least there should be longer term renewals of MFN status, such as a five year renewal period. The annual renewal process is too vulnerable to timely issues that, while significant and worthy, are not always predictable and inject improper and unnecessary risks upon the American business community -- risks that are not faced by any of our competitors in this global economy. The uncertainty imposed upon our business, in particular, is extremely damaging. The leather apparel business involves very substantial lead times, with merchandise sourcing committed at least six months in advance of planned shipments, and usually eight months to a year in advance.

Whether or not it is feasible to revise the Jackson-Vanik Amendment this year, the United States should continue to increase the level of engagement with the Chinese, as this Administration has wisely done since early last Fall, on all of the issues of importance to the United States, including human rights, nuclear non-proliferation, and trade. Further, the United States should seek the support and active involvement of other major trading nations, such as the European Union and Japan on these initiatives, because multilateral support presents the greatest likelihood of achieving our objectives.

Continuation of the existing Executive Order, or the issuance of a new Executive Order containing conditions, or the enactment of legislation establishing conditions are not acceptable approaches. They take too short-term an approach to issues that must be viewed and pursued over the long-term, and may ultimately risk limiting the ability of the United States to influence progress by excluding us from China altogether.

Statement of Congressman Pete Stark
Subcommittee on Trade
Committee on Ways and Means

February 24, 1994

Mr. Chairman, thank you for the opportunity to testify today on the extension of Most Favored Nation status to China. I appreciate the subcommittee's early attention to this important issue.

The focus of this hearing is on President Clinton's May 28, 1993 executive order conditioning the 1994 extension of MFN to improvements in China's human rights record. I strongly support tying MFN to human rights and appreciate the President's leadership on that important area. But today we should also address China's record on the proliferation of weapons of mass destruction. This issue of nonproliferation is vital to our national security and should be a significant factor in China-MFN debate. China is not fulfilling its existing nonproliferation commitments and is not cooperating on other nonproliferation issues. The Clinton Administration should make it clear to Beijing that its overall nonproliferation record will be a factor in determining the extension of its MFN status. Specifically, China should be told that it cannot continue to receive MFN if it is not in full compliance with the Missile Technology Control Regime (MTCR) and the nuclear Non-Proliferation Treaty (NPT). This is a reasonable condition in light of the PRC's long record of questionable proliferation activities.

Over the last decade, China has made substantial contributions to nuclear and missile programs in the Middle East and South Asia. Chinese sales have included:

- Technology to produce bomb-grade uranium to Pakistan and Iraq
- Nuclear weapons design to Pakistan
- M-11 missile technology and components to Pakistan.
- Heavy water to India
- Technical assistance, a research reactor and a secret nuclear cooperation agreement with Iran.
- A nuclear reactor to Algeria which is too big for research and too small to be a reliable power source.

Additionally, China also held discussions with Iraq on building an underground nuclear reactor, passing on significant design information in the process, according to a report issued by the Defense Nuclear Agency. According to a 1992 press report, US intelligence believes that China has

contracts to sell missile and nuclear related technology worth over \$1 billion to Iran, Syria, Pakistan, and other countries in the Middle East.

In 1992, after Congress had passed legislation (ultimately vetoed) tying China's MFN status to nonproliferation, the PRC agreed to abide by the Missile Technology Control Regime (MTCR) guidelines and join the nuclear Non-Proliferation Treaty (NPT). **The issue now is whether the Chinese are complying with these commitments. The evidence indicates they are not.**

The first example of noncompliance is in the missile area. Countries adhering to the MTCR agree not to sell technology for missiles that can carry a payload of 1000 kilograms or more (about the weight of an unsophisticated nuclear warhead) at least 300 km. Last summer, the Clinton Administration determined that China had sold M-11 missile technology to Pakistan in violation of the MTCR guidelines. The Chinese deny they are in violation of the MTCR.

The second example, in the nuclear area, also involves PRC assistance to Pakistan. Parties to the NPT agree to "not in any way assist, encourage, or induce any non-nuclear-weapon state to manufacture or otherwise acquire nuclear weapons". Earlier this year, CIA Director James Woolsey testified before the Senate that China "probably provided some nuclear weapons-related assistance to Islamabad that may have included training...and equipment...it is unclear whether Beijing has broken off contact with elements associated with Pakistan's nuclear weapons programs." If China is still assisting Pakistan in its nuclear weapons development, for example by helping it produce bomb-grade uranium, it is in direct violation of the NPT.

There is also evidence pointing to Chinese cooperation with an Iranian nuclear weapons program. China and Iran concluded secret nuclear cooperation agreements in 1989 and 1991. U.S. and European intelligence have disclosed that Iranian nuclear engineers were secretly trained in China and that China has transferred technology for reactor construction to Iran. When these issues were raised, China first denied any cooperation with Iran, then later admitted that it had agreed to supply Iran with a small nuclear reactor and technology to produce bomb-grade uranium.

Iran is a party to the Nuclear Non-Proliferation Treaty (NPT), and thus may legally purchase nuclear technology--like nuclear reactors--as long as the technology is used for peaceful purposes. Nevertheless there is a great deal of concern about Iran's nuclear program because (1) Iran has one of the world's largest reserves of natural gas (a difficult commodity to export) and thus has little need for an expensive nuclear energy program, (2) Iran has sought to purchase technology that is too advanced to be useful for its nuclear power program at this time, but would be useful to produce bomb-grade material, and (3) a number of Iranian officials have publicly called for Iran to acquire

nuclear weapons. Past and present CIA Directors Robert Gates and James Woolsey have both publicly said that Iran is seeking a nuclear weapons capability. Under these circumstances, the clandestine nature of Chinese assistance to Iran raises grave doubts about Chinese commitment to the NPT. At the very least, Chinese actions are outside international nonproliferation norms and inconsistent with the spirit of the NPT.

Last May, President Clinton chose not to make nonproliferation a condition for extension China's MFN. Instead, the administration said it would "resolutely pursue all legislative and executive actions to ensure that China...adheres to the Nuclear Non-Proliferation Treaty, the Missile Technology Control Regime guidelines and parameters, and other nonproliferation commitments."

There are other tools available to the Administration that are potentially useful in influencing Chinese behavior, such as the Helms amendments to the Arms Export Control Act and Export Administration Act, and the Iran-Iraq Nonproliferation Act. However, these tools have not been pursued resolutely. The Administration debated for months whether to make a determination that China had transferred M-11 missile to Pakistan. Finally, last August, the Administration determined that China had only transferred missile equipment to Pakistan, not complete missiles or production technology, thus triggering the lowest level of sanctions available under law--denials of licenses for missile and space tech exports to China. The State Department then further limited the scope of these sanctions by giving them a broad legal interpretation. This action was prompted by pressure from the Commerce Department and U.S. aerospace firms that wished to export satellites for launch in China. Finally, almost immediately after imposing the sanctions, the State Department said it would seek a waiver if China made a more formal commitment to the MTCR guidelines. But the Chinese claim they are presently in compliance with the MTCR.

What we see here is history repeating itself. In 1991, under pressure from Congress, the Bush Administration imposed narrow sanctions on China for its sales of missile technology to Pakistan, then waived the sanctions when China agreed to observe the MTCR in the future. In 1993, following pressure from Congress, the Clinton Administration imposed the most limited possible sanctions on China for its missile tech sales to Pakistan, but offered to waive them if China agreed to observe the MTCR in the future. This policy is not making a lot of progress. Since China says it is already complying with the guidelines and faults deficient U.S. intelligence for the reports of the transfers, its difficult to see what a more formal PRC commitment to the MTCR would accomplish.

Another nonproliferation tool available to the Administration is to deny licenses for exports of sensitive dual-use technology to China. But last fall,

the Administration agreed to approve a license to export an \$8 million supercomputer to China. This decision was against the advice of nonproliferation experts in the Administration who said it would give China important new technology that could help its nuclear and ballistic missile development.

While the U.S. has taken a largely soft approach to China, the PRC have not given much cooperation on two other important nonproliferation issues. Last October, the Chinese conducted a nuclear test, ending a year old worldwide nuclear testing moratorium. This test increased pressure on the U.S. and French to test, and complicated efforts to negotiate a comprehensive test ban treaty (CTB) by 1995. A CTB is considered vital to achieving support from many developing countries for a lengthy extension of the Non-Proliferation Treaty, which comes up for extension next year. The Chinese claimed the purpose of the test was to improve safety of their nuclear stockpile. Evidence, however, indicates that the test was part of a warhead modernization program.

Finally, China is in a key position to help ensure that IAEA inspectors have full access to North Korean nuclear sites. The PRC is North Korea's major trading partner, providing it with much of its oil supply. But, whatever help the Chinese are providing behind the scenes, they have stated publicly and clearly that they oppose putting UN sanctions on Pyongyang. Beijing's stance undercuts the credibility of sanctions and will only prolong the process to get North Korea into full compliance with its NPT commitments.

In light of China's overall nonproliferation record, compliance with the NPT and MTCR should be a regular condition for MFN extension, at least until Beijing demonstrates that its days of illicit nuclear and missile sales are over.

The Administration fights vigorously for the issues it cares about, like the budget, NAFTA, and health care. It should fight as hard against proliferation -- a leading threat to U.S. national security -- and take a hard line against China.

**STATEMENT OF DAVID A. MILLER, PRESIDENT
TOY MANUFACTURERS OF AMERICA, INC. (TMA)
IN FAVOR OF THE EXTENSION OF
MOST-FAVORED-NATION STATUS FOR
THE PEOPLE'S REPUBLIC OF CHINA**

February 24, 1994

Thank you Mr. Chairman. My name is David Miller. I am the President of the Toy Manufacturers of America, Inc. (TMA). TMA is an association that represents more than 250 U.S. manufacturers and importers of toys, games, dolls and festive articles, accounting for approximately 85% of total toy sales in the United States. Toys are a \$17 billion dollar industry, and the United States is the largest toy market in the world.

We believe China's most-favored-nation status should be renewed without conditions. Our industry invests in excess of \$4 billion annually in China. The renewal of MFN means additional jobs in the United States, China and Hong Kong. It means being an active participant in the Chinese economy. It means effectively promoting, albeit indirectly, human rights, fair trade practices and respect for intellectual property rights. To us, losing MFN status means taking away the ability of the private sector to influence positively the liberalization of the Chinese economy.

Failure to renew China's MFN status would have a serious and long-lasting impact on the U.S. toy industry. Today, in order to lower costs and maintain competitiveness, American toy manufacturers have combined advanced, high value-added domestic jobs such as design and engineering in the U.S., with labor-intensive overseas production in China. Loss of MFN status would impact U.S. jobs in all States where TMA members have facilities, including Massachusetts, New Jersey, New York, Rhode Island, California and Washington.

Tariffs on toys imported into the United States are currently 12 percent for dolls, 6.8 percent for toys, 4.64 percent for games, and 3.1 percent for certain festive articles. If the current Uruguay Round market access talks are as successful as we hope they will be -- and the U.S. and other nations' tariffs go to zero immediately upon implementation of the Uruguay Round agreement -- U.S. tariffs on toys and related items imported from nations with MFN status will cease to exist.

The MFN status of toys from China, however, will remain subject to this continuing, traumatic yearly debate under the 1974 Trade Act. This is particularly unfortunate for the U.S. toy industry, because shipments of toys from China have increased dramatically over recent years. If China loses its MFN status, the majority of toys imported from China will be assessed column two duty rates of 70%. Since nearly 50% of all U.S. toy imports come from China, the imposition of a 70% tariff would have a serious impact on U.S. toy sales. Consumers would be faced with significantly higher prices for children's toys, dolls, and games, as well as related festive articles. U.S. toy manufacturers who today pride themselves on having the most sophisticated technology and R&D in the world, would be under great pressure to maintain profit margins and their competitive position in the global marketplace. It would needlessly put at risk the jobs of nearly 32,000 Americans currently employed by the U.S. toy industry.



In addition, U.S. companies that have spent over ten years building plants and teaching manufacturing skills in China would be forced to relocate at considerable expense. The loss would be felt not only by the Chinese who would lose their jobs, but also by U.S. employees in the toy industry, whose jobs would also be disrupted or lost as a result of the relocations.

Without continuity and certainty of supply, U.S. toy producers and importers cannot take advantage of the growing Chinese consumer market and make long-term business commitments in China. As a result, some have left, or are considering leaving the PRC, which will mean foreign competitors from Japan, Germany and elsewhere will have free rein to enter the most promising and quickest-growing market in the world absent competition from the United States.

In addition, TMA members currently maintain close ties to Hong Kong, and we fear that failure to renew China's MFN status would be more damaging to the long-term viability of Hong Kong than any other act of the United States. We believe U.S. abandonment of Hong Kong cannot be defended.

TMA members with operations in China treat their Chinese employees just as they treat their employees in the United States. We maintain extensive inspection and quality assurance procedures in our facilities all over the world. These procedures enable us to make certain our plants produce toys that are safe and of high quality, and, in China, that the plants are not producing toys with prison labor or child labor. Like everyone else testifying here today, we deplore human rights abuses wherever they occur. We believe, nonetheless, that the denial of MFN status is the wrong vehicle to achieve U.S. policy. Our goal is to continue to interact with the Chinese to influence the process of increased economic liberalization.

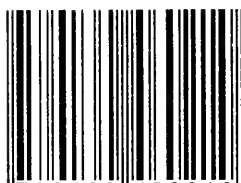
MFN renewal may be a convenient and highly visible mechanism for venting displeasure with the Chinese government, but the realities of the international trading system today make the threat of failing to renew MFN something that both harms the U.S. and isolates rather than influences China.

For all of these reasons, we urge the Administration and Members of Congress to renew most-favored-nation treatment for China without conditions, and to act in concert with our trading partners to find new and creative mechanisms to address the improvement of human rights worldwide.

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