

TAIWAN'S ACCESSION TO THE WTO

HEARING

BEFORE THE

COMMITTEE ON FOREIGN RELATIONS

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CONTENTS

	Page
Bolton, Hon. John R., former Assistant Secretary of State for International Organization Affairs	10
Prepared statement	12
Kyl, Hon. Jon, U.S. Senator from Arizona	3
Prepared statement	7

TAIWAN'S ACCESSION TO THE WTO

WEDNESDAY, SEPTEMBER 6, 2000

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met, pursuant to notice, at 10:31 a.m. in room SD-419, Dirksen Senate Office Building, Hon. Jesse Helms (chairman of the committee) presiding.

Present: Senators Helms and Thomas.

The CHAIRMAN. Good morning. The committee will come to order. This is one of those days that Senators, all of whom are required to be two places at one time, and we will have Senators coming in and out because they have other committee responsibilities. This is a very busy time of the day, plus most Senators are standing in line to speak on the WTO matter.

In any case, we are glad to be here, and I would say that this committee hearing will examine what needs to be done to ensure that the Republic of China on Taiwan is not excluded from the World Trade Organization [WTO] by Communist China and/or its allies.

As is widely known, Communist China has sought repeatedly to exclude Taiwan from even minimal participation in any and all international organizations. For example, just this past May, China once again succeeded in browbeating the rest of the world's nations into preventing Taiwan from observing at the annual meeting of the World Health Organization.

Now, for years we have been led to accept the notion that the World Trade Organization would be different. On repeated occasions the Chinese Government has made clear, as have the United States and Taiwan officials, that Beijing would not object to Taiwan's accession to the WTO as long as Communist China got into it first. In fact, it has been widely accepted that the existing so-called gentleman's agreement between China, Taiwan, and the United States was that Taiwan would affiliate with WTO immediately after China had done so.

However, as many have learned to expect, Communist China began to throw a wrench into the works 2 months ago, in July to be precise, when it floated the notion that Taiwan would be allowed to join the WTO only—only as a part of mainland China.

Now, this, of course, is unacceptable to Taiwan, and it should be to the United States as well. After all, in a just world, and if the WTO were truly a nonpolitical organization, Taiwan would already have been a member. Taiwan's economy is radically more advanced than Communist China's. Taiwan has for years met the major re-

quirements of WTO, and the only impediment to Taiwan's membership is that the rest of the world insists on yielding to the wishes of the Communist government in Beijing to exclude Taiwan. So one would think, given that Taiwan each year buys billions of dollars more in U.S. goods than does mainland China, the U.S. Government would feel no compunction in laying down the law to Beijing on this issue, and the upcoming Senate debate over permanent normal trade relations [PNTR] with China gives us all the perfect opportunity to do so.

I, of course, will never vote to give PNTR to China, but it seems to me to be entirely reasonable, even from a pro-PNTR perspective, to take concrete steps to ensure that as we rush to admit Communist China into the World Trade Organization we should also bring democratic Taiwan in along with them.

Now, our first witness, the distinguished Senator from Arizona, Senator Kyl, has a keen interest in this issue, and we look forward to hearing him after we have heard from the distinguished Senator who is to my right, and very few people are.

Senator THOMAS. Thank you, Mr. Chairman. That is a dubious honor, perhaps. I appreciate it.

I want to thank you so much for holding this hearing. We are into this whole process of normal trading relationships and so on, so I think it is appropriate.

I do have some feelings about it, and let me share them with you. First of all, of course, as chairman of the East Asian Subcommittee I have always been fully supportive of Taiwan's admission into the WTO and have consistently cosponsored legislation to that effect, most recently Senate Concurrent Resolution 17.

I have also supported the concept that Taiwan's entry be based solely on the merits of its accession agreement. I do not believe that Taiwan's accession should be held up just because the People's Republic of China [PRC] insists that it should enter the WTO first before Taiwan, after all, a nation's sovereignty is not a prerequisite for membership in the WTO. For example, Hong Kong, which is part of China, is a separate member. Therefore, I do not see how Beijing can reasonably maintain that admitting Taiwan to the WTO first is somehow an affront to sovereignty.

Having said that, however, I feel it necessary to address one of the topics which I have heard discussed before, which was the potential of an amendment to the China PNTR bill that might be offered which would ensure that PRC, once it accedes to the WTO, does not try to block Taiwan's accession. Were such an amendment offered on the floor I would oppose it, not so much because I disagree with what the amendment seeks to do, but because of other factors.

First, any present talk of either Taiwan or China's accession is premature. Both countries have completed their bilaterals with us. Taiwan is still engaged in talks with the WTO working party handling its accession. The PRC still has a way to go before its accession is imminent.

Second, I have seen absolutely no indication that the PRC intends to or considers blocking Taiwan's accession. In fact, their representations to me have been exactly the opposite.

Third, regardless of the relative merits, I, like Senator Roth, Chairman of the Finance Committee, and many others, am strongly opposed to adding any amendments to the China PNTR bill. Any amendment will have only the effect of basically killing PNTR for this year. Any amendment would require return to the conference. Once in conference, it is unlikely the bill would emerge before we adjourn.

We only have some 20 legislative days left, a full plate of domestic legislation to deal with, and there would not be time for a conference on H.R. 4444 and to pass it back to the House again. It is clear the House fully supports the President's unamended version, passed 237 to 197, as does the Senate Finance Committee, as do I. Consequently, as the subcommittee chairman I will oppose any attempt to amend this particular bill and hope that we can move forward, and we need to keep in mind that it is not up to us to deal entirely with WTO accession. That is something that is done by the group.

So Mr. Chairman, I guess that is my point of view, and I appreciate your having this hearing.

The CHAIRMAN. Thank you, sir.

Our first witness this morning is a truly remarkable United States Senator. Jon Kyl came to the Senate on the trot, and ever since he has not ceased to move rapidly in whatever he undertakes to do, and he does aplenty. He is one of the most active Senators on our side of the aisle, and probably in the entire Senate. In any case, I am very devoted to Jon Kyl, and I appreciate his coming here this morning to offer his testimony.

Senator, you may begin.

STATEMENT OF HON. JON KYL, U.S. SENATOR FROM ARIZONA

Senator KYL. Thank you, Mr. Chairman, and Senator Thomas. Senator Thomas and I were just looking at a recent newspaper column in the anteroom which described the chairman as the nicest guy in the U.S. Senate, or some phrase such as that, and I think we would all agree that it is a pleasure both to work with you, to serve with you and, certainly for me today, to testify before you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator KYL. I thank you for the opportunity to testify. I believe it is very important for the United States to support Taiwan's entry into the World Trade Organization. First, because of the economic benefits that its entry would bring. Second, because of the need to meet our commitments to our close and longstanding ally. And third, due to our desire to defend and promote democratic governments, with free markets, that respect the rule of law and the human rights of their people.

First, let me discuss the economic importance of Taiwan's admission. The WTO plays an important role in promoting free and fair trade. Under the WTO, member countries agree on a set of rules and principles for trade, which in turn creates a stable and predictable trade environment. Second, the WTO provides a mechanism to enforce these rules, including the procedure for countries to resolve trade disputes. And finally, the WTO provides a forum for negotiations to reduce trade barriers worldwide.

Based on its importance to the world economy, Taiwan should be admitted to the WTO. It has the nineteenth largest economy and is the fourteenth largest trading nation in the world. Taiwan's economy is also closely linked to the United States. It is America's eighth largest trading partner, and it purchases more American goods than many of our other major trading partners like Communist China, Australia, and Italy. U.S. trade with Taiwan should continue to grow. Over 2 years ago, we signed a bilateral WTO agreement with Taiwan that included significant reductions in tariffs and other barriers for exports of a variety of U.S. goods and services, including agricultural goods, automotive products, and pharmaceuticals. The admission of Taiwan to the WTO would ensure that market barriers to U.S. products will remain low, and American companies will have a means to solve disputes over intellectual property and other matters.

Taiwan has been negotiating to become a member of the WTO since 1990 and has met the substantive conditions for membership. According to the Congressional Research Service, it has completed agreements with each of the 26 WTO members that requested bilateral negotiations, and has held 10 meetings with the WTO working party in Geneva, resolving all substantive issues surrounding its admission.

China has insisted that Taiwan can get into the WTO only after it does, and has lobbied other countries to support this position. In the past, Clinton administration officials have assured us that Taiwan's accession would closely follow China's, and Mr. Chairman, at this point let me say that I will submit my entire statement for the record, if I might. I am going to skip over certain portions of the testimony that confirm what I just said and what you already know.

The CHAIRMAN. Without objection, the full text will be included in the record.

Senator KYL. Thank you. What I would like to do, though, is to refer to at least a couple of recent press reports that get to the point that Senator Thomas raised. There have been some suggestions that China may be planning to block Taiwan's WTO entry, and that is frankly what I am concerned about.

According to a Wall Street Journal report in July, for example, and I am quoting now: "As WTO staff members draw up the so-called protocol agreements—the reams of paper that define exactly what concessions China will make in order to gain entry into the organization—China is insisting that its claim over Taiwan be recognized in the legal language . . . chief Chinese negotiator Long Yongtu said . . . such a stand is, a matter of principle for us."

That would upset a consensus within the WTO, according to the Wall Street Journal, "that Taiwan should be allowed to enter the club as a separate economic area—that is, not an independent country, but also not as an explicit part of China. Some WTO members have argued that Taiwan has long-since fulfilled its requirements to join the club and its application has been held up only to satisfy China's demand that Taiwan shouldn't win entry into the organization first."

As I mentioned earlier, the United States should support Taiwan's admission to the WTO not merely for economic reasons, but

also to honor our commitments to a close, long-standing ally, and to demonstrate our intention to support democracies that respect the rule of law.

Skipping over some other testimony, Mr. Chairman, let me get right down to the bottom line and quote some words of Harry Truman, a President that I know we all respect for his plain spoken language. Here is what he said in announcing what became known as the Truman Doctrine.

“At the present moment in world history nearly every nation must choose between alternative ways of life. The choice is too often not a free one. One way of life is based upon the will of the majority, and is distinguished by free institutions, representative government, free elections, guarantees of individual liberty, freedom of speech and religion, and freedom from political oppression. The second way of life is based upon the will of a minority forcibly imposed upon the majority. It relies upon terror and oppression, a controlled press and radio, fixed elections, and the suppression of personal freedoms. I believe that it must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or outside pressures. I believe that we must assist free peoples to work out their own destinies in their own way.” So said Harry Truman.

Now, he spoke these words in 1947, at a time when it was very difficult to stand up to communism on the march from the Soviet Union. The challenge we face today in dealing with China and Taiwan should not be as great as the courageous struggle of the cold war. The administration cannot support China’s entry into the WTO without equally supporting Taiwan’s entry into the WTO. This is but one of many signals we should be sending to the Communist regime in Beijing, about America’s determination to meet our commitments and our resolve to support Taiwan.

Mr. Chairman, last night, I received a letter from President Clinton that responded to a letter that I sent him in July along with 30 other Senators, including yourself, Mr. Chairman, that sought assurances that his administration remained committed to Taiwan’s entry to the WTO. In the letter, the President stated, and I am quoting, “my administration remains firmly committed to the goal of WTO General Council approval of the accession packages for China and Taiwan at the same session.” The President’s letter went on to say that while, “China has made clear on many occasions, and at high levels, that it will not oppose Taiwan’s accession to the WTO. Nevertheless, China did submit proposed language to their working party stating that Taiwan is a separate customs territory of China. “We have advised the Chinese,” the President went on to say, “that such language is inappropriate and irrelevant to the work of the working party and that we will not accept it,” end of quote from his letter.

As the President clearly acknowledged in his letter, despite previous assurances by China and the administration that Taiwan will be admitted to the WTO without opposition, under the surface there is a problem. As it always does, China is using yet another diplomatic opportunity to assert its view that Taiwan is nothing more than a province of China.

This is an important issue that the President and his administration need to resolve. They must make it clear that there will be consequences should China fail to live up to its commitments not to block Taiwan's entry to the WTO as a separate customs territory, Chinese Taipei, not a separate territory of China. It is my hope the President can give the Senate such concrete assurances before we begin debate on a bill extending permanent normal trade status to China, failing which it may be necessary for Congress to consider a legislative solution to this problem.

Thank you, Mr. Chairman, for the opportunity to testify.

[The prepared statement of Senator Kyl follows:]

PREPARED STATEMENT OF SENATOR JON KYL

Mr. Chairman, thank you for the opportunity to testify at today's hearing.

I believe it is important for the United States to support Taiwan's entry into the World Trade Organization (WTO). First because of the economic benefits that its entry would bring. Secondly, because of the need to meet our commitments to our close and longstanding ally. And third, due to our desire to defend and promote democratic governments, with free markets, that respect the rule of law and the human rights of their people.

Let me first discuss the economic importance of Taiwan's admission to the WTO. The WTO plays an important role in promoting free and fair trade. Under the WTO, member countries agree on a set of rules and principles for trade, which in turn creates a stable and predictable trade environment. Secondly, the WTO provides a mechanism to enforce these rules, including a procedure for countries to resolve trade disputes. And finally, the WTO provides a forum for negotiations to reduce trade barriers worldwide.

Since the founding of its predecessor GATT in 1948, membership in the organization has grown from 23 countries to 136 today. The general view among economists is that a more predictable trade environment, and a reduction of trade barriers, has contributed to the unprecedented economic prosperity that most countries currently enjoy. Statistics support this view: In 1998, world exports were 18 times larger than in 1950, and world GDP was 6 times greater in 1998 than 1950, according to the Congressional Research Service.

Based on its importance to the world economy, Taiwan should be admitted to the WTO. It has the 19th largest economy and is the 14th largest trading nation in the world. Taiwan's economy is also closely linked to the U.S. It is America's 8th largest trading partner and purchases more American goods than many of our other major trading partners, like mainland China, Australia, and Italy. U.S. trade with Taiwan should continue to grow. Over two years ago, we signed a bilateral WTO agreement with Taiwan that included significant reductions in tariffs and other barriers for exports of a variety of U.S. goods and services, including agricultural goods, automotive products, and pharmaceuticals. The admission of Taiwan to the WTO ensures that market barriers to U.S. products will remain low and American companies will have a means to solve disputes over intellectual property and other matters.

Taiwan has been negotiating to become a member of the WTO since 1990 and has met the substantive conditions for membership. According to the Congressional Research Service, it has completed agreements with each of the 26 WTO members that requested bilateral negotiations, and has held 10 meetings with the WTO Working Party in Geneva, resolving all substantive issues surrounding its admission.

China has insisted that Taiwan can get into the WTO only after it does, and has lobbied other countries to support this position. In the past, Clinton Administration officials have assured us that Taiwan's accession would closely follow China's. In February, U.S. Trade Representative Charlene Barshefsky testified to the House of Representatives that "... the only issue with respect to Taiwan's accession ... pertains to timing ... there is a tacit understanding ... among WTO members in general—but also, frankly, between China and Taiwan—that China would enter first and China would not block in any way Taiwan's accession thereafter, and that might be immediately thereafter or within days or hours or seconds or weeks. ...” Later that same month, in response to a statement by Sen. Roth that "... there's a great deal of concern that Taiwan might be blocked [from entering the WTO] once China secures such membership," Ambassador Barshefsky testified that "... the

United States would do everything in our power to ensure that that does not happen in any respect because Taiwan's entry is also critical."

Recent press reports have renewed concern that China may be planning to block Taiwan's WTO entry. As the Wall Street Journal reported in July,

... as WTO staff members draw up the so-called protocol agreements—the reams of paper that define exactly what concessions China will make in order to gain entry into the organization—China is insisting that its claim over Taiwan be recognized in the legal language ... chief Chinese negotiator Long Yongtu said ... such a stand "is a matter of principle for us" That would upset a consensus within the WTO that Taiwan should be allowed to enter the club as a separate economic area—that is, not an independent country, but also not as an explicit part of China. Some WTO members have argued that Taiwan has long since fulfilled its requirements to join the club and its application has been held up only to satisfy China's demand that Taiwan shouldn't win entry to the organization first.

Last night, I received a letter from President Clinton that responded to a letter I sent him in July along with 30 other Senators, including Chairman Helms, that sought assurances that his administration remained committed to Taiwan's entry to the WTO. In the letter the President stated that, "My administration remains firmly committed to the goal of WTO General Council approval of the accession packages for China and Taiwan at the same session." The President's letter went on to say that while "China has made clear on many occasions, and at high levels, that it will not oppose Taiwan's accession to the WTO. Nevertheless, China did submit proposed language to their working party stating that Taiwan is a separate customs territory of China. We have advised the Chinese that such language is inappropriate and irrelevant to the work of the working party and that we will not accept it."

As the President acknowledged in the letter, despite previous assurances by China and the administration that Taiwan will be admitted to the WTO without opposition, under the surface there is a problem. As it always does, China is using yet another diplomatic opportunity to assert its view that Taiwan is nothing more than a province of China. This is an important issue that the President and his administration need to resolve. They must make it clear that there will be consequences should China fail to live up to its commitments not to block Taiwan's entry to the WTO as a separate customs territory, Chinese Taipei, not a customs territory of China. It is my hope the President can give the Senate such concrete assurances before we begin debate on a bill extending permanent normal trade status to China, failing which it may be necessary for Congress to consider a legislative solution to this problem.

As I mentioned earlier, the United States should support Taiwan's admission to the WTO, not merely for economic reasons, but also to honor our commitments to a close, long-standing ally, and to demonstrate our intention to support democracies that respect the rule of law.

When our nation switched diplomatic recognition to mainland China, we also enacted the 1979 Taiwan Relations Act to state our continued commitment to the security of Taiwan. This law states, "... the United States decision to establish diplomatic relations with the People's Republic of China rests upon the expectation that the future of Taiwan will be determined by peaceful means." It goes on to say the U.S. would "... consider any effort to determine the future of Taiwan by other than peaceful means, including by boycotts or embargoes, a threat to the peace and security of the Western Pacific area and of grave concern to the United States." And finally, it says the U.S. will sell "... defense articles and defense services in such quantity as may be necessary to enable Taiwan to maintain a sufficient self-defense capability."

Unfortunately, the Clinton administration has not lived up to the spirit of the Taiwan Relations Act. For example, despite the fact that China enjoys a 65 to 4 advantage in submarines, the administration has refused to sell submarines or other equipment to Taiwan that would allow it to fend off an attempt by China to impose a naval blockade on the island. The administration refuses to offer Taiwan the latest theater missile defense systems to defend against a buildup of Chinese ballistic missiles. And, it has reportedly said it will sell AMRAAM air-to-air missiles to Taiwan, which would help it maintain air-superiority over its territory, only if the missiles are stored in a warehouse in the U.S. until China acquires an equally advanced weapon.

The administration has also allowed China to increase Taiwan's diplomatic isolation. In addition to holding up its admission to the WTO, the communist regime in Beijing has also blocked its admission to the World Health Organization. Taiwan has sought membership in this organization to have access to the latest information

on vaccines. An outbreak of the enterovirus in Taiwan in 1998 killed some 70 children, yet it received outside assistance only from the U.S.

The administration has taken these steps despite the fact that China's leaders refuse to renounce the use of force in retaking Taiwan, and issue thinly veiled threats to use nuclear weapons should the U.S. intervene. For example, in March, the main newspaper of China's military said, "China is neither Iraq nor Yugoslavia, but a very special country . . . it is a country that has certain abilities of launching a strategic counterattack and the capacity of launching a long-distance strike. Probably it is not a wise move to be at war with a country like China, a point which U.S. policymakers know fairly well." Another article in a Chinese military-owned newspaper went further, saying, "The United States will not sacrifice 200 million Americans for 20 million Taiwanese. They will finally acknowledge the difficulty and withdraw."

In outlining what became known as the "Truman Doctrine," President Harry Truman said,

At the present moment in world history nearly every nation must choose between alternative ways of life. The choice is too often not a free one. One way of life is based upon the will of the majority, and is distinguished by free institutions, representative government, free elections, guarantees of individual liberty, freedom of speech and religion, and freedom from political oppression. The second way of life is based upon the will of a minority forcibly imposed upon the majority. It relies upon terror and oppression, a controlled press and radio, fixed elections, and the suppression of personal freedoms. I believe that it must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or outside pressures. I believe that we must assist free peoples to work out their own destinies in their own way.

Harry Truman spoke these words in 1947, at a time when it was very difficult to stand up to communism on the march from the Soviet Union. The challenge we face today in dealing with China and Taiwan should not be as great as the courageous struggle of the Cold War. The administration cannot support China's entry into the WTO without equally supporting Taiwan's entry into the WTO. This is but one of many signals we should be sending to the communist regime in Beijing, about America's determination to meet our commitments and our resolve to support Taiwan.

Thank you again Mr. Chairman for the opportunity to testify today.

[The letters to which Senator Kyl referred follow:]

UNITED STATES SENATE,
Washington, DC, July 27, 2000.

President WILLIAM J. CLINTON,
The White House,
Washington, DC.

DEAR MR. PRESIDENT:

As the Senate nears consideration of legislation extending permanent normal trade relations to the People's Republic of China (PRC), we are writing to express concern that Beijing may be planning to take actions that would have the effect of blocking Taiwan's accession to the World Trade Organization (WTO). According to press reports, the PRC recently offered a proposal at the WTO calling for that organization to recognize the PRC's position that Taiwan is part of the mainland. Taiwan is the United States' eighth largest trading partner, and we support its admission to the WTO as soon as it meets the criteria for membership.

On several occasions, Administration officials have indicated that Taiwan's accession to the WTO would closely follow the PRC's. For example, in February, U.S. Trade Representative Charlene Barshefsky testified to the House of Representatives that ". . . the only issue with respect to Taiwan's [WTO] accession . . . pertains to timing . . . there is a tacit understanding . . . among WTO members in general—but also, frankly, between China and Taiwan—that China would enter first and China would not block in any way Taiwan's accession thereafter, and that might be immediately thereafter or within days or hours or seconds or weeks. . . ." Later that same month, in response to a statement by Senator Roth that "there's a great deal of concern that Taiwan might be blocked (from entering the WTO) once China secures such membership," Ambassador Barshefsky testified that ". . . the United States would do everything in our power to ensure that that does not happen in any respect because Taiwan's entry is also critical."

We respectfully request that you clarify whether your Administration continues to believe that Taiwan's entry to the WTO is critical, whether you remain committed to that goal, and whether you remain convinced that Taiwan will enter the WTO within days after the PRC's accession. Furthermore, is the Administration aware of any efforts by the PRC to impose extraordinary terms and conditions on Taiwan's accession to the WTO? What specific assurances has Beijing provided regarding the timing and substance of Taiwan's accession to the WTO? And what steps has your Administration taken to ensure that Taiwan will in fact join the WTO immediately following the PRC's accession?

We would appreciate a response to this inquiry by August 18, in order to consider its contents prior to Senate debate on extending permanent normal trade relations to the PRC.

Sincerely,

Jon Kyl	Orrin Hatch
Larry Craig	Mike Enzi
Don Nickles	Trent Lott
Bob Smith	Frank Murkowski
Conrad Burns	Gordon Smith
Wayne Allard	James Inhofe
Mike DeWine	Fred Thompson
Mitch McConnell	Slade Gorton
Pete Domenici	Jesse Helms
Connie Mack	Tim Hutchinson
Mike Crapo	Arlen Specter
Strom Thurmond	Jeff Sessions
Jim Bunning	Spencer Abraham
Craig Thomas	Robert Bennett
Phil Gramm	Susan Collins
Dick Lugar	

THE WHITE HOUSE

WASHINGTON

August 31, 2000

The Honorable JON KYL
United States Senate,
Washington, DC.

DEAR SENATOR KYL:

Thank you for your letter regarding Taiwan's accession to the World Trade Organization (WTO). My administration remains firmly committed to the goal of WTO General Council approval of the accession packages for China and Taiwan at the same Session. This goal is widely shared by other key WTO members.

China has made clear on many occasions, and at high levels, that it will not oppose Taiwan's accession to the WTO. Nevertheless, China did submit proposed language to their working party stating that Taiwan is a separate customs territory of China. We have advised the Chinese that such language is inappropriate and irrelevant to the work of the working party and that we will not accept it. We believe that this position is widely shared by other WTO members.

Again, thank you for writing concerning this important matter.

Sincerely,

BILL CLINTON.

The CHAIRMAN. Senator, I thank you very much, and may I inquire, will your schedule permit you to stick around so that we can sort of have a dialog between you and the next witness?

Senator KYL. I would be pleased, if the chairman thinks that would be helpful.

The CHAIRMAN. Well, if you would do that, if you want to come up and sit here, that would be good, whatever you like.

Senator KYL. Thank you, Mr. Chairman. Perhaps I can just stay at the table with the next witness, and we can have a dialog if you like.

The CHAIRMAN. Yes, sir, and that next witness is a long-time friend of many of us on this committee, a distinguished American. He is the former Assistant Secretary of State for International Organization Affairs, and today he is widely recognized as an expert on so many aspects of foreign policy. I myself call on him for his ideas about something that I am contemplating, and many of the major daily newspapers of this country solicit from him his thoughts in the form of op ed pieces.

John, we welcome you here this morning. We are now delighted to hear from you.

STATEMENT OF HON. JOHN R. BOLTON, FORMER ASSISTANT SECRETARY OF STATE FOR INTERNATIONAL ORGANIZATION AFFAIRS

Mr. BOLTON. Thank you very much, Mr. Chairman. It is a pleasure to be here today. I, too, have a prepared statement I will ask be submitted for the record and try and summarize it.

The CHAIRMAN. And it will, without objection.

Mr. BOLTON. As Senator Kyl has pointed out, this question of the accession of Taiwan to the WTO has been with us for quite some time.

The CHAIRMAN. John, let me inquire, can the young folks in the back hear? You are able to hear. All right, good.

Mr. BOLTON. Indeed, earlier this year, when the PRC issued a white paper about a month before the Taiwanese election, it became clear that the issue of Taiwan's status vis-a-vis the PRC was going to be something that could impinge even on the question of WTO accession for both of those entities, and I think it is important to repeat just briefly what the PRC said back in February of this year.

They said, and I am quoting now from their Foreign Ministry spokesman, "Taiwan is purely an internal matter of China. Taiwan is an indivisible part of Chinese territory." This was their document. We view the white paper and the issue of normal trade relations as two entirely separate issues.

What has happened in the WTO context is that Beijing has signaled, as Senator Kyl pointed out, that they want a political statement, in effect, made in the Protocol of accession that would apply to Taiwan. They want just a few words, but they want to try and show politically that Taiwan is and has essentially the same status internationally as Hong Kong does.

Hong Kong is a member of the WTO, it is a separate customs territory, but it is also indisputably a part of China under the one-country-two-systems formula, and in fact the one-country-two-systems formula was devised by Beijing not for Hong Kong originally but for Taiwan, which has repeatedly rejected it.

In 1992, when these accession negotiations began, Taiwan, recognizing that it did not exactly hold the whip hand here, agreed to the accession package we have been talking about whereby the PRC would be admitted first and then essentially Taiwan would come in almost instantaneously behind it. That has been the un-

derstanding under which all of the complex bilateral negotiations between Taiwan on the one hand, the PRC on the other, and their trading partners have been carried out, as well as the work of the working parties in Geneva devising the protocols of accession.

So when just a short time ago the PRC interjected this question of Taiwan's political status, it was not simply overturning the fundamental understanding that we had been working on for 8 years, it was also, in my view, taking direct aim at the World Trade Organization. I speak here today both as a free trader and as a supporter of expanding the role of free trade and as a believer, in fact, that if free trade and free markets ever did occur in mainland China it would have measurably important effects for the freedom of the Chinese people.

But the WTO's basic theory is that it is a limited organization. It has an important role, but limited to economic trade issues. By trying to superimpose the political issue—the question of Taiwan's status—in these negotiations the PRC is taking direct aim at the independence and integrity of the WTO itself. We have seen with the recent demonstrations in Seattle, the pressures even within the United States to move the WTO agenda into extraneous issues like environmental questions and labor standards. The WTO is vulnerable to these kind of outside pressures, and those of us who favor free trade should be the strongest defenders of keeping the WTO free from these pressures.

Nor is the approach that China has taken here unprecedented in international organizations, sad to say, and I lay out in my testimony—I will not repeat here—a summary of the extensive experience that we faced with the Palestine Liberation Organization in the late 1980's, when it was attempting to enhance its international status and in effect establish facts on the ground vis-a-vis Israel through its work in international organizations.

It was only the strong leadership and opposition of the United States that prevented the PLO back in those days from achieving its objective, but this is a battle that is fought in many arcane and seemingly trivial fashions. The PLO's struggle was really the reverse of what China is trying to do—the PLO was trying to enhance its status. The PRC is trying to reduce Taiwan's status.

But the PLO in 1988 declared itself a State. We have been through this struggle with them before. They already declared themselves a State, and in the United Nations, where they were an observer organization, they said, we want to take our name card, which at that time read "Palestine Liberation Organization," and change it to the word, "Palestine," and since it was their name card they were allowed to change it. That is the way it works at the U.N.

Now, you say surely this cannot be something that takes up the attention of serious diplomats, but it took up a lot of attention. They were able to change from being an organization on their name card to being "Palestine," which sounds like it is a real place, in fact it is a real place, and that was exactly their objective.

They tried to do a number of other things to gain membership in the specialized agencies of the United Nations, which generally speaking require State status under customary international law,

all of which were designed to change their position vis-a-vis Israel. As I say, they were defeated in those efforts.

Mr. Chairman, the lesson of the PLO experience for the United States is that maintaining the nonpolitical nature of specialized and technical international agencies is entirely worthwhile, but it is even more beneficial to strive to prevent them from becoming venues of political conflict in the first place.

Even successfully opposing efforts to use such agencies for political purposes, such as in the PLO example, can impose significant costs on the organizations by diverting them from their underlying missions and by setting adverse precedents not easily overcome later. The fact is, that without concerted American leadership, what the PRC is up to here has a very substantial chance of success. Let us be clear, I do not think even they believe their ultimate objective is to stop Taiwan from entering the WTO. I think their objective is much more subtle, and that is to say, "well, it is just language in the protocol of accession. Certainly we can find language that would be acceptable, to both sides," but which nonetheless makes their political point. As I said in the prepared testimony, Mr. Chairman, you know, when health ministers deal with political questions sometimes your knees get a little bit shaky. I would just say with all due respect to my colleagues in the trade area, their dealing with political questions as sensitive as the status of Taiwan makes me a little bit nervous as well.

The fundamental point here is that, as with the PLO, it is the PRC's approach that is illegitimate, not Taiwan's. It is China that is breaching the nonpolitical nature of the WTO by inserting this entirely political question, and Taiwan that is in effect defending the WTO's integrity by resisting.

The people being intransigent and uncooperative here are from Beijing, not from Taipei. If the United States and others succumb to the PRC's ploy, not only will Beijing likely succeed against Taipei, but it will also have severely damaged the WTO's ability to withstand pressures to consider other extraneous, nontrade issues.

This, Mr. Chairman, to sum up, is where I think Congress could well play a very important role. This is a real trade issue. This is not a human rights issue. This is not a question of Chinese proliferation of weapons of mass destruction. This is an issue that is directly related to PNTR status, and I would hope that Congress in one fashion or another could come up with a way to make it clear both to Beijing and to the administration that not only do a vast bipartisan majority object to any effort to stop Taiwan from coming into the WTO, but you also object to any effort by China or any concession by this administration in the negotiations that would attempt to change or alter or redefine Taiwan's political status.

Thank you very much, Mr. Chairman. I would be pleased to answer any questions you may have.

[The prepared statement of Mr. Bolton follows:]

PREPARED STATEMENT OF HON. JOHN R. BOLTON

Mr. Chairman and Members of the Committee, it is a pleasure to appear before you this morning to discuss issues relating to the proposed accession of the People's Republic of China ("PRC") and the Republic of China on Taiwan ("ROC" or "Taiwan") to the World Trade Organization ("WTO"). I have a prepared statement that

I will summarize, and submit for the record, and I would be happy to answer any questions that Members of the Committee might have.

On February 21 of this year, just a month before Taiwan's presidential election the PRC released an 11,000 word white paper reiterating Beijing's position that it reserved the right to use military force in order to reunify Taiwan with the Mainland. Indeed, the white paper announced that Beijing would consider military force permissible merely if Taiwan, in the PRC's view, unjustifiably delayed talks on reunification, a major escalation of the threat level against the ROC. (Previously, Beijing had said that invasion would be justified if Taiwan explicitly declared independence from the PRC, or if Taiwan was occupied by a foreign power.) Although the United States rejected this PRC assertion, and although many believed that it backfired on Beijing in the ROC election, the white paper unquestionable represented a major escalation of international pressure by the PRC against Taiwan.

Accordingly, since at least early this year, many have worried that the PRC would not adhere to the terms of the initial agreement under which both PRC and ROC applications to the General Agreement on Trade and Tariffs ("GATT") (and now in GATT's successor organization, the WTO) would be treated effectively in tandem. When criticisms of the white paper were raised in the United States, just a few days after its release, the PRC reacted angrily to any suggestion that its military threats against Taiwan should be considered in connection with Congressional deliberations over Permanent Normal Trade Relations ("PNTR") status for China. PRC Foreign Ministry Spokesman Zhu Bangzao said: "Taiwan is purely an internal matter of China. Taiwan is an indivisible part of Chinese territory . . ." Zhu said: "we view the white paper and the issue of normal trade relations as two entirely separate issues," and that China "firmly opposes any attempt to link these issues." The March 18, 2000, election of Chen Shuibian as Taiwan's President, and the effective demise of the "one China" policy reflected in the broad popular consensus on the island, have only exacerbated those fears.

Until the successful conclusion of the requisite bilateral negotiations between the PRC and the United States, the European Union, and other major trading partners, the issue of Taiwan's accession pursuant to the original "understanding" had not received prominent attention in Washington. Just recently, however, Beijing has explicitly introduced the explosive political issue of Taiwan's political status into the WTO's consideration of the pending membership applications for China and Taiwan. Although apparently not directly challenging Taiwan's application, the PRC is attempting to condition Taiwan's WTO entry on accepting the long-standing PRC position that Taiwan is part of "China." If the PRC's insistence on this seemingly innocuous bit of nomenclature were to prevail, it would mark a significant victory in its campaign to assert sovereignty over Taiwan. Moreover, such a politicization of the WTO could gravely damage this already-shaky new organization, both in the United States and in the world as a whole.

The WTO is intended to be purely a trade organization, divorced from political questions that should be handled bilaterally or in other international organizations. Trade issues themselves are often intractable, and introducing political or other non-trade issues might bring the entire WTO process to a halt. Thus, neither the WTO nor its predecessor, the GATT, requires members to be "states" in international terms, but only "customs territories" that have effective control over customs policies within their geographical territories. Under this approach, Hong Kong, for example, is a WTO member, even though it is indisputably part of the PRC. This is an entirely salutary approach (and was long followed in the GATT context), one that it is in the long-term interests of the United States, and one that we should work hard to preserve. It clearly differentiates questions of WTO membership from membership in the United Nations, or the UN's specialized and technical agencies, which almost invariably limit membership to "states" as understood under "customary international law."

Taiwan is also currently on track for WTO admission as a "customs territory," thus avoiding, for WTO purposes, the flammable issue of Taiwan's international political status. When the accession process for Taiwan and the PRC was launched in late 1992, all agreed that the underlying political disputes would be put aside, consistent with GATT's limited focus on trade. Under that arrangement, once all of the requisite bilateral and multilateral negotiations were successfully completed, the PRC was to enter GATT (and, subsequently, the WTO) slightly ahead of Taiwan, which would in turn become a member under the name "Chinese Taipei." At that point, the PRC, Hong Kong and Taiwan would all be full WTO members as "customs territories," with the still-unresolved political issues to be fought out elsewhere.

The PRC's interjection of the disruptive political status issue into the WTO admissions process now was obviously carefully calculated in Beijing. Washington's first reaction was that the PRC might have endangered the PRC's quest for PNTR with

the United States, which the Senate is still considering. To avoid unrest in Congress, the Clinton Administration correctly stated that it opposed the PRC effort. Significantly, however, Deputy U.S. Trade Representative Rita Hayes also said publicly that the 1992 arrangement was still in place, and that "China is going to live up to its commitments," something that the PRC itself has not yet acknowledged. To the contrary, China's Deputy Trade Minister, Long Yongtu, responded ominously: "the one China policy is a matter of principle for us."

In fact, the PRC is trying to advance its political agenda in a non-political forum, rather than directly trying to keep Taiwan out of the WTO (although that might well be the practical consequence). Because the trade negotiators, business interests and lawyers who inhabit the WTO world are relatively isolated from larger international political issues, the stakes will not appear to them as high as they really are. Mere questions of "name cards" seem insignificant compared to "important" questions like PRC agricultural export subsidies (on which, not coincidentally, the PRC is also now backtracking).

This is a familiar tactic in international organizations. The undisputed master is the Palestine Liberation Organization ("PLO"), which for years attempted to enhance its international status by campaigning for membership in such bodies as the World Health Organization ("WHO"), which requires that members must be "states" in international parlance. By so doing, the PLO hoped to enhance its international status (or at least the perception of that status, which may be nearly the same thing), and thereby create "facts on the ground" in its negotiations with Israel, thus bolstering its bargaining position.

The PLO began this effort in 1988, by declaring its "statehood," and changing the name card in front of its desk at the U.N. from "Palestine Liberation Organization" to "Palestine." "Palestine," of course, sounds much more like a "state" or at least a geographical entity than something with the word "organization" in its name. This name change the PLO could accomplish unilaterally, but membership in U.N. specialized agencies required affirmative votes of the existing memberships. Accordingly, in late 1988 and early 1989, the PLO began a massive diplomatic campaign to secure both diplomatic recognition, as well as the necessary majorities in international organizations. Although the PLO was blocked in its campaign to join the WHO in 1989, for example, its efforts at least briefly created chaos within the U.N. system, from whose members the PLO hoped to extract political or other concessions, even if it did not achieve the ultimate objective of full membership. (I have attached a brief description of the WHO controversy as an Appendix to this testimony.)

Even after its unsuccessful efforts in the WHO, the PLO tried similar, and ultimately unsuccessful approaches in a number of other international organizations. One of its last efforts to enhance its status was in the U.N. General Assembly. There, the PLO proposed that its desk on the floor of the U.N. General Assembly be physically moved closer to the location of the desks of the observer states (Switzerland and the Holy See), hoping thereby to pretend that it too was an observer state rather than an observer national liberation movement. One might say, correctly, that such apparent trivialities should not impinge on truly important policy issues, but, sadly, in international diplomacy almost nothing is too trivial.

The lesson of the PLO experience for the United States is that maintaining the non-political nature of specialized and technical international agencies is highly worthwhile, but that it is even more beneficial to strive to prevent them from becoming venues of political conflict in the first place. Even successfully opposing efforts to use such agencies for political purposes, such as in the PLO case, can impose significant costs on the organizations by diverting them from their underlying missions, and by setting adverse precedents that are often not easily overcome later. Moreover, the PLO example also demonstrates how seemingly arcane points of argument can assume enormous significance if not handled properly when they arise. Finally, had it not been for the leading role played by the United States in opposing the PLO, it almost surely would have succeeded in its quest for U.N. membership, with untold adverse consequences for the Middle East peace process and the U.N. system itself. The fact remains that, absent concerted American leadership and diplomacy, disruptive political agendas have a far higher chance of success in technical organizations, a point we cannot ignore in the present discussion.

Just as there is nothing so unedifying as the sight of Health Ministers attempting to resolve international political questions, also unappetizing is the notion of trade officials negotiating the political status of Taiwan. The PRC will doubtless offer "compromises" on its initial demand, and insist that Taiwan's subsequent unwillingness to give way is the real source of the "problem." Trade officials, like their health ministry counterparts faced with PLO intransigence, will predictably hail the PRC "concessions," and pressure Taiwan to accept what would otherwise be flatly unac-

ceptable. This is the PRC's real strategy, and Deputy USTR Hayes' enthusiastic embrace of the Chinese view shows that Beijing has carefully measured its marks in the Clinton Administration.

But the fundamental point is that, as with the PLO, it is the PRC's approach that is illegitimate, not Taiwan's. It is China that is breaching the non-political nature of the WTO by inserting this entirely political question, and Taiwan that is, in effect, defending the WTO's integrity by resisting. The people being intransigent and uncooperative here are from Beijing, not Taipei. If the United States and others succumb to the PRC's ploy, not only will Beijing likely succeed against Taipei, but it will also have severely damaged the WTO's ability to withstand pressures to consider other extraneous, non-trade issues, such as labor standards and the environment, to name just two. Certainly the past few years have shown us just how vulnerable the WTO is to such pressures, and it would be irresponsible not to take the implications of Beijing's ploy seriously.

Here is where Congress must declare unequivocally that the PRC's maneuver is unacceptable, and that there is no possible compromise on this point. This is a real trade issue, not one of human rights or weapons proliferation, and one that therefore is directly related to PNTR status. Congress should insist, before granting PNTR, that the PRC drop all political objectives in the WTO, and specifically that it should not attempt to derail Taiwan's accession, or attempt to extract political leverage from the process. It should also insist, in the Clinton Administration's waning days, that the President himself ensure that U.S. diplomats are not seduced by Chinese "reasonableness," and not allow the 1992 accession agreement to be subverted.

Senator Kyl's proposed amendment would go a long way toward achieving this objective. Because of the Administration's weak defense of the original WTO "understanding" on PRC and ROC accession, Congress has little maneuvering room if it wishes to take up the slack. The Kyl amendment attempts to overcome that problem, not by undercutting the granting of PNTR status to China, or by introducing extraneous non-trade issues, but simply by calling on China to adhere to its original agreement on the sequence of accession to the WTO for both the PRC and "Chinese Taipei."

The amendment is a limited and prudent step, and one that should not derail or unduly delay the PNTR process. There is no inconsistency between the Kyl amendment and a position fully supportive of free trade and the WTO. To the contrary, in order to preserve the WTO as a non-political body, Congress would do well to consider the long-term benefits for the WTO that would accrue by supporting what could be an important and precedent-setting declaration of Congressional intention to insulate the WTO from extraneous political debates. Whatever one's position on PNTR, or on other amendments concerning PNTR that have been proposed, the Kyl amendment should be considered on its own merits as a genuine effort to expand the legitimate membership of the WTO, enhance trade opportunities for Americans, Chinese and Taiwanese alike.

Mr. Chairman, thank you again for the opportunity to testify today, and I would be pleased to answer any questions the Committee may have.

APPENDIX: THE STATUS OF THE PALESTINE LIBERATION ORGANIZATION

In 1988, after the Palestine Liberation Organization ("PLO") officially renounced the use of terrorism, some ninety nations acknowledged the PLO as a "state" for Palestinians in the West Bank and the Gaza Strip. Shortly thereafter, the PLO mounted a wide-ranging effort to join various agencies in the U.N. system to further "confirm" its international law status as a "state." Since almost all U.N. bodies provide full membership only to "states," the PLO saw membership as a validation of international legitimacy, and an important source of political assistance in the Arab-Israeli peace process.

In early 1989, Israeli officials signaled to the United States that they were quite concerned about PLO initiatives to join bodies as diverse as the World Health Organization ("WHO"), the International Telecommunications Union ("ITU"), UNESCO and others. The United States accepted Israel's analysis that the PLO was not a "state" within the meaning of customary international law, and had no rightful claim to join any U.N. organization as a "member state." Moreover, the United States was particularly insistent that the legal and diplomatic issues surrounding the PLO's status not be contested in the U.N.'s specialized agencies, whose politicization we had long resisted.

By early April, 1989, however, it seemed quite likely that the PLO might succeed in obtaining WHO membership, if for no other reason than that a majority of WHO

members had already recognized the PLO's "statehood." Indeed, the U.S. Mission in Geneva believed that the PLO's membership in the WHO was virtually "inevitable." Other Western nations had essentially the same assessment, in part because of the PLO's efforts, and in part because of professed outrage at Israeli treatment of Palestinians in the occupied territories. The PLO itself was confident of its prospects, rejecting the U.S. request that it back away from its U.N. membership campaign.

Given these circumstances, only a vigorous American effort could derail the PLO. Secretary of State James A. Baker, III personally emphasized the strength of American opposition in a variety of ways. One of the first of these was a world-wide cable to all American embassies, instructing them to approach foreign ministries at the highest possible level to explain the American position, and to stress the importance we attached to the issue. Similarly, the Department called in Ambassadors in Washington to make the same points. By then, PLO rhetoric had risen to the point that PLO leader Yassir Arafat told U.N. Secretary General Perez de Cuellar that he would seek to have Israel expelled from the U.N. General Assembly if the PLO were not admitted to the specialized agencies. Arafat was also engaging in an extensive disinformation campaign, telling Ambassadors in Geneva that the United States was actually "indifferent" to whether or not the PLO succeeded, and that U.S. "opposition" to the PLO's efforts was purely for domestic American political consumption.

By late April, 1989, word of the PLO's efforts reached Capitol Hill, where opposition to the PLO was quite strong. Some Senators spoke openly about not paying the U.S. assessment (typically twenty-five percent of the budget) to any U.N. agency that admitted the PLO. Secretary Baker accepted this approach at the end of April, and stated it publicly on May 1, 1989: "I will recommend to the President that the United States make no further contributions, voluntary or assessed, to any international organization which makes any change in the PLO's present status as an observer organization." Obviously, Baker had already spoken to President Bush, and was completely confident that his recommendation would be immediately accepted, if necessary.

Baker's public statement, coming just a few days before the opening of the World Health Assembly in Geneva, had a dramatic effect. First, it proved conclusively just how strongly the United States cared about the possibility of the PLO joining the WHO. Second, it demonstrated in American domestic political circles the importance the issue had for the President and Secretary of State. Third, it got the attention of U.N. officials around the world, who finally began to realize the potentially enormous impact of an international decision to admit the PLO to any U.N. body or agency.

When the World Health Assembly formally opened on May 7, 1989, the issue of the PLO's status was still unresolved. Health Ministers, who typically head delegations to the Assembly, had no real sense of the political meaning of the PLO's efforts, and they were largely uninstructed from their foreign ministries. Moreover, "compromise" Assembly resolutions being floated by several Western governments in Geneva seemed to imply that the PLO's membership in the WHO (and then other components of the U.N. system) was only a question of timing rather than substance.

Accordingly, despite Secretary Baker's unequivocal public statement, the United States remained very concerned about what would actually happen in Geneva. The Western Group was divided and uncertain, and other regional groupings seemed perfectly inclined to allow the PLO's application to succeed. Procedural complexities consumed enormous amounts of time, particularly on the possibility of secret votes in committees and in the World Health Assembly itself on the key issues. Draft resolutions multiplied, but the American delegation was unequivocal that it would not accept any compromise on the basic point that the PLO was simply not qualified to be a WHO member because it was not a "state." The firmness of the United States position surprised many delegations, especially among the European health officials. There was considerable resentment about the financial "threat" that the United States had made, but there was no question that the message had gotten across.

When the floor debate in the World Health Assembly finally began, confusion was rampant. Efforts at close coordination among Western countries frequently broke down, requiring numerous recesses and further consultations (all complicated by internal EU consultations). Fortunately, several African and Pacific island countries were strong supporters of the U.S. position. One critical vote was to cut off further debate on the PLO's application, which carried by a substantial majority of those voting (although there were many abstentions). The final vote rejecting the PLO application, as the New York Times reported, "came after six hours of tumultuous and confused parliamentary maneuvering." Congressional reaction to the World Health

Assembly's vote rejecting the PLO was uniformly positive. Subsequent PLO efforts in 1989-90 to enhance its status were similarly unsuccessful.

The CHAIRMAN. I am going to comment to both of you your testimony is just right on target.

A question prepared for me, and I just asked the young man if he can give me the direct figures and he said, of course, which I expected him to do, and he said, Taiwan imports from the United States almost \$20 billion a year. Mainland China imports only about \$14 billion.

Now, the interesting thing about that is that China has 50 times the population of Taiwan, and all sorts of things like that. Now, I want to ask you, both of you, and particularly you on the first one, John, you were Assistant Secretary of State for International Organization Affairs. I believe that was your specific title at the time. Now, tell me how China could work to block Taiwan's entry into the WTO in the months before China itself enters the WTO. Either one of you, or both of you.

Mr. BOLTON. Well, I think they have already started to do it.

The CHAIRMAN. I know that.

Mr. BOLTON. I think your question is right on target. The path they have chosen is language that to the nonexpert on cross-Strait issues would seem like something that is pretty innocuous, frankly. What they are trying to do is to put the political question of Taiwan's accession into their protocol document in a way that would make it impossible for Taiwan to accept.

In other words, they are trying to, in effect, condition Taiwan's membership on accepting political subordination to Beijing, and their argument is going to be: "we are not blocking Taiwan. We are just proposing something that we think," as their Foreign Ministry spokesman said, "is a matter of deep principle. We are happy to have Taiwan in, just as we are Hong Kong." That is why this is such a pernicious, such an adept diplomatic effort by them and why it is so dangerous, because it appears to float below the radar screen when in fact it has enormous implications.

The CHAIRMAN. Now, Hong Kong is on the Rules Committee of the WTO, is that not correct?

Mr. BOLTON. I believe that is right, yes, sir.

The CHAIRMAN. Jon, I believe that is correct.

Now, Jon, I believe you mentioned President Clinton's response to the letter that I joined you in sending. I think there were 30 of us who joined you, as a matter of fact—

Senator KYL. Yes.

The CHAIRMAN [continuing]. Asking what assurances China gave the United States regarding Taiwan's accession to the WTO, and I do not believe the President answered the question, and we were sincerely seeking a response.

It reminds me of an old gentleman back home, Mr. Nee English, N-e-e English. Now, I was working in a drug store at the time. I was in high school. I looked out the front window and there was a lady just pointing her finger at Mr. English, and he came in shaking his head, and I said, Mr. English, what did she say to you? He said, "I don't know. She didn't say."

And so Mr. Clinton, whoever wrote the letter for him, did not say how he would respond to that letter. Now, it appears to me that

from the letter all of China's assurances to the administration seemed, before China started the shenanigans going to Taiwan's status—and I believe that was back in July. It does not state in the President's letter that Clinton-Gore received pledges in writing from Beijing about permitting Taiwan's accession to the WTO. Am I incorrect about that?

Senator KYL. Mr. Chairman, you are correct, there is no reference to any written assurance, and the implication from the President's letter is that the assurances were prior to China's most recent statements. I think in some respects the President has answered. He did it very carefully and diplomatically, but I might actually quote the paragraph.

The answer is one which is not satisfactory, but I do think he has answered, and I would stress to my colleague, Senator Thomas, I think this is the point made. The President himself is signaling that we have got a problem here, and I think the question is, how can we in Congress help him, in what I believe is a very sincere effort on the part of the President to ensure that Taiwan enters into WTO accession under the right terms, exactly as Mr. Bolton has said.

The President first said "China has made clear on many occasions, and at high levels, that it will not oppose Taiwan's accession to the WTO," but now comes the other shoe. "Nevertheless, China did submit proposed language to its working party stating that Taiwan is a separate customs territory of China."

Here is where the President put forth his position. "We have advised the Chinese that such language is inappropriate and irrelevant to the work of the working party," precisely Mr. Bolton's point, "and that we will not accept it," the President said. "We believe that this position is widely shared by other WTO members."

Words matter. I am a lawyer, and I cannot tell you how many times I have argued with other lawyers about one or two words, and nonlawyers might say, what difference does it matter, but it can be the difference between lightning and lightning bug. There is a big difference sometimes.

And what Mr. Bolton said is exactly correct. What the PRC is attempting to do here is to use this nonpolitical entity to help create the legal basis for its claim that Taiwan is nothing but a province of China, whereas most of the world community treats Taiwan as something different from that. It is a subtle distinction, but an important one, and that is why the difference between the words, "separate customs entity, Chinese Taipei," which is the Taiwanese description, and that which the United States has heretofore supported, I believe.

It is so much different than "separate customs entity of China," which is the PRC language that has been submitted. It may seem unimportant today to a lot of people, but for the reasons that Mr. Bolton pointed out and, frankly, confirmed by President Clinton in his letter, it is very important.

It is unacceptable to the United States, and I believe that the Congress should do whatever we can to support the President's position so that the PRC understands very clearly that this is a unified position of the American Government. We are all for China's

accession, but we are also all for Taiwan's accession under the right terminology.

The CHAIRMAN. I am going to turn it over to my friend to the right in just a minute, but the United Nations is beginning its sessions this week. That is correct, is it not?

Senator KYL. Today.

The CHAIRMAN. And Taiwan I am confident is going to make a bid for membership in the United Nations. Now, last year the Clinton-Gore administration in fact spoke against Taiwan's membership. Is my memory correct on that? Whereas previously the administration has simply stayed silent.

Now, I will stop there and put a pause, and I yield to you, sir.

Senator THOMAS. Thank you, Mr. Chairman. A couple of questions, I guess. It is kind of unusual in a hearing not to have a witness who represents a different point of view. You apparently do not. The two of you represent the same point of view, so that is fine. Do you favor WTO for China, the PRC?

Mr. BOLTON. I favor it ultimately, yes, I do. I should not step on my lines. Tomorrow I am going to appear as a member of the United States Commission on International Religious Freedom, where we have taken—which is a bipartisan Commission—certain views on when it would be appropriate for China to enter, given its repression of religious freedom, but I do favor China's admission, and I do support it at an appropriate time.

Senator THOMAS. You are not particularly interested in whether it happens during this session of Congress or not?

Mr. BOLTON. I think the timing of the grant of PNTR status and, indeed, China's accession sends an important signal and given, for example, just in the area of religious freedom, that the Clinton administration's own report, issued yesterday, says that conditions of religious freedom in China have deteriorated markedly in the past year, not our report but the administration's report, I do worry about the timing, and I think getting—

Senator THOMAS. I do not understand. What do you mean, you worry about the timing?

Mr. BOLTON. I think it sends a bad signal to Beijing that they can increase repression of religious freedom and still get PNTR status.

Senator THOMAS. So you are talking about religious freedom here and not trade, is that right?

Mr. BOLTON. Well, you were asking the question and I wanted to give you a full answer. I believe that the question of Taiwan's political status is highly important to American foreign policy, and I do not think—what the thrust of my testimony is, it should not be swept aside, as I believe the PRC would like to have it done, simply to grant them PNTR status.

Senator THOMAS. You think the House swept it aside when they passed—

Mr. BOLTON. I do not think they considered it, because I think the most recent PRC effort, this language in the accession document, occurred after House action. What the House would have done had they done it before—

Senator THOMAS. I do not understand that. We have been dealing with them for a very long time. To be surprised in the last couple

of months, I do not understand that. If you have been involved with China—I assume you have—they have changed substantially over the last number of years, and to suggest that we did not know what is happening over there seems to be a little naive.

Mr. BOLTON. I can only speak for myself on that point, Senator. I have worried about this point with respect to Taiwan from the get-go.

Senator THOMAS. OK. Well, that is fine.

Jon, or Senator Kyl, I agree entirely with your view, and I think we ought to help the President and support what he indicated in the letter. Do you think not having WTO, or normal trade relations, passed in this session would be helpful?

Senator KYL. Well, Mr. Chairman, Senator Thomas, I agree with you that we should grant WTO status to the PRC, and I have no objection, notwithstanding the same concerns that Mr. Bolton has, to that occurring in this session. But, I do think some other things need to accompany it. It needs to be based upon certain fundamentals, one of which is that the Chinese, the PRC, should not be able to dictate the exact terminology with respect to which Taiwan also comes in, and I have no objection to Taiwan coming in immediately after the PRC as well. My point is that they should not use their entry into the WTO to score a different political point.

It is the same thing you were talking about with respect to human rights. While it is related, it is not the trade issue per se, and I would say the same thing here. While the Chinese fixation on identifying the political status of Taiwan is a related issue, it should not be a factor in the granting of either WTO status for the PRC or Taiwan.

Senator THOMAS. And I agree with you. I agree with you entirely.

Mr. Bolton, is it not true that PRC probably will be in WTO whether we pass this or not?

Mr. BOLTON. I think that is correct, but I think—and I do not object to that, as I have said, but what I do think is important is that we not set a precedent that will damage the WTO in years down—in years to follow, where political questions like this can be interjected and where, if other countries see the opportunity for political gain, they will use the WTO and corrupt it.

Senator THOMAS. I agree with you entirely, but there is no assurance that that is going to happen. We can oppose that, and we can do it in the working group.

Mr. BOLTON. The most important thing, Mr. Chairman, in my experience in international organizations—and I think it is true for others as well—the single most important thing is American leadership, absolutely firm American leadership that there will be no compromise on this question of keeping the political question out, and that is—I believe it is very important that Congress make its views on that clear.

Senator THOMAS. I could not agree with you more. My concern is that some kind of an amendment or several amendments that go on this bill that keep this from happening.

I guess the real question—I do not know that anybody would disagree with any of those things, religious freedom, all this sort of stuff, but that is really not the issue. We all agree with that. The issue is, how do we best bring about change in the PRC? Do we

do it by pushing them off and making it more difficult, or do we insist on certain things as they move forward? It seems to me that is the issue.

It is pretty easy to just complain and say we are not going to do this, we are not going to do that, but if we want to bring about change, then how do you do that?

Senator KYL. Mr. Chairman, could I just make a quick comment on that?

The CHAIRMAN. Sure.

Senator KYL. There has been a lot of concern about the PRC's willingness to abide by the rules of the WTO once it is admitted to the organization, and that concerns me, too. I think that over time it is useful for a country like the PRC to be in a regime like this. Over time the hope is that it will learn to live with the same rules that everybody else learns to live with, and so for that reason, even though I am somewhat skeptical about their initial willingness to comply with these rules, I think that that is useful.

I think a good starting point is to make it clear to them that they cannot dictate the words with respect to Taiwan's accession, and that is why I agree with the President that he says, their words are unacceptable, and we need to make it clear.

Senator THOMAS. Yes, I agree, and we ought to find a means of doing that, and I think we can do that. I do believe strongly, and this is one of the reasons I am a strong supporter of it, I think we would have better luck and have a better chance to deal with PRC over time.

So thank you, Mr. Chairman.

The CHAIRMAN. But how about Taiwan. Are we going to leave them hanging, dry and high, and that is precisely what the argument is among so many people who favor doing it now.

Now, does anybody believe that the House of Representatives would balk at an amendment giving fair play to Taiwan, an amendment to that effect? Would that kill the proposition?

Senator THOMAS. I do not know, Mr. Chairman. Part of it, I read about it, is the difficulty on timing and so on, but you know—but I guess I would just respond I could not agree with you more.

Listen, we have been committed to Taiwan, we are committed to Taiwan. There is no question about that.

The CHAIRMAN. Except when the vote is involved on this question.

Senator THOMAS. I do not think that is the question involved here. I think the process here is what you are talking about, not our commitment, and I agree with Senator Kyl, we need to find a way to get that message there, but I do not think an amendment is—that is my view.

The CHAIRMAN. So what happens, I ask you, to Taiwan?

Mr. BOLTON. Well, I think the risk of Congress not doing something now is that at some point in the very near future, let us say PNTR passes this month, goes into effect. The resolution is adopted, and then the PRC actually joins the WTO, and then, and only then—that is to say, once it is clearly a member, and once PNTR has kicked in—then it says: "we would be delighted to have Taiwan in, except we want an explicit acknowledgement it is a province of China." Then they are already in. Then your leverage is gone.

I would just think as a bargaining matter you are in a stronger position to do something now, just to have a very simple—

The CHAIRMAN. You are exactly right.

Mr. BOLTON [continuing]. Amendment that says: “do what you say you were going to do, stick to your commitment.”

Senator THOMAS. Well, there is a list of bargaining issues as long as your arm, you know that and so do I, so bring them up—there is tons of them. Why do we not put them all on?

Mr. BOLTON. Because I think this one, as I said in my testimony, goes to the heart of the integrity of the World Trade Organization itself.

Senator THOMAS. Absolutely.

Mr. BOLTON. If this one goes awry—this is not a human rights question, it is not a WMD question, it is not a religious freedom question. It is about whether the WTO will work or not, and I think we have an interest in making the WTO work. I fear what is going to happen if we allow this kind of behavior from an entity that is not even in the WTO.

Senator THOMAS. You are suggesting something is going to happen that is not necessarily going to happen.

Mr. BOLTON. I am worried based on—

Senator THOMAS. I know you are worried, but that does not make it happen.

Mr. BOLTON. No, but I—

Senator THOMAS. A lot of people are worried about other things.

Mr. BOLTON. I am worried about the position, and the strength of the position of this administration. I think Congress can measurably stiffen its spine.

Senator THOMAS. I think we can, too. Let’s find a way to do it besides an amendment.

The CHAIRMAN. Well, the fact remains that Taiwan qualified itself for admission to WTO years ago.

Mr. BOLTON. I was going to say, Mr. Chairman, on that point, if you look at the actual agreement in 1992, that was probably a mistake then. It probably was a mistake for Taiwan or the United States to conclude that we would allow the PRC to enter first and Taiwan only to enter second. We should have said they should enter when they are ready, irrespective of political considerations, and had we done that Taiwan would already be a member now.

Senator THOMAS. Was the agreement you talk about ever finalized?

Mr. BOLTON. No, it was not, and it was an oral agreement, and many people have questioned it from the beginning.

I am trying to be realistic, Senator, as I think you are, and say we are not going to go back to 1992 and reopen that. Let us take it for what it is and simply ask that the PRC agree to what they agreed to.

Senator THOMAS. But my point is, you indicated the agreement in 1992. There was no agreement in 1992.

Mr. BOLTON. There was certainly no written agreement, that is correct, but I do not know of any person involved in trade policy who has not referred to it as an agreement.

Senator THOMAS. Sure, and I agree with you, and there are 26 countries, most of whom would agree with that.

The CHAIRMAN. Further comment.

Senator KYL. Well, Mr. Chairman, I just hope that we can find a way over the course of the next couple of weeks to stand united for the proposition that Taiwan needs to come in under the terms that the administration and the Congress believe is appropriate, and that we should hold out the prospect of legislative action to ensure that as one way for the administration to nail it down.

And I would just suggest, and do this with all deference to my colleague from Wyoming, that perhaps we could all be a little bit less specific about what we may or may not do under the circumstances. It could be that if there is an understanding that Congress might well act legislatively if the PRC is not willing to agree with the administration, if we are able to hold out that possibility, then I think it likely that the PRC will work with our administration.

But if we announce in advance that no matter what they do we are still willing to grant them entry, then we have certainly given up one element of legislative leverage, and after all, it is the U.S. Congress that has this authority. And, we could use it to help the administration right now, if we will only do that.

The CHAIRMAN. John.

Mr. BOLTON. Just one last bit of history. Congress has acted in this way before. During the PLO's efforts to join the World Health Organization in 1989, for example, it became clear to us we were going to lose that fight unless we took some pretty strong diplomatic action.

And my boss at the time, Jim Baker, issued a statement just before the World Health Assembly where he said, "I will recommend to the President that the United States make no further contributions, voluntary or assessed, to any international organization which makes any change in the PLO's present status as an observer organization." That was tough language. That is using contributions as a weapon, and it worked. Frankly, if Secretary Baker had not said that, we would have lost.

Congress was not satisfied with that. Congress, after the PLO failed to get into the World Health Organization, took almost exactly that language and put it in statutory form to say: "it is not that we do not trust Jim Baker and President Bush. We want to make it clear Congress has an independent view of this."

So Congress does this all the time.

The CHAIRMAN. Let me ask the three of you this. Suppose, hypothetically, we did the right thing instead of playing Chicken Little because of the heavy lobbying that has been done on this, being honest about it, heavy contributors who in the past perhaps have contributed to me—in the future they may not, but that is up to them.

I think that this issue is so important that the Congress ought to go ahead and do something in the Senate first about Taiwan that is specific so it does have to go back to the House, and I wonder how many House Members and how many Senate Members would object to coming back after the election if the schedule warrants it. If we are not willing to do that, we are not very concerned about Taiwan. I think we ought to stand up for Taiwan now, and not in some vague future time.

Any further comment or response?

Senator KYL. Mr. Chairman, I have personally visited with your former colleague and my friend, Barry Goldwater, about Taiwan, and he impressed upon me many times before his death the importance of that relationship. I would feel duty bound to do whatever I could to ensure nothing but fairness, which we have all agreed on here, and if that required us to come back, that would certainly be no problem for me.

I think that Senator Thomas has rightly pointed out that there is a risk, if we are hoping to do this before the election, but I actually believe that because there is such strong support both for WTO admission for the PRC and for Taiwan, it would not take long at all for that one change to be approved.

I understand there is a risk trying to do it before the election, and that that is of concern to people, but I also believe that sometimes matters of principle are so important here that a little bit of extra time that it may take is worth it, and I would be willing to do whatever it took to ensure that Taiwan comes in under the right terms.

The CHAIRMAN. That is precisely the point. If there be no further business to come before the committee, we stand in recess.

[Whereupon, at 11:23 a.m., the committee adjourned.]

