

would be happy to yield to him at this point.

The PRESIDING OFFICER. Would the Senator from Montana—

Mr. GRAMM. Reserving the right to object, may I hear the request again?

The PRESIDING OFFICER. The inquiry was whether the Senator from Montana desires time.

Mr. BAUCUS. Mr. President, I appreciate the inquiry of the Senator from North Dakota. I would, but I want to accommodate the manager of the bill, too. I would like, at some time in the next hour or two, to speak for 15 minutes.

Mr. GRAMM addressed the Chair.

The PRESIDING OFFICER. The Senator from Texas.

Mr. GRAMM. To accommodate the Senator, why don't we just take 5 minutes off each side. We are going to have the vote at noon, so we will have less time. Senator SARBANES and I had an opportunity to plow this ground in some depth, so why don't we yield to the distinguished Senator 10 minutes now, and then we will begin the debate on the financial services modernization bill.

Mr. BAUCUS. If I might try once more for 15.

Mr. SARBANES. I yield the Senator another 5 minutes.

Mr. BAUCUS. Thank you very much.

The PRESIDING OFFICER. So the RECORD is clear, the Senator from Montana will have 15 minutes—10 minutes from the Democratic side, 5 minutes from the majority side.

The Senator from Montana is recognized for 15 minutes.

Mr. BAUCUS. Mr. President, I ask unanimous consent to speak in morning business.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAUCUS. Mr. President, I thank very much not only my good friend from North Dakota but my good friend from Texas, Senator GRAMM, and my good friend from Maryland, Senator SARBANES.

CHINA'S WTO ACCESSION

Mr. BAUCUS. Mr. President, I rise this morning to offer some thoughts on the negotiations towards China's WTO accession, in the aftermath of Premier Zhu Rongji's visit to the United States.

This, I submit, is a question of fundamental importance to America's trade interests. China is now our fourth largest trading partner—after Canada, Japan, and Mexico—a major market, and the source of our most unbalanced trade relationship in the world. And it is perhaps still more important to America's strategic interests in Asia. Today, I would like to review the progress thus far and its implications for these interests.

Let me begin, however, with some context about WTO accessions and the commitments they require.

The WTO really began with the creation of the General Agreement on Tariffs and Trade, otherwise known as the GATT, in 1948. At that time, 23 nations were members. Each of them agreed to a set of tariff cuts and agreed to apply the new tariffs to all other GATT members. This is the famous, or infamous, principle of "MFN," or "Most Favored Nation."

Since then, since 1948, 111 other economies—membership is no longer restricted to countries, as Hong Kong and the European Union are now members—have joined to make up today's 134-member WTO.

The original tariff agreements are also joined by agreements on sanitary and phytosanitary standards—that is, health standards—intellectual property, technical barriers to trade, and other issues. And 30 more economies have applied to join, the largest being China.

As these economies join, they must also lower their trade barriers, live up to WTO's intellectual property and agricultural inspection commitments, and so forth. For existing members, however, the only requirement is the one they adopted back in 1948: that we apply MFN—or today normal trade relations—tariffs to the new members. That is the only commitment that current members have to make.

So as we consider the commitments China has and will make to be a WTO member, we must also remember that these are fundamentally one-way concessions. Let me repeat, to enter the WTO, China has committed to a set of one-way concessions.

Nothing in any WTO accession will mean American concessions on market access; the use of our trade laws to address dumping, subsidies, or import surges; or controls on American technology exports. Likewise, if we should choose to tighten export controls at some point in the future, nothing in the WTO accession would prevent us from doing so.

Let me now turn to the commitments China has made and to the issues which remain.

To enter the WTO, China and the existing members must do two things: draft a "Protocol" covering a set of fair trade policies, and agree on a set of market access concessions.

These are the issues which the American negotiating team addressed in the months and weeks before Premier Zhu's visit. And the results are striking. China has made a significant set of concessions in both areas. The work is not done, but let me review for the Senate some of the major elements.

Under the protocol, China has made the following commitments: It will end the practice of requiring technology transfer as a condition for investment. That is very big. This includes refusing to enforce tech transfer provisions of existing contracts. The United States

is guaranteed the right to continue using nonmarket economy methods for fighting dumping and unfair subsidies.

China will end investment practices intended to take jobs from other countries, for example, local content requirements which stop auto plants from importing U.S. parts; export performance clauses requiring production to be exported rather than sold on the Chinese market, and so on. And China has agreed to a product-specific safeguard which will strengthen our ability to fight sudden import surges.

It is important in the weeks and months ahead to ensure that these provisions have acceptable duration. But it is also clear both that we will be able to use the WTO to strengthen our guarantees of fair trade, and also that we will be able to use our own domestic trade laws for the same purpose. These are fundamental parts of any successful WTO accession.

The American negotiators have also won an impressive set of commitments in market access. Let me offer a few examples: In agriculture, China has already begun by lifting its infamous ban on Pacific Northwest wheat, American beef, and also on citrus products. And when it enters the WTO, it will accompany this by major tariff cuts. For example, beef tariffs will fall from 45 percent to 12 percent, and adoption of tariff-rate quotas in bulk commodities; that is, minimum guarantees of imports into China.

The wheat tariff-rate quota, for example, has the potential to lift China's imports from 2.4 million metric tons a day to 7.3 tons for the first year China is in the WTO and more afterwards. China will also give up any rights to export subsidies, a far cry from, say, Europe which has massive export subsidies; China going much, much further than Europe is today.

In industrial goods, China will grant full distribution rights, retailing, repair, warehousing, trucking and more in almost all products over 3 years. And it will allow American companies to import and export freely. These are concessions that will fundamentally transform an economy which now operates by requiring both Americans and Chinese to use Chinese Government middlemen in these areas. It will make large tariff cuts to an average of 7.1 percent, and it will give up the quota policies at the heart of several industrial policy ventures.

Another concession of special interest to my State of Montana is deep cuts in wood products, from levels reaching 18 percent today down to 5 and 7 percent after WTO membership. And in services, China has made commitments in every sector. They are especially strong, as I noted, in distribution, but also extend to telecommunications, to finance, to audiovisual, environmental services, law, franchising, direct sales and more. These are very

significant concessions which go most of the way to creating a commercially meaningful agreement.

The U.S. negotiators deserve immense credit for their tremendous achievements of the past months, absolutely amazing, perhaps even more for their willingness to refuse bad offers in the past years and remain firm in the commitment to strong accession in all areas.

Several issues, however, remain unresolved. I am especially and very strongly concerned that we are not accepting any rapid phaseout of nonmarket economy dumping rules or import surge provisions. We can also improve on the market access commitments in several of the service sectors. However, we should also understand that there is a point at which we should say yes. We should not set a goal of transforming China's trade regime into Hong Kong's by next New Year's Day. Rather, we should expect a good, commercially meaningful accession, and we are almost there now.

Finally, let me say a few words about the broader interests involved. A WTO accession is a set of unilateral trade concessions; in this case, made by China. As such, it is in our economic and our commercial interest. It will create opportunities while making trade fairer for our working people and farmers. But it is also a piece of a larger strategy designed to create a more stable, a more prosperous and more peaceful Asia-Pacific region.

China's economic integration into the Pacific region since the opening under President Nixon in 1972 has been immensely important to our long-term national interests. We can see that very clearly in the Asian financial crisis, for example.

When I came to Congress, China was a revolutionary power, which would have used this recent currency crisis to spread disorder, spread revolution throughout Southeast Asia and the Korean peninsula. But today it is a beneficiary of Thai, Singapore, Korean and Malay investment, and these countries are also China's markets. China has responded to the crisis by contributing to their recovery through currency stability and several billion dollars in contributions to IMF recovery packages.

The WTO accession will deepen and strengthen this process. At the same time, it will move China toward the rule of law, give Chinese working people, students and families more frequent, more open contact with foreigners and, thus, contribute to our work toward a China which has more respect of the law and more respect for human rights.

Mr. President, the U.S. negotiators thus far have done an excellent job. They have already offered American farmers a ray of hope during a very difficult year. We are very close to acces-

sions that will make trade with China fundamentally more fair for our country. It will then be up to the Senate, to our colleagues, to take the final step by making the normal trade relations we now offer to China permanent.

I thank the Chair. I yield the floor, and I suggest the absence of a quorum.

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER (Mr. HUTCHINSON). If the Senator will withhold, morning business is closed.

FINANCIAL SERVICES MODERNIZATION ACT OF 1999

The PRESIDING OFFICER. Under the previous order, the Senate will now resume consideration of S. 900, which the clerk will report.

The legislative assistant read as follows:

A bill (S. 900) to enhance competition in the financial services industry by providing a prudential framework for the affiliation of banks, securities firms, insurance companies, and other financial service providers, and for other purposes.

Pending:

Sarbanes (for DASCHLE/SARBANES) amendment No. 302, in the nature of a substitute.

The PRESIDING OFFICER. The time until 12 noon shall be divided between the Senator from Texas and the Senator from Maryland, with 23 minutes for Senator GRAMM and 17 minutes for Senator SARBANES.

The Senator from Texas.

Mr. GRAMM. Mr. President, I yield 3 minutes to the distinguished Senator from Florida.

The PRESIDING OFFICER. The Senator from Florida is recognized.

Mr. MACK. I thank the Chair.

Mr. President, I thank Senator GRAMM for yielding me the time. I have a comment or two with respect to the process that we have gone through in putting this legislation together.

I commend Senator GRAMM. I can't think of a time in my now 17 years in the Congress where I have had a chairman of a committee that has spent as much time with the other members of the committee, walking through a particular piece of legislation, each aspect of it, making sure that each of us was prepared and educated on the various issues. There are some difficult issues that face us—the whole issue of CRA, unitary thrifts, the mixing of banking and commerce, the issue of operating subsidiaries versus affiliates, all of them complicated.

I can remember not too many years ago when there was this sense in America that the model which should be followed was the Japanese banking system that people looked at and said, we ought to look at Japan, the dynamic economy they were producing in the late 1980s. I think about how much things have changed in those 10 years.

Mr. SARBANES. Will the Senator yield on that point very briefly?

Mr. MACK. I will be glad to yield for a moment.

Mr. SARBANES. I remember people would say that the Japanese had all the largest banks in the world and they were saying, look. And now look at the situation.

Mr. MACK. It is a dramatic change, and here we are. We have been talking about this legislation for all those years and we haven't made the modifications we needed to make. I hope we will be successful this time.

I rise in support of the underlying bill and in opposition to the Sarbanes substitute. We all know that legislation to overhaul the bank regulatory structure is long overdue, and I join many of my colleagues in thanking the chairman for his hard work in writing this bill and bringing it to the floor.

I will begin by quoting the words of the Senate Banking Committee report, which I believe presents a strong case for financial modernization. It states:

The argument for legislation to rationalize our financial structure is strong. Regulatory and court decisions have eliminated many of the barriers between commercial and investment banking. The barriers separating commercial banks from investment banks have been perforated in both directions. Finally, changes in the technology and practice of financial intermediation have rendered the restrictions of Glass-Steagall increasingly ineffective and obsolete.

There is nothing particularly remarkable about that language, Mr. President. In fact, those same arguments will be made by many of my colleagues here today. But what is remarkable about the statement I just read is that it comes from a committee report on banking legislation in 1991. Just as I believed those words to be significant 8 years ago, I believe them to be even more so today. Unfortunately, there was no overhaul of our banking system in 1991. And despite much hard work and a clear need for action, there has been none since. We are long overdue for this debate and I am pleased the Senate is addressing this important issue.

Freedom and free enterprise have allowed our corporate and financial institutions to respond to changing times and to adapt to a changing financial environment. But this ability has reached its limits within the confines of present law. For our financial institutions to continue to grow, to compete, and to evolve, we must give them a new legislative climate in which to operate. That is the purpose of the bill before us today.

Mr. President, our banking system is truly a model for the world. Emerging economies from Asia to Africa to Central Europe look to the United States for the blueprint and technical expertise to build an effective financial infrastructure. This is happening because we have found a remarkable balance