

they react and work with Hollywood at different times. It says:

In southern California, records show, Gore and the Democratic National Committee so far have raised \$10.3 million—a 13 percent increase—at a time when the DNC's nationwide fundraising pace is lagging behind 1996, when Clinton ran for re-election.

Quoting further in the article:

Gore generated \$443,050 in hard money from the entertainment industry, 86 percent more than Clinton in 1996. He also took in \$340,375 from lawyers and lobbyists, a 66 percent increase, and \$124,350 from real estate interests, an 82 percent jump.

Now I will quote from the August 18 Los Angeles Times. The reference in the headline reads: “. . . The Vice President is building upon that legacy” to follow Clinton's close relationship with Hollywood. “He has already raised more than the President did in '96.”

Later on in that article, referring to a person whom I do not know—his name is Reiner:

But Reiner . . . has expressed greater support for Gore than he had for Clinton. He has hosted fund-raisers for Gore at his home, stumped for him on television and even flew to Ohio to join him at a campaign event last week.

A reference to the fact there were Hollywood types campaigning strongly for the Vice President because there was some chagrin in Hollywood, at least for a short period of time, about whether he is a legitimate crusader against Hollywood violence, which Senator LIEBERMAN is, that he was being selected as Vice President.

The Los Angeles Times reports on August 17, 2000—and this was Vice President GORE doing this.

The effort to blunt any dissent over Lieberman's selection started as word leaked out of his ascension to the ticket. Gore, according to an associate, made a round of soothing calls to Hollywood figures, including moguls Jeffrey Katzenberg and David Geffen.

I have already congratulated Senator MCCAIN for holding this hearing. We need to do what we can to stop violence being peddled by Hollywood so our young people do not think it is right to kill anybody. I do think it is wrong for the very people who are carrying on this crusade—the Vice President and the President—schmoozing at the same time they are carrying on this campaign with Hollywood.

I want to comment on Vice President GORE's curious interest in criticizing the entertainment industry for producing violent movies, television shows, and video games that promote immorality and attack traditional family values.

I do not doubt for 1 minute, as I have already indicated, that Senator LIEBERMAN is very sincere in his views on this matter, but the fact is that the Vice President is at the top of the Democratic ticket, and everyone knows that he will set the real tone should he be elected in November.

The fact is that the Vice President has taken a record amount of money from the entertainment industry. I refer, again, to the Chicago Tribune. The Vice President and the Democratic National Committee have raised \$10.3 million from southern California as of August this year, a 13 percent increase over 1996, and the Vice President has gotten \$443,050 in hard money from the entertainment industry, 86 percent more than President Clinton received in 1996.

The Clinton-GORE administration has been a real friend to the Hollywood liberals over the years. I guess all of those campaign contributions have had some effect. I think that when Hollywood producers hear one of their best friends in Washington criticize the entertainment industry, they just look to their “cozy relationship” with Clinton-Gore. The Hollywood moguls know GORE does not really mean what he says; at least that is a clear signal. Hollywood knows GORE does not really want to “rock the boat.”

For instance, how many times at these fundraisers that they had was the opportunity taken to protest the violence coming from Hollywood through their films and their videos?

According to the L.A. Times, the Vice President privately told a group of Hollywood donors that he had nothing to do with President Clinton's effort to study whether Hollywood markets violence to children and that he was not consulted on the issue. That was in 1999.

But now that the study is out—this study came out this week—Vice President GORE is talking it up and taking credit. The Vice President is acting as if he has not made private promises to his big campaign donors and to Hollywood notables that they should not worry about a crackdown on Hollywood excesses. But we have heard all of this before.

In 1988, then-Senator GORE made similar promises after holding hearings into offensive music lyrics. It appears the Vice President will say what he wants to say, what he needs to say, to anybody he needs to say it to, just to get elected. I think the American people will not be fooled by these kinds of bait-and-switch tactics. They know a phony act when they see one.

In fact, Hollywood liberals are actively campaigning for the Vice President. For example, according to press reports, stars and movie producers have hosted GORE fundraisers, and some have even stumped for GORE around the country. So much then for standing up to Hollywood as opposed to schmoozing with them.

The American people need their leaders to take a genuine interest in building a civil society of which we can all be proud. We need leaders who will make sure children are protected from violence and immorality peddled under the guise of entertainment.

What we do not need is the Vice President telling the American people one thing while—with a wink and nod towards Hollywood, towards the big shots of the movie industry—assuring the Hollywood elite he does not mean what he says as he pockets their cold cash.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The distinguished Senator from Rhode Island is recognized.

#### PERMANENT NORMAL TRADE RELATIONS WITH CHINA

Mr. REED. Mr. President, we have, for many days, been debating the momentous decision of extending permanent normal trade relations with China.

At the essence of our debate is a very simple question: Will we continue a policy of economic engagement with China or will we turn away? I believe we have to continue this policy of engagement. We have pursued this policy for almost 30 years. It has contributed to profound change in China. But it has not transformed China into a classical liberal democracy. It has not led to the establishment of a multiparty democracy, with an independent judiciary protecting the rights of China's people, particularly the rights of expression. It has not cramped China's policy which supports the proliferation of weapons of mass destruction. But it has placed China on a very different historical trajectory than could have taken place.

This notion of the change brought in China came to me with great force last August when I was traveling through China. I was at Dandong on the Yalu River. We were looking across into North Korea. One of our guides pointed out that in the 1950s and early 1960s, North Korea had a higher per capita income. North Korea was seen as the model of socialist development in Asia. North Korea had had a heavy industrial sector that was competitive with many parts of the world.

Yet today—at that time last year—we were peering into a country that was starving, that had an economic system in collapse, that we were concerned could be so unstable they could threaten the peace of the region.

They did not choose the trajectory of international trade. They did not choose the path of engagement with the West. One can ask: Had China gone that route, had we not tried to engage China, would we be facing today a country with over 1 billion people hermetically sealed in an economically failing and ideologically driven country, armed with nuclear weapons? If we were confronting such a country, I think we would be much worse off than we are today, even with the frustrating and uneven relationship that we have—and we must admit we have—with China. So I believe that we must continue this policy of engagement, which

is at the heart of the extension of permanent normal trade relations.

China is now a part of the world and the world economy, but it is also still China. It is a mixture of modernity and also a mixture of the old, indeed, the ancient.

One of the examples that I have seen in China—this one occurred just a few weeks ago when I was traveling there again—is the contrast in Wuhan. Wuhan is a city on the Yangtze Sea in China. It is an old city, not like the new cities on the coast such as Shanghai and other cities. It is in some respects the Pittsburgh of China. It is a highly intense, heavily industrial city. You can tell that from the extraordinarily bad air pollution.

There are two companies we saw. One was the Wuhan Iron and Steel Company. It is right out of the industrial age. Andrew Carnegie would have been right at home, except for the 386 computers that were running the facility.

Then we saw another factory, the Yangtze Fiber Optic Company. It could have been in Silicon Valley in California, producing fiber optic cable, producing it to world standards. Initially, it was a product of investment by the Dutch company Phillips, now it is a wholly owned enterprise by Chinese owners. These are the examples of the economy—the old and the very modern.

In addition to that, when you go out into the villages, you see perhaps the truly ancient. As you drive through China, you see individuals hammering away, as they have for thousands of years, repairing bicycles with hammers and not much else. You see farming activities that could go back thousands of years. It is a diverse country. But it is a country that has been profoundly affected by change in its contact with the West over the last several decades.

The other factor that is being seen as a result of this contact is the pressures within China generated by this change. We sometimes, and quite rightly, look to the effects on the United States by this trade deal. We presume that the only effects that are felt in China are positive, are beneficial, that in fact they are not going to make difficult choices and decisions. In fact, the reality is they are already seeing the effects of this change, of this contact with the West.

In the *New York Times* recently, there was an article about a factory in China where the workers, who were being let go because of the consolidation of this factory by their Western owners, were seizing the management, were blockading the facility, were effectively revolting from the effects of international trade.

There are examples of violence where inefficient state-owned mines and enterprises are threatened with closure and workers are literally rising up to demand that these facilities remain open.

So this change has also affected China. This change is recognized by the leadership. I had the opportunity to meet with Zhu Rongji, the Premier, while I was there just a few weeks ago. They understand very well that economic change will lead to political change. They might not welcome it. They might indeed try to avoid it. But they know that political forces, as well as economic forces, are unleashed when markets are open. That is one of the effects we will see through this extension of permanent normal trade relations.

For many reasons, I believe to step away would be a mistake. It would immediately embolden those who are our most bitter antagonists within China. It would, in many ways, take away the legitimacy of those forces in China, not liberals, but pragmatists who have sought a relationship with the West, and the United States in particular, that emphasizes trade over hostility, that emphasizes engagement over conflict.

To step away would also allow industrial nations around the world to take the benefits of our deal, the benefits of our bilateral relationship, the benefits of open trade with China, while we ineffectively try to use our abstention, our veto of China's entry into WTO, as very ineffectual political leverage to move them.

To step away would also represent a serious rupture in our relations with China that could not be explained away as merely a dispute about trade, the technicalities of trade. It would harden attitudes and opinions within China and, indeed, here in the United States at a time when we need a constructive and candid dialogue about our differences. And our differences are real. In order to discuss these differences, in order to maintain this dialogue, the extension of PNTR is essential.

It is quite evident at this juncture that a majority of my colleagues in the Senate find these reasons compelling, and PNTR will pass. But looking ahead, we should, at this point, be very cognizant of the possible consequences of PNTR. It will not be a panacea. It will not change China overnight. It will not lead to a huge increase in American exports to China. It will, in fact, create consequences that we may find very difficult. In fact, one of the points I tried to raise with Premier Zhu Rongji is that our expectations of China after PNTR will collide with the reality of China and may, indeed, usher in a period of more tension rather than less.

Now China wants desperately to be part of this commercial system that is made up of the United States and our major trading partners—for want of a better term, “first world” countries—all in precise terms, all carrying a sense of who the players are. But this system has some embedded values with which the Chinese will have to come to grips.

Our system emphasizes the protection of property rights. It also emphasizes the expectation of the regularity of governmental action. That is a polite term for “no corruption.” That is at the heart of our trading system. China has to come to grips with that.

Moreover, I do not believe China can divorce itself from even more fundamental values that are part and parcel of the world outside of developing countries. They start with respect for human rights, which is at the core of our democratic values, and they include protections for workers and the environment. We may have been unsuccessful in getting into these agreements, with force and with effect, language regarding human rights and worker rights and environmental rights, but no country or economy in the world can operate indefinitely today without recognizing these rights. In a world of increasingly transparent borders, the lessons of the economic, social and, indeed, one would say, moral success which has steadily improved the life of those who live in market economies in the West, do not escape the people in China and the people around the world. To the extent that they open themselves up to trade, they open themselves up to exposing these values to their own people.

China has a monumental task as they embrace this notion of free trade. It is not a one-way street. It is a two-way street. They face the task of transforming a system that is seriously undermined by persistent corruption, that pays scant respect to individual rights, that chooses order over law, and is obsessed with the need to keep millions of people working in an economy dominated by inefficient state-owned enterprises. Add to those domestic problems that are real and palpable the fear that internal disorder will lead to the exploitation of China by outside forces, a situation that dominated Chinese history in the last century and up until the 1940s.

In one respect that is one of the major reasons why they are militarily provocative in many ways to us, because to us they look as if they want to, perhaps figuratively, take over the world. In China, they recognize that recently their country was divided by Americans, by British, by Germans, and that their country was ruled by others rather than themselves. All these forces are at play.

The tremendous challenge to transform this country, the fear of their own security as a nation, because of these realities, we should not be surprised if China promises today more than it intends or even can deliver tomorrow with respect to these agreements.

In an article in the *American Prospect*, James Mann, who is a very astute observer of China, pointed out that we frequently develop perceptions about China that are different than the reality of China. Many perceive China

today as this modern country that is an economic monolith of force, of incredible production, a force of endless and cooperative labor. They also see it as a monolithic political system, with the Communist party dominating, that is capable of turning on a dime, turning the switch left or right. The reality is more complicated.

The Chinese Communist Party plays the central role in the country, but it is an institution with internal factions. Some favor engagement with the West. Some disfavor it. Some harken back to the Maoist Cultural Revolution as the zenith of China. Others, quite properly—I hope the majority—reject that as a fantasy. But it is also a central authority that is constantly challenged by its provinces, constantly challenged by local political leaders. The modernity of China is so evident, if you go to Shanghai, if you go to Hong Kong, certainly since it has not been absorbed back into mainland China. This modernity rapidly diminishes as you go away from the coast, as you go to the older cities, Wuhan and Shenyang, which years ago was known as Mukden, and as you travel to the small villages. Even with the wholehearted support of the leadership and the commitment of the party, it is hard to make things change.

Mann relates a meeting between President Nixon and Mao Zedong in 1973. President Nixon opened with a bit of flattery by saying:

The Chairman's writings have moved the nation and have changed the world.

Mao, without missing a beat, retorted:

I haven't been able to change it. I have only been able to change a few places in the vicinity of Beijing.

The power, the capability, the willingness of China to change is questionable. But we know with the advent of WTO, even without WTO, with the continued pressure of interaction internationally, China will have to change. It has to reform inefficient industries while it still tries to maintain current employment and create 18 million jobs a year for new entrants into the labor force. This task alone has led to angry and sometimes violent conflict. It has to overhaul its justice system. It has to root out corruption. It also has to convince a very cynical population, particularly cynical about the Communist Party, that their future is going to be better rather than worse.

This is not an apology of China. This is, I hope, a statement of the reality of the challenges they face and the challenges that we have to understand as not only trading partners but as major powers in this world together.

In this collision between faithful implementation of WTO rules and the prospect of profound change that faces China, the Chinese leadership will be more than tempted to delay or undermine or misconstrue WTO rules. That,

I would posit, is a very high probability. When this happens, ironically the business community that is descending upon us today to open up China, to get China into WTO, will descend upon us with equal force and say: Get tougher. And even without scrupulous adherence to the WTO, change is going to come to China. If this change further exacerbates the plight of millions of workers, the leadership could embark on a strongly nationalistic and assertive foreign policy as a means to galvanize support, to distract a disenchanted public from economic shortfalls. This could lead to more proliferation, more bellicose threats to Taiwan, the kind of military rumors that we all find disconcerting when it comes to China.

Having said all this, having painted a picture of what, in my view, are some of the realities of China, and having very little confidence that this arrangement will be adhered to scrupulously and fairly and routinely and quickly, one might ask: Then why do it?

We might not be getting a lot out of PNTR. Indeed, by voting for PNTR, we may only be trading the certainty of hostility for the chance to continue a relationship that is frustrating at best. But this relationship is critical to stability in the region and around the globe. For this reason, national security reason, if you would so describe it, this opportunity for stability, opportunity for time to work out some of these very fundamental problems is worth the effort.

We should also understand, as I have described the rigorous change that might come to China, that this agreement will not be painless for the United States. There will be economic sectors, communities, families who will see their lives changed. We hope for the better, but we know that change works both ways. Industries are less competitive in certain cases. Products can be produced more efficiently, more effectively, more cheaply overseas, displacing American workers. So we have to recognize, too, that our response to this issue is not simply passing this legislation this week. It is continuing our efforts, indeed, redoubling our efforts to ensure that we have an education system in the United States that can prepare people for this world of intense competition, that we have a health care system that will allow families, particularly children, to have access to the best care in the world, that we will have a disciplined fiscal policy in this country that will provide the foundation, along with sensible monetary policy, for the continued expansion of our economy so that those economic benefits can flow not only to the very few but to all Americans.

Our task is not to reject PNTR. Our task, if we accept PNTR, which I suspect we will, is to ensure that our ef-

forts are directed to improve the quality, the competitiveness, the abilities of our workers. When we do that, we will have much less to fear about the disruptive change that will come through PNTR.

Now, I have spent some moments speaking about the major themes I see emerging with respect to PNTR in relationship to China. Let me take a few more moments to talk about the tangible aspects of this legislation before us. This legislation is unlike other trade arrangements that I have debated and voted upon, specifically regarding NAFTA, where we were lowering our tariff barriers and opening our markets, and we were looking at a comparable lowering of barriers in Mexico.

This is a situation where our markets are already open to China. Our markets have been open for years. This is the first time, though, we have had meaningful tariff reduction by the Chinese, meaningful elimination of nontariff barriers by the Chinese, opening up of a broad range of American industry—industrial, service industries, all of them—so that they can enter into China, allowing our companies to operate without necessarily having Chinese partners, allowing our companies to have their own distribution systems within China. This is a deal, economically, that represents concessions by the Chinese in terms of tariff barriers, nontariff barriers, entry of American business, and investment with very little, if any, concessions on our part because the reality is we have already, in effect, made those concessions years and years ago.

The agreement binds tariff rates that China will charge on our goods because of the WTO framework, so that it can't unilaterally raise the tariffs. As I mentioned before, it covers a broad array of American products, banking, insurance, telecommunications, business, and computer services—all of which have had a difficult time getting into China. It also attempts to protect in a very meaningful way potential surges in goods of China coming in to the U.S. It allows us to use some domestic dumping tools that we already have in our legal inventory. It has gone a long way to try to counteract a surge of Chinese products coming in.

But opponents, and indeed proponents, of this legislation point out an inescapable fact: We are running huge trade deficits to the world and, in particular, China. These trade deficits are something we have to deal with. Coincidentally, today, it was just announced that the trade deficit has hit an all-time high. It continued to break records this spring as foreigners kept pouring investment into the American economy and Americans stepped up their buying of foreign goods. We have a huge problem with our trade deficit. It is a ticking time bomb. China is a

big part of it, but China is not the only part of it.

Interestingly enough, a rapidly increasing percentage of American imports now comes from nations where wages are actually higher than in the United States—including Switzerland, Germany, Denmark, Sweden, and Austria. They all enjoy booming exports from the United States. The current stereotypical thinking is that cheap wages in China is why they proliferate all their goods, and that is our problem; we are competing the heck out of the old European countries. But it turns out that is not the case either. In this world, company productivity, efficiency, quality in the workforce, and to be productive are just as determining.

My point in all of this is that we have a trade deficit, but it is not solely, exclusively a function of China. I believe the response to that is not rejecting PNTR. It is first recognizing consciously the difficulty and beginning consciously and deliberately with respect to all of our trading partners to get more American products into their markets, to properly look at the techniques they are using to get their goods into our market, and to, in effect, look at this problem not as a Chinese problem but as an American problem. And it will be an American problem if we do not pay sufficient attention. It will be manifested in a sudden and rapid deterioration of our currency if enough forces come into play.

At present, we are living in a world in which the security of the American market, the attractiveness of our investments, rules and regulations of the SEC, and a host of other things, make America a safe haven, a place where you want to put your money. But there may come a day when investors—and not principally Chinese investors, but others—decide they are going to start selling American currency short because they can put the money elsewhere.

Now, we have all seen the benefits of trade with China. I have seen it in Rhode Island. It has been growing from a very small base to a moderately larger base, and it continues to grow. In fact, years ago, one of the first glimpses I had of the global economy was going to an Italian parade on Federal Hill in Providence, RI, meeting a gentleman with whom I chatted. I took him to be a jewelry worker or somebody who worked in the plant. It turns out he owned that business in Rhode Island. We were chatting and he asked me, "Have you ever been to China?" That was 5 or 6 years ago. Then, he casually said he owned an aerosol factory in Beijing. So I knew when you go to an Italian festival in Providence and chat with a businessman and he owns an aerosol factory in China, the world is getting much smaller. It is happening all across the country.

What we have tried to do in this agreement—we, the negotiators—is to recognize that some of our products that are very dear to the hearts of our economy will get some benefits. For example, on precious metals and jewelry—a huge part of the Rhode Island economy and still an important part—China will reduce its tariffs from 40 percent to 11 percent. That, we hope, will help. In terms of information technology products, that is something we would like to be a bigger part of the Rhode Island economy, but it is a growing part. China will eliminate all duties on computers, electronics, fiber optic cable, as well as on scientific and measuring equipment. We have some of the oldest industrial measuring companies in the world, such as Browne and Sharpe; they, too, will benefit. And there are several more products where we can see advantages that will accrue directly to my home State of Rhode Island.

Also, there is just a general benefit to the businesses and workers of America. It is very much manifested in small- and medium-size businesses because they are doing more and more trade with China. It has doubled in the last 5 years from about 3,100 small- and medium-size businesses trading with China to about 7,600 trading today. That should increase even more. Part of this arrangement in the President's proposal in terms of making PNTR work is making the Department of Commerce more active in promulgating trade with China—going out and educating small- and medium-size businesses about the advantages of trade with China, and show them through web sites and informational brochures how to get into the Chinese market. Once again, I believe—and maybe this is the essence of our mutual faith in this country—that once our businesspeople and our workers have the idea and the knowledge to go out and do something, they are going to do it and do it very well.

As I mentioned previously, we have already built in some protections against inevitable, or at least possible, surges of Chinese imports into our country. We have special provisions that will last 12 years, which deal with market disruptions and will not be limited to any one product but to all the products the Chinese may export to this country. We also will still have access to sections 301 and 201, and anti-dumping mechanisms that are American laws, but the Chinese have agreed to allow them to be used in this transition and in this implementation of PNTR and WTO.

Congressman LEVIN of Michigan, as part of the bill we are considering today, has also created an executive-legislative commission that will oversee not only the trade impact but also the human rights issues that have been raised time and time again on this

floor. This commission will be another vantage point from which we can assess and evaluate our relationship with China and their fidelity to the agreements they have signed.

The long and the short of it is that this is an agreement in its details which gives advantages to the United States which will help us and which I believe should be supported.

We are at a point where this measure I believe will pass. We are at a point at which we are embarking on a continuation of our relationship with China, but again a relationship that is still troubling to many.

PNTR will not cure all the defects we see in China, nor eliminate all the defects they see in the United States. But it will continue to give us a framework to be engaged. It will continue to give us the opportunity and the time to work at some of these very fundamental problems. It will challenge the Chinese in many respects to do as much as we will be challenged—some would argue, even more.

We, fortunately, have a system of government that is not dominated by a bureaucratic—and one would say anachronistic—single party. We have a citizenry that is educated. We have social networks. We have Social Security. We have Medicare.

China—which is one of the ironies of that great socialist bastion—has no system of national health care, has no system of pensions, has no system of Social Security. It is all tied into the terribly inefficient state-owned enterprises. And if they try to change these state-owned enterprises, they are going to have to create, in effect, a social welfare system, which we already have in place.

But I also don't want to minimize the fact that in the lives of many American families, this legislation could force change. But the opportunity to continue this engagement, the opportunity to insist that the Chinese not only participate in a world order but be responsible for values of that order, is an opportunity I don't think we can pass up at this time.

I will support this measure. I also look forward to the opportunity to come back here again when, in implementation, we see that they fall short; when, in implementation, they see us as falling short; but just the opportunity, and I think to be able to have a forum to carefully discuss these issues. It is better than turning away from China. It is better than inducing hostilities. It is better than the alternative.

Mr. President, I yield the floor.

ADJOURNMENT UNTIL 11 A.M.  
TOMORROW

The PRESIDING OFFICER. In accordance with the previous order, the Senate now stands adjourned until 11 a.m. on Thursday, September 14.