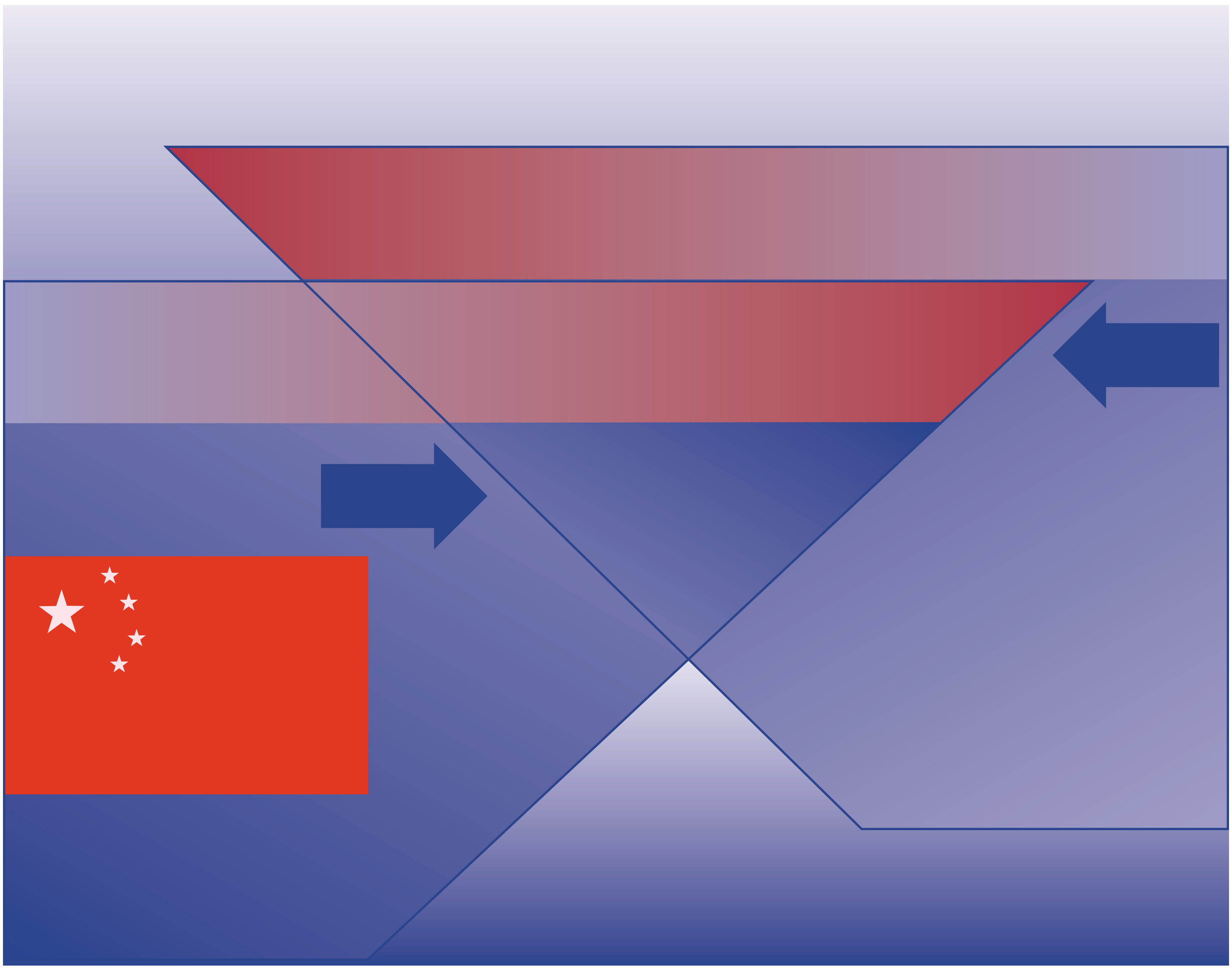
The Case For Permanent Normal Trade Relations With China



A Committee for
Economic Development
Program Statement

Preface

In the aftermath of the World Trade Organization (WTO) ministerial meetings in Seattle in November 1999, serious questions were asked about the long-term political will of the United States to lead the global economy toward more open markets. CED Trustees felt the need to reaffirm their support for open trade more generally, and for the more immediate issue of extending permanent normal trade relations (PNTR) to China.

This program statement, *The Case for Permanent Normal Trade Relations with China*, draws on CED's long history of work in international trade, finance, and investment. For over 60 years, CED Trustees have believed that an open global economy leads to freer markets, reduced conflict, and higher living standards worldwide. We believe engaging China will provide enormous political, economic, and national security benefits for the United States and will bring about much needed social and economic change in China.

Admitting China to the WTO and normalizing our trade relations with China are just the beginning. The protests in Seattle indicate broader disagreements on the process of economic globalization. CED Trustees have voted to undertake a fuller study of trade and the WTO in an upcoming policy statement.

THE CASE FOR PERMANENT NORMAL TRADE RELATIONS WITH CHINA

In previous policy statements and other publications, the Committee for Economic Development has supported the admission of China into the World Trade Organization (WTO) and extending to China permanent normal trade relations (PNTR) status.[1] This statement reaffirms our support for engagement with China by permanently normalizing trade relations.

We urge Congress to approve PNTR status for China. We believe that China's entry into the WTO, and permanent normal trade relations with China, would have substantial long-term political, economic, and national security benefits for the United States. We also fear that rejection of PNTR status would harm U.S. consumers, workers, and businesses that benefit from trade with China.

The specific issue on which Congress will vote is whether to grant PNTR status to China. The Congress will not vote on China's accession to the WTO. Under existing authority, the President has already made the decision to support China's membership. Since other WTO members are likely to agree to China's entry, the operative question for the United States is whether we will gain access to China's markets on a reciprocal basis by granting them access to ours. The current practice of granting temporary NTR status on an annual basis is no longer an option.[2]

America's Economic Interests

The Longer Term: PNTR Promises Substantial Benefits

The most important effect of admitting China to the WTO will be to foster long-term economic, political, and social change in China, which will significantly benefit the United States. China is already one of the largest economies in the world, with a GDP of over $1 trillion.[3] Since 1980, China's per capita GDP has grown at an average annual rate of over 8 percent, and its trade has quadrupled.[4] Net foreign direct investment (FDI) in China rose from less than $5 billion in 1990 to $45 billion in 1998.

China's growth during the last two

decades has been based on economic reforms that have shifted much production from state-run enterprises to private industry. The Chinese leadership understands that China now must accelerate this transition to a private enterprise economy based on market competition. Entry into the WTO is a strategy for doing so. The leadership expects WTO membership to help lock in previous economic reforms and create further impetus for economic growth. As one expert has observed:

> ***"For China, WTO membership is not a tactical step to outsmart its trading partners. Rather, the WTO is part of a broader strategy to lock in a tenuous transition from communism to a market economy."***[5]

China's full integration into the global trading system will produce enormous economic benefits for both China and the rest of the world. Over the next twenty years, China will continue to grow as an economic power and will become one of the world's largest trading nations. China is expected to account for a full 40 percent of the growth of developing country imports between 1992 and 2020, and its share in world trade is projected to triple, from 3 to 10 percent.[6] An open and prosperous Chinese economy will provide major export and investment opportunities for U.S. firms. Chinese imports of capital- and knowledge-intensive goods, agricultural products, and services are expected to grow especially rapidly. (For example, China is projected to account for over one-third of the growth of U.S. farm exports over the next decade.) The United States, uniquely a major exporter of all these categories of trade, will be especially well positioned to benefit from China's growth.

Exports to China will raise the incomes of U.S. producers and workers, since jobs supported by exports pay about 15 percent more than average. In some cases, the additional exports will lower production costs through economies of scale, making U.S. firms more competitive globally. At the same time, imports from China will give consumers more choice at lower prices and benefit U.S. businesses that use Chinese components. In those sectors where imports compete with domestic goods, imports also stimulate productivity.

As WTO membership strengthens the rule of law in China, it will erode the arbitrary use of power by individual leaders. As it strengthens competition, it will weaken state monopolies and spur entrepreneurship. Finally, WTO membership will increase foreign participation in the Chinese economy, exposing more of the Chinese people to ideas and information from outside. Such changes will encourage private initiatives of various kinds, including the development of independent civil organizations such as private trade unions. WTO membership will also increase China's interaction with other nations through its participation in international rule making and negotiations, thereby reducing its isolation.

The Near Term: PNTR Provides Modest Benefits, But Its Rejection Could Be Costly

The near-term effects on the entire U.S. economy of China's accession to the WTO will be modest, since China currently has a very small role in our economy; our trade with China (exports plus imports) is only about 1 percent of U.S. GDP. In addition, since the United States is already a WTO member, no changes in our trade policies will be required as a result of China's accession.[7] The far-reaching policy changes required of China for WTO membership, however, would significantly improve access to the Chinese market for a number of U.S. firms and their workers. (See box next page: Highlights of the U.S-China Bilateral Agreement on China's Accession to the WTO.)

Analyses of the effects on the U.S. economy of China's accession to the WTO by the U.S. International Trade Commission (USITC) and others indicate (perhaps conservatively) that U.S. exports to China would increase by about 10-20 percent, or $2–4 billion in the short-term.[9] While such export gains would be important to individual firms that expand sales, they would be small compared with total U.S. exports in 1999 of $958 billion. Similarly, imports from China are estimated to rise by about $3–4 billion, and these imports would principally displace those from other countries.[10] Total production in the United States would change little, but specific sectors and industries, such as agriculture, aircraft, and machinery and equipment, would gain from additional exports to China. The effects on wages of both skilled and unskilled workers would be negligible. The summary conclusion of the USITC report was that the short-term effects would be "positive, but minor."[11]

Outright rejection of PNTR status for China, on the other hand, could lead to an abnormal, retaliatory trade relationship that could damage American workers, farmers, and businesses. China would then have the right under WTO rules to discriminate against imports from the United States. U.S. exports would continue to face high tariffs and other trade barriers and our service providers would be denied access to the Chinese marketplace, while firms of other WTO members would gain greater access to Chinese markets. The result of

Highlights of the U.S-China Bilateral Agreement on China's Accession to the WTO

The United States and China concluded a bilateral agreement in November 1999 to establish the conditions for China's entry into the WTO. Under the terms of the agreement, China would significantly reduce tariffs on imports of agricultural and industrial products. Tariffs on industrial products would decline from a simple average of 24.6 percent (in 1997) to 9.4 percent. All tariffs on such information technology products as semiconductors, telecommunications equipment, computers, and computer equipment would be eliminated by 2005. Tariffs on automobiles would decline from 80-100 percent today to 25 percent in 2006. China would establish large and increasing tariff-rate quotas on bulk agricultural commodities, which would significantly open the way for increased exports from the United States.[8]

In agriculture, China has agreed to cut average tariffs on priority U.S. products such as beef, citrus, and dairy from 31 percent to 14 percent by 2004, expand access for commodities like wheat, corn, cotton, and soybeans, and eliminate agricultural export subsidies.

With respect to non-tariff barriers, China would eliminate all quotas and quantitative restrictions on industrial goods. China would also limit some state trading activities and eliminate export subsidies. The agreement requires China to phase in full trading and distribution rights for most of its industrial sectors.

The agreement also opens China's markets in a wide range of services, including banking, insurance, telecommunications, distribution, professional activities, and other business services. For example, China has committed to full market access in five years for U.S. banks, including internal branching and national treatment for all newly permitted activities. In securities underwriting and trading, China has agreed to permit minority foreign-owned joint ventures to engage in fund management on the same terms as Chinese firms. Liberalization of regulations that apply to wholesaling, retailing, and other distribution services will allow foreign firms to transport and sell goods—including imports—in China. China will join the WTO's Basic Telecommunications Agreement and end geographic restrictions on wireless services and its ban on foreign direct investment in telecommunitcations.

The agreement ends Chinese investment policies (local content requirements, forced technology transfer, export mandates, foreign-exchange balancing requirements) aimed at drawing jobs and technology to China.

On the U.S side, the agreement contains a special safeguard rule to protect against surges in China's exports to the United States, and it specifies a non-market economy methodology to address dumping.

SOURCES: Economic Report of the President, 2000; USTR Press Release, "U.S., China Sign Historic Trade Agreement," November 15, 1999; and Testimony of Charlene Barshefsky before the House Committee on Ways and Means, February 16, 2000.

such discrimination could be severe. Workers, farmers, and firms that now depend on trade with China would lose jobs and incomes as China shifted its purchases to other countries. At the same time, our tariffs on imports from China could revert to non-NTR levels, raising their prices and hurting consumers. In some cases, tariff rates would be high enough to choke off imports. This would have harsh consequences for businesses or consumers that are dependent on them, who would have to search for alternative suppliers.

Adjusting to Change

The changes in production and work that accompany expanded trade inevitably entail some dislocation. Such dislocation, however, is not qualitatively different from — and quantitatively much smaller than — that arising from new technology, changes in consumer preferences, or other sources. Structural change is an inevitable feature of a dynamic market economy. Although gains elsewhere in the economy will exceed the costs of those dislocations, some workers, businesses, and communities will feel the effects. U.S. firms that rely heavily on unskilled workers will be less able to compete with Chinese firms for sales in the United States and third-country markets. They will also find it harder to compete for human and physical resources with other domestic firms in rapidly growing sectors, such as communications and information technology.

These adjustment pressures should not be overestimated, however. A World Bank study finds that most of the recent drop in U.S. manufacturing jobs occurred before Chinese exports penetrated the U.S. market. Imports from China effectively displaced labor-intensive imports from other Asian exporters that had earlier penetrated markets in textiles, clothing, footwear, and electronics.[12] This displacement of other suppliers will continue to be the major effect as trade with China expands.

CED has long argued that the costs of adjustment to economic change should not be borne entirely by affected individuals and businesses, but should be shared by society. While we believe that impeding change to protect these affected firms and workers would be both futile and damaging to our long-term growth and living standards, we also believe that firms and governments should take actions to ease the impact of dislocation on individual workers and communities. Firms can provide a mix of advance notice, severance pay, outplacement services, job retraining, in-placement training, and extended health coverage, as appropriate.[13] Public policy, while fostering employment opportunities in a strong and stable macroeconomic environment, can ease adjustments to job dislocation with social insurance, training, and re-employment programs. The conclusion of our 1996 policy statement, *American Workers and Economic Change* is particularly relevant:

> ***"New technologies, new competitive forces, and new ways of organizing economic activity are changing the nature and structure of work in America. Like the earlier restructuring from agriculture to industry, these changes enhance our economic prospects but also outpace institutional change. Some Americans are being left behind, and others are feeling anxious, insecure, and burdened. Protectionist and isolationist policies, which some call for, would be counterproductive because they inhibit growth and economic opportunity, which are the paths to higher standards of living.***
>
> ***There are no quick and easy remedies for these problems. Individuals must take more responsibility for their own career development. Businesses must embrace the new competitive environment by implementing new technologies and helping workers to become more skilled and autonomous in using them. As for public policy, stronger economic growth and expanded economic opportunity should be our litmus tests. But even in the best of circumstances, imaginative political leadership will be required to make the benefits of economic change available to all Americans."***[14]

U.S. International Economic Leadership

The vote on PNTR status for China will be a test of our commitment to an open trading system. Maintenance of that commitment is essential if we are to preserve that system and encourage other countries, especially smaller economies, to stay within it. Over the last half-century, the United States has been the driving force behind successive rounds of multilateral trade negotiations; without U.S. leadership the system could atrophy. **The United States must continue to lead the open trading system by its actions. Granting China PNTR status would reaffirm that U.S. leadership.**

There can be no doubt that the prosperity of the United States and, indeed, the entire global economy has been enhanced by the growth in international trade supported by a widening international regime of liberal trade policies. The WTO (formerly the General Agreement on Tariffs and Trade, or GATT) is the cornerstone of that regime. Through the GATT/WTO, trade barriers have been reduced, the rule of law has been strengthened internationally, and the economic growth and development of the world's less developed nations have been fostered.[15]

The United States derives direct economic benefits from the WTO framework for expanding trade. Our capacity to import and export is directly tied to the reductions in tariffs and other trade barriers that have been achieved through negotiations under the auspices of the GATT and WTO. Through eight rounds of tariff negotiations, the average tariff on industrial products in developed countries has fallen from about 40 percent to less than 4 percent.[16]

The WTO also promotes an orderly means for settling disputes between sovereign nations. Open trade requires a certain amount of confidence that competition will be fair, and that confidence is engendered by enforceable rules of conduct. Membership in the WTO binds countries to agree to such rules. For example, countries agree not to discriminate against others; once a tariff is lowered, it cannot be raised again; countries may not raise new barriers to trade to offset the reduction in an old one; subsidies and regulatory benefits may not be provided to an industry or firm to give a competitive advantage in trade; and intellectual property rights must be protected.

However, WTO rules do not require countries to give up their sovereign rights to make their own laws or determine their own standards of conduct within their borders, as is sometimes alleged. Environment, health, and safety standards have become “trade issues” when countries have either tried to compel other countries to adhere to their standards or applied regulations in a manner that discriminates against imports. As long as laws are transparent and non-discriminatory, countries may regulate their domestic economies as they wish and may even temporarily curtail import surges and take other actions to protect domestic producers.[17]

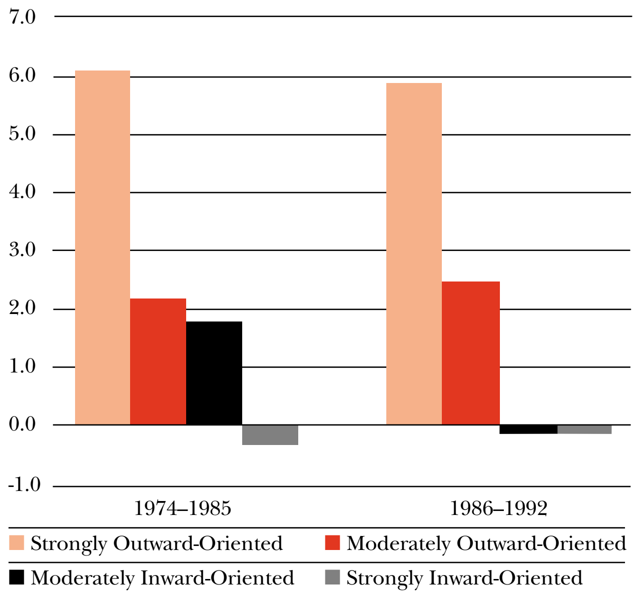
Concerns have been raised about the implementation and enforcement of the liberalization of Chinese trade and investment policies required for WTO membership. However, it seems clear that U.S. trade with China under the auspices of a multilateral body such as the WTO can be more easily monitored, with fewer political obstacles, than trade on a bilateral basis, especially if normal non-discriminatory relations are absent. The U.S. goal of an open Chinese market is more likely to be achieved through WTO discipline than by unilateral actions.

The WTO also supports another major goal of U.S. policy — the economic advancement of low-income countries. The United States supports global growth both for its own sake and because it contributes to U.S. domestic growth. As developing countries grow economically, they become better customers for U.S. exports and more reliable suppliers of components and finished goods for U.S. factories, retailers, and consumers. The value of the WTO is clear to the developing countries themselves; over 100 of them have chosen to become members and another 32 countries, including China, seek membership. Developing countries have learned through experience that economic growth comes through "trade not aid."

The importance of an open trade system to the economic prospects of developing countries is shown dramatically in the figure opposite. Countries that are strongly outward-oriented have had significantly higher rates of growth in the past quarter-century, while the most inward oriented countries have suffered real income losses.[18]

A refusal to normalize our trade relationship with China following the demonstrations at the WTO ministerial meeting in Seattle could be interpreted abroad as a rejection of the global trading system by the United States. The continuing need for U.S. economic leadership in the global economy was noted in our 1997 policy statement *U.S. Economic Policy Toward the Asia-Pacific Region*. Our recommendation there was made in the specific context of the Asia-Pacific Economic Cooperation Forum (APEC), but it applies more broadly to our position in relation to the WTO and the global economy:

Annual Growth of Real GDP Per Capita in Developing Countries



SOURCE: IMF, World Economic Outlook, May 1993, p. 76.

> ***"Realistically, there is no alternative to U.S. leadership in an organization dedicated to the goal of free and open trade and investment. No other large APEC country has demonstrated a strong commitment to these principles and a willingness and capacity to step out front and take the lead.***
>
> ***However, the U.S. role as leader must be different from what it was after World War II, when the U.S. economy virtually dominated the world. At that time, the three pillars of the pre-***

sent global economic system (the GATT, IMF, and World Bank) were conceived and established at U.S. initiative. With the present wider diffusion of wealth and economic power and heightened national sensibilities, particularly in the developing world, America's new role both globally and in APEC must be that of rallier of nations: The United States must project a coherent strategy to advance the common interest, and inspire and induce collective action by its own example and by patient consultation with its principal trading partners in both the industrial and developing worlds." [19]

Promoting Peace, Security, and Other Non-Economic Goals

The economic gains described above will make possible significant gains in other areas, most notably in fostering political and social change in China, enhancing our peace and security, and promoting our goals in the areas of labor rights and environmental protection.

Political and Social Change in China, Peace, and Security

As China opens further to world trade and investment, its polity and society gradually are likely to change in ways that benefit the United States. This will not happen overnight. Indeed, the recognition by the Chinese authorities of the enormous potential of economic liberalization to transform their social and political structures will produce repressive responses that temporarily set back such progress. But ultimately it will prove impossible to maintain a closed and regulated society in an open economy that is dependent on the free flows of information that increasingly drive productive enterprises.

Changes in the Chinese economic system will strengthen the private sector, weaken the state sector, and improve prospects for political reform. To abide by WTO principles, China will have to strengthen the rule of law and the transparency of its rules and decision-making. International trade and investment will bring not only goods and money, but also exposure to new ideas and new ways of doing things. Access to information about China will increase, as will access to outside information within China. Attempts by China to crack down on dissent or control communication through the Internet will become less effective and ultimately prove futile. As noted by Human Rights Watch, the leading organization tracking human rights around the world:

"As a WTO member, China will bind itself to global norms of trade. It is a step towards

China's integration into the international system regulating not only trade relations but also governments' treatment of their own citizens.... Greater transparency in economic matters will likely increase demands and expectations for more openness in other areas." [20]

Countries that have strongly embraced the global economy typically have seen their living standards increase and political tensions diminish; those that have rejected open markets and freer trade completely — North Korea, the former Soviet Union, and Mao's China — have paid a high price.[21] We also know from history that failure to engage a rising superpower in the global leadership structure can have dire consequences. The failure of the leading economic powers in the late nineteenth century to integrate Germany and Japan into the global economy, and a similar failure of the international community to assimilate the rising economic power of those countries after World War I, had calamitous results.[22] While bringing China fully into the trading system will not guarantee peace and security, excluding it would invite a repetition of the errors of the past.

Labor and Environmental Standards

The WTO ministerial meeting in Seattle in November 1999 drew worldwide attention to several perceived shortcomings of the global trading system. Protestors claimed that trade encourages environmental degradation and lowers labor standards in both developed and developing countries. This perception, however, is at odds with the facts and the historical record. In fact, trade liberalization, by boosting economic growth and promoting more efficient use of resources, creates the conditions for environmental and social improvement. A country that is open to trade and investment and accepts the norms of globalization is pushed to restructure and modernize its economy, pursue political reforms, root out corruption, and conform to international standards in labor, environmental, and other practices.

Environmental Standards. The enemy of the environment is not freer trade; it is poverty.[23] As economies grow and open, they have more resources to prevent or remediate pollution.[24] The facts show that good environmental performance and rising per capita income go together.[25] The wealthiest countries rank highest on an "Environment Sustainability Index" (ESI), which measures factors such as a country's environmental systems and how well it cooperates with others in managing common environmental problems.[26] While China already ranks above such countries as South Africa, Turkey, and Mexico on the ESI, its performance should improve as it grows economically.

Trade restrictions, on the other hand, can harm the environment. For example, trade restrictions in OECD countries on labor-intensive manufacturing may add to environmental pressures in developing countries by restricting them to exports of natural resource based commodities. Agricultural protectionism in Europe, the United States, and Japan leads to more intensive farming in these regions than is economically or environmentally justified.[27] Inward-looking economic development, predicated on trade restrictions, has produced serious environmental problems, including those in China.[28] In the words of one informed observer:

> ***"Contrary to what many see as conventional wisdom, protectionism has exacerbated environmental problems throughout the world. Pollution intensity has grown faster in countries that have remained relatively closed to world markets. Perhaps the most dramatic example of the effects of closed borders is the former Soviet bloc. After 40 years these closed economies ended up with many environmental disasters that resulted from subsidized energy, inefficiencies and the lack of access to newer and cleaner technology. Open markets have consistently improved the environmental record.***[29]

Labor Standards. The most effective means of improving labor standards is to raise them through economic growth. As economies grow, real wages rise. In Taiwan, for example, real wages are eight times higher than they were a generation ago; in Korea, they have risen more than six fold.[30] Throughout East Asia working conditions—measured in terms of unemployment, the composition of employment, real earnings, and absolute poverty-have improved markedly over a period of several decades.[31] Nearly everywhere, child labor has declined sharply as national income has risen.[32] With respect to China, entry into the WTO is much more likely to raise labor standards than to depress them. The World Bank projects that the most rapid real wage increases in the world during 1992-2020 will occur in China.[33] As the Chinese economy becomes more market oriented and workers gain political freedoms they now lack, such as the right of assembly, labor conditions will improve as well.

Concerns about labor standards arise from a number of sources. Many observers express both economic and humanitarian concerns about the conditions of work and compensation in developing countries. Others are concerned that lower pay and less desirable working conditions in developing countries will support low-cost competition with U.S producers and consequently reduce wages and labor standards in the United States.

While some concerns about the welfare of workers in developing countries are legitimate, low labor standards elsewhere have little direct impact on the vast majority of U.S. workers.[34] The low cost of labor in developing countries generally reflects low productivity. Productivity and cost differences between low-skilled workers in the United States and most developing countries are so large that any realistic set of higher standards for workers in developing countries is unlikely to affect trade significantly.[35] Furthermore, even if workers in a developing country were paid less than warranted by their productivity, their low-cost exports would tend to displace similar goods from other developing countries in the U.S. market rather than U.S. production.

The United States has long recognized the need to promote the rights of workers in developing countries. U.S. policy on worker rights has operated on three tracks, unilateral, multilateral, and private.[36] The core unilateral programs are the Generalized System of Preferences and the Overseas Private Investment Corporation, which tie access to U.S. markets, trade preferences, investment programs, and foreign aid to a country's observance of worker rights. The United States also works through multilateral groups, such as the International Labor Organization, the Organization for Economic Cooperation and Development, and the World Bank, to protect and promote worker rights. In addition, the federal government and private organizations have encouraged private-sector action to curtail exploitative forms of child labor and to promote worker rights through product labeling and voluntary codes of conduct.

Conclusion

The United States should grant China permanent normal trade relations status to foster long-term economic, political, and social change in China, which will benefit the United States economically and politically. Adherence to international trade rules will strengthen the Chinese private sector and weaken government control. Expanded trade will also increase China's engagement with other countries and encourage it to become a more constructive member of the international community. Those political changes will, in turn, support economic progress in China and greater trade and investment between China and the United States. Economic and political change in China will reinforce each other. Rejection of PNTR status for China will not only deny us these benefits, but will have damaging effects on many U.S. workers and businesses

Endnotes

1. *U.S. Economic Policy Toward the Asia-Pacific Region* (Washington, D.C.: CED, 1997) p. 26.

2. If China accedes to the WTO, current U.S. policy granting temporary NTR status to China would violate Article I of the GATT/WTO Agreement to accord *unconditional* NTR treatment to WTO members. See "Most-Favored-Nation Status for the People's Republic of China," Congressional Research Service, June 30, 1999.

3. Measured at purchasing power parity, China is already the world's second largest economy; on an exchange rate basis, China ranks seventh. World Bank data in *Statistical Abstract of the United States, 1999,* Table 1362. US International Trade Commission (USITC), *Assessment of the Economic Effects on The United States of China's Accession to the WTO: Executive Summary*, Publication 3228, August 1999, p. ii.

4. *U.S. Economic Policy Toward the Asia-Pacific Region,* p. 24.

5. Daniel H. Rosen, "China and the World Trade Organization: An Economic Balance Sheet," Institute for International Economics, June 1999.

6. World Bank, *China Engaged: Integration with the Global Economy* (Washington, D.C.: The World Bank, 1997) Chapter 4.

7. The U.S. will have to include China in implementing the existing Agreement on Textiles and Clothing, which phases out quotas. U.S. International Trade Commission, *Assessment of the Economic Effects on The United States of China's Accession to the WTO: Executive Summary*, Publication 3228, August 1999, p. ii.

8. A tariff-rate quota is one in which imports are allowed above the quota at a higher tariff rate than within the quota.

9. USITC; U.S. Department of Agriculture, *China's WTO Accession Would Boost U.S. Ag Exports and Farm Income, usda.mannlib.cornell.edu/reports/erssor/economics/ao-bb/2000/ao269r.asc*; and Daniel H. Rosen, "China and the World Trade Organization: An Economic Balance Sheet," Institute for International Economics, June 1999. The USITC study confined its analysis to tariff changes and did not attempt to quantify the impacts of the elimination of non-tariff barriers or the liberalization of China's services sectors on U.S. exports.

10. USITC, p. xi.

11. USITC, p. xi.

12. The World Bank, *China Engaged: Integration With The Global Economy* (Washington, D.C.: The World Bank, 1997) pp. 31-33.

13. *American Workers and Economic Change* (Washington, D.C.: CED, 1996) p. 53.

14. *American Workers and Economic Change,* p. 15.

15. "America's Interest in the World Trade Organization: An Economic Assessment," Council of Economic Advisers, November 16, 1999.

16. "America's Interest in the World Trade Organization: An Economic Assessment," p. 2.

17. Under Section 201 of the Trade Act, the United States may provide temporary relief to a domestic industry seriously injured by increased imports. In 1997 and 1998 respectively, the wheat gluten industry and the lamb meat industry were granted protection under Section 201. Antidumping and countervailing duty laws allow the imposition of remedial duties when there is material injury or the threat of injury to a domestic industry due to imports sold at less than fair market value. See U.S. Trade Representative, *1999 Trade Policy Agenda and 1998 Annual Report of the President of the United States on the Trade Agreements Program*, p. 261.

18. IMF, World Economic Outlook, (Washington, D.C.: IMF, May 1993) p. 75.

19. See, *U.S. Economic Policy Toward the Asia-Pacific Region,* p. 21.

20. Mike Jendrzejczyk, "WTO Process Should Push China on Rights," Human Rights Watch, www.hrw.org/editorials/1999/wto-china.htm.

21. Charlene Barshefsky, "Toward Seattle: The Next Round and America's Stake in the Trading System," Remarks to the Council on Foreign Relations, New York City, October 19, 1999.

22. C. Fred Bergsten, "The New Agenda with China," Institute for International Economics, May 1998.

23. Dr. Luis de la Calle, Vice Minister for International Trade Negotiations of Mexico, "Linkages Between Trade and Environment Policies," March 1999, www.naftaworks.org/papers/ldcengl.htm.

24. OECD, "Is trade and investment liberalization inimical to environmental protection?" *Open Markets Matter: Key Messages of the OECD*, available at www.oecd.org//ech/EVENTS/envir.htm.

25. Dasgupta, S., "Environmental Regulation and Development: A Cross-Country Empirical Analysis," *Policy Research Working Paper* 1448, (Washington, D.C.: The World Bank, April 1995); See OECD, "Is trade and investment liberalization inimical to environmental protection?"

26. Environmental Sustainability Index, Yale Centre for Environmental Law and Policy, as cited in *The Economist,* January 29, 2000, p. 126.

27. United Nations Environmental Program (UNEP), Monograph Series: "Trade and Sustainable Development," http://www.unep.ch/trade.html.

28. United Nations Environmental Program (UNEP), Monograph Series: "Trade and Sustainable Development," http://www.unep.ch/trade.html.

29. Dr. Luis de la Calle, Vice Minister for International Trade Negotiations of Mexico, "Linkages Between Trade and Environment Policies," March 1999, www.naftaworks.org/papers/ldcengl.htm.

30. *U.S. Economic Policy Toward the Asia-Pacific Region*, p. 29

31. Gary Fields, "Labor Standards, Economic Development, And International Trade," in Stephen Herzenberg and Jorge F. Perez-Lopez, eds., *Labor Standards and Development in the Global Economy* (Department of Labor, Bureau of International Labor Affairs, 1990).

32. Alan Krueger, "Observations on International Labor Standards and Trade," NBER Working Paper 5632, June 1996.

33. World Bank, *China Engaged: Integration with the Global Economy,* Figures 4.1, 4.2, p. 32

34. "Promoting Worker Rights in Developing Countries: U.S. Policies and Their Rationale," Congressional Budget Office Memorandum, April 1997.

35. Alan Krueger, "Observations on International Labor Standards and Trade," NBER Working Paper 5632, June 1996.

36. " Promoting Worker Rights in Developing Countries: U.S. Policies and Their Rationale," Congressional Budget Office Memorandum, April 1997.