

# **PURCHASING POWER**

**THE CORPORATE-WHITE HOUSE ALLIANCE  
TO PASS THE CHINA TRADE BILL  
OVER THE WILL OF THE AMERICAN PEOPLE**

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# **PURCHASING POWER: THE CORPORATE-WHITE HOUSE ALLIANCE TO PASS THE CHINA TRADE BILL OVER THE WILL OF THE AMERICAN PEOPLE**

## **Executive Summary**

The battle over legislation to grant China Permanent Normal Trade Relations (PNTR) with the U.S. was perhaps *the* costliest political fight ever waged on Capitol Hill. The corporate campaign had to overcome the 79% of the U.S. public which opposed enhancing U.S.-China trade terms absent addressing human rights, religious freedom and labor conditions. In a stunning exhibit in the case regarding the corrosive effect of money on the American political system, Congress passed PNTR over this broad public opposition after an unprecedented corporate deluge of campaign cash, lobbying and paid advertising.

Public Citizen has found that just the most prominent corporations and business trade associations involved in the fight spent at least \$113.1 million to purchase power with campaign contributions, paid lobbyists and “experts,” advertising and astroturf “grassroots” on PNTR. To put this in perspective, the corporate campaign contributions we were able to find were double those of either the massive corporate NAFTA or health care campaigns. The entire corporate “Harry and Louise” ad campaign against the health care reform bill in 1993 cost \$4 million and the entire NAFTA advertising campaign cost \$8 million. In contrast, labor unions’ serious campaign to defeat PNTR was vastly outspent and other PNTR opponents — chiefly Chinese dissidents, human rights activists, Tibetan activists, environmentalists, consumer organizations, family farmers and religious groups — had very limited resources.

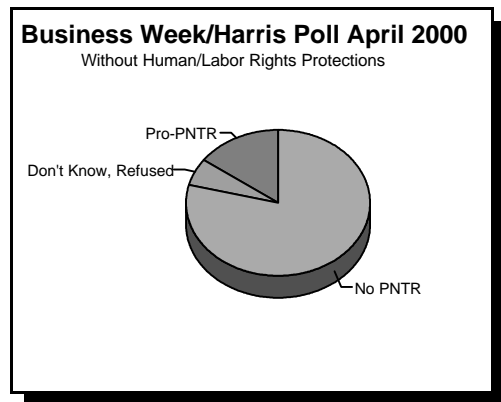
This stunning corporate purchase of PNTR approval was supplemented and directed by top priority allocation of the full Clinton Administration resources to the effort. With President Clinton desperate to shift focus from his impeachment to his foreign policy legacy, the Administration made an unprecedented effort on PNTR, overshadowing the resources and zeal dedicated to top Democratic party priorities, such as health care and labor law reform. Given the growing public opposition to its trade policies, the Administration was required to use many times over the NAFTA-level of time and effort by top level officials and the President. The degree to which the White House China War Room coordinated the corporate campaigning was deemed by the Government Accounting Office to violate the federal prohibition on the use of federal funds to exhort outside groups to lobby Congress.

The context into which the PNTR campaign fell also explains the intensity of the corporate- White House crusade. For five years, their joint efforts to advance the corporate managed trade agenda had met numerous defeats at the hands a growing citizens’ movement critical of international commercial agreements that benefitted big business at the expense of ordinary people, small businesses and family farms, and the environment. The attempt to expand the North American Free Trade Agreement (NAFTA) by obtaining Fast Track authority was defeated twice, the Multilateral Agreement on Investment was derailed, and the WTO expansion planned for the Seattle Ministerial ground to a halt after a year-long international civil society “WTO: No New Round, Turnaround” campaign. While a

PNTR victory would not overcome the political shift realized by the critics' string of wins, a loss would announce that the corporate managed trade agenda had not only lost its momentum, but that it was dead.

Recognizing that they had substantially underestimated their opponents' strength and the shift in U.S. public opinion, the corporate managed trade advocates thus concocted an unprecedented campaign to purchase the outcome they could not win on the merits. This report documents how over \$113 million was spent to over-ride strong public opposition to a special interest agenda:

- C significantly increasing campaign contributions to incumbents, parties and conventions;
- C creating additional cash incentives to betray the folks at home, such as promises to hold industry-wide fund raisers for targeted Members;
- C a swarm of high-dollar lobbyists including former Administration and Hill staff, former Congresspeople and famous "spokespeople with special access and more campaign cash;"
- C a costly grassroots astroturf operation including endless pre-paid fly-in visits by recruited "local" pro-PNTR constituents and non-stop paid phone banks to give the impression of local pro-PNTR activity;
- C an aggressive national and local paid media radio, print and tv advertising campaign;
- C a bottomless pit of PR spending ranging from flying from China model "workers" to hiring hundreds of college kids for pro-PNTR "rallies;" and
- C hiring a retinue of seemingly-objective foreign policy experts for press work and hearings who never revealed their connections to business interests in China



The overwhelming wave of campaign cash and the intensity of the corporate PR and "experts" onslaught allowed the corporate-White House team to implement a massive disinformation offensive. The Big Lie pushed was that the U.S. would lose out on all potential benefits of China's WTO entry if PNTR were denied. The White House used its bully pulpit quite literally, waging a media campaign of misinformation that downplayed the concerns of the majority of Americans while ignoring the skyrocketing trade deficit the U.S. has with China, now

at nearly \$70 billion a year. Yet, once U.S. Trade Representative Charlene Barshefsky was forced to admit under questioning at the House Ways and Means Committee that U.S. businesses would obtain the tariff cuts of China's WTO accession even without PNTR, much of Congress was so well marinated in corporate cash that substance no longer mattered.

**Z The most prominent PNTR supporters spent \$31.2 million on lobbying Congress in the first half of 2000.** The U.S. Chamber of Commerce spent \$9.66 million during the first half of 2000 with more than half of its 45 registered lobbyists worked on PNTR. Major trade association proponent, the Business Roundtable, spent \$2.94 million lobbying Congress the first half of this year. Motorola, which has already invested more than \$3

billion in Chinese manufacturing plants, spent \$2.89 million lobbying Congress the first six months of 2000, up substantially from 1999 and with PNTR becoming Motorola's primary legislative issue. The American Farm Bureau Federation spent \$1.5 million the first half of 2000 with a strong PNTR lobbying presence. Boeing, a major PNTR supporter with manufacturing operations in China and nearly 70% of the passenger jet aircraft market in China, spent \$4.24 million in lobbying in the first half of 2000.

- Z **Pro-PNTR corporations spent between \$13-\$15 million on paid advertising alone, significantly more than was spent by PNTR opponents or on the corporate campaigns promoting NAFTA or opposing the Clinton health care plan.** The Business Roundtable, Chamber of Commerce, Lucent, Microsoft, Motorola, ExxonMobil and others spent significant sums on print, radio and television advertising — nearly seven times the \$2 million spent by PNTR opponents. The pro-PNTR advertising was double spent by corporate managed trade forces on NAFTA. The infamous “Harry and Louise” anti health care reform tv ads cost \$4 million over at year.
- Z **Pro-China PNTR business political contributions surged into campaign and party coffers.** The companies that make up the pro-PNTR Business Roundtable alone made \$68.2 million in PAC, soft money and individual donations to Members of Congress and the Democratic and Republican parties between January 1999 and May 2000, the month of the PNTR vote. These donors made \$4.2 million in soft money contributions in March alone, double the amount given in February and more than 7% of the contributions since the beginning of 1999. The Business Roundtable donations alone overshadowed those by labor unions by nearly 2 to 1, who gave only \$31 million.
- Z **Pro-PNTR Political Funding Far Exceeded the other largest corporate legislative battles this decade.** Pro-PNTR political giving was more than *double* what was spent on political contributions by the corporate opponents of the Clinton health care plan and two and a half times as much as was spent on political donations by companies promoting NAFTA.
- Z **Leading corporate PNTR proponents accounted for 67% of the large donations to fund this summer's political conventions.** Prominent China PNTR backers spent \$9.35 million to fund the conventions including American International Group, which gave \$2 million to the Democratic convention and \$500,000 to the Republican convention, Microsoft which funded each convention to the tune of \$1 million, and telecommunications giant Motorola donating \$1 million to the GOP gala.
- Z **China business lobby's paid astro-turf was used to create illusion of local support for PNTR and counter broad public opposition.** Business trade associations and individual companies paid for a smoke and mirrors campaign to simulate public support for PNTR. The expensive operation involved recruiting one or two local political or business leaders in target districts and flying them to Washington to show local support for

PNTR, operating toll free phone lines to Congress with operators lobbying the corporate retirees and others they called to pass through to congressional offices with monitoring to cut off anti-PNTR calls, by mailing and e-mailing employees and subcontractors with messages linking their future to PNTR passage and urging them to write Congress, by printing pro-PNTR messages and exhortations to call Congress on paychecks, and by flying managers and employees to Washington in several orchestrated shows — from as far away as China. The Business Roundtable purchased \$40,000 worth of telephone cards with pro-PNTR messages and phone numbers and hired temporary workers across the country to distribute them to commuters imploring them to call their Members of Congress and urge a yes vote on PNTR.

**Z In addition to dedicating large in-house staffs to PNTR, the China business lobby hired former Members of Congress, Clinton administration officials and political notables to lobby for PNTR.** The campaign involved the intense efforts of a cast of characters inside and outside of government on behalf of a narrow special interest coalition — many of whom typify the revolving door between government servants and corporate consultants — also demonstrating many of conflict of interest problems that infect American democracy. At least six former members of Congress lobbied in favor of PNTR. Former Rep. Michael Kopetski (D-OR, Business Roundtable); former Rep. Dave McCurdy (D-OK, Electronic Industries Association); Former Rep. and former governor Carroll Campbell (R-SC, American Council of Life Insurers); former Rep. Vic Fazio (D-CA, Microsoft); former Rep Vin Webber (D-MN, Microsoft); and former Rep. Ray McGrath (R-NY, Boeing). Additionally, former U.S. Trade Representative Mickey Kantor represented Aetna, America Online, Boeing and Citigroup on China PNTR and former Republican National Committee Chairman Haley Barbour represented Microsoft on PNTR, Clinton Administration Assistant Secretary of Defense Sandi Stuart represented Microsoft, and former Clinton Administration Deputy Assistant Agriculture Secretary P. Scott Shearer.

**Z China business lobby rented a major revolving door lobbying team.** The Chamber of Commerce retained former Clinton White House Press Secretary Mike McCurry's firm Public Strategies to work on China in 1999 as well as Mayer, Brown & Platt, the former firm of Commerce Secretary Daley, the White House's point person on PNTR. The American Council of Life Insurers (ACLI) hired podesta.com as consultants, which was founded by White House Chief of Staff John Podesta. ACLI's lobbyist was Jeff Richetti, brother of current White House Deputy Chief of Staff Steven Richetti, who as Daley's deputy on China PNTR was now placed inside the White House after representing such firms as Allied signal on China trade. Motorola retained O'Brien-Calio, the firm of former Assistant to President Bush on NAFTA negotiations, Nicholas Calio, who also lobbied for Motorola on China NTR. Many former Congressional staffers represented pro-PNTR corporations and trade associations, including: former Senate Judiciary Counsel Marla Grossman (Microsoft);, former Chief of Staff for Majority Whip Tom DeLay, William Jarrell (Microsoft); former Assistant to Speaker of the House Newt Gingrich, Ed Kutler (Microsoft); former House Republican Conference Legislative Co-ordinator Brenda Reese (Boeing); and former Chief of Staff to Sen. Max Baucus, David Castagnetti (Boeing) (chart p. 13, pp. 11-21)

- Z Pro-PNTR businesses and trade associations publicly practiced contribution extortion.** Several lobbyists and CEOs were reported in the press making threats to cut off campaign donations to those who opposed PNTR, while Rep. Merrill Cook (R-UT) reported that he was offered \$200,000 to change his vote against PNTR. Meanwhile, pro-PNTR corporations lavished soft money on the two main political parties to encourage active pro-PNTR leadership by the leadership and created new fronts through which to increase donations. For instance, a corporate-funded PAC established to fund pro-corporate managed trade Democrats, called the New Democratic Network, raised \$250,000 for pro-PNTR Democrats. Companies like Motorola, Boeing, AOL and Citigroup actively plied undecided or wavering Members with campaign contributions, even organizing or promising special fund raisers.
- Z White House PNTR lobbying efforts substantially exceeded efforts to pass NAFTA.** The White House threw all of its weight behind passing PNTR in the House, including most of its big name Cabinet officials. The White House PNTR “War Room” had 150 staff and was managed by a group of principals including Secretaries William Daley (Commerce), Dan Glickman (Agriculture), Charlene Barshefsky (U.S. Trade Representative) Madeline Albright (State), William Cohen (Defense), and Larry Summers (Treasury). In comparison, only two Cabinet members were fierce NAFTA lobbyists — Treasury Secretary Lloyd Bentsen and U.S. Trade Representative Mickey Kantor.
- Z White House Junket to China cost taxpayers more than \$307,000 per round-trip undecided seat.** Two planned 25-member Congressional delegations to China were collapsed into one delegation with four Members when Congressional interest plummeted under pressure from constituents outraged at the White House’s proposed propaganda tour. The cost of the trip for taxpayers exceeded \$614,000, and only two of the Members on the trip were undecided, the other two were already committed PNTR supporters. The two undecided Members voted for PNTR, at a taxpayer cost of \$307,000 per vote.
- Z Seemingly objective foreign policy experts pushed a PNTR policy that benefitted their corporate clients.** The administration and China business recruited several notable foreign policy experts to speak in favor of PNTR at highly publicized press conferences. Experts like Henry Kissinger, Brent Scowcroft, Colin Powell and Alexander Haig endorsed PNTR at these events without disclosing extensive ties to companies who would benefit from the measure. Kissinger and Scowcroft have personally helped American companies like Disney, American International Group, and Chubb open the Chinese market for production and export, Haig and Powell both sit on the board of airplane manufacturer Gulfstream which will benefit from the deal, and Powell is on the board of America Online, a major PNTR proponent.
- Z White House privatized congressional vote buying to corporations, thus avoiding its bad reputation on pork barrel deals from NAFTA.** The Clinton administration cut deals, made compromises, and promised to fund pet Congressional projects



to round up about a dozen last-minute votes in the last weeks before the vote. However, relative to the scores of such deals required to pass NAFTA, the government payments for China PNTR votes were moderate, with corporate giving making up the difference. The shift reflected several phenomena: the administration's terrible follow through on its NAFTA promises meant most members did not trust the offered deals and this time around the administration only had months, not years, to come through on the promises before the conclusion on the second term. One member was promised federal funding to refurbish an aircraft manufacturing plant, another sought a new zip code and funding for pest eradication, two Texas Members sought approval for re-opening an environmentally controversial oil pipeline much of which is fifty years old, one Member received a commitment to maintain funding for an obsolete weather station, a federal study of job losses due to imports was requested by another Member, and the Clinton administration withdrew an appeal of a court ruling to permit environmentalists to sit on trade advisory committees instead of just industry representatives.

## **Conclusions**

The overwhelming flow of monies to campaigns, congressional leadership and party fund-raisers, lobbyists and advertisers polluted the free flow of ideas converting a crucial public policy debate on U.S.-China relations into a commercial marketing venture.

Never at issue was strong U.S. public opposition to a policy that encouraged U.S. businesses to relocate to China to take advantage of shameful labor and environmental conditions ensured by a government whose growing human rights violations they agreed to ignore. The relative merits of different U.S.-China policy approaches was never seriously considered by a Congress marinated in unprecedented torrents of money, swarmed by corporate lobbyists and revolving door government and corporate players, stupified by endless paid PR and advertising repetition of the Big Lie message on PNTR, and seduced by White House pressures and promises.

With American trade policy not being thoughtfully debated, but rather sold to the only bidder — corporate special interests — the number of unemployed Congresspeople is as certain to rise as the U.S.-China trade deficit.

While corporate money can purchase power over the short term, in the longer term person-to-person education and local political accountability cannot be overcome. As with the fallout after NAFTA, following PNTR, a new set of Representatives will learn about the perils of pursuing corporate managed trade policy the hard way.

# **PURCHASING POWER: THE CORPORATE-WHITE HOUSE ALLIANCE TO PASS THE CHINA TRADE BILL OVER THE WILL OF THE AMERICAN PEOPLE**

## **Introduction**

The passage of China Permanent Normal Trade Relations (PNTR) by the U.S. House of Representatives in late May 2000 over the overwhelming will of the American people was the result of the most forceful and aggressive corporate legislative campaign in history. Despite four-to-one public opposition, the bill was passed by the use of unprecedented amounts of corporate money in political contributions, advertising, lobbying and rented “experts,” as well as the application of the White House’s full resources. To fulfill their own overlapping goals, the corporate coalition and the White House worked in such tight coordination that the General Accounting Office has reported that federal law on Executive branch lobbying practices was violated.<sup>1</sup> Deaf to pleas from even pro-PNTR House Democrats, the administration launched the China PNTR crusade to build a legacy for the President knowing it would damage Democrats’ chances to regain a House majority. To celebrate the House PNTR vote, President Clinton went out that night to a corporate political fund-raiser boycotted by many Democratic House Leaders.<sup>2</sup>

The corporate interest was in eliminating the annual Congressional review of China trade and to obtain unconditional, unlimited access to the U.S. market for goods produced in China. The day after the House vote, the *Wall Street Journal* and other papers finally reported that the corporations were not so much interested in access to the Chinese market to sell goods there, but rather sought guaranteed U.S. access for goods they could produce in China with its remarkably high-quality, cheap, government-controlled labor and lax environmental controls.

Passing China PNTR was an important priority for both players for another important and symbolic reason: the proponents of corporate globalization and corporate managed trade had been defeated for five years by a determined citizen’s movement that recognized that the corporate and White House globalization agenda was benefitting narrow corporate interests at the expense of working families and the environment. The Clinton administration and the corporate lobbies had pushed the North American Free Trade Agreement (NAFTA) and the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) which established the World Trade Organization (WTO) through the Congress during the administration’s first term. While the NAFTA and WTO fights required concerted corporate lobbying and public relations efforts, obtaining political support for expanding existing globalization policies had become much more difficult. Polling showed that people had become aware of the all-too-real down sides of what its proponents dubbed “free trade,” but was increasingly revealed to be corporate managed trade.<sup>3</sup>

Several years after NAFTA’s passage when its negative impacts became apparent, public opinion, never supportive of the corporate-White House trade agenda, turned frosty. Significant relocation of

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high-wage manufacturing jobs to Mexico, increased border pollution and health problems, and the declining safety of America's increasingly imported food supply made the public increasingly skeptical of the promises and projections made by the "free trade" proponents.

But the corporate proponents greatly underestimated the breadth and depth of public opposition to their

During the Senate debate allowing an economic response to potential Chinese proliferation in September, U.S. Chamber of Commerce President Tom Donohue said if the "politics of nuclear proliferation" stopped the bill there would be "a very serious political implication for those who were a party to that action."

trade agenda. The citizen coalitions that opposed NAFTA and WTO were gaining additional policy expertise, becoming more politically astute and organizing the growing number of disaffected voters and working families around the country. Many House supporters of NAFTA faced tough re-election fights in 1994. The Democrats lost control of the House of Representatives when their disillusioned base of labor and environmental voters stayed home.

The residual anger over "free trade" votes from the first half of the 1990's still haunts some House members. After 10 terms in office, Rep. Matthew Martinez (D-CA) lost a 2000 primary challenge organized by community leaders in his district disgusted by his trade vote record.<sup>4</sup> Other Democratic survivors of NAFTA, who faced years of ire for supporting NAFTA, opposed China PNTR (including Reps. Bob Clement (TN), Sam Farr (CA), Bart Gordon (TN), Alcee Hastings (FL), Karen McCarthy (MO), Carrie Meek (FL), Ed Pastor (AZ), and Lucille Roybal-Allard (CA)).<sup>5</sup>

Democrats who voted for China PNTR will face similar hurdles this November and in subsequent elections. The industrial unions have withdrawn or withheld financial and, more importantly, grassroots support for pro-PNTR Members. For instance, the United Auto Workers and the Teamsters have withdrawn their endorsement of Rep. Sander Levin (D-MI) for his pivotal role in providing political cover to Democrats with an ineffective China PNTR amendment on human rights.<sup>6</sup> Unions have also withdrawn support for freshman Rep. Dennis Moore's (D-KS) campaign because of his pro-PNTR vote, even though Moore won in 1998 by a slim margin where labor was the measure of victory.<sup>7</sup> The Teamsters also withdrew support for Rep. Diana DeGette (D-CO), Rep. Lois Capps (D-CA), and Rep. Tom Sawyer (D-OH).<sup>8</sup> Rep. Sawyer also faces the prospect of labor supporting his Republican opponent, Rick Wood who opposes China PNTR, or a primary challenge from progressive Democrats in 2002.<sup>9</sup> A considerable list of unions have halted financial and grassroots support of other pro-PNTR voters.

### **China PNTR Context: The Corporate Empire Must Strike Back**

The White House and corporate lobbyists viewed the China PNTR battle in the context of having been regularly defeated by under-funded public interest critics for the previous five years. They had to win the China PNTR skirmish simply to prove they were not vanquished. Already, the U.S. public has rejected the corporate public relations assertion that this version of corporate economic globalization

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was inevitable. The admission of an exhausted U.S. Trade Representative Barshefsky that the Seattle WTO round was dead was only the latest evidence.

Despite a triumphant declaration at the 1995 Summit of the Americas that NAFTA would be expanded to Chile, several years later NAFTA itself was under attack. Two years after the controversial GATT Uruguay Round passed in a lame duck session of Congress\* and three years after the passage of NAFTA, President Clinton built up a special campaign to obtain new Fast Track\*\* authority to expand NAFTA to other Latin American nations, particularly Chile. A broad citizens' coalition of environmentalists, labor activists, consumer groups, family farmers and religious congregations organized against the president's proposal and a majority of Congress sided with their constituents in 1997 and again in 1998 and refused to allow Fast Track.

Starting in 1997, the President also pushed the African Growth and Opportunity Act and before that the Caribbean Basin NAFTA parity bill, but both measures were repeatedly halted by Congress, including an overwhelming defeat of the Caribbean Basin bill on the House floor in 1997.<sup>10</sup>

Also in 1997, another corporate globalization proposal was secretly fermenting. The Multilateral Agreement on Investment would provide extraordinary new protections for investors and investments limiting national and local governments' abilities to make business accountable to the needs of the population. Pushed by multinational corporate trade associations like the U.S. Council for International Business, the secret text was leaked to Public Citizen, which posted the extreme proposal on the internet. An international coalition quickly rose to oppose the MAI, dubbed a global "NAFTA on steroids" for its provisions empowering corporations to directly sue governments for cash compensation for regulatory costs. The MAI negotiations were terminated in late 1998 after hundreds of civil society groups worldwide pressured their governments to withdraw from negotiations.

The international coalition of civil society groups that stopped the MAI shifted its campaign against corporate economic globalization towards the upcoming World Trade Organization Ministerial scheduled for late 1999 in Seattle. Throughout the course of the year, consumer groups, labor activists, environmentalists, animal welfare groups, religious congregations and family farmers in 30 countries organized opposition to a planned "Millennium Round" expansion of the power and authority of the WTO. The U.S. coalition joined a year-long international "WTO: No New Round, Turnaround"

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\* GATT was passed after the Congressional midterm elections of 1994 in a "lame-duck" session of Congress, where many Members voting in favor of the agreement had been defeated in recent elections or were retiring, and hence, were unaccountable to voters. Some of these departing members were seeking employment in the private sector as lobbyists or consultants.

\*\* Established in 1974, Fast Track delegated the exclusive Congressional constitutional authority over international commerce policy to the executive branch. Fast Track delegated away four distinct Congressional authorities to the Executive branch in one fell swoop, preserving for Congress only a "yes" or "no" vote on completed trade agreements and thousands of pages of legislation to conform U.S. laws without amendment allowed and limited debate.

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campaign which was supported by 1,448 civil society groups from 89 countries.<sup>11</sup> Fifty thousand critics of corporate managed trade and corporate economic globalization from across the world met in Seattle in late November culminating the year-long campaign. The summit talks collapsed when public pressure and scrutiny in numerous countries made it politically impossible to negotiate the kind of WTO expansion that big business had demanded.

The corporate managed trade zealots in the White House, GOP congressional leadership, board rooms, corporate-sponsored think tanks and editorial boards were aghast that ordinary citizens were subverting the advancement of their prized agenda. This series of setbacks put the White House and big business in a panic, with pundits and editorial page writers bemoaning the backlash against corporate economic globalization. Meanwhile, the so-called “Washington consensus” had been dealt more serious blows by the International Monetary Fund-fueled Asian financial crisis and related economic meltdowns in Brazil and Russia. The importance of the China PNTR fight was greatly escalated because of this context, with no expense seen as too great to politically beat this growing citizens’ movement.

Former pro-NAFTA Congressman Dave McCurdy who currently lobbies for the Electronic Industries Alliance characterized the legislation as “the biggest vote of the decade”

Thus, the White House and big business lobby launched a crusade to defend their mutual corporate managed trade interests. The unprecedented nature and intensity of the fight showed more than anything their recognition that according to a Business Week/Harris poll public opinion was 79% against the China deal despite

the strong economy, and that the critics that had caused that shift were more formidable than ever.\* Learning the mistakes from their dismissive opinion of their opponents, the Clinton administration and business interests adopted a cynical strategy: purchase a victory that could not be won on the merits. The legislative battle over China PNTR relived the NAFTA fight of seven years earlier, yet while the tactics were the same, the growing power of the opposition required many times over the expenditures made on the pro-NAFTA fight. Buying up formidable lobbying and public relations savvy was only part of a campaign which marinated the Congress in unprecedented millions in corporate cash. The Clinton administration used all of its political capital, enormous staff, public relations prowess, and experience for the fight — unlike the Administration’s efforts on other alleged priorities such as minimum wage, labor law reform, and patients bill of rights.

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\* Throughout the report, the Business Week Harris poll from April 24<sup>th</sup> is referenced because it provides the best insight into the opinions of the American public during the PNTR debate. First, it was taken at the height of the advertising and public relations campaign. Second, polling research shows that opinions about trade agreements varies based on the detail of the question, asked whether free-trade is good people usually say yes, but if asked whether it should occur without consideration of the environment, labor and human rights people answer no. A longitudinal analysis of American attitudes towards China trade agreements like PNTR by University of Maryland’s Program on International Policy Attitudes has found that since the early 1990’s, public opposition to NTR/PNTR has increased to become a steady majority since 1995. (See PIPA, Americans on Globalization, Appendix A: Americans on U.S.-China Trade)

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With the corporate cash, paid “experts” and lobbyist legions, and corporate astroturf was much more intense than during the NAFTA effort, the capture of PNTR was a largely “privatized” operation. Rather than a substantive policy making debate, the PNTR fight represented the very type of influence peddling and money and power inside Washington that the American public rightly distrusts. Like the corporate funding of the Seattle WTO Ministerial, public functions and policies are being essentially purchased by corporate interests with increasing frequency and funding. While the NAFTA vote was secured when major government pork barrel deals made the difference, in China PNTR the corporate cash was king.

The corporate-White House campaign employed a “Big Lie” strategy successfully, using its paid ads, paid “experts” and White House bully pulpit to endlessly repeat false information designed to create a broadly acceptable arguments in favor of China PNTR, tacitly admitting that revealing the actual special interest goals would not work. Thus, the pro-PNTR machine repeated that the U.S. would gain none of the benefits of China’s entry into the WTO unless Congress passed PNTR. This was patently false and the Administration and business interests knew it. The U.S. would receive all the tariff benefits and market accesses of China’s potential WTO membership by simply maintaining annual NTR. As the critics undercut this lie with the facts, the Administration was forced to admit that all of the WTO-lowered tariffs would apply for U.S. farmers and firms even without PNTR.<sup>12</sup>

Thus, the second “Big Lie” was elevated in use: China PNTR would create an export utopia to send American goods to the most populous nation. But Chinese incomes are too paltry to afford U.S. goods, lending credence to the critics contention that PNTR was not about exporting to Chinese families but rather about employing them at low wages in U.S.-owned factories.

Starting early, the corporate lobby burst into a cash-lubricated high gear. A well-funded television, radio and print advertising campaign was deployed nationally and locally — from national CNN spots to undecided districts to Washington. The corporate lobby spent bundles to create the illusion of local based support for PNTR by recruiting, training and then flying in local political and business leaders to lobby in Washington, organizing the same recruited team to visit members of Congress at home armed with “local” glossy materials prepared on Washington’s K Street corridor, and assorted artificial grass roots lobbying (often referred

The Business Roundtable corporate members made \$4.2 million in soft contributions in March 2000 alone, almost double the donations in February. Total contributions from the Business Roundtable members during 1999-2000 were 25% greater than 1997-1998 when Fast Track was in play

to as “astro-turf,” as opposed to local grass-roots organizing) such as distributing on CD-ROM and computer disk to retirees of pro-PNTR corporations pro-PNTR “sample” letters to Congress and to the local newspaper editor, and scripts and toll-free numbers for calls to Congress accompanied by letters emphasizing the importance of PNTR passage to the mailing recipients’ interests. More typical high-powered lobbying was employed as well, with an army of well-heeled, hired-gun lobbyists and “experts” — including many former government employees and Members of Congress — from the most prominent Washington firms. This hired team supplemented visiting CEO with easy access to

### **The Role of the Media in the Big Lie Strategy**

Throughout the campaign leading up to the PNTR vote in the House, media coverage ignored the most significant economic criticisms: that the legislation would not increase exports to China but would increase the corporate investment of U.S. firms in China, the relocation of American manufacturing to China, the failure of China to abide by its agreements and an increasing U.S. trade deficit with China.

The day after the vote, Congress and the American public finally got to see the real news: stories pushed by PNTR critics for months, but never covered. The *Washington Post* coverage stood out as most biased, even as many national newspapers outdid the low water mark of locking out opposition arguments, issues and events set on NAFTA and WTO coverage. But, the day after the vote in the *Washington Post*, the truth finally started to get play.

In "Acceptance Doesn't Mean Compliance," for the first time the stampeded farm state legislators were able to read: "But enforcement provisions in the WTO deal are so vague, and China's promises to import more American farm products must be reconciled with long-standing fears that China might become too dependent on foreign countries for its food supply and with the already precarious economic circumstances of China's farmer."<sup>13</sup>

In the *Post's* "Process May Take Years to Bear Fruit," PNTR supporters suddenly could be viewed singing a very different song about how "Our headaches with China will now increase rather than decrease" and "The Chinese are going to be very vexing trade partners."<sup>14</sup>

Meanwhile, the second-place loser in the lopsided PNTR coverage award, the *New York Times* finally revealed in one front page story nearly every locked-out argument made by PNTR critics over six months time: "It will be years before anyone knows if the economic roll of the dice behind today's vote, or the strategic one, will pay off. On paper, the accord promises vast new openings for American agricultural goods, telecommunications equipment and Internet providers, among others. But history suggests that as soon as China's tariffs come down, new bureaucratic barriers will magically appear...." And, "China is already at work on ways to slow the promised influx of American competitors in its market...." And "There is little doubt that, once a member of the World Trade Organization, Beijing will use its clout there to work against the international regulation of labor and environmental rights that Mr. Clinton says are so necessary."<sup>15</sup>

Even the more accurate and balanced coverage of the *Wall Street Journal* did not include -- until after the vote -- a story revealing that while corporations pushing PNTR were selling the vote with arguments about exports, what they really sought was security to invest in China and produce there. The *Journal* story includes quotes of corporate PNTR players -- too late -- directly admitting that while lobbying about U.S. exports to China, their goal was shifting investment to China.<sup>16</sup>

Congressional offices. This was all topped off with enormous campaign contributions to members of Congress, their leadership political action committees and the parties' political contribution funds.

Much of this effort was coordinated by the White House. The White House built a command center to oversee the legislative and public relations battle and rolled out a bigger version of the same tricks that helped pass NAFTA — a mob of “experts” to endorse the proposal, shore up and protect allies in the House of Representatives; the Bully Pulpit and Cabinet to advance the Big Lie message; and the use of tight co-ordination with big business to ensure a united front. Indeed, the corporate-White House operation to pass China PNTR was so entwined that the General Accounting Office found the White House to be in violation of the prohibitions against Executive branch co-ordination with business to promote grass-roots lobbying activities.<sup>17</sup>

PNTR was advocated by more and more prominent White House Cabinet Secretaries. The White House and Cabinet also operated a public relations machine which reached out to media outlets through briefings, press conferences, targeted opinion pieces and talking directly to local reporters on small newspapers and local TV news shows who often don't get access to such high level politicians. A raft of “experts” were used to justify PNTR, and in some cases the same experts were trotted out repeatedly with each restatement promoted and covered as a new news event because of the White House bully pulpit. In the last weeks before the vote, the President cemented votes by promising special deals to provide political cover for undecided members. However, given the much higher level of corporate cash and effort relative to the NAFTA fight and the Administration's bad reputation for delivering on pork-barrel promises, this was a secondary tactic. Largely, the effort to pass China was privatized.

The overwhelming corporate expenditure on campaign contributions — purchased strategy and tactics — worked, and the popular will of the overwhelming majority of Americans was subverted. Although a Harris/Business Week poll found that 79% of Americans opposed the PNTR deal without strong protections for labor and human rights,<sup>18</sup> the House passed PNTR by a 60%-40% margin (237-197).<sup>19</sup> After five years of losses to the citizen movement that opposed “free” trade giveaways to big business, the corporate-Clinton team replayed the NAFTA strategy fueled by significantly more money for success with gusto. The pro-PNTR campaign is the best case study of the corrosive effect money and power can have on the legislative system.

## **The China PNTR Corporate Lobby**

### **Political Donations**

The pro-PNTR corporate coalition was comprised of generous corporate donors who were prepared to spend lavishly to ensure the success of the controversial trade measure. Between January of 1999 and the House vote, the corporate members of the Business Roundtable made \$68.2 million in contributions to candidates by PACs and individuals, helping to gain access and sway opinions of House Members. *In addition*, the same interests made soft money donations to the political parties, ensuring the focus of

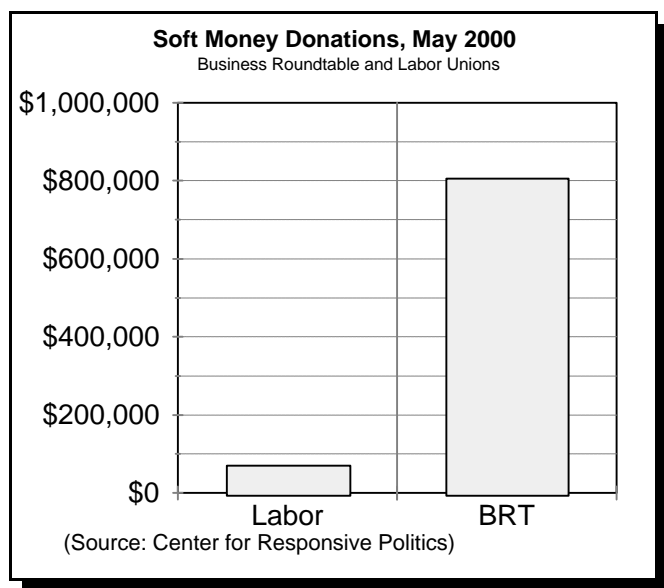
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party leaders on both sides of the aisle. This flood of money greatly exceeded what labor and other opponents could offer, but also was great multiples of what was spent to push NAFTA.

The corporate members of the Business Roundtable, the business trade association leading the business community's charge for China PNTR, made \$58 million in soft money, PAC and individual contributions to parties and candidates between January of 1999 and May of 2000, according to the Center for Responsive Politics.<sup>20</sup> The Business Roundtable corporate members made \$4.2 million in soft contributions in March 2000 alone, almost double the donations in February.<sup>21</sup> Total contributions from the Business Roundtable members during 1999-2000 were 25% greater than 1997-1998 when Fast Track was in play and 32% greater than in 1995-1996.<sup>22</sup>

The business donations massively outstripped those of labor during the campaign. The \$58 million in donations of the membership of just one business association, the Business Roundtable, overshadowed those of all labor unions by nearly 2 to 1. Unions gave \$31 million in PAC, soft money and individual contributions over the same period according to the Center for Responsive Politics.<sup>23</sup> Amplifying this trend, labor was outspent 11.5 to 1 by members of the Business Roundtable in soft money donations in the month of May, when China PNTR came to its crucial vote in the House, with Business Roundtable members giving \$805,000 in soft money to labor unions' \$70,000.<sup>24</sup>



In addition, many members of the business coalitions also ponied up handsome sums to fund the Democratic and GOP conventions, guaranteeing that the platforms of the two major parties would reflect the corporate managed trade agenda. Prominent members of the Business Roundtable gave generously, according to the Center for Responsive Politics. The corporate sponsors, who picked up nearly \$70 million of the \$85 million tab for the two conventions, closely mirror the members of the Business Roundtable. In fact, 51% of the corporate donors giving over \$100,000 to the conventions are BRT members. These large BRT donors to the conventions gave

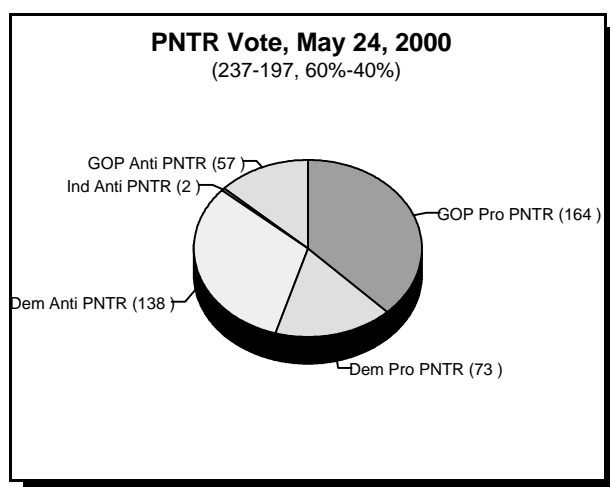
a total of \$9.35 million by June 1, 2000 to both parties kick off galas — 67.3% of the total.<sup>25</sup> American International Group, a prominent insurer and BRT member, provided \$2 million to the Democrat convention and \$500,000 to the GOP gala. Microsoft, one of the high tech companies pushing PNTR the hardest, gave \$1 million each to the Democrat and Republican conventions. Telecommunications giant Motorola gave \$1 million to support the GOP convention and aircraft supplier and PNTR proponent Boeing gave \$100,000 to the Democrat convention.<sup>26</sup>

In comparison to the PNTR campaign contribution torrent, the campaign contributions made by business interests in the legislative fights over health care reform and NAFTA seem modest. The Center for Public Integrity found that all health care interests made \$25 million in political donations between 1993 and the first quarter of 1994, or less than half what was spent by the membership of just one trade association, the Business Roundtable.<sup>27</sup> The 35 key NAFTA proponents from the USA\*NAFTA coalition made \$3.8 million dollars in political donations between 1991 and 1992, while NAFTA was being negotiated.<sup>28</sup> For comparison, the Business Roundtable has more than 200 similar corporate members to USA\*NAFTA, if similar numbers of firms were projected, the pro-NAFTA coalition would have only donated \$22.8 million.

## Reverse PNTR Shakedown

The prospect of increased political funding came with a none-too-thinly veiled threat that Members of Congress who voted against China PNTR would see their corporate campaign donations cut off. During a CEO fly-in lobbying blitz on Capitol Hill in early February, CEO of FMC Corp. Robert N. Burt, a fierce advocate of PNTR, stated: “We aim our donations...at people who support free enterprise and what we see as the free-enterprise system. Free trade is certainly one element that goes into that.”<sup>29</sup> Some industry lobbyists were even more direct about the link between a Member’s vote against PNTR and the receipt of corporate campaign money. After Minority Leader Richard Gephardt (D-MO) announced his opposition to PNTR, an unnamed high-tech industry lobbyist said to *Roll Call* that Democratic anti-PNTR positions have repercussions and that “they better believe it’s going to hurt them in terms of money in November.”<sup>30</sup> U.S. Chamber of Commerce President Thomas Donohue summed the impact a member’s China vote could have on fund raising this way: “If somebody’s on the margin and they screw up this vote, they’d better not look to me for money.”<sup>31</sup>

Conversely, PNTR supporters and undecided Members used their position as an opportunity to extract money from corporate donors. New corporate-funded PACs have been established simply to create new sources of cash to promote pro-corporate managed trade votes. For instance, the New Democratic Network rolled out a series of fund raisers for pro-PNTR Democrats hosted by 23 representatives of the business community.<sup>32</sup> By the day of the vote, the NDN had raised \$250,000 for 10 House members from companies including AOL, Motorola, Citigroup, and Boeing.<sup>33</sup> Undecided Rep. Max Sandlin (D-TX), struggling under a large campaign debt, had a fund raiser hosted by the Emergency Committee for American Trade a month before the vote.<sup>34</sup> Sandlin had been widely expected to vote against PNTR given his working



class district and close labor ties. He voted for PNTR, telling a local labor union president the day of the vote that he would support the bill if it looked like it would pass.<sup>35</sup>

Rep. Martin Frost (D-TX) phoned Motorola before he made his decision to vote for PNTR and asked the company to sponsor a fund raiser for him. Political magazine *National Journal* predicted that Frost would be “accommodated, sooner rather than later.”<sup>36</sup>

The Republican party was more blatant, using scare tactics that raised the specter of Democratic opposition to PNTR to generate funds for GOP candidates from the high-tech sector. House Republican campaign workers sent a mailing to the top executives at Internet, telecommunications and computer companies arguing that Democratic obstructionism on PNTR would stifle profits with hopes to raise millions of dollars in campaign donations.<sup>37</sup> The week before the vote, the Wexler Group, a well known Washington lobbying firm that played a major role in creating the pro-NAFTA astro-turf, held a fund raiser for undecided Rep. Don Sherwood (R-PA).<sup>38</sup> Motorola hosted a similar event for undecided Rep. Patrick Toomey (R-PA) the week before the vote with 20 CEOs at the private Capitol Hill Club.<sup>39</sup> These two representatives supported PNTR even though all the Pennsylvania Democrats and one of the Pennsylvania Republicans (William Goodling) opposed it.<sup>40</sup>

After the PNTR vote, several members revealed the pressure the business community exerted on them in the forms of campaign contributions and promised future fund raisers. Rep. Merrill Cook (R-UT) was offered \$200,000 in corporate campaign PAC money to change his vote from “no” to “yes,” according to a Cook spokesperson.<sup>41</sup>

Undecided Rep. Max Sandlin (D-TX), struggling under a large campaign debt, had a fund raiser hosted by the Emergency Committee for American Trade a month before the vote. Sandlin had been widely expected to vote against PNTR given his working class district and close labor ties, but he voted for it.

The deluge of campaign contributions helped the pro-PNTR forces in three essential, but different ways. First, the unlimited soft money donations to the parties made the leadership of both parties committed to delivering on this vote. GOP leaders worked very hard in the House to keep their caucus strongly in favor of the proposal, with Majority Whip Tom DeLay, whose legislative strong-arm tactics earned him the nickname ‘the hammer,’ working furiously to pass the bill. Similarly,

the White House, which stands to obtain corporate soft money given to the party for presidential campaign use, dedicated immense resources to pass the measure. Second, the promise of campaign contributions and the threat of reprisals kept undecided members on the fence longer and made some more susceptible to the corporate position in the end. Last, the slews of corporate donations provided easier access to Members of Congress and their staff for the business lobbyists in comparison to Chinese human rights activists and other PNTR opponents who frequently were unable to obtain meetings.

## Living Large in Gucci Gulch: The Pro-PNTR Lobbying Behemoth

The corporate lobby pushing China PNTR has often been described in superlatives: it's the biggest lobby in history; it's the most expensive lobbying and advertising campaign on a legislative issue ever; there are more CEOs on Capitol Hill than ever before. A glimpse at some of the details underlying the conclusions reveal the amount of money required to buy these superlatives. An analysis by Public Citizen of some of the most ardent PNTR advocates found that just 12 corporations and trade associations spent \$31.1 million lobbying Congress in the first six months of 2000 and PNTR was the focus of the lobbying efforts.

Farmers from all over the country were flown to Washington by the American Farm Bureau Federation. Small business owners were flown to Washington by the Business Coalition for U.S. China Trade. Individual CEOs flew in and out of Washington lobbying on behalf of the Business Roundtable and for the Electronic Industries Alliance, which alone brought 30 CEO's to Washington to meet with Members in mid-March.<sup>42</sup> The week of the vote, the Business Coalition for U.S. China Trade delivered baskets with cell phones, computer chips, Pepsi, and candles to 300 House Members.<sup>43</sup> Contending that the Chinese market for wireless communications is likely to explode, the telecommunications industry "lobbied Capitol Hill on an unprecedented level," Grant Seiffert, vice president of the Telecommunications Industry Association stated to the industry magazine *Wireless Week* in late May.<sup>44</sup>

The campaign orchestrated by the Business Roundtable and the Chamber of Commerce was planned to cost between \$12 and \$15 million in special PNTR lobbying and advertising in addition to these organizations already hefty lobbying and advertising budget.<sup>45</sup> The two groups had even asked former Treasury Secretary Robert Rubin to be a celebrity fund raiser for the special campaign, but he turned down the job, forcing the trade associations to rely on corporate leadership including consideration of vice presidential candidate and Haliburton CEO Dick Cheney before he was nominated to the GOP ticket.<sup>46</sup>

### Sampling of Lobbying Expenditures by PNTR Proponents, Jan.-Jun. 2000

U.S. Chamber of Commerce	\$9.66 million
Boeing	\$4.24 million
American Council of Life Insurers	\$3.7 million
Business Roundtable	\$2.94 million
Motorola	\$2.89 million
Microsoft	\$2.33 million (est.)
American International Group	\$1.7 million
American Farm Bureau	\$1.5 million
American Electronics Institute	\$1.5 million (est.)
Business Coal. US China Trade	\$240,000 (est.)
Caterpillar	\$220,000
Farmland	\$140,000

The \$12-\$15 million budget does not even take into account the expenditures of individual corporate members of these coalitions or other trade associations such as the major expenditures of the National

**Sampling of Former  
Congressional and White House  
Staff Lobbying on PNTR**

The American Council of Life Insurers (ACLI) hired consultants from podesta.com, founded by White House Chief of Staff John Podesta

The Chamber of Commerce retained Public Strategies, the firm of former Clinton White House Press Secretary Mike McCurry

ACLI's lobbyist Jeff Richetti, brother of current White House Deputy Chief of Staff Steven Richetti, White House deputy on China PNTR

Motorola retained Nicholas Calio, the former Assistant to President Bush on NAFTA negotiations

Former Senate Judiciary Counsel Marla Grossman (Microsoft)

Former Chief of Staff for Majority Whip Tom DeLay (R-TX), William Jarrell (Microsoft)

Former Assistant to Speaker of the House Newt Gingrich (R-GA), Ed Kutler (Microsoft)

Former Chief of Staff for Rep. Steny Hoyer (D-MD), Melissa Schulman (Business Roundtable)

Former House Republican Conference Legislative Co-ordinator Brenda Reese (Boeing)

Former Chief of Staff to Sen. Max Baucus (D-MT), David Castagnetti (Boeing)

Association of Manufacturers, the Business Coalition for U.S. China Trade, and American Farm Bureau. In comparison, the entire pro-NAFTA corporate coalition dedicated \$10 million to the advocacy and advertising campaign.<sup>47</sup>

Indeed, a Public Citizen examination of the lobbying reports of some of the most prominent companies and trade associations and their hired retainers of the pro-PNTR proponents found that these dozen groups from agriculture, manufacturing, insurance and technology sectors spent \$31.1 lobbying Congress in the first half of 2000 and more than \$90 million since January of 1999. Because of the limited availability of timely data from federal lobbying disclosure requirements which were filed August 15<sup>th</sup> but are only just becoming available in mid-September, this represents only a small snapshot of the lobbying powerhouses pushing PNTR meaning the final expenditures will be larger than those Public Citizen could verify.<sup>48</sup> Since some of the most ardent PNTR corporate supporters' lobbying is examined in this report, this sampling is underscored by the wide array of other anecdotal evidence. Press quotes from corporate sources and op-eds in newspapers, press accounts of lobbying activity in Washington and across the country, as well as the size of the prominent advertising campaign show that this figure represents just the tip of the iceberg.

The corporate coalition waged an internal campaign to raise PNTR campaign funds with declarations revealing the importance winning on China PNTR to the business lobby. Former pro-NAFTA Congressman Dave McCurdy who currently lobbies for the Electronic Industries Alliance characterized the legislation as "the

biggest vote of the decade."<sup>49</sup> Bank of America called PNTR "historic legislation."<sup>50</sup> Earnest

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Davenport, CEO of Eastman Chemical said “It’s the most important trade vote we’re going to have for 10 years.”<sup>51</sup> ExxonMobil described the PNTR vote as “one of the most important policy decisions faced by the Congress of the United States,” in a *New York Times* advertisement.<sup>52</sup> A Chamber of Commerce publication described the PNTR vote as “the most important trade vote in decades,”<sup>53</sup> and its China lobbyist called the vote the Chamber’s “top legislative priority.”<sup>54</sup> The Business Software Alliance President Robert Holeyman described the PNTR fight as “a key vote for the high tech industry.”<sup>55</sup> The U.S. High Tech Industry Coalition for China sent Congress a letter that stated that PNTR “is critical to continuing American technological leadership and competitiveness.”<sup>56</sup> Hewlett-Packard President and CEO Carly Fiorina declared in a *Los Angeles Times* op-ed: “In reality, a vote against trade with China is a vote against U.S. businesses....”<sup>57</sup>

After an intensified annual China NTR fight in the spring and summer, by December 1999, the China business lobby was gearing up for a major Congressional fight over PNTR. The corporate lobby took a page out of their opponents’ play book by starting early and focusing on targeted Members of Congress with meetings inside the beltway and also meeting in districts, but in addition the corporate lobby supplemented these efforts with plenty of cash. For instance, the Business Roundtable had targeted 71 House members and the Chamber targeted 66 by late 1999.<sup>58</sup> Several local political and business leaders were recruited and trained — with Washington lobbyists and corporate CEOs often flown in as supplements — to conduct “local” meetings in Congressional districts aimed at blunting the effect of the broad local anti-PNTR coalitions. Personal communications to members of Congress from industry heavy hitters included Richard McGinn, Chairman of Lucent and Irwing Jacobs, Qualcomm Chairman.<sup>59</sup> In early May, 15 high-technology executives visited Rep. Rush Holt (D-NJ) including Sony, Corning and 3M.<sup>60</sup>

The lobbying filings required under federal law for the first half of 2000 will only be completely available by late September. Thus in calculating corporate lobbying on PNTR, we rely on the key players’ 1999 NTR filings, the available 2000 filings and the corporate lobby’s public statements about additional China PNTR specific campaign expenses. In general, disclosed lobbying expenditures have been rising, FECInfo found that lobbying expenditures over the last six months of 1999 were about \$772 million, \$75 million more than the first half of that year.<sup>61</sup>

**Business Trade Associations:** China trade issues have long been the focus of the large corporate trade associations. The annual China trade status debates too frequently brought to light human rights and weapons proliferation issues and unpleasant and unpopular business practices in China. The elimination of this annual public relations nightmare was a primary concern of the groups representing companies doing business in China. If unconditional, unlimited access could be locked in for goods made in China, companies could shift more production and investment there without worrying about a future U.S. public upset about human rights in China or job losses at home.

**C U.S. Chamber of Commerce:** The U.S. Chamber of Commerce is one of the most aggressive lobbying operations in Washington. In the first half of 2000, the U.S. Chamber of Commerce spent \$9.66 million — more than half the \$18.16 million it spent all year in 1999.<sup>62</sup>

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In 1999 before staffing up for the extra PNTR China effort, the Chamber employed a stable of 53 lobbyists, working on a variety of issues — from bankruptcy reform to defense authorization to the tax code to Medicare reform to Y2K. In 1999, the Chamber lobbied on several international trade issues (Vietnam NTR, GSP, the Steel Enforcement Act, Cuba, Caribbean Basin Initiative, the Africa trade bill, and others). However, according to its 1999 lobbying report, three of the Chamber of Commerce’s lobbyists were solely dedicated to work on China NTR in the first half of 1999. In the second half of 1999, the same three lobbyists worked on China NTR (but also on OPIC authorization) and were joined by an additional four lobbyists working on China WTO accession — more than doubling the Chamber’s representation on Capitol Hill.<sup>63</sup> In 2000, however, the Chamber dedicated significantly more lobbying clout to China PNTR than it had to the annual NTR fights. More than half of the Chamber’s 45 lobbyists were registered as lobbying on PNTR during the first half of 2000 (25 of 45 registered lobbyists).<sup>64</sup>

Despite the size of the U.S. Chamber of Commerce’s in-house lobbying staff, it retains outside lobbying firms. In 1999, it retained five outside firms to lobby Congress; in the first half of 2000, the only Chamber-hired firm whose reports were available by September 7<sup>th</sup> was the former firm of former Commerce Secretary Daley and current firm of former U.S. Trade Representative Kantor, Mayer, Brown & Platt. That firm registered to lobby for the Chamber on the amorphous “various issues, including but not limited to preemption and federalism.”<sup>65</sup>

Two of the five firms retained by the U.S. Chamber in 1999, Public Strategies Washington and Mayer, Brown & Platt, were specifically hired to lobby for the Chamber on trade issues.<sup>66</sup> Public Strategies Washington is part of the Public Strategies Group, led by former Clinton White House Press Secretary Michael McCurry. In a case of extreme revolving door between corporate lobbyist and government official, the firm was also the former employer of the deputy director of the White House’s China PNTR operation Steven Richetti (see below).<sup>67</sup> One of the Chamber’s lobbyists at Public Strategies Washington is Joe O’Neill who helped orchestrate the lobbying campaign to pass NAFTA and is the son of former Democratic House Speaker Rep. Tip O’Neill.<sup>68</sup> The Chamber’s other previous trade lobbying hire was Mayer, Brown & Platt, the former law firm of Commerce Secretary William Daley who was also tagged by President Clinton to lead the PNTR fight.<sup>69</sup> The firm is also lobbying for a coalition of high tech firms organized by America Online and includes AT&T, Microsoft and Motorola.<sup>70</sup>

- C **Business Roundtable:** The Business Roundtable was one of the primary coordinators and directors of the pro-PNTR campaign. It provided materials for “local” campaigns, produced and placed television, radio and print advertisements, and helped to generate the appearance of broad based support for PNTR. It also presented a formidable lobbying presence on Capitol Hill. In the first half of 2000, the BRT spent \$2.94 million lobbying Congress, with more lobbyists on PNTR than any other issues, nearly twice as many (5) as the next most important issue, health care (3).<sup>71</sup> In 1999, the BRT spent \$8.3 million lobbying Congress, with more lobbyists working on China PNTR than any other issues.<sup>72</sup>

The BRT retained an enormous stable of hired guns to push for PNTR in 1999. It hired 7 firms for a total of \$1.06 million which detailed 27 lobbyists to China trade issues during 1999.<sup>73</sup> The group included many notables: Ken Duberstein, former President Reagan Chief of Staff; Nicholas Calio, one of President Bush's NAFTA negotiators; former Rep. Mike Kopetski (D-OR); Bergner Bockorny lobbyists for the Business Roundtable included revolving door Hill staffers such as the former House Republican Conference Legislative Coordinator Brenda Reese, former Chief of Staff to Senator Max Baucus David Castagnetti and Melissa Schulman, former Chief of Staff for Rep. Steny Hoyer (D-MD).

**C Business Coalition for U.S. China Trade:** The Business Coalition for U.S. China Trade is a corporate group whose primary aim has been the elimination of the annual NTR votes. In a supplementary letter to its 1999 year-end lobbying report, it discloses that it spent \$240,000 to “support China’s WTO accession and the extension of PNTR status to China” but that it “...does not employ any...lobbyists” under the disclosure law, and that it would be the final filing.<sup>74</sup> It does however hire firms to represent it before Congress. In 1999, it paid \$80,000 to Hogan & Hartson for four lobbyists on PNTR.<sup>75</sup> For the first half of 2000, Hogan & Hartson was paid \$120,000 for 5 PNTR lobbyists, a 50% increase over the previous filing’s fees and with an additional lobbyist.<sup>76</sup> Importantly, more firms may have been retained by the Business Coalition, but their filings may not yet be available from the House Clerk’s Office. Even if the Business Coalition for U.S. China Trade spent the same amount lobbying during the first half of 2000 when PNTR was at stake, it would have spent \$240,000.

**Insurance:** The insurance and financial industries are old hands on Capitol Hill, known for expertise on arcana like tax and regulatory issues and big lobbying muscle on health care and banking issues, but typically did not work much on trade issues. But China represented an opportunity that made insurers salivate — a billion life insurance policies worth even \$1,000 dollars represented one trillion dollars in assets. The industries’ lobbying efforts were brought to bear on China PNTR like fresh reinforcements to the traditional corporate trade lobby, according to American Council of Life Insurers vice-president for federal affairs Phil Anderson, saying in early-May that the “insurance industry is like a fresh team of horses.”<sup>77</sup>

**C The American International Group:** The American International Group, one of the world’s oldest insurance companies, has significant interests in China. In 1992, AIG was the first foreign insurer to enter China since the Chinese revolution.<sup>78</sup> The first half of 2000, AIG spent \$1.7 million lobbying Congress, including on many trade issues, but 8 of its in-house lobbyists worked on PNTR, more than twice as many as on any other issue.<sup>79</sup> It also retained the firm of Levine & Co. for \$60,000 to work on PNTR.<sup>80</sup> In 1999, AIG spent \$4.1 million lobbying Congress — on domestic insurance regulatory issues, but also on a wide range of international insurance and trade issues, especially China. During 1999, slightly more than three quarters of AIG’s in house lobbyists worked on international issues, with more lobbyists covering China than any other country. AIG had three lobbyists working on transformational

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financial modernization legislation (which allows insurance-banking mergers for the first time in nearly 50 years), but 9 working on China NTR and China insurance issues.<sup>81</sup>

*Before* escalating its efforts for PNTR, AIG also retained six additional firms to lobby Congress on its behalf, all of whom worked on trade issues. Two of those firms, Valanzano & Associates and Fontheim Partners, worked on China NTR and a third, R. Duffy Wall & Associates, Inc., provided “legislative intelligence” according to its lobbying report.<sup>82</sup>

- C The American Council of Life Insurers:** During the first half of 2000, the American Council of Life Insurers (ACLI) spent \$3.7 million lobbying Congress, including spending on China PNTR as prominently as on some insurance issues. This mid-year report totaled more than half the \$6.6 million it spent on lobbying in 1999, when it also lobbied on China trade status.<sup>83</sup> ACLI had three lobbyists working on China NTR in 1999, but it also worked on a number of other financial, insurance, health care, and retirement issues. Two of the hired gun lobbyists of ACLI either provided support on the China NTR fight or were deeply connected to the Clinton administration. Valanzano & Associates provided lobbying talent for ACLI on China throughout 1999, much as it did for AIG.<sup>84</sup> More interesting is ACLI’s retention of *podesta.com*, founded by White House Chief of Staff John Podesta. The *podesta.com* lobbyist that handles the ACLI account is Jeff Richetti, brother of Steven Richetti, the deputy director of the White House’s campaign to pass China PNTR.<sup>85</sup> ACLI also had hired as its president former South Carolina Representative and Governor Carroll Campbell, who was able to use his connections to work Congress on China PNTR.<sup>86</sup>

**High Technology:** Although trade associations and particular businesses have been invested in trade fights for years, especially in the China debate on Capitol Hill, the technology firms were new players in the corporate managed trade debate. Computer firms looked for new, cheaper sources of labor than in other east Asian countries. Telecommunications companies sought the same manufacturing edge, while claiming to be trying to capture an enormous and untapped consumer market. Though these companies were not big players in annual NTR, they brought new forces to bear on PNTR.

- C American Electronics Institute (AEI):** The American Electronics Institute lobbying report for the first half of 2000 was not available as of September 15<sup>th</sup>, but in 1999, the American Electronics Institute spent \$3 million lobbying Congress — \$1 million the first six months and \$2 million the second, when NTR was before Congress. AEI lobbied on 13 issues in 1999, and China trade was amongst the most important disclosed on the trade association’s lobbying reports, despite the many relevant issues facing the electronics industry. During the first six months, AEI had six lobbyists working on trade issues, primarily China NTR and China WTO accession, which was about the same as AEI had on all the other issues. In the second half of the year, AEI still had six lobbyists working on China trade issues, but it only had 4 on Y2K issues, 4 on science issues, 4 on technology issues, and 2 on patent extension issues.<sup>87</sup> Even if AEI did not increase its lobbying the first half of 2000 because of PNTR, it would have spent an estimated \$1.5 million.
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**C Motorola:** In the first half of 2000, Motorola spent \$2.89 million lobbying Congress, substantially more than reported for either half 1999.<sup>88</sup> If Motorola's half-year 2000 lobbying expenditures continued, the total will be 37% higher than in 1999. Motorola's 2000 lobbying had a decided focus on PNTR: it had 15 registered lobbyists working on PNTR, and only 11 on technology issues, the corporation's next closest focus. Federal lobbying reports show Motorola spent \$4.21 million lobbying Congress in 1999, with a heavy focus on trade issues including China NTR. The first half of the year, Motorola spent \$2.08 million lobbying Congress and had more lobbyists working on trade (12) than on any other issue including technology (9); China NTR was listed as the second of 13 trade issues Motorola worked on through mid-year 1999. The second half of 1999, while China NTR was active, Motorola spent \$2.12 million on lobbying, fielded more lobbyists on trade (14) than it did the previous six months on trade and more than any issue for that period including technology (10).<sup>89</sup>

#### **Facts About Motorola and China PNTR**

Motorola Political Donations Jan. 1999-April 2000: \$274,274

Motorola pro PNTR advertising expenditures: \$1 million

Investments in China manufacturing: \$3.4 billion

Motorola rank as foreign investor in China: 1

Motorola domestic layoffs since 1998: 24,000 — 16%

(sources: Center for Responsive Politics; *New York Times* May 23, 2000; *Los Angeles Times* Sep. 2, 2000; *Chicago Tribune* Sep. 16, 1999)

Supplementing Motorola's in-house lobbying team on China NTR was the firm of O'Brien Calio, which received \$120,000 from Motorola in 1999. Seven O'Brien Calio lobbyists worked almost exclusively on China NTR and China trade issues for Motorola, and one of those lobbyists, Nicholas E. Calio is the former Assistant to President Bush on NAFTA negotiations.<sup>90</sup>

**C Microsoft:** As of September 15<sup>th</sup>, Microsoft's lobby report was not available from the Clerk of the House of Representatives, but many of its hired lobbying guns had filed their lobbying reports, making it possible to track some of their employers lobbying activity. The majority of these outside firms lobbied on PNTR, trade or intellectual property issues, according to their filings. Five firms received a total of \$1.02 million to lobby for Microsoft on PNTR and other trade issues the first half of 2000.<sup>91</sup> Verner Liipfert received \$160,000 from Microsoft for 12 lobbyists to represent the firm on international software piracy (China business software piracy rate was 95% in 1998<sup>92</sup>) and trade relations with China — including former Senate Judiciary Committee Counsel Marla P. Grossman and former staffer to Congressman Frank Pallone (D-NJ), Kapil Sharma.<sup>93</sup> Microsoft paid \$300,000 to Barbour Griffith & Rogers, founded by former RNC Chairman Haley Barbour, to lobby on three issues including PNTR — Barbour and three others represented Microsoft on PNTR.<sup>94</sup> Covington & Burling was paid \$200,000 to lobby on trade issues, including WTO issues.<sup>95</sup> Clark & Weinstock was paid \$ 280,000 to have 6 lobbyists work on PNTR for Microsoft — including former Reps. Vin Weber (D-MN) and Vic Fazio (D-CA) and Ed Kutler, former assistant to House Speaker Newt Gingrich.<sup>96</sup>

Microsoft paid the Downey McGrath Group, founded by former Rep. Tom Downey (D-NY), \$80,000 to lobby on issues like intellectual property.<sup>97</sup> Intellectual property issues were key to the “market access” elements the U.S. allegedly received in the U.S.-China bilateral in November of 1999.<sup>98</sup>

In 1999, Microsoft spent \$4.66 million lobbying Congress. In the first half of the year, 3 of Microsoft’s 11 registered in-house lobbyists worked on China annual NTR — the year Y2K liability, computer encryption, and e-commerce bills were before Congress. The second half of 1999, Microsoft fielded 6 of its in-house lobbyists on China NTR, more than all its six other issues except taxes and Y2K liability and the same as on labor issues.<sup>99</sup> In addition to Microsoft’s in-house lobbyists, it hired the well-connected lobbying shops of Verner, Liipfert; Preston Gates Ellis & Rouvelas Meeds; and Clark & Weinstock to lobby on trade issues. Microsoft paid \$80,000 to Verner Liipfert the second half of 1999 to lobby on nothing but international software piracy and China trade relations. This retainer covered 7 lobbyists, including the well-connected former Senate Judiciary Committee Counsel Marla P. Grossman.<sup>100</sup> In the first half of 1999, two of the Preston Gates lobbyists worked on China NTR, including the former Deputy Chief of Staff to Rep. Tom DeLay. In the second half of 1999, 3 lobbyists represented Microsoft on China NTR from the Preston Gates firm.<sup>101</sup> The first half of 1999, Clark & Weinstock had 7 lobbyists working for Microsoft on trade issues including NTR. The firm received \$220,000 to field an equal number of lobbyists on every issue with lobbyists including such notables as former Rep. Vic Fazio (D-CA) (who only lobbied the executive branch in 1999), former Representative Vin Weber (D-MN), former Clinton Administration Assistant Secretary of Defense Sandi Stuart, and former Assistant to Speaker of the House Newt Gingrich, Ed Kutler.<sup>102</sup>

**Agriculture:** Groups representing only small farmers, such as the National Farmers Union and the National Family Farm Coalition, opposed PNTR, but agribusiness made PNTR passage a priority for several reasons. First, groups like the American Farm Bureau Federation include huge seed, chemical and implement manufacturers whose interests are quite contrary to those of small farmers and ranchers on many issues, causing local and state Farm Bureaus to take different positions on some trade issues than the well-funded national office, which also is itself in the insurance business. Second, failed U.S. domestic farm policies, such as the disastrous “Freedom to Farm” Act have damaged so many producers, those who pushed these policies are now desperately trying to shift the debate to expanding export markets and away from domestic failures. Many farmers did not learn that China was a net exporter of numerous commodities until after the vote.

**C American Farm Bureau Federation:** The American Farm Bureau is one of the most powerful agribusiness trade associations in the country, which claims to represent family farmers but which is dominated by other has more vested interests in insurance, feed processing and agri-chemicals like fertilizers and pesticides, according to a recent Defenders of Wildlife study.<sup>103</sup> In the first half of 2000, AFBF spent \$1.5 million lobbying and trade was one of the dozens of issues AFBF worked on Capitol Hill, including PNTR and other sanctions bills; during 1999 it spent \$4.5 million including China trade issues.<sup>104</sup>

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- C Farmland:** Farmland Industries, an agribusiness company which produces grains, pork, cattle and fertilizers<sup>105</sup> has actively lobbied on trade, especially China and trade embargo-related trade issues. Farmland spent \$140,000 the first half of 2000 and \$290,000 in 1999, according to its lobby disclosure. Its lobbying report shows it lobbied on PNTR in 2000 (25% of its disclosed issues were trade, and PNTR was the first issue filed) and it even disclosed lobbying on PNTR during the second half of 1999.<sup>106</sup> Farmland's primary lobbyist is another member of the revolving lobbyist-public servants; P. Scott Shearer is the former Clinton Administration Deputy Assistant Agriculture Secretary.<sup>107</sup> One of the firms retained to lobby for Farmland was the well connected firm of Patton Boggs which received \$45,000 from Farmland to lobby on unspecified trade legislation focusing solely on trade embargos.<sup>108</sup>

Farmland printed pro-PNTR messages on employees' pay checks such as "More than 30% of this paycheck depends of Farmland's ability to do international business. Farmland's owners and employees win with trade."

**Manufacturing:** Manufacturing firms advocated for PNTR to obtain unconditional, unlimited, permanent access to U.S. consumer market for products made in China. PNTR means manufacturers can relocate production to take advantage of China's remarkably low wages (often below \$1 a day) and non-existent worker safety and environmental regulations with confidence that outrageous conduct on human rights or weapons proliferation will not result in the U.S. Congress pressuring the Chinese regime with trade sanctions which could cut into corporate profit margins. As well, independent labor unions are forbidden in China, with organizers sentenced to lengthy jail terms.

- C Boeing:** In 2000, Boeing spent \$4.24 million lobbying Congress during the first half of the year with 6 lobbyists working on PNTR, more than any other issue except defense that Boeing lobbied Congress on— but more than budget, aerospace and aviation.<sup>109</sup> During the first half of 2000, Boeing paid at least three firms at least \$120,000 to lobby on PNTR, as of the disclosure of firms available by September 7<sup>th</sup>, though that number is sure to rise with information available in later filings, since Boeing hired at least 18 firms to lobby on its behalf in 1999 (below).<sup>110</sup> Denny Miller Associates received \$80,000 for 6 PNTR lobbyists, more than any other issue the firm lobbied on for Boeing.<sup>111</sup> Shaw Pittman received \$20,000 to lobby on PNTR for Boeing.<sup>112</sup> Downey McGrath received \$20,000 to lobby on PNTR for Boeing and 2 other issues, and former Rep. Ray McGrath (R-NY) lobbied on PNTR for Boeing.<sup>113</sup>

#### **Facts about Boeing and China PNTR**

Boeing Political Donations Jan. 1999-April 2000: \$857,893

Sales to China 1997-1999: \$4 billion

Boeing China jetliner market share: 67%

The four largest Chinese aircraft factories produce Boeing parts and equipment

(sources: Center for Responsive Politics, Boeing 1999 annual report and corporate material "The Boeing Company & China" )

In 1999, Boeing spent \$8.2 million lobbying Congress, and its numbers of in house lobbyists on China trade issues exceeded all other issues but defense.<sup>114</sup> In 1999, Boeing spent at least \$1.74 million on 17 outside lobbying firms to represent its interests before Congress. The majority of these firms worked primarily on budget, aerospace, and defense bills, but four of the firms and \$380,000 dollars (about 22%) of the total spent on outside lobbyists went to lobbyists working on trade, primarily China NTR.<sup>115</sup> Boeing paid \$160,00 for nine lobbyists from the Washington Group who worked on three issues, one of which was NTR.<sup>116</sup> Denny Miller Associates received \$140,000 from Boeing in 1999 to work on four issues, NTR and aerospace had four lobbyists while aviation and defense had five.<sup>117</sup> Bergner-Bockorny received \$60,000 from Boeing to field 7 lobbyists on NTR and other trade issues, including revolving door Hill staffers such as the former House Republican Conference Legislative Coordinator, Brenda Reese, and former Chief of Staff to Senator Max Baucus, David Castagnetti.<sup>118</sup> The second half of 1999, Boeing also retained Downey McGrath Group for \$20,000 to work solely on NTR.<sup>119</sup> While Boeing CEO Gary Condit heads the Business Roundtable's trade task force. Boeing built 70% of the commercial planes now in use in China were built by Boeing and the company expects to sell 1,600 aircraft to China over the next two decades, although technology transfer requirements and contract terms have required Boeing to shift some of its production to China.<sup>120</sup>

**C Caterpillar:** Caterpillar spent \$220,000 lobbying Congress in the first half of 2000, more than either half-year period in 1999.<sup>121</sup> During the first half of 2000, Caterpillar focused on PNTR. In 1999, Caterpillar spent \$380,000 lobbying Congress, working on PNTR and NTR throughout the year, and during the second half of 1999 having the same number of lobbyists working on PNTR as its other top two legislative priorities (health care and electricity), and twice as many than on any other issue.

By the week of the vote the business lobby, working at a fever pitch and with limitless resources, had simply bought overwhelming mercenary troops. The day of the vote, the Chamber of Commerce alone dedicated at least one lobbyist for each undecided House member, fielding at least 50 lobbyists to cover the legislators the Associated Press reported as still undecided on the morning of the vote.<sup>122</sup> The Business Roundtable hired hundreds of young temporary workers in D.C. to wear pro-PNTR t-shirts and hand out free telephone calling cards at Metro stations and all around the Capitol and to appear at "spontaneous" rallies in support of pro-PNTR Congresspeople.<sup>123</sup>

Even though numerous unions, human rights, environmental and other citizens' groups made the China PNTR fight a priority, their total unified Washington lobbying capacity started out smaller and significantly less well-financed than the U.S. Chamber of Commerce's regular lobbying staff and was further handicapped by the inability to buy mercenary lobbyists. For instance, the AFL-CIO spent \$2.4 million in all of 1999 — 8% of what the list of key organizations that Public Citizen examined supporting PNTR spent in the first half of 2000.<sup>124</sup> Only one of the AFL-CIO lobbyists focuses solely on trade issues. The lobbying operations of major unions typically include between five and ten lobbyists, only some work on trade. Citizens Trade Campaign, Public Citizen, Friends of the Earth, the Humane Society of the U.S., the National Family Farm Coalition, the Sierra Club, the Campaign for a Free Tibet, and the Methodist Church each had one lobbyist working on PNTR, with some lobby visits

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also conducted by organization heads. Typically, a more modest imbalance in D.C. lobbying resources is overcome by the citizens' groups unique pressure at home in the Congressional districts where their members live. With nearly 80% of the public opposed to PNTR for China, the corporate lobby could not hope to honestly overcome the grassroots advantage. So, instead it once again bought an answer — an expensive roll-out of astro-turf.

## Corporate Astro-turf Rolls Over Grass Roots Opposition

The business trade associations orchestrated assorted ploys to create the sense that there were proponents of China PNTR located within Congressional districts rather than only in far-away corporate board rooms and on Washington's K Street corridor. Of course, some local business lobbying was real. For example, the Rocky Mountain News, Colorado's second largest paper, was visited by what the paper called a "loosely knit group" of pro-PNTR business representatives including Denver-Hainen Group, Coors Brewing and the Colorado Farm Bureau to make the case for PNTR.<sup>125</sup> However, the lion's share of allegedly "local" pro-PNTR sentiment was generated by specialized "astroturf" firms and buckets of cash. The basic pro-PNTR astro-turf operation would recruit a few local business people to serve as the face of local PNTR support, then provide them with talking points and "local" materials, and make appointments for them and link them with the closest Fortune 500 CEOs to create the illusion of local support.

The U.S. Chamber of Commerce developed a program to foster this fabrication called "TradeRoots China." Its goals, as espoused in the Chamber of Commerce's monthly newsletter *China Insider*, are to provide local facts and figures, work with governors, and publicize local China trade stories.<sup>126</sup> The "TradeRoots" program included a phone-banking operation that contacted 40,000 business activists to generate calls to Congress on the U.S. Chamber's toll-free "Legislative Hotline" and brought recruits from 22 states to be trained and briefed in Washington.<sup>127</sup> Like a corporate lobbying Kabuki dance, this effort involved assigning major pro-PNTR corporations to lead the effort in a particular state by recruiting, and then strategically using as "faces" a few local business people for local lobbying and press activities.

Through this system, and by ordering local Chamber of Commerce *staff* to move the China PNTR program in the name of their local communities regardless of local business peoples' positions, over 100 Members of Congress were visited at home during the Easter Congressional recess.<sup>128</sup> In 2000, the Business Roundtable obtained meetings with 50 members of the House by identifying and bringing in to Washington pro-PNTR individuals from the Members' districts "to show there is an impact on even the smallest of companies," a BRT spokesman reported to *Congress Daily*.<sup>129</sup> To conduct such an operation is an amazingly expensive and time-consuming undertaking requiring local staffing, localized materials being produced and distributed, and the payments of local participants' travel and expenses. While this investment of resources does not accomplish local education or change local opinion, when done well, it created the appearance of local pro-PNTR counter-force to the real, natural anti-PNTR coalitions existing across the country.

In addition, the China PNTR issue was added to pre-existing local business activities by request of national organizations. For example, the U.S. Chamber of Commerce added the China issue to a large

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meeting of local business leaders scheduled in Gainesville, Florida. The PNTR issue was added to a long-scheduled local event which included about 800 local business leaders. It was intended to influence Rep. Corrine Brown (D-FL) and Rep. Tillie Fowler (R-FL), who were both invited. The well-attended event was spun by the national Chamber as a “local” PNTR event although it turned out to be the regular annual regional meeting. The national Chamber arranged to have a national reporter attend and cover it as a PNTR event for the *New York Times*.<sup>130</sup> Similarly, a regular annual Los Angeles Chamber of Commerce trip to Washington was billed as a local effort to help the President pass PNTR.<sup>131</sup> Of course, these events were merely long planned local Chamber meetings, with China PNTR pasted in for press purposes.

Corporate PNTR proponents were also desperate to show not only that business interests supported China PNTR, but also to create the impression that ordinary people supported the proposal. Given the strong public opposition, the impression of a base of support could only be generated by the unique position of authority and even intimidation that the corporate proponents had with their workers and their contractors. Workers were encouraged to support PNTR with calls and letters through inserts in their mailboxes and printed messages on their *paychecks*. These efforts were estimated to have reached hundreds of thousands of workers.<sup>132</sup> For instance, even as the national union representing Boeing workers opposed PNTR (noting that Boeing was shifting production to China), Boeing sent email to 30,000 employees asking them to call or write their Members of Congress. Boeing also contacted an additional 10,000 subcontractors and suppliers urging them to pressure their Congressional representatives.<sup>133</sup> Kansas City-based Farmland printed pro-PNTR messages on employees’ pay checks such as “More than 30% of this paycheck depends of

### **Sampling of China PNTR Revolving Door**

**Tornado:** Ex-Members of Congress, former Administration Officials, Ex-Party Officials

Former Rep. Michael Kopetski (D-OR, Business Roundtable)

Former Rep. Dave McCurdy (D-OK, Electronic Industries Association)

Former Rep. and former governor Carroll Campbell (R-SC, American Council of Life Insurers)

Former Rep. Vic Fazio (D-CA, Microsoft)

Former Rep. Vin Webber (D-MN, Microsoft)

Former Rep. Ray McGrath (R-NY, Boeing)

Former Clinton U.S. Trade Representative Mickey Kantor (Aetna, America Online, Boeing and Citigroup)

Former Republican National Committee Chairman Haley Barbour (Microsoft)

Former Clinton Administration Assistant Secretary of Defense Sandi Stuart (Microsoft)

Former Clinton Administration Deputy Assistant Agriculture Secretary P. Scott Shearer (Farmland)

Farmland's ability to do international business. Farmland's owners and employees win with trade."<sup>134</sup> The telecommunications industry also pitched in on the astro-turf lobbying including letter writing campaigns by the employees the could convince had joint interests with the management — engineers, managers and vendors of telecommunications contracts.<sup>135</sup> The well-heeled national American Farm Bureau brought growers into Washington every week to meet with Members of Congress and planned to meet with every Member of the House either in the district or in Washington.<sup>136</sup> The American Electronics Association established a web-based campaign designed to help the members of American Electronics Association to get their employees to become lobbyists for China PNTR.<sup>137</sup>

In April, the Business Coalition for U.S. China Trade, a single issue business group focused only on U.S.-China trade relations, bused and flew “workers” to Washington to lobby in favor of PNTR. The group announced a “lobby day” of thousands of pro-PNTR workers aiming to counter the 20,000 union workers coming to an anti-PNTR lobby day the following week. An estimated 300 “workers” took the free trip to Washington. The lobby day was kicked off with a rally and press conference held in the Department of Commerce lobby and featuring Treasury Secretary Summers and U.S. Trade Representative Barshefsky (see below for more on Administration's role).<sup>138</sup> The rally was followed by dozens of Congressional office visits to show “worker” support for PNTR.<sup>139</sup> The overwhelming majority of the workers were not blue collar manufacturing workers as advertised, but well-paid airline pilots who stand to benefit from increased flights to and from China regardless of whether they are only carrying imports to the U.S. and flying empty planes back to China.<sup>140</sup> Managers in suits were encouraged to change into pro-PNTR t-shirts before leaving to lobby Congress.<sup>141</sup>

Rep. Merrill Cook (R-UT) was offered \$200,000 in corporate campaign PAC money to change his vote from “no” to “yes,” according to a Cook spokesperson.

The corporate lobby also sought to purchase inoculation from the opposition to PNTR expressed by prominent Chinese political dissidents and democracy activists. While a large number of exiled dissidents such as Wei Jingsheng, Harry Wu and Wang Xizhe lobbied regularly against PNTR,<sup>142</sup> the only pro-PNTR Chinese activists the corporate lobby could find were either in China (where real activists are either in prison or face detention for speaking out against the Beijing regime and the position of those listed as proponents cannot be confirmed), on fellowship to U.S. universities with government support such as Dai Qing or from the business world, such as Hong Kong businessman Martin Lee.<sup>143</sup> To obtain Chinese counterweights to the strong moral authority of the Chinese exiles who had suffered human rights abuses and wanted to keep the annual NTR review as a legitimate tool, Honeywell paid for airfare to bring several of its workers from a Honeywell facility in China to Capitol Hill to testify to the fine conditions and high wages at the company plants.<sup>144</sup> To put into perspective the degree of coercion employers have over employees in China, workers caught circulating literature about safety conditions or wages are regularly jailed. The American Chamber of Commerce in China sent a delegation of 30 businessmen from China, for the first time including eight Chinese members, to visit 120 Members of Congress to pressure the House to vote for China PNTR, including insurance

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representatives from Lincoln Financial and New York Life Insurance Co. as well as the President of Caterpillar China.<sup>145</sup>

The height of the Business Roundtable's astro-turf efforts occurred the week of the China PNTR vote when free 10 minute telephone calling cards attached to glossy cardboard flyers were handed out to every commuter exiting Metro stations all over Washington. The cards depicted an American flag emblazoned with the slogan "The Right Call: YES on PNTR." The flyer was essentially a Business Roundtable fact sheet, with platitudes such as "by passing PNTR the U.S. gives up nothing,"<sup>146</sup> deceptively ignoring the loss of an annual Congressional oversight vote to hold businesses operating in China accountable. The clean cut young people distributing the cards were hired to be political props. Their next stop after handing out the phone cards was to be cheering fans of PNTR at a GOP leadership rally amid balloons; the temporary workers position on PNTR, according to one, was that "We just go where they tell us."<sup>147</sup> The phone time on the calling cards distributed by the Tuesday before the vote was \$40,000, not including the cost of the hired temporary workers.<sup>148</sup>

In addition, the corporate lobby spent expensively on "air cover" astro-turf, outdoing a similar effort from NAFTA. The Business Roundtable hired two public relations firms to generate a simulated groundswell of support for NAFTA. One, Targeted Communications, operated a slick telemarketing campaign in 30 congressional districts. Targeted Communications sent mail-grams to the Member of Congress on behalf of the people whom they had phoned up and talked into supporting NAFTA. The other firm, Dewey Square, tried to mobilize local business and civic leaders in 85 congressional districts to actively push NAFTA.<sup>149</sup> Pro-PNTR business groups paid for similar phone banks to encourage retired employees to call their Members of Congress,<sup>150</sup> the regional Chambers of Commerce helped to mobilize phone calls to Congress within their local business communities.<sup>151</sup> Farmland Industries also provided resources and assistance for employees and the 600,000 farmer-owners of Farmland to contact Congress.<sup>152</sup> While both of these efforts are substantial, they pale in comparison to the broad-based "air-cover" efforts launched by the pro-PNTR campaign which involved not only the business coalitions, but also the member companies in generating the impression of public support for an unpopular measure.

## **Massive Corporate Advertising Blitz**

The corporate advertising campaign had a similar goal. Through television, print and radio advertisements, the corporate campaign sought to create an impression of a national movement. Advertising campaigns serve to supplement lobbying campaigns by focusing the public on issues before the Congress and creating a concern in Members of Congress that their constituents could be persuaded to the advertiser's perspective. According to Annenberg Public Policy Center, more than \$114 million was spent on issue advocacy advertising expenditures between January 1999 and March 2000, 52.6%, or \$60 million, of it on legislative issue ads, like those promoting China PNTR.<sup>153</sup> In the months leading up to the China PNTR vote, the business coalition, led by the Business Roundtable, spent millions on pro-PNTR issue advocacy advertising. The corporate campaign never revealed how much it actually spent in total on the advertising element of its effort, but estimates of the Business Roundtable-U.S. Chamber of Commerce campaign alone ran from \$12 to \$15 million.<sup>154</sup>

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In comparison, the advertising campaign that pushed NAFTA, opposed health care reform, and the advertising campaign underwritten by labor in opposition to PNTR are small. In the NAFTA campaign, the Business Roundtable estimated that it spent a total of \$10 million on *all* advocacy, with \$8 million of that money used to buy advertising time.<sup>155</sup> If the U.S. Chamber of Commerce and the Business Roundtable spent a similar proportion of its advocacy campaign money on advertising, their advertising expenditures alone would be \$12 million over only three months. The first media buy in early March was for \$4 million, or the same as the entire expenditure on the \$4 million dollars spent on the infamous “Harry and Louise” anti-Clinton health care reform advertisements the Health Insurance Industry of America for *all* of 1993.<sup>156</sup> The pro-PNTR advertising also dwarfs the amount of anti-PNTR advertising, where labor was outspent more than 6 to 1 with total television, radio and print expenditures coming in at \$2 million.<sup>157</sup>

A Public Citizen survey of print advertising in the *Washington Post*, *New York Times*, *Roll Call*, *National Journal*, and a sampling of other major print media found nearly \$1 million in print advertising in addition to the Business Roundtable and Chamber print ads.

The total spent by the corporate pro-PNTR campaign in the three months between March

2000 and the vote in May on television, radio and print advertisements was at least \$13.75 million — by the primary trade associations pushing the legislation, other business groups, and many individual companies. This is a significant undercount, as much of the print, radio and television advertising by individual companies and trade associations ran in smaller markets and targeted Congressional districts, buys Public Citizen could not review. Annenberg found that issue advocacy advertising averaged \$4 million a month between January of 1999 and March of 2000, making the more than \$4.5 million a month spent on pro-PNTR issue advocacy advertising exceed the monthly advertising expenditures of *all* issue advocacy over the previous 15 months.

“If somebody’s on the margin and they screw up this vote, they’d better not look to me for money.” — Thomas Donohue, President U.S. Chamber of Commerce

During the PNTR fight this year, the Business Roundtable advertised heavily in the Washington market, but it also focused its television advertising campaign on 27 Congressional districts.<sup>158</sup> As early as late January, the Business Roundtable began running print advertisements in six Capitol Hill publications focusing on agriculture, manufacturing and high technology.<sup>159</sup>

In early April 2000, the Business Roundtable rolled out its initial advertising buy, a \$4 million dollar national television buy which ran on CNN and was supplemented with in-district television advertisements in about 50 House districts, as well as print and radio.<sup>160</sup> The print advertisements, featured prominent endorsers of PNTR — either former Secretaries of State (see below), governors or economists — ran in smaller local papers and often targeted specific Members of Congress as well as more general pro-business messages.<sup>161</sup> The Business Roundtable’s advertising for PNTR mirrored what it offered on its website from 1999 which have pro annual NTR and pro-China in the WTO messages: how NTR is good for agriculture, exports generally, automobile makers, citrus growers, high-tech industry, the service sector, semiconductors, chemical manufacturers, telecommunications,

insurance, manufacturing generally, and pork producers.<sup>162</sup> Identical themes ran in BRT print advertisements for PNTR in political periodicals like *Roll Call* and *National Journal*.<sup>163</sup> The website also features the pro-PNTR television advertising including a generic “engagement” ad misleadingly suggesting China’s markets will not open without PNTR, and that opening the market will bring American values to China.<sup>164</sup> Another Business Roundtable television advertisement has American workers morphing into one another concluding that, “I work in America and trade with China works for me.” This ad contrasted sharply with overwhelming labor opposition to PNTR based on the threat of U.S. job losses and the lack of labor rights in China.<sup>165</sup>

Not only was the call free, but when the number was contacted, an operator instructed the caller about what to say, then connected them to the correct Member of Congress and then monitored the call to ensure a pro-PNTR message was delivered to Congress. If callers asked members to oppose PNTR, they were disconnected.

The Chamber of Commerce also launched a sixty second radio advertisement in Washington and in targeted districts the week of the large labor union rally against PNTR which stated that “Voting yes for trade strengthens our national security and opens the door to good paying, American jobs.”<sup>166</sup>

Many individual companies and other trade associations also focused resources on advertising in favor of PNTR. For example, Motorola alone spent \$1 million on television and print advertising.<sup>167</sup> The Motorola ads

marketed an idea — even if premised on myth — like it markets its consumer goods. (Motorola’s product commercials running in China will be developed by Oliver Stone and run late next year<sup>168</sup>). The Motorola issue advertisements concluded on an ominous note, suggesting that unless Congress approved PNTR, American firms would not have necessary access to China’s market. Of course, Motorola *already* has invested \$3.4 billion in China before PNTR, making it the largest foreign investor in China.<sup>169</sup> The Emergency Committee for American Trade ran television ads in 25 swing districts and the Electronic Industry Alliance ran radio advertisements featuring high-tech workers in 10 districts.<sup>170</sup>

Motorola’s television issue advertisements promoted a toll-free number to contact individual members of Congress about PNTR. The operation of this call-in system demonstrated the bottomless pit of money corporations with interests in China were willing to expend. Not only was the call free, but when the number was contacted, an operator instructed the caller about what to say, then connected them to the correct Member of Congress and then monitored the call to ensure a pro-PNTR message was delivered to Congress. If callers asked members to oppose PNTR, they were disconnected.<sup>171</sup> Pass through phone banks typically cost between \$10-\$15 per completed call *without* the operator lobbying and monitoring the call. The Motorola advertising ran nationwide for weeks before the vote, running up unknown but substantial costs for the pro-PNTR campaign phone calls *in addition* to the direct cost of the television and print advertisement placements.

In February, ExxonMobil used its weekly quarter-page advertisement on the *New York Times* op-ed page to promote PNTR with an ad entitled “A Bull Market with a China Shop” which urged “Congress

to give priority to granting China PNTR” and contending that PNTR would “extend America’s bull market and record growth.”<sup>172</sup> ExxonMobil used a second of its weekly ads on the *Times* op-ed page in mid-May to push for PNTR with the headline “Vision and Courage on China.”<sup>173</sup> ExxonMobil uses this prominent weekly space to promote the company, its philanthropy and its positions on political issues like global warming and gasoline pricing. The annual run costs \$1.6 million, making the PNTR ads cost nearly \$62,000.<sup>174</sup>

Major national newspapers were full of pro-PNTR advertising. Illinois-based Motorola ran a \$32,949 half-page advertisement in the *Chicago Tribune* in April stating that Congress had to agree to PNTR to gain the WTO accession benefits, “Or the deal is off.”<sup>175</sup> The Toy Manufacturers of America ran a full page ad in the *Times* the week of the vote costing \$100,000 contending that voting against PNTR “isolates America and hurts our families.”<sup>176</sup> There also were a number of pro-PNTR advertisements that ran in the *Washington Post* in May. Lucent ran a full page ad on May 18<sup>th</sup> that cost \$82,756 and stated that the benefits of China’s WTO accession “will be denied to America” without PNTR, despite statements to the contrary by U.S. Trade Representative Barshefsky and Commerce Secretary Daley.<sup>177</sup> Boeing ran two two-thirds page ads in the *Post* costing a total \$110,342 the weeks before the vote one entitled “How Much Opportunity Will America Lose,” and the other headlined “How Much of America’s Economic Growth Are We Willing to Risk.”<sup>178</sup> The days before the vote, ACLI and Electronic Data Systems ran a quarter page ads in the *Post* costing \$20,689 each.<sup>179</sup> Even after the vote the advertising continued. The National Association of Manufacturers paid nearly \$45,000 for a half-page ad in the *Los Angeles Times* to thank the California Congressional delegation that supported PNTR.<sup>180</sup>

Pro-PNTR companies and trade associations also advertised heavily in the semi-weekly political newspaper *Roll Call*. The U.S. Chamber of Commerce ran a full page advertisement trumpeting the Governors and local Chambers of Commerce that support PNTR.<sup>181</sup> The ad publicized the pro-PNTR letter to President Clinton signed by 41 governors arranged by the Democratic Leadership Council, a pro-business lobby within the Democratic party formerly led by then-Governor Clinton and currently led by Vice Presidential Candidate Joseph Lieberman (D-CT).<sup>182</sup>

The Business Coalition for U.S. China Trade ran at least 3 advertisements in *Roll Call* — two entitled “Fact Watch” contradicted that there will be any job losses related to the U.S. trade deficit with China and another contending that China made all the sacrifices in the U.S. China bilateral agreement and that it was of minor importance that the Congress was sacrificing annual NTR review costing as much as \$27,900.<sup>183</sup> Microsoft, the Agriculture Trade Coalition, ACLI, Lucent, Intel, MetLife, the Technet coalition of information technology firms, and Merrill Lynch all sponsored pro-PNTR full page advertisements in *Roll Call* costing \$58,400.<sup>184</sup> Many companies also paid \$7,900 apiece for full page advertisements in the political magazine *National Journal*, including Microsoft, ExxonMobil, Boeing, and Motorola.<sup>185</sup>

The U.S. High-Tech Industry Coalition on China paid for pro-PNTR radio spots in the districts of undecided Republicans including Rep. Sue Myrick (R-NC) and Rep. John Doolittle (R-CA),<sup>186</sup> both of whom voted for the legislation. The magazine of the telecommunications industry, *Wireless Week*,

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described the industry as spending “untold millions of dollars for ads on TV, radio, and in daily newspapers like the *Washington Post* and *USA Today*.”<sup>187</sup> The Agriculture Trade Coalition, representing 85 farm groups and agribusinesses, spent \$150,000 on radio spots in the two weeks before the vote.<sup>188</sup>

This massive advertising campaign supplemented the corporate lobbying, both face-to-face and astro-turf. The advertisements that ran in Washington were meant to demonstrate that resources were being dedicated to the fight. In the field, the advertisements brought the heat home, demonstrating the corporations’ willingness to spend money locally for political purposes — a useful threat of later electoral retaliation — and helped to generate calls to Congress. The high-dollar television and radio advertising campaign of the corporate China lobby’s campaign made a K Street corridor operation have an almost omnipresent appearance in America, despite polling showing a vast majority of Americans opposed PNTR.

The combinations of these expenditures — political donations, advertising, inside the beltway lobbying and astro-turf campaigns to create the facade of a movement — presented both formidable enticements and pressure on House Members and then political cover in the form of “local” workers, business leaders and Chinese activists who supported PNTR. The tens of millions of dollars spent by the pro-PNTR corporations drowned out what should have been a serious policy debate and instead turned the China PNTR fight into a game of cash and carry.

## **White House Pressures: From Bully Pulpit to War Room**

The efforts of the China business lobby were greatly enhanced by the cooperation of and coordination by the Clinton administration. Democratic leaders in the House of Representatives had strongly urged President Clinton not to hold the China PNTR vote during the closing months of the 106<sup>th</sup> Congress. After six years of intense effort, the Democrats were poised to restore the majority in the House. Democratic Congressional leaders vividly recalled the chilling effect that the 1993 NAFTA vote had on the activist zeal and voter turnout of the Democratic base in 1994 when turn out among labor households plummeted and the Democrats lost the House for the first time since 1954.

Despite these exhortations, President Clinton’s eagerness to shift focus from his personal scandal to his policy legacy prompted the White House to move ahead with the PNTR push. The Clinton administration’s lobbying blitz pushing China PNTR ranks as the largest legislative effort the White House has made over the last two terms — surpassing notable fights such as NAFTA and health care. The White House’s full court press was essential to the business coalitions’ ability to round up the votes to pass the controversial measure. The administration corralled Democrats, which was necessary because of the number of Republicans concerned about China’s human rights violations, especially the limitations on religious freedom, and GOP concerns about national security. Much of Clinton’s last lame-duck year in office was focused on passing China PNTR, while other alleged priorities of the administration, such as gun control, labor law reform, and a minimum wage increase, withered in Congress.

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*The Washington Post* characterized PNTR as a “must-win” issue for Clinton to cement his legacy.<sup>189</sup> Indeed, it appears that the administration wanted to win China PNTR at any cost. Not only did the administration’s lobbying crusade on China PNTR vastly outshine its other efforts to move more

“I regret that trade policy has inextricably linked with job creation. We try to promote free trade on the mistaken ground that it will create jobs. [But] it is difficult to find credible evidence that trade has impacted the level of total employment in this country over the long term.” — Federal Reserve Board Chairman Alan Greenspan

traditionally Democratic issues, it appeared to violate the federal law which prohibits using federal funds to urge others to conduct grassroots lobbying of Congress. The law allows for normal executive-legislative communications, but prohibits using funds for grass roots lobbying or for “publicity or propaganda” purposes.<sup>190</sup> Interpretation of this policy has allowed for considerable publicity activities. However, during the White House’s campaign to impose China PNTR on the American people, the line which separates advocating the administration’s position and urging others to advocate the administration’s position was often blurred. On at least one occasion that line was clearly crossed according to the General Accounting Office (GAO).

The well publicized, seamless interplay between the White House and corporate PNTR lobbying efforts led Rep. Frank Wolf (R-VA) to write to the General Accounting Office and request an investigation into the White House China PNTR War Room.<sup>191</sup> The GAO undertook an investigation of the War Room and of additional executive branch departments (Departments of State, Treasury, Commerce, Labor, Agriculture and the office of the U.S. Trade Representative) for possible violations of the prohibitions against using federal funds to generate grassroots lobbying of Congress by others.<sup>192</sup> By mid-May, the GAO investigation had discovered the White House China War Room was staffed by 150 individuals, about 100 of whom came from the Agriculture Department, and that there was extensive outreach and coordination with outside companies and trade associations.<sup>193</sup> The “smoking gun” was a White House internal email forwarded by a member of the White House PNTR War Room to the National Pork Producers Council and the Farmland Cooperative System. The email discussed the threat posed by anti-PNTR activists passing out a newspaper piece written by an economist suggesting that U.S. farmers would not gain from PNTR. The email specifically urged the two agribusiness associations to contact a particular representative “ASAP.”<sup>194</sup>

The alliance between business interests, traditionally more closely tied to Republicans than Democrats, and the Clinton Democratic White House mirrors closely the Administration’s

coordinated efforts to pass NAFTA in 1993. Despite having campaigned his way into office on health care, in his first year as president, Clinton put NAFTA on the top of his legislative priorities.

The president used his officials to mobilize the public and the Democratic party to support NAFTA. But in 1993, less than a year after the president took office, his spokespeople, lobbyists and strategists within the White House were not as well-known by the public or on Capitol Hill as they are now. Though the White House team shepherding NAFTA through Congress was prepared and politically savvy, they were of considerably lesser stature than the Cabinet lineup employed to push China PNTR. The Administration NAFTA team and war room operation included two Cabinet level Secretaries,

### **Lies and Spin: Some Things Never Change**

In late April, the White House released a letter signed by scores of economists including 13 Nobel laureates and nine former White House council of Economic Advisors supporting China's WTO entry. The letter was notable in that it did *not* take a position on PNTR. Regardless, the White House characterized the letter signed by 148 economists as an endorsement of PNTR, a point most publications bought and reprinted.<sup>195</sup> A similar economist endorsement letter appeared during the NAFTA fight. In September of 1993, the White House promoted a letter signed by 283 academic signatures, with the 12 living Nobel laureates, but without the weight of the former Economic Advisors. However, the list of alleged endorsements has not been available from the original MIT organizer of the letter, the White House or the Commerce Department, in part because reporters calling the signatories found that very few had actually read the NAFTA text and at least 8 did not remember signing the letter.<sup>196</sup>

Treasury Secretary Bentsen and U.S. Trade Representative Mickey Kantor, and two White House strategic staff, Rahm Emanuel and special consultant and "NAFTA Czar" William Daley.<sup>197</sup> Though Secretary Bentsen was formerly a Texas Senator, the other three were relatively unknown seven months into the President's first term.

Six years later when the China PNTR legislation hit Capitol Hill, two essential things had changed. The White House officials were more well known by the Congress and the public. But even so, given growing public opposition to the corporate managed trade agenda, it had become necessary for the Clinton administration to bring significantly *more* of its in-house resources to the China PNTR fight than were necessary for the NAFTA fight.

Commerce Secretary William Daley, one of the Administration's most politically skilled members, has been the administration's primary attack dog pushing corporate-managed trade since NAFTA approval appeared to be in trouble in the summer of 1993. He was lured away from his politically-connected corporate law firm and the Chicago Democratic machine of his family, where his father was and his brother is mayor, to become the "NAFTA Czar" in 1993.<sup>198</sup> The totalitarian title is fitting for an individual charged with imposing a corporate agenda contrary to the needs and wills of working people onto the American public.

Daley was also selected to head the China fight, but this time he had one of the largest government agencies as his back-up in his role as Secretary of the Commerce Department. Daley had the political smarts to recognize that a much greater effort would be required to win China PNTR relative to NAFTA given greatly expanded public awareness and opposition. According to White House officials reported in *Roll Call*, Daley was making 20 lobbying visits to House members a week and as many as 20 phone calls to lobby on PNTR each day in March alone.<sup>199</sup> In comparison, Secretary Bentsen made 64 phone calls to Members of Congress and 85 face-to-face visits with Members *total*,<sup>200</sup> or about the number of calls Daley made in three days in March and the number of office visits Daley made in March — months before the China PNTR vote.

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Meanwhile, the Clinton administration's PNTR lobbying activity included as principals many more of its top officials, including Secretary of State Madeline Albright, Defense Secretary William Cohen, Treasury Secretary Lawrence Summers, White House legislative director Chuck Brain, and national security advisor Samuel Berger, as well as Commerce Secretary William Daley, Agriculture Secretary Dan Glickman, and U.S. Trade Representative Charlene Barshefsky.<sup>201</sup>

The large, high-level Clinton administration team acted aggressively to overcome the overwhelming opposition to their agenda and pressed their case on Capitol Hill, in front of industry groups, and with the public. According to the White House, 68 speeches, testimonies, and junkets to 21 cities were made just between late February and the May vote on behalf of PNTR by Clinton Cabinet Secretaries and other high level Administration

“Many of us urging cooperation with China are being accused of doing so for commercial reasons. As a chairman of an international consulting firm, I inevitably encounter clients who also do business in China, though they represent a very small share of our total income.” — Henry Kissinger

officials.<sup>202</sup> U.S. Trade Representative Barshefsky testified or spoke on PNTR 30 times between late February and the House PNTR vote, according to the White House web site, including a breakfast at the American Farm Bureau, the Economic Strategy Institute, the National Conference of State Legislators and the Women's National Democratic Club. Secretary Daley logged the second largest number of speaking appearances with 13, including a Life Insurance CEOs press conference, the Electronic Industries Association annual meeting, and U.S. Wheat Associates. Secretary Glickman made 10 speaking appearances, including the Kansas Rotary Club, the National Association of Agriculture Journalists, and the Commodity Classic. Treasury Secretary Summers made 8 stump speeches for the administration, National Economic Council Director Gene Sperling made 3 and other administration officials including Administrator of the U.S. Small Business Administration Aida Alvarez and Deputy Secretary of Treasury Stuart Eizenstat also spoke out in favor of PNTR.<sup>203</sup>

Despite many other pressing issues in the international policy sphere, even Administration agencies that did not have the China PNTR campaign as official “first” priority gave the effort to pass PNTR preference. For instance, in April, at a gala dinner sponsored by media baron Rupert Murdoch, Secretary of State Madeline Albright announced to a room of 200 U.S. and foreign officials: “The vote on China trade may be the most significant economic and national security decision Congress will make this year.”<sup>204</sup> Days before the vote, Albright flew to Denver to cement the vote of Colorado Democrat Diana DeGette (D-CO), rather than focusing U.S.

diplomatic efforts on growing tensions between Ethiopia and Eritrea and the renewed outbreak of fighting in Sierra Leone.<sup>205</sup> Samuel Berger, National Security advisor to the President, spoke before the East Asian Institute of Columbia University in early May, presenting a national security argument in favor of China PNTR.<sup>206</sup> U.S. Ambassador to the United Nations Richard Holbrooke came from his New York post and was seen on Capitol Hill the day of the PNTR vote telling his subordinates about the vote count.<sup>207</sup> Perhaps one of the clearest demonstrations of how much more effort was required to pass PNTR relative to NAFTA was the appearance the U.S. Ambassador to China, Joseph Prueher,

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### **Vice President Gore's China PNTR Role**

Vice President and Presidential candidate Al Gore also strongly supported the bill, and after obtaining an early AFL-CIO endorsement, worked to push its passage. Once he effectively secured the Democratic nomination, he started to personally lobby undecided House Members in late March.<sup>208</sup> While Gore's role in NAFTA was high profile, his role in the China PNTR debate was arguably more effective. His lobbying for China PNTR after obtaining the early AFL-CIO endorsement sent a powerful signal to House Democrats. With a majority of labor unions boxed in by the Gore endorsement, House Democrats used Gore's actions as cover, even chastising the unions for supporting Gore while pressuring House Democrats on China PNTR. The unions that had refused to endorse Gore early on, the Teamsters and United Auto Workers, were the unions which retained leverage during the PNTR debate. However, their efforts were undermined by the AFL-CIO's conflicting message regarding Gore. Indeed, many analysts have concluded that Vice President Gore would have inveighed on President Clinton to put off the PNTR fight had the AFL-CIO not given Gore its early endorsement. Meanwhile, the Gore presidential campaign is (at this writing) being managed by two NAFTA veterans, one of whom led the PNTR effort. Former Commerce Secretary Daley, of PNTR and NAFTA Czar fame, is now Gore's campaign manager. Carter Eskew, the Gore campaign's campaign consultant and long-time friend to the Vice President, managed the Business Roundtable NAFTA advertising account.<sup>209</sup>

in Washington in mid-May to lobby Congress in favor of PNTR.<sup>210</sup> He was called in despite all of the heavies already lobbying in Washington, the growing domestic unrest in China, and the growing difficulties regarding China's multilateral accession talks.

While President Clinton telephoned and met Members of Congress in the campaign to pass NAFTA, to overcome the public opposition to PNTR he had to conduct a more intense effort. For instance, in early April, the President traveled to San Jose, California to speak to an audience of high-tech executives on PNTR and unveil a "new" PNTR convert, Rep. Zoe Lofgren (D-CA). This was particularly disingenuous, as Rep. Lofgren has always been a solid vote for *corporate-managed* trade with her staff disrupting an anti-PNTR briefing months before the Presidential stunt.<sup>211</sup> Again, in early May, the President flew to the Midwest to provide political cover for two Democrats whose votes he should have been able to rely on without the efforts. He did an event with *pro-corporate-managed* trade devotee Rep. Tom Sawyer in Akron, Ohio then flew on to Shakopee, Minnesota, home of similarly *pro-corporate-managed* trade deals Rep. David Minge (D-MN).<sup>212</sup> Clinton also made a special visit to Karen McCarthy (D-MO) in her district of Kansas City to ask for her support for PNTR although McCarthy, a NAFTA survivor, stuck with her constituents and opposed PNTR.<sup>213</sup> The President invited a dozen Members of Congress to the White House to meet the Hong Kong businessman Martin Lee in early May.<sup>214</sup> Clinton even used Cardinal John O'Connor's funeral as an opportunity to lobby undecided members. After the funeral in New York, he generously invited Rep. Rangel and the rest of the New York delegation make the trip back to DC with him aboard Air Force One, where he gave an in-flight push for the bill.<sup>215</sup>

Through mid-May, the President met with about 100 Members, mostly in small groups; once the vote drew closer, Clinton focused on one-on-one meetings with undecided Democrats such as Rep. Richard Neal (D-MA), Rep. Sheila Jackson Lee (D-TX) and Rep. Max Sandlin (D-TX).<sup>216</sup> In late May, six more House Members were brought to the White House — Bud Cramer (D-AL), who voted for PNTR after securing a pork-laden deal for his district (see below), Rep. Jim Turner (D-TX) who horrified his strong anti-PNTR voter base by voting yes, Rep. Grace

Napolitano (D-CA) who had already committed to opposing PNTR and did vote no, Rep. Owen Pickett (D-VA) normally a *pro-corporate-managed* trade vote who voted yes, Rep. Bob Filner (D-CA) who voted no, and Rep. Peter Deutsch (D-FL) who voted no.<sup>217</sup> The week of the PNTR vote, President Clinton dedicated several hours each day to contact undecided Democrats by phone or in face-to-face meetings, White House officials said the day before the vote.<sup>218</sup>

### Hired and Borrowed “Objective” Experts and Silent Partners

The White House delivered a raft of so-called experts supporting the China PNTR legislation. In NAFTA, ex-presidents Ford, Carter and Bush were trotted out as supporters (the then-living Nixon was considered too controversial).<sup>219</sup> In the China PNTR fight these same presidents re-affirmed their commitment to free trade in general and the China PNTR measure in particular at multiple events.<sup>220</sup> For instance, in mid-November, former Presidents Ford and Carter joined President Clinton at a press conference at the White House which made for a great media spectacle.<sup>221</sup>

However, in another demonstration of the inflation in public opposition since NAFTA, another “A-Team” of former officials was additionally employed for the PNTR fight. Former Secretary of State Henry Kissinger, for instance, supported both NAFTA and PNTR with statements and press releases. However, the week before the PNTR vote, Kissinger was joined at a White House press conference by former Secretaries of State James Baker and Warren Christopher and former White House officials

#### Swartzenegger and Greenspan Endorse PNTR

The second most ridiculous PNTR lobbying episode (coming after the comical round of pro-PNTR calls made by Arnold Schwarzenegger at the behest of Rep. Mary Bono (R-CA)<sup>222</sup>) was the Clinton administration's *constant* reprisal of Federal Reserve Board Chairman Alan Greenspan's support of China PNTR. Greenspan's support of PNTR was presented as breaking news — twice — on May 8 and 18, 2000. His identical statements garnered significant news coverage both times, even though no news was generated and nothing particularly new was happening when Greenspan reiterated his position.<sup>223</sup> Moreover, in a note of irony not included in the repetitive news coverage, in some senses Greenspan makes a poor spokesperson for free trade as he is on record arguing against the administration's position that free trade creates jobs. As he said on April 16, 1999: “I regret that trade policy has inextricably linked with job creation. We try to promote free trade on the mistaken ground that it will create jobs. [But] it is difficult to find credible evidence that trade has impacted the level of total employment in this country over the long term.”<sup>224</sup>

such as Alexander Haig, Brent Scowcroft, James Schlesinger, Robert McNamara, Mickey Kantor, Leon Panetta, and Zbigniew Brzezinski.<sup>225</sup> Kissinger's role epitomized the conflicts of interest between the sheen of foreign policy knowledge and seeming impartiality and many of the "experts" little-discussed high-priced consulting business. For instance, Kissinger's financial interests included those of Kissinger Associates, his membership on corporate boards and financial investment ventures with vested interests in China PNTR. Founded in 1982, Kissinger Associates charged U.S. firms \$200,000 a year for advice and \$150,000 a month to work on particular business problems, such as helping to break into the Chinese market which Kissinger Associates has done for American Express, American International Group, GTE, H.J. Heinz and ITT.<sup>226</sup> Kissinger also set up the American-China Society at the behest of the Chinese government. Operated out of Kissinger Associates offices, its mission is to introduce visiting Chinese officials to American business operators and opinion leaders.<sup>227</sup>

Since founding Kissinger Associates in 1982, Kissinger had not revealed his business connections, particularly related to China and trade agreements. However, in 1997, that was about to subtly change. In 1989, Kissinger urged restraint in responding to the Tiananmen Square crackdown in a column and on ABC. Only after a *Wall Street Journal* reporter revealed the extent of his ties to businesses with interests in China, did some newspapers acknowledge Kissinger was a consultant, but without referring to any connections to the topics of his articles. The *Washington Post* started doing this three years later, in 1992.<sup>228</sup>

In a column in June of 1993, Kissinger applauded Clinton's extension of Most Favored Nation to China without "specific conditions," a not-so-veiled reference to human rights, without identifying his corporate clients who loathed annual human rights disputes over China's trade status.<sup>229</sup> In March of 1994, he wrote that "The short term objective of a renewed Sino-American dialogue should be ...to enable the administration to de-link human rights from MFN status once and for all," once again failing to identify his interests in eliminating the discussion of human rights and trade.<sup>230</sup> Later that year, he lauded the Clinton administration's success in the endeavor of "...decoupling [MFN] status from the objective of promoting better human rights in China," — no mention of even having clients, let alone those with interests in China.<sup>231</sup> In 1995, Kissinger recommended "A moratorium on further unilateral steps in Washington by both Congress and the executive branch...to return to what peace, stability and the human condition require," suggesting that the U.S. should take no action without China's permission or else chaos, which is bad for business, might ensue.<sup>232</sup>

But in March of 1997, an investigative piece by John Judis in *The New Republic* revealed that all along Kissinger had represented business trying to gain access to China.<sup>233</sup> The story, titled "China Town," found that in 1995, Kissinger Associates helped GTE enter an agreement with China's United Telecommunications Corporation to jointly develop China's telecommunications industry.<sup>234</sup> In a piece in June of 1997, Kissinger admitted, "...let me state here that I head a consulting firm that advises a few clients with business interests in China," but later re-enforced his desire for "full discussion of trade relations," and urged China "critics at home" to "give the relationship a chance."<sup>235</sup> In a column that ran in July of 1997, Kissinger lamented that Yet, in the same article, Kissinger listed trade as the first of three important China key issues followed by proliferation and human rights.<sup>236</sup> When the "small share"

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### **Revolving Door Never Stops: Richetti Goes from White House to Industry and Back**

Steven Richetti, White House deputy chief of staff, is the classic revolving door lobbyist — he has worked for the Democratic party, and for the White House previously, for several hired gun lobbying shops representing an array of corporations with interests in the China fight and then was named as Daley's deputy for the China PNTR fight. Richetti met with Chamber of Commerce president Tom Donohue to plot strategy on China PNTR in late December of 1999.<sup>237</sup> Richetti, already in and out of the White House during the first Clinton term, has experience on the China trade issue from when he was Allied Signal's lobbyist on annual China NTR in 1996 at Public Strategies, the firm of former White House Chief of Staff Mack McLarty.<sup>238</sup> He created Richetti Associates, which took in over \$800,000 in 1997 and nearly \$1.5 million in 1998.<sup>239</sup> Ricchetti & Associates lifted some clients from Public Strategies, including Allied Signal (\$100,000 lobbying fee for Richetti & Associates), as well as other businesses interested in PNTR such as Dow Agrosiences, MCI, Primestar, Lucent, the pharmaceutical giants Novartis and Eli Lilly, as well as American Council of Life Insurance.<sup>240</sup> Richetti left the private sector to return to the White House to help the President during the impeachment scandal and to coordinate the fund raising efforts of the Vice President, First Lady, and Clinton.<sup>241</sup> Given the high profile political donations by the corporate China lobby, Richetti was the perfectly positioned to both advocate industry's position on China and direct corporate donors towards Al Gore and Hillary Clinton.

of Kissinger's clients interested in China was challenged on William Buckley's "Firing Line" television program, Kissinger bristled; columnist Ariana Huffington suggested that Kissinger Associates' client Disney had much to gain from NTR, including resolving the attack Disney was facing from Beijing over the release of its Dalai Lama-based movie "Kundun." Kissinger responded that he was merely "advising" Disney.<sup>242</sup> Given that Disney's CEO Michael Eisner made more than \$5,000 an hour in 1997,<sup>243</sup> one can surmise that the payment for Kissinger's "advice" was not trivial.

Later in the 1990's, Kissinger became a member of the corporate board of Gulfstream Aerospace, which produces aircraft — one of the few manufactured products China imports from the U.S.<sup>244</sup> In 1999, Kissinger Associates merged operations with former Clinton White House Chief of Staff Thomas "Mack" McLarty creating a new Republican/Democrat-connected powerhouse, Kissinger McLarty Associates in Washington.<sup>245</sup> In April of 2000, Kissinger Associates also formed a financial partnership with insurer American International Group and the Blackstone Group to parlay the Kissinger connections into investment opportunities.<sup>246</sup>

Many of the other seemingly disinterested foreign policy "experts" who appeared at Congressional hearings, on television and ran newspaper columns supporting PNTR also represent firms with business interests in China or sit on their boards. Former Reagan Secretary of State Alexander Haig heads the consulting firm Worldwide Associates which represented United Technologies efforts to land billions in Chinese contracts for airplanes and air conditioners.<sup>247</sup> When former National Security Brent Scowcroft testified before the Senate Commerce Committee in April, he focused on economic changes in China, but did not mention national security concerns. He stated: "That now means, above all, the privatization or marketization [trend in China], whatever word you use, of state-owned enterprises and the creation of a modern banking and financial system," and also "There's no way most of these state-

owned dinosaurs could survive the competition which will come with WTO.”<sup>248</sup> He did not mention that he now operates Scowcroft Associates which has China-related business interests, including for instance, setting up a meeting between Chinese Premier Li Peng and the Chairman of Chubb Insurance in 1997.<sup>249</sup> General Colin Powell, respected by many Americans on foreign relations issues also worked for PNTR *and* has ties to businesses with stakes in the China PNTR fight. Secretary of State Albright cited Powell’s support for PNTR in a guest opinion in the *Denver Post*.<sup>250</sup> Powell himself telephoned undecided Representative Max Sandlin (D-TX) the Monday before the vote.<sup>251</sup> Powell also was used as an example of prominent PNTR supporters the Tuesday before the vote by an Eastman Kodak spokesperson on the news television show “The Newshour with Jim Lehrer.”<sup>252</sup> What was not made clear is that Colin Powell is on the Boards of Directors of America Online and Gulfstream, both firms with significant interests in PNTR.<sup>253</sup>

### **Pigs in a Pork Barrel Poke**

With the corporate cash, paid “experts” and lobbyist legions, and corporate astroturf was much more intense than during the NAFTA effort, the capture of PNTR was a largely “privatized” operation. While the NAFTA vote was secured thanks to major government pork barrel deals, in China PNTR the corporate cash was king. During the China PNTR fight, there were fewer pork barrel deals vote trades for less money, appearing almost as an afterthought by the White House. In part, this occurred because of the bad faith the President generated in failing to come through with the NAFTA promises. Instead several experienced Members approached with deals insisted that the White House actually deliver on funding promises before the PNTR vote, especially since remains for the Administration to deliver.

The Clinton-Gore administration made at least 10 deals with a few dozen Members of Congress. The China PNTR horsetrading played a different role than the NAFTA pork. With the heavy lifting on the China PNTR effort privatized to corporate cash — and a Clinton Administration severely hindered on its bad record of delivering on NAFTA deals — pork barrel deals served more as political cover for corporate compliant Congresspeople than as a decision maker.<sup>254</sup>

Indeed, an analysis of who did go for China PNTR pork is revealing. Senior House Members who voted for NAFTA after obtaining a policy promise or pork barrel goodie did not go for deals and many voted against China PNTR. They had never obtained their promised deals and faced years of voter wrath for their NAFTA vote. For instance, Rep. Sam Farr (D-CA) was promised that cut flower import surges from Mexico would be monitored and protected against. Given this was a key NAFTA concern in his district, he then voted for NAFTA. However, four years later — after 10% of flower producers in his district had been driven out of business each year because of imports chiefly from Mexico — Farr voted against Fast Track to expand NAFTA in 1998 and against China PNTR in 2000. However, since NAFTA and its political fallout, many new House Members have arrived. Several of these new Members of Congress did rely on deals to provide political cover for unpopular pro-PNTR votes. When the Administration reopened the trade candy store, seasoned Members of Congress who were undecided on China PNTR demanded that their “deals” be completely fulfilled *before* the China PNTR vote. For instance, Rep. James Oberstar (D-MN) announced broadly that he

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would oppose China PNTR unless the Administration *funded* Trade Adjustment Assistance for trade-injured mining workers in his district not now covered by the program *and* changed current trade law to deal with import surges of slab steel. Oberstar told the *New York Times*: “I’ll take the heat if I can get something for the people I represent.”<sup>255</sup> Yet, in a repeat of its past conduct on trade vote promises that should have served as a lesson for newer Members, the Administration failed to push the trade law changes early on when it most needed Oberstar’s vote and then ran out of time. Oberstar opposed PNTR.

The Administration’s PNTR deals-for-vote schemes were similar in that they mainly served as post-hoc political cover for Members who had already submitted to corporate pressure to abandon their local constituencies. However, the deals fell into three different categories. First, the Administration was willing to accept modest legislative palliatives to the underlying PNTR bill to provide political cover for Members who were feeling heat at home over labor and human rights concerns. Second, some Members were given old fashioned pork barrel spending for pet projects they could tout back home in particular districts. Third, some deals offered promises of local job-creating investment policies or job retraining monies to alleviate the expected job losses from China PNTR.

### **A Meaningless Fig Leaf for those Supporting PNTR**

In an attempt to provide cover for Members under corporate and White House pressure to support PNTR, such as Reps. Benjamin Cardin (D-MD), John LaFalce (D-NY),<sup>256</sup> Nita Lowey and Karen Thurman who had expressed past concern about China’s human rights record and import surges from Chinese factories, Rep. Sander Levin (D-MI) teamed up with longtime PNTR zealot Rep. Douglas Bereuter (R-NE) to design a package to provide cover on these issues. The proposal failed to provide Congress with meaningful tools to pressure China to improve human rights, weapons proliferation or violations of trade rules and it failed to replace the trade-related enforcement capacity and leverage Congress would lose if it terminates its annual vote on China’s terms of access to the U.S. market. Indeed, both the Clinton Administration and GOP leaders had declared opposition to any measures that would apply trade policy leverage on China, such as by linking human rights or national security with China’s trade benefits. In March, Clinton’s economic advisor Gene Sperling announced that the Administration would oppose any parallel China legislation connecting human rights or national security to trade. GOP leaders also announced opposition to enforceable “side” measures linked to trade. Democratic Leader Richard Gephardt then announced his opposition to PNTR after months of negotiation with the Administration convinced him that no *effective* parallel legislation was possible. However, revealingly, GOP leaders announced growing enthusiasm for the Levin-Bereuter proposal.

Other Members seemed more sincere in their belief the Levin-Bereuter proposal could have some positive effect. For instance, Rep. Karen Thurman (D-FL) engaged in a long colloquy during the House debate to thoroughly establish the link between her PNTR support, which shocked many of her friends, and the proposal. Yet, the PNTR bill did not include funding for the proposal, and, predictably, given similar NAFTA deals, the House of Representative has failed to provide any funding to even attempt to enforce the toothless proposal. The \$21.2 million requested by the Clinton administration for the operation of the Levin-Beureter proposal was rejected by the Appropriations Committee less than

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a month after China PNTR passed, and as of this writing there is no funding for these provisions. In short, the Congress has already eviscerated what little political cover the Levin proposal provided.

### **New Empowerment Zones**

In an effort to capture the votes of the remaining undecided or wavering inner-city Democrats (such as, Ruben Rep. Hinojosa (D-TX), Rep. Shiela Jackson Lee (D-TX), and Rep. Gregory Meeks (D-NY)<sup>257</sup> all of whom voted for the legislation) shortly before the PNTR vote President Clinton and House Speaker Dennis Hastert (R-IL) announced the creation of new empowerment zones, special tax investment zones designed to spur inner city investment. The urban renewal plan, costing \$20 billion over ten years was announced two days before the House voted on PNTR.<sup>258</sup> The program would expand the current number of empowerment zones from 31 to 40 and add an additional 40 less ambitious “renewal communities” proposed by Republicans. Twenty percent of these new investment areas will be in rural areas. The compromise on the empowerment zones was only reached when Clinton agreed to eliminate capital gains taxes on assets acquired in disadvantaged neighborhoods and held for five years. Though Empowerment Zones do help disadvantaged communities acquire access to needed capital, a General Accounting Office study found that in a survey of six Empowerment Zones the majority of the new activity, 58%, did not relate to economic development.<sup>259</sup>

Interestingly, Rep. Gregory Meeks (D-NY) represents a district in which his predecessor had already swapped a trade vote for community development promises. Rep. Floyd Flake, a Democrat who held the Bronx district before Meeks, met with President Clinton the day before the NAFTA vote in 1993. After the meeting, Flake announced his support for the controversial agreement, which many in the New York City congressional delegation opposed. *Newsday* reported that Representative Flake’s decision was linked to a commitment that his district would be the recipient of federal funds through a new Small Business Administration (SBA) lending program for small businesses.<sup>260</sup> President Clinton waited four years before he was willing to put this proposal for a new program on paper. In December of 1997, the Administration approved a new Certified Development Company (CDC) specifically targeted for Rep. Flake’s Bronx district named the Bronx Initiative Corporation.<sup>261</sup> Among different mechanisms for local development, community groups are often critical of CDCs because many times they are unresponsive to the communities they allegedly serve, they rarely fund job-creating enterprises, and they are slow to allocate resources.

Indeed, it was not until February of 2000 that Bronx Initiative Corporation made its first financing deal, six and a half years after the President made his promise and well after Rep. Flake’s retirement from Congress. BIC financed one third of a community health clinic, with half the funding provided by commercial banks.<sup>262</sup> Ironically, the clinic is not even in former Representative Flake’s and now Rep. Meeks’ district; it is in an adjacent district held by Representative Jose Serrano.<sup>263</sup>

### **Refurbishing Northrup Grumman Plant**

Rep. Martin Frost (D-TX) had told labor leaders that he would follow Minority Leader Rep. Richard Gephardt’s (D-MO) lead on China PNTR, which was to vote against it but not to pressure his colleagues too strongly to vote against it. Frost had voted for NAFTA, but was one of the prominent

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### **\$307,000 Per Vote: Congressional China Trip**

Commerce Secretary William Daley and Agriculture Secretary Dan Glickman both lobbied hard for China PNTR. Part of their strategy included a plan to host two congressional delegations on trips to China to guide Members through a Potemkin village version of China that concealed the real conditions facing workers, farmers, religious adherents and political prisoners. Originally, each trip was supposed to shuttle 25 or more undecided Members of Congress to China to meet with carefully selected officials, Chinese business leaders, academics and American business operators.<sup>264</sup> However, this expensive tactic did not work out as planned. The White House suddenly canceled Secretary Daley's delegation the day before it was expected to depart, claiming there was a lack of interest among House members.<sup>265</sup> However, an anonymous pro-PNTR representative disagreed, contending in an interview with the political bi-weekly *Roll Call* that Members were fearing the wrath of constituents and the media upon their return, given how unpopular the China deal was publicly.<sup>266</sup> Even after canceling the first trip, only four Members of Congress went to China on the second and only trip. Only two undecided Congress members (Rep. Gregory Meeks (D-NY) and Rep. Ruben Hinojosa (D-TX)) and two pro-PNTR Members (Rep. Greg Walden (R-OR) and Rep. Norman Dicks (D-WA)), joined Secretary Glickman.<sup>267</sup> A conservative estimate of the cost of the trip to China for four Members of Congress and a dozen Clinton staff would still cost more than \$614,365 in travel, lodging and expenses — or about \$307,182 to move each undecided member into a pro-PNTR vote.<sup>268</sup>

representatives who switched to oppose the President on Fast Track in 1998. The Northrup Grumman aircraft manufacturing plant is the largest employer in Frost's district, employing 5,000 workers. Northrup Grumman had announced that unless the government paid for environmental cleanup costs at the plant, it would close the facility. Former Governor Ann Richards had tried to secure funding for the cleanup before which is estimated at as much as \$100 million.<sup>269</sup> Some congressional sources put the costs of cleanup and upgrading the plant as high as \$200 million.<sup>270</sup> Rep. Frost informed lobbyists that he would use his PNTR vote to pressure the Clinton administration to commit to having the Navy pay for the plant cleanup and upgrade. Yet, even with the funding, the plant's future was uncertain. However, even after receiving \$153,250 in political donations from members of the Business Roundtable, Rep. Frost solicited Motorola to host an additional fund raiser. After the Administration committed to support Frost on refurbishing the plant, Northrup Grumman announced that it would stay at the Grand Prairie assembly plant but it did not rule out selling the plant.<sup>271</sup> Frost then announced he would vote for PNTR. The day after the vote, Northrup Grumman announced that it might sell the entire division that manufactures aircraft, which would shutter the plant in question.<sup>272</sup>

### **Federal Study of Job Losses Due to Imports**

The approach of Rep. Ken Bentsen (D-TX) typified the reaction of even the most reliably pro-*corporate-managed* trade to the broad public opposition to China PNTR. Even though he was listed as a pro-PNTR vote from early on by both PNTR opponents and supporters, he only formally announced his support for the China legislation after the Clinton administration promised to issue an executive order to create a commission to study the government program that monitors job losses related to imports. The promise was extracted after two meetings with the President and several other



meetings with Cabinet Members which Bentsen played up in his district to provide the appearance that pro-PNTR Bentsen had only decided to vote for the unpopular measure after obtaining something from the Administration.<sup>273</sup>

### **Longhorn Pipeline Deal**

In exchange for voting for PNTR, two Texas members, Reps. Solomon Ortiz and Silvestre Reyes, asked the Clinton administration to come to a prompt decision about re-opening a fifty year old oil pipeline that links Corpus Christie with El Paso and then goes on to Arizona and New Mexico. More than half of the pipeline was built in 1950. Before it was left idle in 1995, it had a higher than average incidence of oil spills.<sup>274</sup> BP Amoco and Exxon proposed to re-open the crude oil pipeline to pump gasoline westward from Houston. Residential and environmental opposition to this proposal was high because the pipeline runs through heavily-populated Harris County, and the Lower Colorado River Authority found that a leak could contaminate 20 drinking water supplies serving 750,000 people.<sup>275</sup> The Texas Land Commissioner has refused to grant the pipeline the necessary easements to operate because of past spills and leaks and a 1998 explosion when the pipeline was being tested that injured one worker.<sup>276</sup> The city of Austin and independent landowners sued to stop the pipeline from being re-opened.<sup>277</sup>

An initial Environmental Protection Agency environmental impact study found no significant impact, but was criticized as flawed by the Lower Colorado River Authority and Rep. Lloyd Doggett (D-TX). They asked for a new study to assess contamination and safety issues.<sup>278</sup> Despite assurances that the pipeline supporters only wanted the Environmental Protection Agency to make a final *determination* about the Longhorn Pipeline, Rep. Reyes announced the week before the vote that in exchange for supporting China PNTR he had asked that the EPA to cancel its planned study of the environmental impact of the Longhorn Pipeline, essentially guaranteeing the controversial deal would be approved.<sup>279</sup> The next week Reyes backtracked and insisted that he “did not ask the White House for a guarantee of a favorable decision.”<sup>280</sup> Meanwhile Austin Rep. Doggett announced he would *oppose* China PNTR if the Administration approved the pipeline. Yet, even after Reps. Ortiz and Reyes declared victory on their pipeline deal, Rep. Doggett ultimately voted for the legislation claiming that the Administration had informed him that a decision would be made, but that approval was not guaranteed.

### **New Zip Code and Bug Protection**

Rep. Michael Thompson (D-CA) had several issues of concern before the Administration that he wanted satisfied before he made his decision on PNTR. A few weeks before the vote, Rep. Thompson finally secured a new zip code for a wealthy portion of his district after years of effort, although he insists it was not in exchange for his pro-PNTR vote.<sup>281</sup> But Thompson’s Chief of Staff indicated to the *Associated Press* that the Member understood the link between Administration action and Thompson’s PNTR vote, saying: “When the White House contacted him about PNTR, he said, ‘It is nice to hear from you now when I wasn’t getting my phone calls returned before.’”<sup>282</sup> The 10,000 person town of American Canyon apparently did not want to share a zip code with neighboring Vallejo. Rep. Thompson had been trying to get a new zip code since 1992. The new zip code became effective on July 1, 2000.<sup>283</sup> Rep. Thompson also was interested in receiving federal assistance to fight the glassy winged sharpshooter, an insect pest threatening wineries in Napa Valley.<sup>284</sup> In late June, Vice President Gore announced that the federal government determined the pest constituted a federal emergency and

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would provide \$22.3 million in aid to California, nearly twice the \$14.3 million the state provides to combat the bug.<sup>285</sup>

### **Maintain Obsolete Weather Station**

Rep. Robert Cramer (D-AL) decided to support the PNTR bill after Commerce Secretary Daley promised to make a decision about maintaining a weather radar station in Huntington, Alabama that was slated for closing. Rep. Cramer announced that his district needed to keep the station because of frequent tornados that he contends would be tracked earlier — with better resident warning — if the weather station remained operational.<sup>286</sup> However, the National Ocean and Atmospheric Administration sought to close the weather station because the technology in the Huntsville radar station was at least 25 years old and was being replaced by the more accurate Doppler radar stations, three of which overlap Rep. Cramer's district.<sup>287</sup>

### **Administration Drops Federal Appeal of Fair Trade Court Ruling**

The Clinton administration withdrew its appeal of a federal court victory by environmental groups. The court ruling required the Administration to include environmentalists on trade advisory committees which have only included industry representation. Within days of grandiose announcements regarding new environment trade policy proposals, the Administration appealed the ruling, seeking to reverse the requirement to add environmental interests. The withdrawal of this appeal by the Administration was aimed at securing the vote of Rep. Lloyd Doggett (D-TX), according to reports that informed sources made to *Inside U.S. Trade*.<sup>288</sup> Rep. Doggett's office refused to confirm or deny that his China vote hinged on the administration dropping the appeal. Environmental and consumer groups involved in the trade advisory cases opposed PNTR for China.

### **Extra Funding for Radio Free Asia/Voice of America**

Even as the vote came down to the wire, legislators were attempting to secure funding for pet projects. The day before the vote, Rep. John Porter (R-IL) had still withheld his official support for PNTR, demanding GOP leadership insert a provision onto the bill to a \$99 million increase in funding to Radio Free Asia, which broadcasts American viewpoints into China, Vietnam, Laos, Burma and Tibet.<sup>289</sup> The GOP managed to meet Rep. Porter's demands and then some: the PNTR that passed the House included \$133 million for Radio Free Asia in capital improvements and increased operating expenses to expand the operation to the internet, get more stringers, and improve TV Mandarin, a Voice of America Program.<sup>290</sup>

## **Conclusion**

The push to pass China PNTR by the corporate-White House coalition was the most expensive legislative campaigns ever waged by business. The overwhelming flow of monies to campaigns, congressional leadership and party fund-raisers, lobbyists and advertising polluted the free flow of ideas converting public policy discussions into a commercial marketing venture.

Overwhelming public opposition to a trade policy that encouraged American businesses to relocate in China, take advantage of lower labor and environmental conditions, and turn a blind eye to abuses of human rights and religious freedoms was never in doubt or at issue. The relative merits of different

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China trade policies was never seriously considered by a House of Representatives marinated in an unprecedented torrent of money, swarmed by corporate lobbyists and paid “experts,” slimed in a swamp of revolving door government and corporate players, topped with White House pressures and promises.

With American trade policy not being thoughtfully debated, but rather sold to the only bidder — corporate special interests — the number of unemployed Congresspeople is as certain to rise with the U.S.-China trade deficit. While the corporate money can purchase power over the short term, in the longer term person-to-person education and local political accountability cannot be overcome. As with NAFTA, following PNTR, a new set of Representatives will learn about the perils of pursuing *corporate-managed* trade policy the hard way.

## Methodology

Public Citizen compiled the information for this report from a variety of primary sources, reports from other organizations, and extensive searches of media coverage of the China PNTR fight. The Center for Responsive Politics alerts provided the data for the political contributions, with the analysis of Business Roundtable membership corporations for the convention donors calculated by Public Citizen. Lobbying data was obtained from lobby disclosure reports filed at the Clerk of the House of Representatives for the period between January 1, 1999 and June 31, 2000. In some cases, lobbying reports were not available as they were filed on August 15, 2000; in those cases, mid-year lobbying expenditures were estimated by dividing the 1999 total expenditure in half. Advertising figures were based on press accounts and surveys of publications.

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