the facts and deny certification to China as a responsible member of the international nonproliferation community.

The Central Intelligence Agency released its biannual report to Congress this past summer and listed China as one of the two biggest nations to export nuclear materials to Iran and Pakistan. Now, less than 4 months later, China is pledging to limit its exports to Iran and end nuclear cooperation with the rogue nation. This agreement arrives at the dawn of ''new and improved'' United States-China relationship. As a nuclear weapons state and party to the Nonproliferation Treaty, China is obligated to promote "the fullest possible exchange of equipment, materials and scientific and technological information for the peaceful uses of nuclear energy.'' If China can break its pledge made in an international treaty, it certainly has the capability of breaking its pledge made to the Clinton administration. What evidence does the United States have that China will keep its promise to curb sales of nuclear materials to its largest consumers?

None. China's Government has denied accusations of selling nuclear technology and material to rogue nations. It has been barred from receiving United States technology for over 10 years for these transactions and now we're supposed to believe that China will reverse its current policy. I hope the Clinton administration doesn't expect Congress to buy this bogus change of heart. The administration has delinked human rights from trade and now it wants to ignore its own intelligence reports on nuclear proliferation. If the United States agrees to sell nuclear technology to China, it will open up the nuclear arms market to Iran and Pakistan. This is irresponsible, unacceptable, and goes beyond a policy of engagement.

China has not given any substantive signs of changing its current nuclear sales to Iran, yet the administration acquiesces on all requests for cooperation. China's leader, Jiang Zemin, insisted upon a fanfare welcome from the United States and his request was granted. However, compliance of the warm welcome should not set the tone for the upcoming discussions between the two leaders. President Clinton must send a clear, firm message regarding U.S. nuclear nonproliferation policy. The United States must lead by example and show China—and the world—that we are not open to sending nuclear technology to Iran via China.

The following article appeared in today's Washington Post:

CHINA AND NUCLEAR TRAFFICKING

(By Edward J. Markey, Benjamin A. Gilman and Christopher Cox)

During Chinese President Jiang Zemin's visit this week, President Clinton is expected to activate a 1985 Nuclear Cooperation Agreement with China. American companies would then be authorized to start selling nuclear reactors and fuel to a country that has been identified by the CIA as ''a key supplier of most destructive arms technology'' to rogue regimes such as Iran's. We believe that providing access to American technologies that could end up assisting Iran's nuclear weapons programs would constitute an intolerable risk to U.S. national security.

When the Nuclear Cooperation Agreement was finalized in 1985, Congress placed conditions on the resolution approving it that required the president to certify that China had become a responsible member of the international nonproliferation community before the agreement could go into effect. No U.S. president, not Regan, not Bush and until now not Clinton, has made such a certification. A glance at the record quickly shows why.

Communist China's nuclear, chemical, biological and missile proliferation has made it the Wal-Mart of international nuclear commerce. Consider the following list of only the worst and most recent of China's nonproliferation violations:

In February 1996 the People's Republic of China was discovered to have sold 5,000 ring magnets to Pakistan for use in Pakistan's secret uranium enrichment facility, though it publicly denied doing so.

In May 1997 the State Department cited seven Chinese entities for exporting chemical weapons technology to Iran.

In June 1997 Time magazine reported that China had not only transferred nuclear-capable missiles to Pakistan but was also helping Pakistan build missiles of its own.

In July 1997 the CIA identified China as being ''the most significant supplier of Weapons of Mass Destruction (WMD)-related goods and technology to foreign countries.''

In August 1997 Israeli intelligence reports confirmed that China is supplying long-range nuclear missile technologies to Iran.

In September 1997 the U.S. Navy reported that China is the most active supplier of Iran's nuclear, chemical and biological weapons programs.

This record speaks for itself. China has continually assure the United States that it would stop providing technologies for weapons of mass destruction to countries such as Iran and Pakistan. China has continually failed to live up to its promises. Before implementing the 1985 agreement, we need to be certain that this time the promises are for real.

The 1985 agreement requires the president to certify that China has made sufficient progress in halting proliferation. President Clinton, however, seems to believe that China's past proliferation record is irrelevant, and that we should blindly trust the vague and untested promises China has made to implement its own export controls and regulations. China has yet to make a tangible demonstration of its commitment to cease its sales of WMD technologies. Implementation of the Nuclear Cooperation Agreement is profoundly ill advised, at least until the following criteria are met:

(1) China must join the Nuclear Suppliers' Group (NSG). The NSG members have agreed not to sell nuclear technologies to any country that does not allow international inspections of all of its nuclear facilities all of the time, a criterion known as ''full-scope safeguards.'' A 1993 statement by then Secretary of State Warren Christopher calls the NSG ''a fundamental component of the international nonproliferation regime,'' and says that ''the United States has been a strong proponent of requiring full-scope International Atomic Energy Agency safeguards as a condition for significant new nuclear supply commitments.'' Christopher's first statement remains true, but the Clinton administration is considering reversing itself on the second. Why should countries such as Canada and Switzerland, both NSG members, be held to a higher nonproliferation standard than Communist China?

(2) China must cease all proliferation of weapons of mass destruction, including missiles and chemical and biological weapons. A promise to cease nuclear proliferation without similar assurances to cease the proliferation of other mass destruction technologies is a lot like an alcoholic's swearing off scotch without bothering to stop drinking beer or wine.

(3) China must follow through with its promise to implement an export controls system, but it must be proved to be effective. This can be accomplished only through the passage of time. With such a long legacy of transgressions and broken promises, we need to see evidence of true reform before moving forward with certification.

President Clinton has an opportunity, as well as an obligation, to require that the People's Republic of China demonstrate its compliance with global nonproliferation norms (as opposed to mere promises) by resisting pressure from the Chinese government (and the American nuclear industry). But if the president certifies China as a nonproliferator, despite the record we have outlined and without a demonstrated change of behavior on the part of Beijing, he will have eviscerated U.S. nonproliferation policy and compromised U.S. national security.

PERSONALIZING SOCIAL SECURITY

HON. NICK SMITH

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Wednesday, October 29, 1997

Mr. SMITH of Michigan. Mr. Speaker, once in a while, a speech is made that really makes sense for America. Recently Jim Martin, president, 60 Plus Association, made one of these speeches. On Social Security's 62d anniversary, Jim talked about the importance of personalizing Social Security.

Jim notes that the likely alternative to personalizing Social Security is a tax increase. Since 1971, there have been 36 Social Security tax increases. A Social Security tax increase does not make economic sense and more importantly it is not fair to working Americans.

Jim Martin, representing seniors all over America, supports the introduction of my Social Security Solvency Act, personalizing Social Security by offering each worker his or her own personal retirement savings account.

Thank you, Jim, for your thoughtful remarks.

PERSONALIZING SOCIAL SECURITY: UNPLUGGING THE THIRD RAIL

(By James L. Martin)

When I came to Washington as a newspaper reporter in 1962, John F. Kennedy was in the White House, Neal Armstrong had not yet walked on the moon, Strom Thurmond was a Democrat and the problems with Social Security were perceived by few, other than Barry Goldwater.

So, today, August 14, 1997, on the 62d anniversary of Social Security, the 60 Plus Association becomes the first seniors group to publicly go on record to overhaul the system, releasing a paper it commissioned by economist Richard A. Hart, entitled ''Personalizing Social Security: Unplugging the Third Rail.'' Why did a senior citizens group decide to tackle the issue of Social Security reform? Let me answer by citing a question I'm asked often about the program signed into law by President Franklin Delano Roosevelt on August 14, 1935.

The question is always the same, ''Jim, why get involved?'' After all, the theory goes, even if the current system is going bankrupt, ''your seniors are protected, so why bother with the uncertain future of this politically volatile issue?''

Believe me, it would be easy to take a head-in-the-sand approach as so many do, including, I'm sorry to say, other senior citizens groups. Unfortunately, this attitude leads to a false impression that seniors are ''greedy old geezers,'' a 'gimme, gimme, gimme'' mentality which I hope to dispel. Seniors who built this country, in Depression and war time, through their blood, sweat and tears, deserve better.

To help dispel that erroneous image, I harken back to some of the advice one particular senior citizen has given me, and still does—my favorite senior—my mom, my sainted mother, if you will, Mary L. Martin, who, in her eighties, still works part-time! Her advice is that seniors' most valued assets are not their social security, their retirement income or their pensions—although these are certainly near the top of their list—but in her opinion, seniors' most valuable assets are their children, their grandchildren and their great grandchildren.

So that's why I decided to involve 60 Plus, seniors group responsibly trying to find a solution to the problem, for the sake of our children and our grandchildren.

To put it bluntly, Heritage Foundation economist Dan Mitchell said, or perhaps it was another often quoted economist, Americans for Tax Reform's Peter Ferrara, who said:

''Security was a Ponzi scheme then. It's a Ponzi scheme now.'' But even a Ponzi scheme—borrowing from Peter to pay Paul—worked well in the beginning, not only for Carols Ponzi but for others, just as the so-called Social Security Ponzi scheme worked well for seniors. But there looms now a ''run on the Ponzi bank'' as the Baby Boomers prepare to retire.

As Mr. Hart states in his paper, ''the Social Security retirement train is a collision course with demographics. Social Security's pay-as-you-go system, where the taxes of today's workers are transferred to today's retirees, leaves it particularly vulnerable to demographic trends. As Baby Boomers age, life expectancy is rising and birth rates are falling. As the Social Security train heads straight into a demographic wall,'' Mr. Hart continues, ''more and more Americans anticipate the oncoming wreck.'' Mr. Hart is right. More and more of us recognize the looming crisis.

A recant poll said that a majority of Democrats, for the first time, acknowledged not only that there is a problem with the system, but a majority of Democrats now even favor privatization as a solution. Everybody universally agrees there's a problem. But a solution remains elusive.

For example, President Clinton's Social Security Advisory Council has issued its long awaited report. This 13-member panel of experts readily agreed there is a problem but did they agree on a solution? Well, yes and no. They offered three solutions. It's not an exaggeration to say they split three ways from Sunday, six endorsing one solution, five another and two yet a third. Significantly, all three directly, or indirectly, advocated privatization. In 1983, President Reagan's Social Security Reform Commission came forth with its solution to keep the system solvent for, it said, at least another 75 years, well into the next century.

That begs the question, why another Commission so soon in the 1990's, after the 1983 Commission? The answer is that the system is in more trouble than previously thought. The problem is twofold. One: The good news is that we seniors are living longer, due to medical advances and our own better health habits. Two: The bad news is that you younger generations have to pay.

Of course, that's the way the system has always worked. But before there were more than 20 workers, not three, paying into the system for each beneficiary. One other fact that bears noting is that when first enacted, according to the actuarial tables, seniors died at about age 64, or as Mr. Hart so delicately phrases it, most workers were conveniently dead and buried before they could collect their benefits at age 65. As 60 Plus Honorary Chairman, former Indiana Congressman Roger Zion puts it, at a vigorous and robust 75, he has been ''statistically dead'' for 11 years. Now that seniors are living longer, that places further financial strains on the system. Clearly, a day of reckoning has come. The old fix of just raising taxes, some 51 times in 62 years, cannot continue. There's a limit.

There have been half-hearted attempts in the past to address the problem, half-hearted because not many politicians want to be accused of touching the so-called third rail. You know the old song—Social Security is the third rail of politics, touch it and you die.

Politicians have gotten away with this third rail scare tactic for too long, scaring seniors for political gain. Some of us recall the 1964 Barry Goldwater-Lyndon Johnson Presidential campaign when there was a TV commercial showing a giant pair of scissors cutting a Social Security card with a voice-over solemnly intoning that this would be the result if you voted for Goldwater. Another 1964 TV commercial also stated that a vote for Goldwater could result in U.S. soldiers being sent to fight and die in southeast Asia. Well, as one political wag put it, he ''voted for Barry and sure enough, U.S. soldiers were soon sent to fight and die in Vietnam.''

So, I would like to put politicians, regardless of party, on notice that seniors are tired of falsely being told their Social Security is going to be taken away. It's more likely that a meteorite will fall on the Social Security Administration building in Baltimore before a politician, of either party, would propose taking away Social Security.

Let me point out how 60 Plus became engaged on this issue. A few years ago the Third Millennium, Generation X'ers in the 18–34 age group, announced the startling news that most X'ers believed more in UFOs (unidentified flying objects) than that the system would be around when they retired. I responded on a radio talk show that seniors are also aware that the system is headed for bankruptcy. Then I added, somewhat flippantly, perhaps, that seniors believe more in the second coming (has it been 20 years this week?) of Elvis Presley than in the system's future solvency and that seniors might also prefer changes. After a few call-ins and further discussion of UFOs and Elvis, I decided to poll senior citizens. Our poll to approximately 100,000 seniors found that, by a surprising 3-to-1 margin, seniors preferred a privatized system. We then commissioned a survey by pollster Frank Luntz, an excerpt of which is in the study we've released. The Luntz poll confirmed our 3-to-1 ratio.

We were called by Insight Magazine, and we debated, in print, our counterpart at the American Association of Retired Persons, Horace Deets, in dueling 2000-word essays. If I could sum up each essay in one word, it would be: AARP—taxation, 60 Plus—privatization. AARP favors the same old solution, tax increases, while 60 Plus looks for new solutions.

Will privatization work? The privatization role model is the Chilean system. During the 1983 Social Security study, when Chile was mentioned as a solution, the status quo seekers dismissed their system as a new and unproven experiment. But, fast forward 15 years later and Chile now has an amazing track record of success. Now the status quo seekers try to demonize the word ''privatize,'' implying that you have to be a stock market expert or the big boys on Wall Street will fleece you. Nothing could be further from the truth. There are a lot of workers in Chile who can't play the stock market but who proudly walk around with a passport-sized book with their name on it, keeping track of their investments. That is one of the reasons we use the word ''personalize'' because the system would allow each and every individual to take personal control of his or her own financial destiny.

Since 60 Plus is nonpartisan, we credit legislators from both parties for coming up with innovative ideas. One is Democratic Sen. Bob Kerrey of Nebraska, from whom we borrowed the word ''personalize.'' Another suggestion, by one of the Generation-X'ers, is to ''modernize'' the system. Many others on Capitol Hill deserve credit, including Republican Congressman Jim Kolbe of Arizona and Democratic Congressman Charlie Stenholm of Texas, co-chairs of a public pension reform caucus which now numbers more than 70 members of Congress, equally represented by both parties. Michigan Congressman Nick Smith has introduced legislation to address the problem, as have Reps. Mark Sanford of South Carolina, David McIntosh of Indiana, Mark Neumann of Wisconsin and John Porter of Illinois. Others safeguarding Social Security include House Ways and Means Committee Chairman Bill Archer of Texas and Subcommittee Chairmen, Reps. Bill Thomas of California, Dennis Hastert of Illinois and Jim Bunning of Kentucky. Surely, the latter, Jim Bunning, the big, burly Hall of Fame baseball pitcher—known as a fierce competitor in his playing days and now the father of nine and grandfather of 31 (at last count)—would be a formidable opponent for those who try to demagogue Social Security as they did in the 1980s when some Members of Congress courageously talked about reform in order to save it.

More than two dozen countries in South America, Europe and Asia, have adopted, or are in the process of adopting, a Chilean-style system. Even socialist Sweden is going that route. And here, workers in three Texas counties, before a loophole in the law was closed, opted for privatization and their rate of return is making for a lot of serious discussion as they prepare for retirement. Moreover, a resolution recently passed both the House and Senate in Oregon asking the state to opt out of the Social Security system and create a separate retirement system for state workers.

So the slight spark across the sky of the Chilean experiment has become a bright constellation. It's a success story that I believe, with all my heart and soul, can be a guide for our own troubled system.

Incidentally, in the old days, the father of the Chilean plan, Dr. Jose Pinera, literally visited Washington in the dead of night because his untested plan was so controversial. But a few years ago, the Cato Institute gave a dinner in his honor and a number of Members of Congress allowed their names to be placed on the host committee. What a change in attitude. Of course, it was not lost on them that this former minister of labor was elected to office himself, with a major plank in his platform, his plan to privatize social security.

Having read an article years ago by Ed Crane, President of the Cato Institute, about the social security problem, we started searching for solutions. We kept being referred back to the Cato Institute itself, which has taken a pioneering road on this issue for more than a dozen years. One name kept coming up, time and again. That name was Michael Tanner, Cato's Director of Health and Welfare Studies, and the author of several books on health and welfare reform. Mr. Tanner has worked on the Social Security issue extensively, to say the least. Spoken on it. Written on it. Debated on it, around the world often with Dr. Pinera at his side. That's why 60 Plus, particularly Roger Zion and I, are so pleased that Mr. Tanner has not only eloquently embraced this new plan Mr. Hart proposes, but has joined us at today's official release of the proposal, along with an equally strong endorsement by today's other featured speaker, Fund for a New Generation's Adam Dubitsky.

Richard A. Hart takes up the challenge to find a solution in an insightful paper showing how Personal Retirement Accounts (PRAs) can assure both dignity and comfort for future generations of senior citizens. This paper, a variation on a theme advanced by others, should continue the dialogue on a system which urgently needs reform.

To those who fear Social Security's ruin, wise seniors know that there is no Social Security Trust Fund. 60 Plus calls it the Social Security Bust Fund as surpluses are used for other government programs. As Democratic Senator Ernest Hollings of South Carolina has said, ''There is no trust. There is no fund.'' We need to alert people to keep at arm's length those politicians who spread fear among seniors, as we stand at a crossroads to which direction Social Security reform should go.

In the 60 Plus Association's opinion, some form of ''personalization'' remains the best and most feasible option. We must guarantee present retirees their benefits as part of a government promise to them, but we must also safeguard current generations paying into Social Security system so that the benefits will be there when they retire.

On August 14, 1935, President Roosevelt signed into law the Social Security Act. On May 2, 1997, the FDR Memorial was opened here in Washington, D.C. The Social Security system helped seniors escape poverty, but we now know there are major problems facing future generations. What more lasting commemoration to FDR can we embrace than the adoption of a system which will save it for a new age, a new era, and a new population.

CHINA

HON. GERALD B.H. SOLOMON

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, October 29, 1997

Mr. SOLOMON. Mr. Speaker, for my entire career as a Congressman, I have been extremely concerned about the capabilities and intentions of the People's Republic of China. I see a totalitarian dictatorship with nuclear weapons and the intent to provide weapons of mass destruction to terrorist nations. Of equal concern is the People's Republic of China's actions and desire to wage economic warfare against America by engaging in economic espionage. But even worse is their potential to improperly infiltrate and illegally manipulate capital markets through fraudulent market offerings. We cannot afford to let our guard down and allow them to hold hostage America's future growth and security by jeopardizing American retirement and pension funds.

For that reason, I commend to you the attached article from the Wall Street Journal and announce my intent to introduce legislation that will protect us from this latest form of assault on our national security.

[From the Wall Street Journal, Oct. 29, 1997]

HONG KONG'S MARKET STOPS BELIEVING IN 'MIRACLES'

(By Holman W. Jenkins Jr.)

Apropos of the turmoil that began in Hong Kong last week and spread through the world's stock markets, we have to admit to missing Zhou Beifang just a little.

Though he happens to be serving a life sentence in a Chinese prison these days, back in the early 1990s he was feted by Hong Kong's business elite as the ''king of backdoor listings.''

His story had an improbably epic quality: Growing up wild on the streets of Beijing during the Cultural Revolution, when his father, an old military comrade of Deng Ziaoping, was in disgrace; landing with a splash in Hong Kong in his early 40s, as head of the offshore arm of China's giant Shougang steel works, now led by his rehabilitated father.

The younger Zhou embodied all the yuppie striving of a generation robbed of education and privilege by Mao's class war. Soon everything he touched turned to gold for the Hong Kong investors who followed him. His trick was to take over moribund companies on the local stock exchange, and make their shares jump as he loaded them with mainland assets on preferential terms. In a very short time his empire was worth $1.4 billion.

''We don't know whether these transactions were approved by some authority in Beijing, or what it would mean if they were,'' an editorial in The Asian Wall Street Journal ruefully wondered at the time. Six months later Mr. Zhou had been recalled to Beijing and arrested.

It shouldn't be surprising that Asia turned out to be the knock that finally set the global bull market on its ear. Those who mistake chronology for explanation have tried to trace the dominoes back to the Thai baht. But the problem goes deeper.

For the Asian ''miracle'' had two solid pillars—the high savings and low wages of its workers—and a third illusory one: the supposed omni-competence of its elites.

Let us further note that much of the optimism embedded in the global share prices was, on some level, specifically China optimism. It was always obvious that bringing China aboard the global economy was the game at hand. To hear Boeing, Coca-Cola and Procter & Gamble tell it, China underlay their every hope of earnings as far as the eye can see.

In Hong Kong, where Western finance meets Chinese reality, the experts are belatedly now trying to sort out the fundamentals from the Zhou Beifangism in the China story.

Consider the deal Goldman Sachs and a bevy of lesser banks brought to market into the teeth of last week's mayhem. The offering consisted of government-owned cellular operators in two provinces cobbled into a package that gave a mere minority stake to private investors for $3 billion.

Amid much bickering between the Chinese and their bankers, the price was actually raised half-way through the offering, to a multiple far richer than what other Asian telecom giants are selling for. And then to stir up sagging demand the head of the Chinese telecom ministry hinted at juicy asset injections while talking to the press in Shenzhen. ''The listing of China Telecom will be the first course of a big banquet and bigger courses will be served later,'' he promised.

Those are the kind of Zhouesque expectations that had small investors in Hong Kong lining up around the block this past summer for new offerings by mainland companies with no track record, little disclosure and managements that operate under an uncertain set of incentives.

That's a strange way to sell stock, because underlying it is an invitation to believe that you're in bed with some Chinese mucketymuck, who's going to use his connections for his own quick enrichment, and therefore yours. Yet small investors aren't the only ones who've fallen for this. Britain's Cable & Wireless earlier in the year sold the Chinese ministry a chunk of Hongkong Telecom at a substantial discount, in return for the promise of special access to the mainland phone market, in the form of C&W getting a piece of the China Telecom flotation.

C&W last week didn't get any of China Telecom. Instead, it was the usual suspects among China's cronies in the Hong Kong tycoon class who got discounted allocations of the new issue.

So many dreams end this way. Morgan Stanley, the most China-exuberant of U.S. banks, put up $35 million to capitalize Beijing's first joint-venture investment bank. In due course, it found itself squeezed out of a lead role in the China Telecom flotation by its inexperienced creation, and then last month learned that its offspring was coming to Hong Kong to compete with Morgan Stanley there, rather than opening the door so Morgan Stanley could become a player on the mainland, as it had feverently hoped.

Over lunch a few years ago, the local Chinese head of a Western investment firm explained that the mainland deals he was then busily underwriting were destined for fund managers in the U.S. who felt a indiscriminate need for ''China exposure.''

Asked if he owned any himself, he made a face that said: ''Are you on drugs?''

Yet he quickly warmed to a favorite topic, how to make all this actually work for China. His idea: Give Chinese managers stock options that vest only after a time, so they might at least be tempted to use their positions to grow real earnings rather than to launder assets offshore.

In the wake of crashing markets all around the globe, the words ''accountability'' and ''transparency'' are suddenly getting a workout by Western analysts in Hong Kong—although earlier in the year several had quietly been dismissed for voicing skepticism about Chinese offerings.

As it happened, the Red Chip bonfire of last summer was accompanied by insider wheeling and dealing and ramping of a type not seen since the Hong Kong market cleaned up its act in the late 1980s, with the formation of an anti-corruption task force. Western bankers, letting their standards drop in their eagerness to cultivate a big new client, have been the quiescent instruments of these shenanigans.

Well, ''when in Rome'' and all that. But still, these institutions are global brandnames now, with retail investors at home looking to them as guarantors of their retirement security. That ought to be reason enough for bankers to begin drawing more sharply the question of whether these deals are really financing China's development or merely financing capital flight.

Anyhow, now comes the moment when we find out whether all the billions China has been absorbing went to build skyscrapers without tenants and factories without customers.

Hong Kong remains Asia's best-disciplined economy, with its most professional class of managers outside of Tokyo. The current mess will work out for the best only if it leaves everyone in the region with a stronger taste for these qualities.