

So all the Government did that helped Medicare was it got \$1,577 out of my pocket and put it into the trust fund to help keep the program alive—good work, important work, but by doing it as a deductible, which I hope some day we can do when people understand it, you are going to get high income seniors who will be more cost conscious because they will be paying the first \$2,100 as a deductible, and so they will actually be consuming medical care more efficiently, getting out their bills and reading them, and reporting when somebody over charges them. They will actually be shopping around for the best buy. That is what we want people to do. But this whole idea is so important, I don't want a new idea to threaten it.

So I will submit these two letters for the RECORD. I ask unanimous consent that they be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

THE HERITAGE FOUNDATION,  
June 20, 1997.

Hon. PHIL GRAMM,  
Russell Senate Office Building,  
Washington, DC.

DEAR SENATOR GRAMM: I was delighted to hear that your amendment concerning the Medicare Part B deductible was added to the Finance Committee bill.

We have long argued, as you have, that raising the Part B deductible for upper-income Americans is wise policy. Moreover, given the choice between raising the deductible and raising premiums, increasing the deductible makes far more sense. While raising the premium for upper-income retirees, like raising the deductible, would reduce the taxpayer-financed subsidy now going to people who do not need it, raising the deductible would have the added advantage of also significantly changing patient incentives. That would lay the groundwork for long term structural reform of Medicare.

I should add that the criticisms leveled at your amendment are quite remarkable. At a time when Medicare is increasingly incapable of promising continued service to lower-income retirees, it seems incredible that some liberal members and organizations are defending a huge subsidy to the rich. And it is almost amusing to hear the claim that the amendment is unworkable. We have been means-testing programs for the poor for many years, but now we are told that designing an income-adjusted Medicare deductible for the rich is beyond the capability of the human mind.

Keep up the good work, Senator!

Sincerely,

STUART BUTLER, Ph.D.,  
Vice President, Director of  
Domestic and Economic Policy Studies.

AMERICAN ENTERPRISE INSTITUTE  
FOR PUBLIC POLICY RESEARCH,  
Washington, DC, June 20, 1997.

Hon. PHIL GRAMM,  
U.S. Senate,  
Washington, DC.

DEAR SENATOR GRAMM: I would like to congratulate the Senate Finance Committee on its recent action to introduce income-related deductibles into the Medicare program. In my personal view, this proposed change is long overdue for the following reasons:

The original Part B deductible was \$50. After over 30 years, it has only been allowed to increase to \$100. If it had been indexed to

per capita health care costs, it would today be about \$1,200.

75 percent of Part B is now financed from general revenues. This means that each Medicare recipient receives a subsidy from other taxpayers of about \$1,700 per year. It is highly appropriate that higher income Medicare recipients pay a higher portion of the cost of their insurance coverage.

The long-term reform of Medicare is not just a matter of raising more revenue from payroll taxes or premiums. It will require reforms that give recipients incentives to seek more cost-effective providers when they need care and to avoid using medical care unless it is actually needed. Higher deductibles are a useful first step on the long road to reform since they will give those with the greatest ability to pay an incentive to use medical care more carefully. You will not get these behavioral effects from higher premiums.

Since Medigap policies impose extra costs of approximately \$1,000 per beneficiary on the Medicare program and reduce the behavioral effects of deductibles and co-payments, I urge the Congress to investigate and eventually pass reforms affecting the Medigap insurance market.

The views expressed here are my own and do not necessarily reflect the views of the American Enterprise Institute or any of my colleagues.

Sincerely yours,

ROBERT B. HELMS,  
Resident Scholar,  
Director of Health Policy Studies.

Mr. GRAMM. Madam President, I yield the floor.

Mr. ASHCROFT addressed the Chair. The PRESIDING OFFICER. The Senator from Missouri is recognized.

Mr. ASHCROFT. Madam President, I ask unanimous consent that I be allowed to yield 20 minutes from the majority time for purposes of making remarks.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

#### COMMUNIST CHINA: AMERICA'S MOST FAVORED NATION

Mr. ASHCROFT. Madam President, freedom is, and always has been, the great moving force of American history. It was freedom that inspired patriots to give their lives at Concord and Lexington. Freedom that compelled American Rangers to scale the cliffs at Normandy. And freedom that filled Ronald Reagan's heart in Berlin as he exhorted Mr. Gorbachev to "tear down this wall."

Freedom. The essential ingredient of what Reagan called "the American purpose." At our highest and best, we Americans are believers in the "blessings of liberty," the idea that "all men are endowed by their Creator with certain unalienable rights." And these rights are not America's alone, but extend to all those who would seek to know freedom's warm embrace.

So today, from Stettin in the Baltic to Trieste on the Adriatic, the Iron Curtain has lifted, and a wave of democracy has descended on the globe. The "simple, vivid, peaceable world" of which John Cheever wrote is more a reality today than at any time in our history.

But evil knows no resting place. The cold war is over. And still how many have yet to taste the fruit of freedom? For there is a regime in the world today that runs against the tide of history; that denies liberty and human dignity to its people; a regime whose brutal repression at home betrays its intentions abroad; a regime that aspires to superpower status.

I am speaking of Communist China. And I rise today to say, "No more." No more should we watch as China uses its illegitimate gains to purchase military hardware and weapons of mass destruction. No more should we ignore Beijing's mercantilist trade policies that block U.S. products and destroy American jobs. No more should we accept a playing field for our products that is not level. No more, Mr. President. No more unconditional most-favored-nation status for Communist China.

My decision to oppose most-favored-nation status was not an easy one. It was reached after countless meetings with foreign policy experts, economists, and the CEO's of major corporations. To the businessmen whose passion for the status quo was surprising, I posed many questions.

Has China embraced the rule of law, put their regulations and laws in writing, stopped subjecting them to differential application? No. Are her people more free? Well, not really. Is America more secure with China selling weaponry to rogue nations and extending its own influence far beyond appropriate levels into the South China Sea? Tragically, those I questioned could only plead for more time. But time alone cannot heal these wounds. We must say: No more.

The truth is, America has dedicated over two decades to the policies of engagement, and the results have been far from compelling or convincing. Less than 2 percent of United States exports went to China last year. America sold more goods and services individually to Belgium, Brazil, and Singapore than to the People's Republic of China. Meanwhile, the United States took more than 30 percent of China's exports creating a \$39.5 billion merchandise trade deficit. This represents a threefold increase since 1990. A 200-percent increase in just 6 years!

On Friday, more bad news. The Commerce Department reported that our trade gap is widening—fully 41 percent higher in the first 4 months of this year than in 1996. This led the Wall Street Journal to speculate that China will soon have the largest deficit of any United States trading partner, surpassing even Japan.

If our growing trade deficit has been the source of great attention, the causal factors behind the inequity have gone all but ignored. At their core, they are twofold. The first element is the anti-American, predatory trade practices of the Chinese Government. The second is a United States-China policy that has been an abject failure,

a case study in what not to do. A United States policy that has, in truth and reality, made Communist China America's most favored nation.

American access to the other Asian market is growing every day. The Mongolian Government has aggressively sought United States investment, and soon will allow foreign "stakes in infrastructure" and the purchase of "shares in privatized companies." In Taiwan, AT&T and GTE have won stakes in cellular telephone licenses that will allow both to provide telecommunications services to the Taiwanese.

China is the exception, erecting barriers to entry surpassed only by the Great Wall itself. This begs the question: if United States products are good enough for Mongolia, Taiwan, and the other Asian democracies, developing and developed, why are they not good enough for Communist China? And when will we have the courage to say, "No more"?

Consider China's treatment of information technologies. The United States tariff on cellular phones from China is 1.6 percent. China's tariff? Seven times as high. Chinese telephone answering machines: 1.6 percent. The tariff on United States firms? A whopping 50 percent, over 25 times as high. Chinese-made computers: 2.7 percent. The import tax on Silicon Valley? Almost six times as high. And the list goes on and on and on.

In March, 39 countries, including Taiwan, Singapore, Malaysia, and South Korea, signed the Information Technology Agreement which will phase out all tariffs on such products as semiconductors, computer hardware, and electronic components by century end. China's concession was nowhere to be found. And yet, we rewarded China's belligerence by providing the same access to our market as we do to those Asian countries that have agreed to welcome our goods.

Now the administration and the ivory tower academicians like to whine about how misleading the "most-favored-nation" designation is. "If we could only change the name," they wail, "our China troubles would be over." But if ever there were a country that deserved the label "most favored nation," it is Communist China. It is time for America to say, "No more."

Unfortunately, rather than sound a clarion trumpet for American goods, the administration has hoisted the flag of defeat. Today, the United States allows China to slap punitively high tariffs on our goods while other countries are trying to treat us equitably. Australia, for instance, has tariffs on United States goods that are roughly equal to America's 4-percent rate. And yet, Australia's access to the United States market is no better than China's.

In fact, the People's Republic of China is deriving more benefits from United States trade than even our closest trading partners. Mexico places tariff rates on American goods that are only 2 percent higher than comparable

United States rates. China's tariffs, however, are 19 percent higher. But again, Mexico and China enjoy virtually identical access to the United States market. We are literally inviting China to be involved in our market while China is slamming the door in the face of American business. China is truly "America's most-favored-nation."

This stems at least in part from the willingness of the United States to trade with China under a bilateral agreement that was signed in 1979—a time when Jimmy Carter still called the White House home. The agreement predates the commercial availability of information technologies such as cellular phones and portable computers.

Madam President, this bilateral agreement is the first of a two-tier test that all nonmarket economies must meet if they are to be extended most-favored-nation status. The second deals with the emigration provisions of the Jackson-Vanik amendment. There are currently 15 nonmarket economies, including China, that have technically complied with this two-tier test in order to get MFN status.

All of the other 14 designees, however, have bilateral agreements that were developed in the 1990's. In fact, every United States trading partner save China has trade agreements that were negotiated in the last 7 years.

Only China operates with a favorable status of not having to comply with a modern bilateral agreement. Only China enjoys this most favored among most-favored-nations position. It is this decades-old agreement that is failing to safeguard our capacity to deal on a level playing field with the Chinese. It is this agreement that is failing to allow for free and unfettered trade.

Last Wednesday, Madam President, I asked Undersecretary of State for Economic, Business, and Agricultural Affairs, Stuart Eizenstat, to tell me why the administration has failed to hold the Chinese to the same standards as other most-favored-nation designees by requiring a modern bilateral trade agreement. "This is," Eizenstat said, "one of the things we are now negotiating."

Madam President, "now negotiating?" A bilateral trade agreement is a precursor to the extension of MFN. It was one of the basis upon which MFN is extended. It is a core requirement. Why is Congress being asked to renew most-favored-nation status before a modern bilateral trade agreement is in place? Why in the world is Congress being pushed to embrace an agreement that disadvantages U.S. products and ensures a trade imbalance into the foreseeable future? China's preferential status coupled with her discriminatory conduct has improperly made the PRC a nation favored above all others, the most-favored among most-favored nations.

Perhaps China's past and current transgressions could be overlooked if Beijing's ambitions were more humane. Instead, the hard currency created by

China's trade surplus is being used to pursue a massive military modernization program, nothing less than a blue-water navy, long-range aircraft, and precision-guided munitions and missiles. The Russians alone have sold billions of dollars of military technology to the Chinese. And, as Prof. Arthur Waldron notes, this includes "cruise missiles capable of defeating the antimissile defenses of the U.S. Navy."

These force-projection technologies are not about "providing for the common defense." They are about providing an uncommon capacity to project power—power all across Asia. They will threaten not just the Asian democracies, but also the sailors of the 7th Fleet who call the waters of the South China Sea home.

I intend to address the emerging threat posed by Beijing's military build-up in the days and weeks ahead. I also plan to speak about an administration policy that fails to defend what Thomas Paine called the rights of man, all but ignoring Beijing's cruel campaign of persecution and repression aimed at crushing internal dissent.

We will never tame the Chinese dragon—no more than we subdued the Soviet bear—with the policies of appeasement. The way to bring China into the community of nations is to talk truthfully and forcefully about the evils found there; challenge China to open her doors to the commerce of the Western world; and maintain an American military superiority that makes peace not only possible but probable.

And to those who say this debate cannot be won, that the forces amassed against us are too great, I take issue. "Any spot is tenable," said John Kennedy, "if men—brave men—will make it so." It is time to turn retreat to advance; to fight for a new China policy steeped in the principles of our old American Republic. Because truly free trade can only exist between free peoples. And the Chinese who watched treachery take hold in Tiananmen Square are most certainly not free. It is time for America to say, "No more."

In 1946, Winston Churchill came to America to warn of the Soviet subjugation of Eastern Europe. At the request of President Truman, he chose small Westminster College in Fulton, MO as the site where Britain would pass the baton of Western leadership to "the American democracy."

In this most Churchillian of Churchill speeches—made famous by its "iron curtain" coinage—he called America to her highest and best in defense of freedom and the rights of man. And if I might beg the Chair's indulgence, I would like to read a portion of the words he offered that warm and windy Tuesday a half century ago in Fulton, MO, my home State.

Winston Churchill challenged the United States:

"The United States," said Churchill, "stands at this time at the pinnacle of

world power. It is a solemn moment for the American democracy. For with this primacy in power is joined an awe-inspiring accountability to the future. As you look around you, you must feel not only the sense of duty done, but also you must feel anxiety lest you fall below the level of achievement. Opportunity is here now, clear and shining \* \* \* To reject it or ignore it or fritter it away will bring us all the long reproaches of the aftertime."

Madam President, Churchill's words are America's words. For ours is a passionate belief in human possibility, an abiding devotion to freedom. "Opportunity is here now, clear and shining." Let us not trade liberty for the false idol of foreign commerce. Let us not allow freedom's song to die on our lips. "For all sad words of tongue and pen, the saddest are these: 'It might have been.'"

I yield the floor.

#### BALANCED BUDGET ACT OF 1997

The Senate continued with the consideration of the bill.

Mr. DOMENICI. Madam President, parliamentary inquiry: How much time has been used by each side?

The PRESIDING OFFICER. The Senator from New Mexico has 7 hours and 19 minutes left on his side, and the Senator from New Jersey has 9 hours and 14 minutes remaining.

Mr. DOMENICI. I suggest the absence of a quorum and ask that it be charged equally to both sides.

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

The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. HARKIN. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. HARKIN. Madam President, do I understand that under the procedure now in effect we can lay down amendments this afternoon? Is that the case?

The PRESIDING OFFICER. There is a pending amendment that would have to be laid aside.

Mr. HARKIN. And that would have to be done by unanimous consent, right?

The PRESIDING OFFICER. The Senator is correct.

Mr. HARKIN. Madam President, I have an amendment. I know the Senator from Arkansas wants to speak, and I will be as brief as I can.

Mr. LAUTENBERG. Will the Senator yield?

Mr. HARKIN. I would like to speak very briefly and lay down the amendment.

Mr. LAUTENBERG. Will the Senator yield for just a moment?

Mr. HARKIN. Yes.

Mr. LAUTENBERG. In this case I think there is a question about whether the Senator from Arkansas had a commitment to speak at this time.

I would ask the Senator from Arkansas how much time he needed.

Mr. HUTCHINSON. I intend to speak about 15 minutes.

Mr. LAUTENBERG. About 15 minutes. Apparently the Senator from Iowa would be all right if the Senator from Arkansas—it had been apparently agreed to before he came.

Mr. HARKIN. I didn't know such an agreement was in effect. That would be fine.

Mr. LAUTENBERG. I apologize to the Senator from Arkansas for messing things up.

Mr. HARKIN. Mr. President, since I still have the floor, if I might, this Senator was unaware that a previous agreement had been made by the Senator from Arkansas for this time slot. What I would ask is that when the Senator from Arkansas finishes, then I would be recognized to make my statement.

The PRESIDING OFFICER (Mr. ALLARD). Without objection, it is so ordered. The Senator from Arkansas.

Mr. LAUTENBERG. Mr. President, I understand that the time is going to be yielded by that side of the aisle and should be appropriately recorded.

The PRESIDING OFFICER. The Senator from New Jersey is correct.

Mr. LAUTENBERG. I thank the Chair.

The PRESIDING OFFICER. The Chair recognizes the Senator from Arkansas.

Mr. HUTCHINSON. Mr. President, I express my gratitude to the Senator from Iowa for being so understanding, allowing me to proceed. I would like for it to be clear that my 15 minutes would come from the majority's time.

#### MOST-FAVORED-NATION TRADE STATUS FOR CHINA

Mr. HUTCHINSON. Mr. President, the House of Representatives votes tomorrow on whether or not to extend most-favored-nation trade status to China. In a more desirable world, revoking China's MFN status might be less advisable than handling national security and human rights as well as economic issues in more traditional ways. Unfortunately, the experience of the last 3 or 4 years, in fact experience going back much farther than that, has demonstrated that the administration's policy of constructive engagement has failed. The constructive engagement policy has in fact degenerated. We have seen conditions in China worsened annually.

The logic behind constructive engagement is, indeed, appealing. It goes something like this. If we will expand trade with China, the result will inevitably be political liberalization and ultimately an improvement in the conditions of the Chinese people, there will be an expansion of human rights opportunities, there will be less repression, there will be less religious persecution, there will be a warmer and more cordial relationship between China and the United States.

When I was first confronted with the issue of MFN upon my election to Con-

gress in 1993, I was almost persuaded by that logic. In fact, I wanted to be persuaded by that logic, and I was looking for any indication that the policy of constructive engagement was, in fact, having the desired results and that, in fact, conditions were improving, treatment of the Chinese people had improved, there was less repression, and that trade, expanded trade, was in fact having that kind of result. Had there been any sign in the last 4 years that this policy of constructive engagement was having the intended result, I would be voting for MFN this year. Were I given the opportunity, I would be supporting most-favored-nation trade status for China.

But the facts are very clear and the State Department's own report makes it abundantly clear that conditions have deteriorated, that the policy of linkage has not had the result that we all wanted it to have. So it is argued that economic freedom frequently leads to political freedom, and in fact it does frequently lead to political freedom. There are examples in which that has happened. But in China's case, market economics has become nothing but an utilitarian exercise to ensure the continuation of a totalitarian regime. They have seen if they keep the iron grip upon the Chinese people, that a market economy will help them accomplish that; that expanded trade, higher incomes, economic opportunities for Chinese people—that makes it easier for them to maintain an absolute repression of any kind of free expression within China.

Proponents of MFN say we all have the same goal, expanded human rights, we just have a different approach on how we best attain that. Russia is often pointed to, the old Soviet Union, where there was a little hole in the dike called perestroika and from that little hole in the dike the floodgates opened and freedom could not be contained. But in China, perhaps they learned the lesson from the Russian experiment or from the Soviet Union's experience, for in China there has been no perestroika; there has been only repression.

There are, I believe, many flaws in the policy of constructive engagement. First and foremost, it has simply not improved the status of the Chinese people; it has worsened it. The administration's decision not to consider human rights abuses when granting MFN status has proven disastrous for the people of China. As they have been removed from the threat of any repercussions in the trade relationship with the United States, the Chinese Communist leaders have succeeded in jailing or executing every last dissident in a country of over 1 billion people, according to the State Department's own 1996 China report. As we have turned a blind eye, the atrocities have escalated and the oppressive government has strengthened its hold on a full one-fifth of the world's population. The constructive engagement policy has produced more persecutions of Christians,