

of Intellectual Property Rights (TRIPS) Agreement, particularly its inadequate enforcement, to deter China's counterfeiting and piracy of motion pictures and other video products. If China fails to respond, Congress should encourage the USTR to request a WTO dispute settlement panel be convened on the matter.

Recommendation 11: Congress mandated the Commission to evaluate and make recommendations on invoking Article XXI of the General Agreement on Tariffs and Trade (GATT), relating to security exceptions from GATT obligations. The Commission believes that the steel industry is a possible candidate for using Article XXI. If the Administration's current safeguard measures prove ineffective, the Commission recommends that Congress consider using Article XXI to ensure the survival of the U.S. steel industry.

#### ACCESSING U.S. CAPITAL MARKETS

Chinese firms raising capital or trading their securities in U.S. markets have almost exclusively been large state-owned enterprises, some of which have ties to China's military and intelligence services. There is a growing concern that some of these firms may be assisting in the proliferation of weapons of mass destruction of ballistic missile delivery systems. The U.S. lacks adequate institutional mechanisms to monitor national security concerns raised by certain Chinese and other foreign entities accessing the U.S. debt and equity markets. We also lack sufficient disclosure requirements to inform the investing public of the potential risks associated with investing in such entities.

Recommendation 12: The Commission recommends that foreign entities seeking to raise capital or trade their securities in U.S. markets be required to disclose information to investors regarding their business activities in countries subject to U.S. economic sanctions.

Recommendation 13: The Commission recommends that the Treasury Department, in coordination with other relevant agencies, assess whether China or any other country associated with the proliferation of weapons of mass destruction or ballistic-missile delivery systems are accessing U.S. capital markets and make this information available to the Securities Exchange Commission (SEC), state public pension plans, and U.S. investors. Entities sanctioned by the Department of State for such activities should be denied access to U.S. markets.

#### PROLIFERATION OF WEAPONS OF MASS DESTRUCTION

China fails to control the export of dual-use items that contribute to the proliferation of weapons of mass destruction and their delivery systems. China is a leading international source of missile-related technologies. Its proliferation activities with terrorist-sponsoring and other states, despite commitments to the U.S. to ease such activities, present serious problems for U.S. national security interests, particularly in the Middle East and Asia.

Recommendation 14: The Commission recommends that the President be provided an extensive range of options to penalize foreign countries for violating commitments or agreements on proliferation involving weapons of mass destruction and technologies and delivery systems relating to them. All current statutes dealing with proliferation should be amended to include a separate authorization for the President to implement economic and other sanctions against offending countries, including quantitative and qualitative export and import restrictions, restricting access to U.S. capital markets, controlling technology transfers, and limiting U.S. direct investment.

Recommendation 15: The United States should work with the United Nations Security Council and other appropriate inter-governmental organizations to formulate a framework for effective multilateral action to counter proliferation of weapons of mass destruction and their delivery systems. Member states found in violation of the agreed framework should be subject to international sanctions.

Recommendation 16: The United States should continue to prohibit satellite launch cooperation with China until it puts into place an effective export-control system consistent with its November 2000 commitment to the U.S. to restrict proliferation of weapons of mass destruction and associated technologies to other countries and entities.

#### CROSS-STRAIT AND REGIONAL RELATIONS

Cross-strait relations are a major potential flashpoint in U.S.-China relations. Economic and people-to-people interactions between Taiwan and the Mainland have increased dramatically in recent years, raising prospects that such interactions could help ameliorate cross-strait political tensions. At the same time, China is enhancing its capability to carry out an attack across the Taiwan Strait with special operations, air, navy and missile forces. It continues to deploy short- and intermediate-range missiles opposite Taiwan and although the threat of an immediate attack appears to be low, this buildup appears designed to forestall pro-independence political movements in Taiwan and help bring about an eventual end to the Island's continued separate status.

China's economic integration with its neighbors in East Asia raises the prospects of an Asian economic area dominated or significantly influenced by China. The U.S. has an interest in China's integration in Asia if it gives all parties a stake in avoiding hostilities. Nonetheless, U.S. influence in the area could wane to a degree, particularly on economic and trade matters.

Recommendation 17: The Commission recommends that the Department of Defense continue its substantive military dialogue with Taiwan and conduct exchanges on issues ranging from threat analysis, doctrine, and force planning.

Recommendation 18: The Commission recommends making permanent those provisions in the fiscal years 2001 and 2002 Foreign Operations Appropriations Acts providing for executive branch briefings to the Congress on regular discussions between the administration and the government on Taiwan pertaining to U.S. arms sales to Taiwan.

Recommendation 19: The Commission believes that the Congress should encourage the Administration to initiate consultations with other Asian countries to assess and make recommendations on the impact of the "hollowing out" phenomenon with respect to China on regional economies and on U.S. economic relations with the region.

#### CHINA'S MILITARY ECONOMY

China's official defense spending has expanded by more than one-third in the past two years. The Commission estimates that China's official defense budget represents about one-third of its actual spending level. Its ability to increase defense spending in the face of competing priorities is supported by its rapid economic growth. China has the largest standing army in the world and ranks second in actual aggregate spending. The military's role in China's economy has been reduced in recent years, but the military derives extensive financial and technological benefits from the growth and modernization of the domestic economy, which is designed to serve it.

Recommendation 20: The Commission recommends that the Secretary of Defense pre-

pare a biannual report on critical elements of the U.S. defense industrial base that are becoming dependent on Chinese imports or Chinese-owned companies. The Department of Defense should also update its acquisition guidelines and develop information from defense contractors on any dependency for critical parts of essential U.S. weapons systems.

#### TECHNOLOGY TRANSFERS AND MILITARY ACQUISITIONS

China has a well-established policy and program to acquire advanced technologies for its industrial development, military capabilities and intelligence services. Over the next ten years, China intends to acquire an industrial capability to build advanced conventional and strategic weapons systems. Current U.S. policies do not adequately consider the impact of the transfers of commercial and security-related technologies to China.

Recommendation 21: The Commission recommends that the Department of Defense and the FBI jointly assess China's targeting of sensitive U.S. weapons-related technologies, the means employed to gain access to these technologies and the steps that have been and should be taken to deny access and acquisition. This assessment should include an annual report on Chinese companies and Chinese PLA-affiliated companies operating in the United States. Such reports are mandated by statute but have never been provided to Congress.

The Commission cannot forecast with certainty the future course of U.S.-China relations. Nor can we predict with any confidence how China and Chinese society will develop in the next ten to twenty years. We do know that China now ranks among our most important and most troubling bilateral relationships and believe that China's importance to the United States will increase in the years ahead. As its economy and military grow and its influence expands, China's actions will carry increased importance for the American people and for our national interests.

For this reason, the Commission believes that there is a pressing need to fully understand the increasingly complex economic, political and military challenges posed by China's drive toward modernity. To gain such comprehension will require the allocation of more resources and the elevation of China in our foreign and national security priorities. The Commission hopes that U.S.-China relations will develop in a positive direction but we must urge that this outcome, though preferred, may not happen. The U.S. must, therefore, be prepared for all possible contingencies.

#### THE SILK ROAD: CONNECTING CULTURES, CREATING TRUSTS

Mr. KENNEDY. Mr. President, I welcome this opportunity to commend the Smithsonian Institution and Yo-Yo Ma for this year's extraordinary Folklife Festival, "The Silk Road: Connecting Cultures, Creating Trusts." The festival, which was held from June 26 through July 7 on The Mall, enabled hundreds of thousands to experience the art of 375 musicians, dancers, cooks and storytellers from the nations along the famous Silk Road trade routes through central Asia centuries ago.

In the aftermath of September 11, it is more important than ever to expand our understanding of those cultures. Yo-Yo Ma, with broad support from Secretary of State Colin Powell, the

Aga Khan, and the Congressional Silk Road Caucus, and many others, helped us to embark on a journey of understanding and appreciation by bringing an incredible diversity of products and ideas that have emerged from central Asia to our Nation's front lawn—the Smithsonian Mall.

Yo-Yo Ma deserves special recognition for his unique ability to engage us all in an educational process that celebrates cultural differences. He is one of our Nation's preeminent musical artists. He is also an extraordinary cultural leader who has won the hearts of millions throughout the world with his outreach and education programs. He has used his incomparable talents to inspire us to learn about diverse peoples and cultures.

I commend all those who worked so effectively to make this year's Folklife Festival such an unequivocal success. It is a privilege to pay tribute to their efforts. I ask unanimous consent to include remarks at the opening ceremony of the Smithsonian Silk Road Project in the RECORD.

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

THE SILK ROAD: CONNECTING CULTURES, CREATING TRUST—SMITHSONIAN FOLKLIFE FESTIVAL OPENING CEREMONY, WASHINGTON, D.C., REMARKS BY SMITHSONIAN INSTITUTION SECRETARY, LAWRENCE M. SMALL

To all our distinguished guests, welcome to the Nation's Capital, welcome to the national mall, and the opening of the 36th annual Smithsonian Folklife Festival, The Silk Road: Connecting Cultures, Creating Trust.

We have assembled some 400 musicians, artists, and storytellers from more than 25 countries around the globe to 20 acres here on the mall, the nation's front yard.

And I must mention Kubla and Gobi who come from Texas, the two Bactrian camels, who have two humps. They have been specially trained to respond to commands in both English and Kazakh, which means you can now see the only double-humped, bilingual camels in the world.

The Smithsonian had plenty of help this year. This was truly an international effort, with many countries cooperating across borders for a common goal. As you look around, it's clear the goal has been accomplished. My congratulations to all involved, many are here today, many are in their home countries, we thank them all wherever they are.

The State Department has provided valuable assistance, and we have a special guest who will be here soon to officially open the Festival, the Honorable Colin Powell, Secretary of State.

The Smithsonian could not carry out its mission without the generous support of Congress, and we are always grateful for that. We thank Senator Brownback and Senator Biden, honorary co-chairs of the Folklife Festival. You'll hear from Senator Brownback soon.

We're very grateful for the help of Senator Kennedy; you'll hear from him in a moment. And thanks also to Congressman Pitts from the 16th district of Pennsylvania, and all the members of the Congressional Silk Road Caucus.

We also are grateful for the support of His Highness the Aga Khan, a true humanitarian whose caring and concern span the globe. We welcome the Honorable Fran Mainella, Director of the National Park Service.

A special thanks to Rajeev Sethi, the Festival scenographer, and head of the Asian Heritage Foundation, who collaborated closely with the Smithsonian in the design and the production of the Festival. And whose many wonders you see here on the mall. And, we would not be here without the incredibly generous contribution of time, talent, and resources of Yo Yo Ma. We're honored to be working with him and the organization he founded, the Silk Road Project. We're very thankful for their support. You will hear from Yo Yo Ma and the Silk Road Ensemble very soon.

Centuries ago, had you been a traveler on the storied trade route from Japan to Italy, you would have seen traders carrying textiles, tea, spices, silk, and much more from the Pacific to the Mediterranean. Perhaps most importantly, these traders carried art, music, literature, ideas, a way of life, a culture, from one land to the next. As a result, all the cultures were changed—and the change continues to this day.

The Silk Road lives not in the past but the present—influencing our lives every day.

This Festival will make abundantly clear why it is so important to continue open cultural exchange between diverse peoples and societies. Especially now.

I want to thank Richard Kurin, Richard Kennedy, Diana Parker, and all the staff at the Smithsonian Center for Folklife and Cultural Heritage for all their hard work in putting this together. This year, the Freer and Sackler galleries, The Smithsonian Associates, the Hirshhorn Museum and Sculpture Garden, the National Museum of Natural History, the National Museum of African Art, and the Smithsonian Magazine, have all picked up the Silk Road theme in their activities. Thanks to them also.

Later on in the program, Richard Kurin will tell you more about this remarkable event, including how many silk worms are needed to make one pound of silk, when is a 5-ton truck not a painting, what "bushkazi" is, and where polo comes from and when the polo matches start on the mall. Yes, I said polo.

REMARKS BY HIS HIGHNESS THE AGA KHAN AT THE OPENING OF THE SMITHSONIAN FOLKLIFE FESTIVAL—WASHINGTON D.C.

I am here to speak briefly about Central Asia. I wanted to share with you some of the reasons why the theme of the Smithsonian Folklife Festival this year is so important. As you know, Central Asia has been an area

of considerable concern and instability for the world. Over the past decade, Central Asian countries have come into existence in difficult circumstances. Frontiers have been changed, ethnic groups have been divided, old traditions have been modified by the Soviet presence, and all this has caused considerable difficulty in looking ahead in that part of the world.

The period of deep change at the national and regional levels has prompted a search for new forces of stability. One that seems particularly important, I think, to the United States and to all of us, is the validation and vigorous promotion of human and cultural pluralism. Historically the Silk Route was a link that interconnected diverse aspects of human society and culture from the Far East to Europe, and did so on the basis of mutual interest. This suggests that for the new countries of Central Asia, the inherent pluralism of their societies can be regarded as an asset rather than a liability. In the wider sense, it can be a means of enlarging the frontiers of global pluralism. This is a goal with which we all can and should associate.

The remarkable work of Yo-Yo Ma has enthralled audiences, from all the countries of the Silk Route and beyond. By his leadership and imagination he has proved that the force of cultural pluralism to bind people is as necessary, powerful and achievable today as was the Silk Route in history.

It is my privilege and honor to be associated with the founder of the modern Silk Route, a cultural journey that inspires people to unity and joy through art.

REMARKS BY YO-YO MA AT THE OPENING OF THE SMITHSONIAN FOLKLIFE FESTIVAL

Your Highness, thank you for your kind words. The Silk road Project and I admire you for many reasons. In your cultural work you have created the Aga Khan Prize for Architecture, you have supported and founded Universities around the world, and you are doing important restoration work in cities like Cairo and now Kabul. We are honored to be working with you and the Aga Khan Trust for Culture on this year's Smithsonian Folklife Festival.

I would also like to single out someone who is both a friend of mine and of the Silk Road Project, the Senator from my home state of Massachusetts, Ted Kennedy. Senator Kennedy, thank you for your tireless work for arts organizations.

Secretary Powell, Senator Kennedy, Senator Brownback, Secretary Small, Your Highness, distinguished guests, welcome to the sights, sounds and scents familiar to over half the world's population. In the past, to experience all these elements you would need to travel by camel, by foot, by boat, and now, by plane. Today and for the next two weeks here on the National Mall we're providing the camels, the painted truck from Pakistan, and the rik-shaws, so all you need are your eyes, ears and imagination.

During twenty-five years of travel, I have been introduced to some of these sights, sounds and scents, and the many stories that accompany them.

Often the music you hear when I play the cello comes from these very stories. During this year's Smithsonian Folklife Festival, you can hear these stories for yourselves in encounters with four hundred artists from twenty-four countries.

Most of these artists will be strangers to you. Many of these artists are strangers to each other. We all meet strangers all the time. When the Silk Road Ensemble musicians and I first started playing together two years ago we had to find ways to trust each other onstage even though we had only just

met. To me, the best way to create this trust is to share something precious—a personal story or belief. In music, this process of sharing deepens the harmonies, but more broadly this process starts a true dialogue and strengthens our common world heritage. This festival is about that dialogue.

In the end, the goal of the Smithsonian Center for Folklife and Cultural Heritage, the Aga Khan Trust for Culture, and the Silk Road Project is the same: to draw on the wisdom of all of our cultures to enrich our world one encounter at a time.

REMARKS OF SENATOR EDWARD KENNEDY  
OPENING CEREMONY—FOLKLIFE FESTIVAL

Thank you, Mr. Kurin, for that generous introduction. It is an honor to be here this morning with all the exceptionally talented artists and the visionary sponsors of the Silk Road Project—the cornerstone of this year's Folklife Festival. The Folklife Festival is one of our capital city's most beloved traditions. Each year, it brings the customs and cultures of a unique region or ethnic population alive with music and dance, craft and culinary wonders.

I commend Lawrence Small, Secretary of the Smithsonian Institution. He is a dynamic leader of the Smithsonian, and I commend him for the success of this inspiring project.

It is a privilege to be here with Secretary of State, Colin Powell who is an effective advocate for the United States in these difficult times. He is skillful in the pursuit of peace across the world and I commend him for all he continues to do.

I also join in welcoming His Highness the Aga Khan who was an early supporter of the Silk Road Project. He is an impressive leader for our time and I commend all that he has done, especially in the field of education and cultural exchange. Now, more than ever, his voice is one that needs to be acknowledged and understood. We are honored to have him with us today.

It is especially important that the Smithsonian has embarked on this remarkable celebration of the cultural richness and diversity of the Silk Road countries. Centuries ago, the Silk Road trade routes gave birth to an unprecedented and extraordinary exchange of cultural and economic traditions. Today, more than ever, it is essential to remember the incredible diversity of products and ideas that have emerged from Central Asia.

The Mall is truly the Main Street of our nation's capital city. Today, it brings us exhibits and cultural performances representing the Silk Road countries, from Italy to India, Mongolia and Japan. There is something here for everyone to enjoy. And that is, after all, what the Folklife Festival is about. It is a starting point for exploration and education, and it is always about entertainment.

The Silk Road's artistic demonstrations and musical performances will bring the Mall to new life over the next several weeks.

We are especially privileged to have with us one of our nation's most preeminent artists. Yo-yo Ma is a musician who has won both critical and popular acclaim for his virtuosity. He has also won the hearts and minds of millions of people throughout the world, with his outreach and education projects.

From Sesame Street to Carnegie Hall, he has brought music to life, and life to music. He is the tireless and seemingly unstoppable energy behind youth orchestras across the country, and projects as musically diverse as the memorable "Crouching Tiger, Hidden Dragon" and his energetic Appalachian strings recordings.

He starred on David Letterman two nights ago, and today he is with us—on America's Main Street—to celebrate the beginning of the Folklife Festival. He inspires each of us to do all we can to embrace and celebrate diverse peoples and cultures through education and understanding.

After the tragic events of September 11th, it is more important than ever for each of us to understand and embrace new ideas and cultures. Today, we continue this journey of understanding with Yo-Yo Ma.

He has used his magnificent genius to bring the entire world closer together. He inspires people everywhere to seek peace and reconciliation, and he has done it all with his magical cello.

He is here with the performers of the Silk Road Ensemble and I am honored to introduce them now.

REMARKS AT THE OPENING OF THE SILK ROAD  
FESTIVAL—SECRETARY COLIN L. POWELL,  
SMITHSONIAN FOLKLIFE FESTIVAL ON THE  
MALL, WASHINGTON, DC

Secretary Powell: Thank you very much, ladies and gentlemen. Thank you so very much, Richard, for that kind introduction, and my congratulations to the Smithsonian for putting on this 36th Annual Folklife Festival. With each year's Folklife Festival, the Mall becomes a living cultural exhibition, not only for the citizens of this city, but for the citizens of the world who come to Washington, D.C. In the words of former Smithsonian Secretary S. Dillon Ripley, "The Festival brings the museum out of its glass case and into real life."

I want to thank you also, Yo-Yo Ma and your Silk Road Project, to the Aga Khan for his Trust for Culture, to Lawrence Small of the Smithsonian, for all the wonderful work they have done to make this such an exciting and important event. And I am very proud that the State Department had such a role to play in it, and some of my leaders from the Department who had a role to play are here. Under Secretary of State Charlotte Beers and Assistant Secretary of State Beth Jones, and I think Assistant Secretary of State Pat Harrison are here, and they also are deserving of your recognition.

In fact, we did have some diplomatic challenges in making this happen. The two yurts that are here, tents that you will see in due course, they had to be custom made to conform to American laws for access to the handicapped. And so our embassy in Kazakhstan worked closely with the Kazakh Government to make sure they were up to standard—and then helped ship them here in time for this Festival. So we are not only culturally pure, we are OSHA-pure as well. I want you to know that.

We have seen so many talented people this morning, and we have had such wonderful speakers. And I, as always, enjoyed Yo-Yo Ma. But Yo-Yo, I have to say the throat singers might have had a slight edge on you. It was marvelous, and I haven't heard throat singing like that since my last congressional appearance. And it was before the Senate, not the House.

But what these artists have done for you this morning so far is they have painted a marvelous picture of the old Silk Road and the central place that the Silk Road played in our own history, our own culture, and in our own civilization.

Listening to this morning's speakers, you can almost see Marco Polo trekking eastward toward lands unknown to Europeans, or hear the sounds of a merchant caravan heading west with its cargo of silks and spices.

The Silk Road of old was the main link between the civilizations of the east, Central Asia, and Europe. From Europe, the products

and ideas of Central and East Asia then spread to the New World of the Americas. All of our peoples were enriched by the exchange of goods, the exchange of ideas, and the exchange of cultures.

But the Silk Road is more than a subject for magazines and museums. It is more than an image of past glories. The nations of Central Asia are once again joining the nations at either end of the Silk Road on a path to a better future for all. There is far to go, and the region's security, stability, and prosperity depend on critical economic and political reforms. But the Silk Road is once again a living reality, as the over 350 artists and craftspeople from 20 nations here testify.

Now, in our new age of globalization, we are restoring the linkages and the interchanges that once made the Silk Road so rich and so vital. We have been making up for lost time. Our political, economic, diplomatic, and security contacts have increased with all the nations along the central part of the Silk Road, boosted by our cooperation especially as we came together in the campaign against terrorism following 9/11 last year.

But even more important, our cultural and institutional ties have also grown. We are once again exchanging ideas and learning about cultures with all of the countries and peoples along the Silk Road.

The links between our peoples are the most vital and enduring elements of our ties. Festivals like the Smithsonian Silk Road Festival play a major role in helping us get reacquainted and start learning from each other once again. As the theme of this exhibition reminds us, it's all about "Connecting cultures and creating trust."

This Festival, like the future, stretches ahead before us. So without further delay, and with sincere thanks for your patience, let me now light the lamp that will allow us to embark on our journey along the Silk Road. Thank you very, very much.

Mr. CRAPO. Mr. President, I was unavailable to vote on the afternoon of July 10, and all of July 11, 12, 15 and 16 due to the death of my mother. Had I been able I would have voted as follows: Rollcall No. 169—"yea"; Rollcall No. 170—"yea"; Rollcall No. 171—"yea"; Rollcall No. 172—"yea"; Rollcall No. 173—"yea"; Rollcall No. 174—"yea"; Rollcall No. 175—"yea"; Rollcall No. 176—"yea"; Rollcall No. 177—"yea".

#### STOCK OPTIONS

Mr. CLELAND. Mr. President, in this time of seemingly endless stories of corporate fraud and mismanagement, I would like to take the opportunity to salute a bold step recently taken by one of the world's most respected corporations. As you know, the Coca-Cola Company's world headquarters is located in Atlanta, GA.

The Coca-Cola Company announced on Sunday that it would expense the cost of all stock options the company grants, beginning with options to be granted in the fourth quarter of 2002.

I commend CEO Douglas Daft and the leadership of the Coca-Cola Company on their decision. Stock options are indeed a form of employee compensation and their characterization as a balance sheet expense will provide investors with a clearer picture of Coca-Cola's fiscal health.