
DISAPPROVING THE RECOMMENDATION OF THE PRESIDENT TO EXTEND
NONDISCRIMINATORY TREATMENT (MOST-FAVORED-NATION TREAT-
MENT) TO THE PRODUCTS OF THE PEOPLE'S REPUBLIC OF CHINA

JULY 9 (legislative day, JULY 8), 1991.—Ordered to be printed

Mr. BENTSEN, from the Committee on Finance,
submitted the following

REPORT

[To accompany S.J. Res. 153]

The Committee on Finance, to which was referred the resolution (S.J. Res. 153) disapproving the recommendation of the President to extend nondiscriminatory treatment (most-favored-nation treatment) to the products of the People's Republic of China having considered the same, reports unfavorably thereon and recommends that the resolution do not pass.

I. SUMMARY

Title IV of the Trade Act of 1974 ("the 1974 Trade Act") authorizes the President to extend nondiscriminatory treatment (most-favored-nation or "MFN" treatment) to foreign countries otherwise denied such treatment if certain requirements are met, including a requirement that such countries comply with the freedom-of-emigration provisions under section 402 of the 1974 Trade Act. The President may waive the requirement for full compliance on the part of a particular country if the President determines that such a waiver will substantially promote the objectives of section 402. The President's waiver authority must be renewed annually through the renewal procedures set forth under section 402(d). Upon the recommendation of the President, the extension of the waiver authority is automatic, unless a joint resolution disapproving such extension, in part or in whole, is enacted into law.

Since 1980, products of the People's Republic of China have received MFN treatment. The President has recommended to the Congress annually that the freedom-of-emigration requirements of

section 402 be waived with respect to China. Most recently, on May 29, 1991, the President recommended continuation of the waiver for the 12-month period beginning July 3, 1991. On June 3, 1991, S.J. Res. 153 was introduced in accordance with the disapproval procedures set forth under section 402(d) of the 1974 Trade Act.

The Committee recommends that the Senate not approve S.J. Res. 153.

II. GENERAL EXPLANATION OF THE RESOLUTION

Background.—In 1951, the United States withdrew MFN treatment for products of the People's Republic of China, as well as the Soviet Union and all countries under the control of international communism. Under the provisions of Title IV of the Trade Act of 1974, MFN treatment for China was restored on February 1, 1980, following the President's transmission to Congress of a trade agreement with China and a recommendation to waive the freedom-of-emigration requirements of section 402, and Congressional approval thereof. Since 1980, the President has recommended annually that the waiver of the freedom-of-emigration requirements with respect to China be extended. Most recently, the President recommended to Congress on May 29, 1991, that the freedom-of-emigration requirements be waived with respect to China for the 12-month period beginning July 3, 1991.

Procedure for withdrawing China's MFN status.—The 1974 Trade Act, as amended by the Customs and Trade Act of 1990, provides expedited legislative procedures for Congress to consider disapproval of the President's recommendation to waive the freedom-of-emigration requirements of section 402, in whole or with respect to specific countries.

The President's authority to waive the freedom-of-emigration requirements of section 402 expires on July 3 of each year, but may be renewed on the recommendation of the President. Under current law, if the President recommends the extension of the waiver by June 3, it continues in effect unless disapproved by the Congress through passage of a joint resolution within 60 calendar days after July 3, i.e., by August 31. Resolutions disapproving the President's recommendation, with respect to the waiver authority generally or with respect to specific countries, may be introduced any time after the Congress receives the President's recommendation. Such disapproval resolutions are considered under the expedited legislative procedures provided by section 153 of the 1974 Trade Act. Such resolutions are sent to the President for signature or veto. Should the President veto a disapproval resolution, the Congress has 15 legislative days (as provided under section 402(d)(2) of the 1974 Trade Act) to override the President's veto.

Legislative action.—On June 3, 1991, S.J. Res. 153, a resolution disapproving China's MFN status, was introduced in the Senate and referred to the Committee on Finance. S.J. Res. 153 provides that the Congress does not approve the extension of the President's authority to waive the freedom-of-emigration requirements under section 402(c) of the Trade Act of 1974 with respect to the People's Republic of China, as recommended by the President on May 29, 1991. On June 19 and 20, 1991, the Committee on Finance held

hearings to consider the President's recommendation and the issue of China's MFN status. On June 27, 1991, the Committee ordered S.J. Res. 153 reported unfavorably to the Senate.

III. REGULATORY IMPACT OF THE RESOLUTION

In compliance with paragraph 11(b) of Rule XXVI of the Standing Rules of the Senate, the Committee states that the resolution will not significantly regulate any individuals or businesses, will not impact on the personal privacy of individuals, and will result in no significant additional paperwork.

IV. BUDGETARY IMPACT OF THE RESOLUTION

In compliance with sections 308 and 403 of the Congressional Budget Act of 1974, and paragraph 11(a) of Rule XXVI of the Standing Rules of the Senate, the following letter has been received from the Congressional Budget Office regarding the budgetary impact of the resolution:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, July 5, 1991.

Hon. LLOYD BENTSEN,
Chairman, Committee on Finance,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has reviewed S.J. Res. 153, a joint resolution disapproving the recommendation of the President to extend Most-Favored-Nation (MFN) status to the People's Republic of China, as ordered reported on June 27, 1991, by the Senate Committee on Finance.

Under the Trade Act of 1974, MFN status may not be conferred on a country with a nonmarket economy if that country maintains restrictive emigration policies. Because of this stipulation, the People's Republic does not currently qualify for MFN status. Under present law, however, the President may waive this prohibition on an annual basis if he certifies that granting MFN status would promote freedom of emigration in that country. The People's Republic has been granted MFN status on an annual basis beginning in 1980. On May 29, 1991, President Bush notified the Congress of his recommendation to waive this prohibition and extend MFN treatment to the products of the People's Republic of China for an additional year, beginning July 3, 1991. S.J. Res. 153 would disapprove the President's recommendation to extend MFN treatment.

If the People's Republic were denied MFN status, tariff rates on its exports to the U.S. would rise substantially. The higher tariffs on these goods would increase the prices faced by U.S. consumers for the goods imported from the People's Republic, reducing demand. Therefore, imports of goods from the People's Republic would be lower than they would be if MFN status were to be extended. CBO estimates that the increase in tariff rates from loss of MFN status would result in an overall increase in customs duty revenues measured relative to revenues generated in the presence of continued MFN status because the increase in revenues resulting from the higher tariffs would outweigh the reduction in reve-

nues resulting from the reduced level of imports from the People's Republic. In addition, it is likely that some of the decline in U.S. imports from the People's Republic would be made up by an increase in imports from other countries. In the absence of specific data on the likely size of this substitution effect, CBO assumes that an amount equal to one-half of the decline in U.S. imports from the People's Republic would be imported, at MFN rates, from other countries.

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts through 1995. Pursuant to Section 252, CBO estimates that S.J. Res. 153 would result in a net increase in federal government revenues of \$435 million in fiscal year 1992 (see table below). In addition, CBO estimates that S.J. Res. 153 would have no effect on aggregate state and local government revenues or outlays.

PAY-AS-YOU-GO CONSIDERATIONS

[By fiscal year, in millions of dollars]

	1991	1992	1993	1994	1995
Changes in revenues	0	435	0	0	0
Changes in outlays.....	NA	NA	NA	NA	NA

If you wish further details, please feel free to contact me or your staff may wish to contact John Stell at 226-2720 or Trevor Alleyne at 226-2758.

Sincerely,

ROBERT D. REISCHAUER, *Director.*

V. VOTE OF THE COMMITTEE IN REPORTING THE RESOLUTION

In compliance with section 133 of the Legislative Reorganization Act of 1946, the Committee states that the resolution was ordered reported unfavorably by voice vote.

VI. CHANGES IN EXISTING LAW

In compliance with paragraph 12 of Rule XXVI of the Standing Rules of the Senate, the Committee states that no changes in existing law are made by this legislation.

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