

EXTENDING TO THE PEOPLE'S REPUBLIC OF CHINA RENEWAL OF NONDISCRIMINATORY (MOST-FAVORED-NATION) TREATMENT UNTIL 1992 PROVIDED CERTAIN CONDITIONS ARE MET

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

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

## REPORT

[To accompany S. 1367]

The Committee on Finance, to which was referred the bill (S. 1367) extending to the People's Republic of China renewal of non-discriminatory (most-favored-nation) treatment until 1992 provided certain conditions are met, having considered the same, reports thereon, without recommendation.

### I. SUMMARY

In 1951, the United States suspended nondiscriminatory (most-favored-nation or "MFN") trade 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. Pursuant to the authority provided under Title IV of the Trade Act of 1974 (hereinafter referred to as the "1974 Trade Act"), MFN treatment for products of 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 of the 1974 Trade Act, and Congressional approval thereof.

Since 1980, the President has recommended annually that the waiver of the freedom-of-emigration requirements of section 402 with respect to China be continued. Most recently, the President recommended to Congress on May 29, 1991, that the freedom-of-emigration requirements of section 402 be waived with respect to China for the 12-month period beginning July 3, 1991.

On June 19 and 20, 1991, the Committee on Finance held hearings to consider the President's recommendation that products of China continue to receive MFN treatment. On June 25, 1991, a bill, S. 1367, was introduced providing for continuation of China's MFN treatment if certain conditions relating to human rights, weapons proliferation and trade are met. On June 27, 1991, the Committee ordered S. 1367 reported to the Senate without recommendation.

## II. GENERAL DESCRIPTION OF THE BILL

### *Section 1. Short title*

Section 1 of the bill states the short title of the bill, the "United States-China Act of 1991."

### *Section 2. Findings and policy*

Section 2 sets forth certain findings relating to the demonstrations of the Chinese people in pursuit of democratic freedoms, and the actions and policies of the Government of China, that are the reasons for this bill. The findings note that the Government of China continues to commit violations of internationally recognized human rights and has denied citizens supporting the pro-democracy movement the right of free, unimpeded emigration. The findings also note that China has not demonstrated its willingness to join in international efforts to control dangerous weapons proliferation.

Section 1 states that it is the sense of the Congress that sanctions being applied against China in the areas of technology exports and international monetary loans should be continued and strictly enforced. It also states the sense of the Congress that the United States Government should consult with members of the U.S. business community operating or investing in China to discuss the establishment of guidelines for corporate activity in China.

### *Section 3. Provisions for renewal of MFN status*

The President's authority to waive the freedom-of-emigration requirements of section 402 of the 1974 Trade Act must be renewed annually through the renewal procedures set forth under section 402(d). Section 402(d)(1)(B) requires the President to submit to Congress, no later than 30 days prior to the expiration of the waiver authority, a document setting forth his reasons for recommending the extension of such authority.

Section 3 of this bill provides that MFN treatment for China may not be provided for the 12-month period beginning July 3, 1992, unless the President reports in the document required under section 402(d)(1)(B) that the Government of China has met certain conditions. The President must report that the Government of China has (1) accounted for those citizens detained, accused, or sentenced as a result of the non-violent expression of their political beliefs; (2) released those citizens imprisoned after such detention, accusation, or sentencing; (3) ceased exporting products to the United States made wholly or in part by prison labor; and (4) ceased supplying arms and military assistance to the Khmer Rouge.

The President must further report that the Government of China has made significant progress in (1) fulfilling its commitment to engage in high-level discussions on human rights issues; (2) taking

appropriate action to prevent gross violations of internationally recognized human rights and fundamental freedoms in China and Tibet; (3) terminating harassment of Chinese citizens in the United States; (4) ensuring access of international human rights monitoring groups to prisoners, trials, and places of detention; (5) providing adequate protection for U.S. intellectual property rights; (6) providing American exporters fair access to Chinese markets, including lowering tariffs, removing non-tariff barriers, and increasing the purchase of U.S. goods and services; and (7) adopting a national policy which adheres to international standards on weapons proliferation.

Finally, the President must report that the Government of China is adhering to the Joint Declaration on Hong Kong.

#### *Section 4. Immediate termination of MFN status*

Section 4 requires that, effective 15 days after the date of enactment, products of China must be denied MFN treatment unless the President certifies to the Congress that China has not transferred M-9 or M-11 ballistic missiles or missile launchers to Syria or Iran, and that China has not transferred M-9 ballistic missiles or missile launchers or M-11 ballistic missiles to Pakistan. If at any time after enactment of this Act the President determines that any such transfer has taken place, the President shall immediately notify the Congress and terminate China's MFN status.

#### *Section 5. Definitions*

Section 5 defines certain terms used in the bill.

### III. REGULATORY IMPACT OF THE BILL

In compliance with paragraph 11(b) of Rule XXVI of the Standing Rules of the Senate, the Committee states that the bill 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 BILL

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 bill:

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. 1367, the United States-China Act of 1991, as ordered reported on June 27, 1991, by the Senate Committee on Finance. We expect that the bill would have no budgetary effects through fiscal year 1996.

Under the Trade Act of 1974, Most-Favored-Nation (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 of China 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 of China has been granted MFN status on an annual basis beginning in 1980.

S. 1367 would deny the People's Republic of China MFN trade treatment for a 12-month period beginning July 3, 1992, unless the President reports that the government of the People's Republic has met specific objectives. The objectives include: that the government has accounted for the citizens detained, accused, or sentenced as a result of the nonviolent expression of their political beliefs; that it has ceased exporting products to the United States manufactured, wholly or in part, by convict, forced, or indentured labor under penal sanctions; that it has ceased supplying arms and military assistance to the Khmer Rouge; and that it is adhering to the Joint Declaration on Hong Kong that was entered into between the People's Republic and the United Kingdom. Furthermore, if the President does not certify to Congress in writing 15 days after enactment of the bill that the People's Republic has not transferred to Syria, Iran, or Pakistan certain ballistic missiles or missile launchers, the People's Republic would be denied MFN treatment immediately.

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Enforcement Act of 1990, sets up pay-as-you-go procedures for legislation affecting direct spending or receipts through 1995. Because S. 1367 stipulates that extension of MFN status for the People's Republic of China is contingent on the actions of the government of the People's Republic, the bill does not, in itself, affect federal government revenues or outlays (see table below). In addition, no costs would be incurred by state and local governments as a result of enactment of S. 1367.

#### PAY-AS-YOU-GO CONSIDERATIONS

[By fiscal year, in millions of dollars]

	1991	1992	1993	1994	1995
Changes in revenues.....	0	0	0	0	0
Changes in outlays.....	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )

<sup>1</sup> Not applicable.

If you wish further details, please feel free to contact me or your staff may wish to contact John Stell of the Tax Analysis Division at 226-2720.

Sincerely,

ROBERT D. REISCHAUER,  
*Director.*

**V. VOTE OF THE COMMITTEE IN REPORTING THE BILL**

In compliance with section 133 of the Legislative Reorganization Act of 1946, the Committee states that the bill was ordered reported, without recommendation, by a vote of 11 to 9.

**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 bill.

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