

1 EXECUTIVE COMMITTEE MEETING

2 THURSDAY, JUNE 27, 1991

3 Committee on Finance

4 U.S. Senate

5 Washington, D.C.

6 The meeting was convened, pursuant to notice, at 11:57
7 a.m. in room SD-215, Dirksen Senate Office Building, Hon.
8 Lloyd Bentsen (chairman of the committee) presiding.

9 Also present: Senators Moynihan, Baucus, Bradley,
10 Riegle, Rockefeller, Breaux, Packwood, Roth, Danforth,
11 Chafee, Durenberger, Symms, Grassley, and Hatch.

12 Also present: Vanda McMurtry, Staff Director and Chief
13 Counsel; Ed Mihulski, Chief of Staff, Minority.

14 Also present: Robert Kyle, Chief International Trade
15 Counsel, Majority; Brad Figel, Chief International Trade
16 Counsel, Minority; Marcia Miller, Professional Staff Member.

17 (The press release announcing the meeting follows:)

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1 The Chairman. Now we move to consideration of the two
2 bills regarding China's most favored nation status. It is
3 my intention to consider those two bills first, and then
4 vote on the three nominees before the committee.

5 As you know, the President has recommended to the
6 Congress that the status of most favored nation for China
7 be continued for another year. It is the job of this
8 committee to review that recommendation and decide whether
9 we agree or not. I, for one, have been very disappointed
10 with China's policies since we last considered this issue a
11 year ago.

12 The Chinese government must have known that Congress
13 would take a hard look at this issue again this year, and
14 yet its human rights record has continued to be atrocious.
15 As for protectionist trade policies, they have created our
16 third largest trade deficit, and its weapons sales are a
17 threat to international peace.

18 Clearly, this administration has not received the
19 message or not been able to get that message over to the
20 Chinese leadership that the American people are offended by
21 this behavior; that they do not want to continue business as
22 usual with a government that shows so little respect for the
23 rights of its people or for international law. So it seems
24 to be up to the Congress to deliver that message.

25 Today, we have two bills before us. First, we have a

1 resolution disapproving the President's recommendation.
2 That resolution is subject to expedited legislative
3 procedures. If the committee does not report the
4 resolution, it could be discharged by a vote of the Senate
5 any time after July the 3rd.

6 Second, we have the bill that Senator Mitchell
7 introduced that would condition China's most favored nation
8 status on improvements in its human rights record, its
9 trade practices and its weapons sales policies.

10 When I announced this markup Senator Mitchell had not
11 yet introduced the most recent version of that bill. So we
12 put the original bill he introduced in May on the agenda.
13 However, now that he has introduced a more moderate version
14 of that legislation which I am cosponsoring, I would like
15 the committee's agreement to take up that bill today, S.
16 1367, rather than the first bill.

17 Are there any objections?

18 (No response)

19 The Chairman. If not, I would ask the staff to
20 describe S. 1367. I defer to Senator Packwood for any
21 comment he would like to make.

22 Senator Packwood. Well, I think the Majority Leader is
23 here, and I think the staff ought to describe it and let him
24 say his piece while we have got him here.

25 Mr. Kyle. Thank you, Mr. Chairman.

1 Let me quickly describe both bills that are before the
2 committee this morning. The first is S. J. Res. 153, which
3 was introduced by Senator Cranston. Under the Trade Act of
4 1974 it provides that MFN is to be denied to certain
5 Communist countries unless those countries enter into a
6 trade agreement with the United States, and the second
7 condition that they meet certain immigration provisions
8 contained in the provisions called the Jackson-Vanek
9 provision, or that the President waive the need to meet those
10 provisions.

11 China, under that law, has received MFN treatment since
12 1980. The waiver provision with regard to China as well as
13 the other countries to which the waiver applies must be
14 renewed annually. And under the existing law, that waiver
15 continues and MFN continues unless Congress overrides that
16 waiver with a joint resolution of Congress which must be
17 passed by both houses of Congress and submitted to the
18 President for signature or a veto.

19 Senator Cranston's resolution is the resolution
20 envisioned in the statute which would take away MFN for
21 China outright.

22 The second vehicle in front of the committee this
23 morning is the legislation that the Chairman mentioned
24 offered by Senator Mitchell. It is S. 1367. In effect, it
25 requires that next year when the President makes the

1 notification that I mentioned earlier that there would be
2 additional conditions applied before the MFN would be
3 continued.

4 There are in effect three categories of conditions that
5 must be met. The first category provides that the President
6 must notify Congress that the People's Republic of China has
7 (1) accounted for those citizens detained because of the
8 nonviolent expression of their political beliefs; (2)
9 release those citizens imprisoned through such attention;
10 (3) cease exporting products to the United States made with
11 convict or forced labor; (4) cease supplying arms to the
12 Khmer-Rouge; and (5) adhering to the joint declaration on
13 Hong Cong between the United Kingdom and the PRC.

14 The second category of cases requires that the President
15 notify that China has made significant progress in a number
16 of areas. Those areas involve (1) various human rights
17 actions; (2) actions relating to U.S. trade with China,
18 particularly relating to intellectual property rights and
19 fair access to the Chinese market by U.S. exporters; and
20 (3) significant progress in adhering to international
21 arms control standards.

22 The third category in the Mitchell bill relates to arms
23 control and it provides that within 15 days of enactment of
24 the Act MFN shall be denied by the President unless he
25 certifies that certain ballistic missiles and launchers have

1 not been transferred by the PRC to Syria, Iran or
2 Pakistan, and, second, that portion of the bill also
3 provides that if any such transfers are subsequently made
4 that MFN would be denied immediately.

5 That is the sum and substance of the bills.

6 The Chairman. Thank you.

7 Are there questions concerning it?

8 (No response)

9 The Chairman. If not, I would like to defer to the
10 Majority Leader who is here to comment on the bill that he
11 has sponsored, and I have cosponsored, as have others.

12 Senator Mitchell. Mr. Chairman, thank you. Mr. Kyle
13 has described the bill succinctly. I will not repeat his
14 description. It is straightforward in its terms.

15 This latest bill is an effort to simplify, reduce in
16 number, and make more specific and attainable the conditions
17 to be attached to the extension of most favored nation
18 status to China. In that respect, I believe it will
19 provide to the President a more effective tool in seeking to
20 achieve what we all agree is our common objective, and that
21 is encouraging a change in the actions and policies of the
22 Chinese government.

23 Unlike the earlier legislation, it extends MFN status
24 for 12 months as opposed to six. On the other hand, it
25 includes immediate termination in the event of the

1 transfer of certain ballistic missiles or missile launchers
2 specified in the legislation to countries also specified,
3 namely, Syria, Iran and Pakistan.

4 I am advised that China has already transferred to
5 Pakistan M-11 missile launchers. And so the language is
6 written in such a way that does not provide termination in
7 that event since it is an event which has already occurred,
8 but is intended to persuade the Chinese not to convey M-9
9 or M-11 ballistic missiles to any of Syria or Iran.

10 I will not go into great detail, Mr. Chairman, because
11 much has been said about this, and I believe the arguments
12 have been made, and it is quite likely that most Senators
13 have already made a determination on how they intend to
14 vote. I would simply say that I believe this could be a
15 realistic effort to seek the best means of encouraging a
16 change in behavior by the Chinese government.

17 I recognize that there is an honest difference of
18 opinion on how best to achieve what we share as a common
19 objective.

20 Were we initiating a policy from the start without a
21 prior history, I think a reasonable argument could be made
22 to the contrary. But, of course, we are not doing that.
23 There is a substantial history in recent years with respect
24 to the policy now proposed by the President, and it is
25 indisputable that that policy has failed. Not only has the

1 unconditional renewal of MFN status not altered or
2 encouraged change in the behavior of the Chinese government
3 in a manner that we all seek, it has produced the exact
4 opposite result. Indisputably, the behavior of the Chinese
5 government in all of these areas has, at least from the
6 American prospective, worsened in the past two years. And
7 so where you have not speculation as to future behavior
8 but a clear and indisputable record as to the effect of a
9 policy in the immediate past, it seems to me, to not be
10 logical or in the national interest simply continue that
11 policy since it has been demonstrated to allow them to
12 achieve the desired result and, in fact, it has produced a
13 result that is the opposite of its stated intention.

14 So I encourage my colleagues to support the reporting
15 of this measure to the Senate floor. I think this is an
16 important issue that ought to be decided by the full Senate.
17 And I thank my colleagues for their attention.

18 The Chairman. Thank you.

19 Are there further comments?

20 Senator Packwood. Could I ask Mr. Kyle a question,
21 Mr. Chairman?

22 The Chairman. Yes, of course.

23 Senator Packwood. I want to make sure I understand
24 Jackson-Vanik most favored nation correctly.

25 Almost all nations get most favored nations status

1 today. Isn't that true?

2 Mr. Kyle. The majority of nations do. Those that do
3 not under this statute are a number of Communist countries.

4 Senator Packwood. Iraq gets it. Libya gets it and
5 South Africa gets it. I mean they all have it because they
6 are not Communist countries, so they are not at least
7 statutorily precluded from it. And under some of our free
8 trade agreements in the Caribbean Basin initiative, some
9 countries actually get better than most favored nation
10 status.

11 And then we come to Jackson-Vanik and the Communist
12 countries. And we say, if I understand it correctly,
13 Mr. President, you can weigh the law and give the most
14 favored nation status if they are allowing free
15 immigration or if the waiver of it would encourage them to
16 allow free immigration of it. Have I got it roughly right?

17 Mr. Kyle. That is roughly right.

18 Senator Packwood. All right.

19 And I recall a debate we had last year we had on the
20 Senate floor--I don't know how the members of this
21 committee voted--I think Senator Armstrong had an
22 amendment vis-a-vis Russia, the Soviet Union, and he wanted
23 to tie most favored nation to, as I recall, prison work
24 conditions. I think that was it. And we turned that down.
25 We said, no, we don't want to load too much on this animal's

1 back; that so long as a country will allow free immigration
2 or we think that giving them most favored nation status
3 will encourage them to do that, that ought to be the purpose,
4 and we should not attempt to broaden it. And the Majority
5 Leader is presenting an argument--and it is a legitimate
6 argument. I am not going to be with him on this, but it is
7 legitimate--that we ought to take into account other
8 conditions before we grant most favored nation. Have I got
9 that roughly right?

10 Mr. Kyle. Yes. I believe that is what he is
11 advocating.

12 Senator Packwood. All right.

13 But in this case we are only talking about China. We
14 are not going to attempt to change the status of Iraq or
15 change the status of Libya or South Africa because those
16 countries could not meet most of these conditions we are
17 asking of China also. We are singling out China in this
18 case.

19 Mr. Kyle. This bill only relates to China.

20 Senator Packwood.- Yes. All right.

21 Thank you, Mr. Chairman.

22 The Chairman. If I may comment.

23 One of the things MFN is utilized for, and should, and
24 that is the question of trade. And what we have seen
25 developing with China is a situation where last year our

1 exports to China went down 17 percent. We didn't have that
2 situation happen last year in any of our major markets
3 except China.

4 We saw an increase in their exports to us of 27
5 percent. What we are obviously running into is a rigged
6 market. We saw their surplus with us increase to \$10.4
7 billion. The estimates are it will probably go to \$15.0
8 billion this year. An absolute disregard for our
9 intellectual property rights. We see this situation
10 building.

11 What I think the Majority Leader is trying to do, and
12 that which I support, is push them just as far as we can
13 and get some credible results.

14 MFN, if you do not ever use it--if all it is is
15 bluster--has no influence whatsoever. So I strongly
16 support what the Majority Leader is trying to do and,
17 hopefully, we will make some headway in that regard,
18 whether we are talking about human rights, whether we are
19 talking about the incredibly dangerous situation in the
20 Middle East with missiles that are being exported to those
21 countries by China, or whether we are talking about the
22 continued build up of deficits and trade in rigged markets.

23 Senator Baucus. Mr. Chairman.

24 The Chairman. Yes. Senator Baucus.

25 Senator Baucus. Thank you, Mr. Chairman.

1 Mr. Chairman, this is a somewhat familiar refrain,
2 that is, the question of whether to grant most favored
3 nation trading status to China or not. Each year we review
4 a long list of grievances with the People's Republic of
5 China and each year we consider revoking China's MFN status
6 because of those grievances.

7 In my opinion, this is a destructive and unproductive
8 cycle. And for this reason I am inclined to not support
9 either the MFN disapproval resolution or the so-called
10 conditions bill.

11 It is true that our list of grievances with China is
12 long. China continues to abuse the basic human rights of
13 its own citizens as well as the people of Tibet. Credible
14 reports have come to light that China is exporting goods
15 made by prison labor to the United States in violation of
16 U.S. law.

17 There are indications that China is selling dangerous
18 weapons and nuclear materials to other countries. And,
19 finally, as the Chairman has indicated, China has raised new
20 barriers to U.S. exports and has allowed the piracy of U.S.
21 intellectual property.

22 Each of these problems I believe is worthy of serious
23 concern and does justify strong action, but we cannot, in
24 my opinion, hope to resolve every bilateral issue on the
25 back of MFN.

1 The term, most favored nation, gives a false impression
2 that MFN is a special benefit granted only to our closest
3 friends. In fact, we extend MFN trading status to almost
4 every nation, including South Africa, Iraq, including Libya.
5 And because of a generalized system of preferences, the
6 Caribbean Basis Initiative and various free trade
7 agreements, more than 100 nations actually enjoy better than
8 MFN treatment.

9 Denied a nation MFN is not merely denying a nation a
10 special benefit. Rather, it is a severe unilateral trade
11 action, one that no other nation has even considered
12 imposing on China.

13 If MFN for China were revoked, tariffs on Chinese
14 products would automatically rise to Smoot-Hawley level, an
15 average of about 55 percent, as high as 110 percent. More
16 than \$15 billion in trade with China would be cut off
17 virtually overnight.

18 Unfortunately, as we learned from the Soviet grain
19 embargo, such unilateral sanctions do not hurt their
20 intended targets nearly as much as they hurt us. In this
21 case, we would not hurt the hard-lined Chinese Marxists
22 that ordered the massacre of Chinese students. Those
23 Marxists shun ties with the West. If we cut off trade with
24 China we would only lend credence to their argument that
25 China cannot depend on ties with the West. Instead,

1 restricting MFN would hurt those Chinese in Southern China
2 and in Hong Cong that are working to build stronger ties
3 with the West and bring about true reform in China.

4 We would underline the very elements in China that we
5 should be seeking to help.

6 We would also seriously damage U.S. exporters by
7 revoking MFN. China would surely retaliate against the
8 prohibitive new U.S. tariffs by cutting off U.S. exports.
9 This would mean the loss of U.S. exports of wheat, aircraft,
10 fertilizer and many other products.

11 Meanwhile, Canada, Australia, the European Community
12 and Japan, all of whom will continue to extend MFN to China,
13 will happily move in to replace U.S. exporters in the
14 Chinese market. Nationwide, hundreds of millions of
15 dollars in U.S. exports and tens of thousands of U.S. jobs
16 would likely be lost.

17 Although the condition MFN bill before us does not
18 directly withdraw MFN, it does place some 15 conditions on
19 extension of MFN. Personally, I support the objectives of
20 each of these 15 conditions, but we cannot realistically
21 hope to improve respect for human rights, change Chinese
22 foreign policy, stop China's arm sales, and approve China's
23 trade policy all in the context of extending MFN.

24 It is unlikely that China will meet all of these
25 conditions. Thus, the effect of the legislation is to deny

1 MFN to China next year. And since denying MFN would be
2 counterproductive and have severe negative consequences, I
3 have very grave concerns with it. However, in order to give
4 this legislation full airing before the full Senate, and to
5 give the administration the opportunity to address concrete
6 actions, which I think it should take, I will support
7 reporting this bill to the full floor.

8 If MFN were the only tool to address our concerns with
9 China, we might consider the harm to Chinese progressive
10 and the loss of U.S. exports as necessary evil. But MFN is
11 not our only tool. Instead of using the MFN blunder bust,
12 we should address our concerns with China to carefully
13 targeted rifle shots.

14 For example, we have already initiated Section 301
15 cases against China to address its piracy to intellectual
16 property. Other Section 301 cases should be initiated to
17 address Chinese trade barriers. The U.S. should use existing
18 law to clamp down on forced labor imports from China. The
19 U.S. should stop giving China veto power over U.S. policy
20 toward Taiwan. The U.S. should support Taiwan's effort to
21 join the GATT. This is a step that every member of this
22 committee, both Republican and Democraft, have long
23 advocated on trade grounds.

24 Supporting Taiwan's GATT application would send a
25 strong message to China, it would boost our friends in

1 Taiwan, and help U.S. exporters seeking opportunities in the
2 Taiwan market.

3 Other steps are possible to address human rights and
4 arms sales concerns.

5 I have sent a letter to the President outlining these
6 alternatives and urging him to use them. And I have been
7 told by the President that he is preparing a formal
8 response outlining the many steps he will take to address our
9 concerns with China.

10 Obviously, we cannot fairly evaluate the President's
11 proposal until he makes them, but attempting to influence
12 China's behavior with tools other than MFN is a far
13 superior approach. We should at least give the President's
14 plan a fair airing before cutting off or conditioning MFN.

15 Now some in Congress are moving forward with
16 legislation to deny MFN to China. I have very deep concerns
17 with that legislation. But I believe that some version of
18 this legislation is almost certain to pass Congress and
19 perhaps with enough votes to override a veto.

20 I find this conflict between the President and the
21 Congress unfortunate and unnecessary. In the debt on
22 extension of fast track, the administration and the Congress
23 were able to work together in a constructive fashion. I
24 still hope that the same patterns can be repeated in a
25 debate over China MFN. But the ball is now in the

1 President's court. Unless the administration demonstrates
2 a willingness to work with Congress to address our mutual
3 concerns regarding China, we are headed for a dangerous
4 showdown over extension of MFN. And unless the
5 administration is forthcoming in its action plan on China,
6 I may have no alternative but to reluctantly support some
7 conditional extension being considered by the full Senate.

8 Thank you, Mr. Chairman.

9 The Chairman. Thank you.

10 Senator Roth?

11 Senator Roth. Mr. Chairman, I think the question of
12 MFN to China comes down to a very simple proposition, and
13 that is a question of how much importance we attach to
14 trade. I think it is about time this country decides
15 whether or not it feels a need to be competitive in this
16 new emerging global economy which is of such importance with
17 such a kind of priority that we think is essential behind
18 it.

19 I listened to my good friend, Don Riegle, when he
20 talked about the trade deficit, and yet what we are
21 proposing here is to use trade to get the kind of
22 accomplishment or goals that we want, and what it means is
23 that training and jobs for American workers is going to
24 be costly.

25 I think that this is a matter that reasonable people

1 can disagree, but nevertheless, I think it is about time
2 that we quit using trade as a means to accomplish other
3 goals of foreign policy.

4 I note with interest that the people like Professor
5 Oxenberg, who in the days of President Carter was the
6 principle advisor on China and the White House, had
7 recommended that we move ahead with MFN; that it would
8 defeat the purposes of what we really want to accomplish.

9 Let me point out, Mr. Chairman, that by cutting off
10 MFN--and that is very likely what the proposed legislation
11 would do--we are hurting the very groups we are trying to
12 help. We are hurting Hong Cong, a principle trading nation
13 of the world, because of its importance as a link between
14 China and the rest of the world. And we are hurting the
15 Provinces of Southern China where the reform movement is
16 strong or as strong as anywhere. We are giving the wrong
17 signal.

18 I agree with the goals and objectives set forth in the
19 proposed legislation, but there are other means of securing
20 it. The administration has already taken many of them. I,
21 like the Senator from Montana, agree that we ought to be
22 pushing ahead GATT recognition for Taiwan. That would give
23 a strong signal to China, both as to our disapproval of
24 their policies as well as recognize the seventh largest
25 trading nation in the world.

1 But I would just point out, Mr. Chairman, that while
2 we are talking about taking steps that are going to
3 reduce trade, it is going to hurt the very American
4 businessmen that we have been encouraging to get involved
5 in trade. Why should they go into Central Eastern Europe
6 now when we may revert that policy six months later? It is
7 a long way to go.

8 I would just point out that while we are talking about
9 cutting off MFN, Mr. Chi Fu, the Prime Minister of Japan, is
10 going to China, going to China to build better relations,
11 including trade. I watched in the past what happened when
12 we embargoed grain. And who did we hurt? We hurt the
13 American farmers.

14 So, Mr. Chairman, I would hope that we would reject
15 the amendment; find other means and steps to accomplish the
16 worthy goals set forth in the conditions attached, but I
17 would also urge that this country become serious about
18 trade because that means competitiveness and jobs for
19 American workers.

20 The Chairman. Thank you, Senator.

21 Senator Danforth?

22 Senator Danforth. Mr. Chairman, in the more than 14
23 years that I have been privileged to serve on this
24 committee the Finance Committee has consistently taken the
25 position that trade should be elevated as a matter of

1 national policy, and consistently the Finance Committee has
2 taken the position with various administrations that
3 international trade should not be subsumed under general
4 foreign policy concerns.

5 When our party was in the majority, and I served as the
6 Chairman of the Trade Subcommittee, my annual duty was to
7 hold hearings with respect to most favored nation status for
8 Romania, Hungary and the People's Republic of China, and
9 every year during that period of time there was a hearing
10 in which various people claiming human rights and dignities
11 under the Chow-Chess-Que regime in Romania asked us to
12 withhold most favored nation status, and consistently the
13 Finance Committee led the efforts to rebuff that move on
14 the grounds that trade deserved special status, and that the
15 granting and withholding of most favored nation status had
16 to be based on a very limited objective, namely, the issue
17 of immigration.

18 Every year the issue was raised about the indignities
19 of the Government of Romania. It was said that they
20 bull-dozed churches, turned Bibles into toilet paper, and
21 persecuted ethnic minorities, and on and on. And every year
22 we said, trade is conditioned under our law on immigration.
23 It is not conditioned on a host of foreign policy issues.

24 We are heading down the road with the Mitchell
25 proposition of having trade be an ancillary issue to all

1 kinds of foreign policy matters.

2 If we do this with respect to the People's Republic of
3 China, if we follow the views of our chairman who said that
4 in this case there should not be MFN for a country that
5 does not respect the rights of its own people or
6 international law, then is that going to be the general
7 proposition? Is the general rule going to be that most
8 favorite nation status is no more than an instrument of
9 foreign policy, to be granted or withheld to achieve whatever
10 foreign policy objective is the objective of the moment?
11 I think that this goes well beyond the question of the
12 People's Republic of China. I think that this is a
13 demotion of international trade on the national agenda, and
14 for that reason I will vote against it.

15 The Chairman. Thank you.

16 Senator Dole?

17 Senator Dole. Mr. Chairman, I will be very brief. I
18 know that you want to vote and I know other members wish to
19 speak and they have been here longer than I have. But I
20 would just say this is a feel good exercise; it is not a
21 do good exercise. And maybe we feel good if we refuse to
22 expand, not grant, MFN. They have already had MFN for 10
23 years. The President did not grant it. He is simply
24 extending it.

25 And I would underscore the point made by Senator

1 Danforth. If we are going to try to single out China then
2 I think we ought to have all countries--all countries--who
3 may commit human rights abuses included in any sweeping new
4 legislation.

5 But the bottom line is that I think Senator Baucus is
6 on the right track.

7 We did work together on the fast track process. I have
8 attended four meetings now at the White House with Senators
9 who were undecided--some were for, some were against MFN
10 for the People's Republic of China--and the point that we
11 have made repeatedly to the President, to the Secretary of
12 State, to the U.S. Trade Representative, Carla Hills, is
13 that we need consultation. We need to know precisely what
14 has happened since last year. And that was set forth rather
15 completely in a letter that Secretary Baker, I believe, sent
16 to all Senators, dated June 14th, the letter I put in the
17 record, of all the things that have happened just since last
18 year, and what we are still doing in the People's Republic
19 of China as far as sanctions are concerned, and the fact
20 that we are the only country still continuing sanctions.

21 But in addition to that, it seems to me that if there
22 are concerns about slave labor, concerns about the human
23 rights abuses, concerns about proliferation of arms, these
24 are matters that can be addressed in consultation with the
25 President, with the Executive Branch of government, as we

1 did in the fast track process--and Taiwan is another issue
2 that is on the minds of many of my colleagues--then the
3 President can set forth, outline specifically in a letter
4 what he intends to do in the next one year to resolve some
5 of these differences.

6 It seems to me that that is the much better way to go.

7 I can recall the debate on students, and all the
8 people said, well, it doesn't do any good. The President
9 needs to pass a law. The Executive Order is not going to
10 work. Well, it has worked. The President kept his word.
11 He issued the Executive Order. It has been very effective.
12 And now we find, I would guess--and I have not tried to
13 count, but I would be willing to bet--that the majority of
14 students, Chinese students, in this country would support
15 extension of MFN, and would tell you that the student
16 policy set forth in the President's Executive Order has
17 worked very well.

18 So my view is this. I signed the letter with Senator
19 Baucus--one of nine Republicans, and I think there were six
20 Democrats--to the President, and we understand that there
21 are concerns to be addressed in the People's Republic of
22 China in our relationship. But I would rather be on the
23 inside trying to resolve the problem than being on the
24 outside with no influence and no voice at all.

25 So I would hope--and maybe the vote here will be

1 preliminary; the real test will come on the Senate floor--
2 but I would hope, first of all, that we can get a majority
3 vote so we wouldn't have any veto and have to fight over a
4 veto, and would not have the necessity of the legislation
5 introduced by Senator Mitchell. And I do not question his
6 motives or his good faith, but that is not going to be
7 expedited. That is subject to amendment. That could take
8 some time. And we would like to proceed, continue to put
9 pressure on the People's Republic of China with reference to
10 human rights abuses and the other problems that have been
11 raised. And I can promise you that we will continue to
12 consult and try to persuade President Bush--it is not going
13 to be very difficult because he feels the same way--that we
14 ought to be doing these things because they are right.

15 The Chairman. Thank you.

16 Senator Mitchell?

17 Senator Mitchell. Mr. Chairman, I would like to make
18 just a couple of points about the comments that have been
19 made by several of our colleagues.

20 One would think, listening to this, that the U.S.-China
21 trade relation is of an enormous benefit to the United States,
22 a great prize from which we are getting great benefit and
23 which we must continue.

24 Two Senators cited Iraq and Libya. The distinction,
25 of course, is that we have little or no trade relationship

1 with Iraq or Libya, and we do not have a \$15 billion trade
2 deficit with them. We do this year with China.

3 The Chairman cited these figures earlier. Let me give
4 them again so everybody understands what it is that we are
5 talking about as some enormous value to this country.

6 In 1987, our trade deficit with China was in round
7 numbers, \$2 billion. In 1988, \$3 billion. In 1989, \$6
8 billion. In 1990, \$10 billion. And this year, \$15 billion.
9 And the quantity of American exports to China, about which
10 our colleagues have urged us we should be concerned, has
11 declined in absolute numbers, 27 percent in the past year,
12 unadjusted for inflation.

13 Senator Baucus warns us about Chinese retaliation. I
14 assure the Senator that in just a few years there will be
15 nothing to retaliate against.

16 Our exports are going down in absolute numbers. Their
17 exports to this country are rising dramatically.

18 Does anybody here think a trade relationship which
19 produces a \$15 billion deficit to the United States is
20 something that is in American interest? And that we should
21 be working hard to preserve? And especially since,
22 according to the Bush administration itself, the primary
23 cause of the deficit is the unfair trade practices of the
24 Chinese government. That is not my allegation. That is not
25 the allegation of those who support extension with conditions,

1 it is the administration's assessment of the situation. So
2 we have the incredible situation of Americans suggesting
3 that there is an enormous value in a relationship in which,
4 because of the unfair practices of the other country, our
5 deficit in trade with them is spiraling now to \$15 billion
6 this year, the second largest of any nation with which we
7 trade.

8 If those are the kinds of things that are of value to
9 the United States, I ask my colleagues, what is it that is
10 bad for the United States?

11 Do we want to encourage a policy which produces a
12 deficit spiraling--\$3 billion, \$6 billion, \$10 billion,
13 \$15 billion this year and much more the following year--as
14 American exports to that country go down in absolute
15 numbers because of their unfair practices? If that is a
16 policy that my colleagues want to encourage then I raise
17 serious questions about the standard by which we judge
18 trade and its importance to the United States.

19 When I think of trade policies that are bad to the
20 United States I think of those that benefit the United
21 States, not those that disadvantage the United States. And
22 those that are with countries which do not engage in unfair
23 trade practices. The proposals made by our colleague is a
24 blank check to the Chinese. It tells the Chinese leaders
25 what you are doing is fine, keep it up. Uncle Sucker has got

1 a \$15 billion deficit with you this year, and if it is \$20
2 billion next year, and you pursue your unfair practices,
3 and bring American exports down to zero, why that is fine
4 too. I think it is truly incredible. Let me make one more
5 point.

6 Slave labor is a trade issue. Missile sales are a
7 trade issue. The Chinese sell missiles not out of
8 ideology, not out of foreign policy objectives, they are
9 earned hard currency. It is precisely a trade issue to them.

10 So I say to my colleagues I accept in good faith the
11 argument that is being made, but I find truly incredible
12 such a labored effort to preserve a relationship that is so
13 disastrous for the United States and go in exactly the wrong
14 direction.

15 I thank my colleagues.

16 The Chairman. Thank you.

17 Senator Breaux?

18 Senator Breaux. Thank you, Mr. Chairman. I will be
19 very brief.

20 I intend to support the Mitchell legislation being
21 reported to the floor. And I think it is very important
22 for all of us to recognize that it in fact does allow for
23 one year--the rest of this year, rather--unconditional
24 most favored nation status for the country of China. I
25 don't think that can be overlooked.

1 I think, however, something from the people back home
2 is that most Americans receive the country of China being
3 run by leaders who are out of touch with reality and who are
4 out of touch with the twentieth century, who continue to
5 stomp and violate the human rights and the civil rights of
6 the people in their own country, who continue to trample on
7 the next generation of leaders opportunities in their own
8 country, and that a country like that should not be
9 rewarded by the most favored anything status granted by the
10 Congress and by the administration.

11 I am not impressed with the argument that I have heard
12 that well, Libya and Iraq have most favored nation status.
13 They should not. We ought to start somewhere to finding a
14 selection process that when we can further most anything on a
15 country that would do so with a reason. It would continue to
16 allow everybody to have most favored nation status. Most
17 does not mean very much; most becomes less under that type
18 of a standard.

19 So I think, Mr. Chairman, it is very hard for me not to
20 support the Majority Leader's suggestion of bringing this
21 measure to the floor with some conditions on granting most
22 favored nation status. I think it does it in a proper
23 balance.

24 The Chairman. Thank you.

25 Senator Chafee?

1 Senator Chafee. Mr. Chairman, one of the joys of my
2 experience in the Senate is that I have had the privilege
3 of serving on the same two committees with the Majority Leader
4 for many years, indeed ever since he came to the Senate. And
5 if there is anybody who can take a bad case and argue it
6 eloquently, it is the Majority Leader. And it is just a
7 pleasure to always hear him.

8 Example. The Chinese are bad because we have got a
9 trade deficit with them. Well, that has a lot of
10 opportunities. If they are bad, what are the Japanese?
11 Well, we have got a \$50 billion trade deficit with the
12 Japanese. And we ought to come down full force with them.

13 If there ever was a case where we have got a violation
14 of the Truth in Labeling Act it is this word "most favored
15 nation." We ought to think up a new word. Most favored
16 nation. You would think it is a great big privilege we are
17 giving somebody. The truth is everybody gets it. Allie,
18 allie, in free. Line up. Yemen gets it. And Iraq gets it.
19 Now you can pooh-pooh that, but the fact is they have got it.

20 Now, one of the things that is not mentioned here is,
21 one of the reasons we have a trade deficit with the Chinese
22 is that we have imposed sanctions on them, and we will not
23 sell them what they want to buy. And that would help the
24 deficit a lot. But we are the only country that has kept the
25 sanctions on since they were imposed.

1 Now there are objections to the trade policies of the
2 Japanese. The Chinese, they are keeping our goods out.
3 Well, we have procedures under that, and if we did not we
4 ought to be ashamed of ourselves. There are procedures.
5 There is 301 that everybody knows about in this committee.
6 You don't work on those violations of trade procedures,
7 whether it is slave labor or whether it is flooding our
8 market or not letting our goods in through withdrawing MFN.
9 I think everybody knows that. We work under the acts that
10 we have.

11 Now the fact here is that we are just denying ourselves
12 an opportunity to participate in trading with one-fifth of
13 the world's population. We are not fooling around with
14 Burma here. We are dealing with China. One-fifth of the
15 world's population and we are politieely saying, we do not
16 like what you are doing. We are going to feel good about
17 this. We will have a nice vote and impose tough conditions
18 on them and cut ourselves off. Not only cut ourselves off
19 from the prospects of developing a trade relationship that
20 can be extremely beneficial to us in the long run, but we are
21 also cutting ourselves off from influencing the progress of
22 democracy in that nation. And I think that is the key point.
23 Every single one of us have heard the Secretary of State,
24 Baker, discuss this matter. And every so often we have an
25 important vote come along in this committee, and in my

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1 judgment, this is one of the very, very big ones.

2 So I certainly hope that we would not vote to withdraw
3 the most favored nation in accordance with the Majority
4 Leader's proposal. I want to thank the Chairman.

5 The Chairman. Gentlemen, let me state that I would
6 like to move it along. I think I know where every vote is
7 and I think everyone else knows it. I doubt if we are going
8 to change any more positions. But if someone would like to
9 sound off, please do so.

10 Senator Durenberger. Mr. Chairman, I would like to do
11 the same. This proves we are going to have a very
12 interesting debate on the floor, and I think we ought to
13 widen the audience for this as quickly as we possibly can.
14 So I will ask unanimous consent that my statement be
15 included in the record.

16 The Chairman. All right.

17 Are there others? Senator Riegle.

18 Senator Riegle. Mr. Chairman, I am not going to take
19 a long time, but I have been a long time here listening to a
20 lot of other ideas, so I want to express my own.

21 Obviously we have got serious human rights abuses
22 here of the most extreme kind, but let me leave that aside
23 for the moment.

24 The thing that bothers me is that the administration is
25 coming in here now with this proposal, and they have an

1 economic plan for every country in the world but the
2 United States. This is the plan to help China. A few weeks
3 ago it was a plan to help Mexico. We have got the plan to
4 help Kuwait and all the nations around the Persian Gulf.
5 There is a plan now to help the Soviet Union. We are
6 helping everyone, and we are helping them in ways that very
7 often hurt us and hurt this country.

8 Now what a \$15 billion trade deficit means is that we
9 are exporting this year \$15 billion worth of scarce capital
10 to China, and we are also exporting \$15 billion worth of
11 scarce jobs. And we have over nine million people in this
12 country today that we count by name who are unemployed.

13 In this last week in Michigan we had 48,000 of them who
14 have lost their unemployment benefits, not because they got
15 their jobs back but because the program is so gummed up that
16 it just triggered off. And they would like to do some of the
17 work that has been farmed out and sent over to China right
18 now because they would like to be able to feed their
19 families, and pay the rent and deal with their own basic
20 needs. But we do not have an economic program for this
21 country that deals with that problem, although we are in
22 here with an economic program today for China.

23 I think any time we allow another country under
24 circumstances such as exist here to take \$15 billion worth of
25 scarce capital and the jobs that are attached to it out of

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1 this country is a serious mistake.

2 I want to say to my friend from Rhode Island who I have
3 great fondness for. We serve together on the Banking
4 Committee. He and his governor were before our committee
5 the other day because the credit union system in that State
6 has collapsed and they need money. So they came to the
7 Federal Government and asked for money. They were very
8 direct about it, and they were very polite about it and we
9 politely listened. Well, we did not have any money to give
10 them, although they wanted it and they made a strong case
11 for why they need it.

12 And we are hearing it every single day. We cannot do
13 the measles vaccine program in this country. We cannot
14 extend unemployment compensation benefits to workers who have
15 exhausted them, although we have got \$7 billion in surplus
16 in that fund right now. And here come a plan to help China.
17 Let's help China.

18 Well, I think it is time to help America. And we are
19 not helping America by sending \$15 billion of scarce capital
20 and the jobs that go with it to China this year.

21 So I support the Mitchell proposition, Mr. Chairman.

22 The Chairman. Thank you.

23 Are there further comments?

24 (No response)

25 The Chairman. All right. Gentlemen, I will move that

1 we report unfavorably S. J. Res. 153. Now that is for the
2 revocation of MFN. That is the so-called Cranston
3 amendment. May I have a second on that?

4 Senator Baucus. I second it.

5 The Chairman. All in favor of that motion as stated
6 please make it known by saying aye.

7 (Chorus of ayes.)

8 The Chairman. Opposed?

9 (No response)

10 The Chairman. The motion is carried.

11 Senator Dole. May we have a vote on that,
12 Mr. Chairman?

13 The Chairman. You can have a roll call if you want one.

14 Senator Dole. No, that is not necessary.

15 Senator Chafee. Mr. Chairman, I just want to make
16 exactly sure what we are voting on here. We are voting on
17 S. J. Res. 153, which is a resolution disapproving the
18 recommendation of the President to extent most favored
19 nation. Am I correct?

20 The Chairman. I move to report it unfavorably.

21 Senator Dole. That does not kill it.

22 Senator Chafee. I have got to get all of these double
23 negatives straightened out here.

24 (Laughter)

25 The Chairman. You don't like the double negatives. Is

1 that your problem?

2 Senator Chafee. I get bogged down.

3 The Chairman. Do you want to think it through?

4 (Laughter)

5 Senator Chafee. I am still worrying whether I lost
6 the Burmese vote.

7 (Laughter)

8 Senator Chafee. Analogy to Burma.

9 So you are saying that you want to report
10 unfavorably the resolution, disapproving the President. Now
11 is everybody clear on that?

12 (Laughter)

13 The Chairman. All right.

14 Senator Dole. We were, yes.

15 The Chairman. That is right. All right.

16 Senator Packwood. I think you are all right on that,
17 Mr. Chairman.

18 The Chairman. Yes.

19 Senator Chafee. Am I all right?

20 The Chairman. Yes, you are all right.

21 Senator Chafee. All right.

22 The Chairman. All right.

23 And we had a vote. Is there a vote to the contrary?

24 (No response)

25 Senator Dole. That means we will all vote against it

1 on the floor.

2 The Chairman. The other one. I would like to report
3 out now without a recommendation, S. 1367, the so-called
4 Mitchell proposal.

5 Senator Dole. That will be an amendment? I don't
6 have --

7 (Laughter)

8 Senator Dole. I just wanted to ask.

9 The Chairman. Yes. I suppose it would be. All right.
10 I so move. Is there a second?

11 Senator Chafee. Second, Mr. Chairman.

12 The Chairman. Now, do you want a roll call or do you
13 want just a voice vote? Is a roll call requested?

14 Senator Chafee. Yes.

15 The Chairman. The Clerk will call the roll. I so
16 moved.

17 Senator Chafee. Could you state again your motion,
18 Mr. Chairman?

19 The Chairman. Yes. I move that we report out without
20 recommendation S. 1367, the United States-China Act of 1991
21 without a recommendation.

22 Will you proceed to call the roll?

23 The Clerk. Senator Moynihan?

24 The Chairman. Aye by proxy.

25 The Clerk. Senator Baucus?

1 Senator Baucus. Aye.
2 The Clerk. Senator Boren?
3 The Chairman. Aye by proxy.
4 The Clerk. Senator Bradley?
5 Senator Bradley. Aye.
6 The Clerk. Senator Mitchell?
7 Senator Mitchell. Aye.
8 The Clerk. Senator Pryor?
9 The Chairman. Aye by proxy.
10 The Clerk. Senator Riegle?
11 Senator Riegle. Aye.
12 The Clerk. Senator Rockefeller?
13 The Chairman. Aye by proxy.
14 The Clerk. Senator Daschle?
15 The Chairman. Aye by proxy.
16 The Clerk. Senator Breaux?
17 Senator Breaux. Aye.
18 The Clerk. Senator Packwood?
19 Senator Packwood. No.
20 The Clerk. Senator Dole?
21 Senator Dole. No.
22 The Clerk. Senator Roth?
23 Senator Roth. No.
24 The Clerk. Senator Danforth?
25 Senator Packwood. No by proxy.

1 The Clerk. Senator Chafee?

2 Senator Chafee. No.

3 The Clerk. Senator Durenberger?

4 Senator Durenberger. No.

5 The Clerk. Senator Symms?

6 Senator Symms. No.

7 The Clerk. Senator Grassley?

8 Senator Grassley. No.

9 The Clerk. Senator Hatch?

10 Senator Packwood. No by proxy.

11 The Clerk. Mr. Chairman?

12 The Chairman. Aye.

13 The Clerk. There are 11 Senators in favor; nine
14 opposed.

15 The Chairman. We will now move to the nominees.

16 The first nomination that we have before the committee
17 now is Desiree Tucker-Sorini of Colorado to be Assistant
18 Secretary of the Treasury.

19 Senator Packwood. I move that we report her.

20 The Chairman. A motion has been made that we report
21 her. Is there a second?

22 Senator Chafee. Second.

23 The Chairman. All in favor of the motion as stated
24 make it known by saying aye.

25 (Chorus of ayes.)

1 The Chairman. Opposed?

2 (No response.)

3 The Chairman. The motion is carried.

4 The second one is Ms. Janet Nuzum of Virginia to be a
5 member of the United States International Trade Commission
6 for the remainder of the term expiring June 16th, 1996.

7 May I have a motion?

8 Senator Packwood. I move to report her.

9 Senator Baucus. Second.

10 The Chairman. All in favor of the motion as stated
11 make it known by saying aye.

12 (Chorus of ayes.)

13 The Chairman. Opposed?

14 (No response.)

15 The Chairman. The motion is carried.

16 Now, I would like to comment on the last nomination,
17 and that is a statement by me concerning the nomination of
18 Carol Crawford. I generally vote for the nominees that the
19 President selects, and that is whether the nomination
20 relates to the ITC or any other Presidential appointment.
21 My general philosophy is that the President deserves to have
22 his nominations approved, but that does not mean that this
23 committee or any other Senate committee would blindly
24 follow and approve such a nomination.

25 We have a responsibility to review the nominee to

1 determine whether the nominee passes muster. That is
2 particularly true I think with regard to the International
3 Trade Commission.

4 In recent years we have seen a dramatic growth in the
5 importance of international trade of the future of this
6 country, and that growth has made the institutions, like the
7 ITC, that enforce U.S. trade laws, much more important as
8 well, and that is why it is particularly important we
9 scrutinize the nominees that the President sends us for the
10 ITC.

11 The laws that the ITC helps enforce, particularly the
12 antidumping countervailing duty laws, some of the most
13 important and effective trade laws that we have on the books.
14 If the Commissioners at the ITC do not enforce those laws
15 vigorously, we have lost one of the most effective tools we
16 have against unfair trade practices.

17 Frankly, I have serious concerns about Ms. Crawford as
18 a nominee.

19 The international trade positions during her watch at
20 the FTC were consistently and aggressively in opposition to
21 domestic producers. I simply do not accept that she can so
22 easily disallow the policies the FTC pursued while she was a
23 key policy official there. And I personally have grave
24 doubts that she can make the transition to a balanced
25 perspective that the ITC requires.

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1 Her relationship with the Congress during her tenure
2 at the Justice Department was rocky at best. I have seen
3 nothing that suggests Mrs. Crawford will be able with a
4 careful and unbiased eye to weigh the multiple factors the
5 ITC must take into consideration in making the injury
6 determinations or to work with the Congress in a
7 constructive manner. Accordingly, I feel compelled to vote
8 against her nomination.

9 I feel strongly that we need to have highly qualified
10 individuals on the Commission who bring to the job a keen
11 appreciation of the structure of United States industry,
12 and the complicated factors that play in international
13 transactions, as well as a completely open mind that is
14 able to apply the law as Congress intended it to be applied.

15 Regretably, I do not think Mrs. Crawford would so fill
16 that role.

17 Now, let me say something else. While I intend to vote
18 against Mrs. Crawford, I believe the members of this
19 committee should be free to vote based upon their own views
20 about the nominee. I am not asking for any deference to
21 the chairman.

22 Unless there are further comments we will proceed to
23 the vote. And I ask for a roll call on this vote.

24 The Clerk. Mr. Moynihan?

25 The Chairman. Aye by proxy.

1 The Clerk. Mr. Baucus?
2 Senator Baucus. No.
3 The Clerk. Mr. Boren?
4 The Chairman. No by proxy.
5 The Clerk. Mr. Bradley?
6 Senator Bradley. Aye.
7 The Clerk. Mr. Mitchell?
8 (No response)
9 The Clerk. Mr. Pryor?
10 The Chairman. No by proxy.
11 The Clerk. Mr. Riegle?
12 Senator Riegle. No.
13 The Clerk. Mr. Rockefeller?
14 The Chairman. No by proxy.
15 The Clerk. Mr. Dashcle?
16 The Chairman. No by proxy.
17 The Clerk. Mr. Breaux?
18 Senator Breaux. Aye.
19 The Clerk. Mr. Packwood?
20 Senator Packwood. Aye.
21 The Clerk. Mr. Dole?
22 Senator Dole. Aye.
23 The Clerk. Mr. Roth?
24 Senator Roth. Aye.
25 The Clerk. Mr. Danforth?

1 Senator Packwood. Aye by proxy.
2 The Clerk. Mr. Chafee?
3 Senator Chafee. Aye.
4 The Clerk. Mr. Durenberger?
5 Senator Durenberger. Aye.
6 The Clerk. Mr. Symms?
7 Senator Symms. Aye.
8 The Clerk. Mr. Grassley?
9 Senator Grassley. Aye.
10 The Clerk. Mr. Hatch?
11 Senator Packwood. Aye by proxy.
12 The Clerk. Mr. Chairman?
13 The Chairman. No.
14 The Clerk. There are 12 Senators in favor and seven
15 opposed.
16 The Chairman. Do we have anything further?
17 (No response)
18 The Chairman. That is it. Thank you. We will stand
19 adjourned.
20 (Whereupon, at 12:55 p.m., the meeting was concluded.)
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C E R T I F I C A T E

This is to certify that the foregoing proceedings of an Executive Committee Meeting of the Committee on Finance, held on Thursday, June 27, 1991, were transcribed as herein appears and that this is the original transcript thereof.

William J. Moffitt
WILLIAM J. MOFFITT
Official Court Reporter

My Commission expires April 14, 1994.

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6/27/91

DESCRIPTION OF S. 1367
A BILL TO EXTEND NONDISCRIMINATORY (MOST-FAVORED-NATION)
TARIFF TREATMENT TO THE PEOPLE'S REPUBLIC OF CHINA UNTIL 1992
PROVIDED THAT CERTAIN CONDITIONS ARE MET

The bill extends most-favored-nation (MFN) tariff treatment for the People's Republic of China until July 1992 providing certain conditions are met during the intervening year.

Summary of the Bill:

In his 1992 request for renewal of MFN, the President must report to Congress that the People's Republic of China has:

- accounted for those citizens detained, accused, or sentenced because of the nonviolent expression of their political beliefs
- released those citizens imprisoned for such expression
- ceased exporting products to the United States produced by forced labor
- ceased supplying arms and military assistance to the Khmer Rouge
- adhered to the Joint Declaration on Hong Kong
- made "significant progress" in preventing violations of internationally recognized human rights, correcting unfair trade practices, as well as adopting a national policy which adheres to limits and controls on nuclear, chemical and biological arms proliferation

If these conditions are not met, MFN will not be granted in July of 1992.

The bill also provides that, 15 days after the date of enactment, products of the People's Republic of China shall be denied most-favored-nation trade treatment unless the President certifies to the Congress that China has not transferred certain missiles or missile launchers to Syria, Iran or Pakistan. If at any time after enactment the President determines that such transfers have occurred, he shall immediately notify the Congress and terminate most-favored-nation trade treatment for the People's Republic of China.

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102D CONGRESS
1ST SESSION

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.

IN THE SENATE OF THE UNITED STATES

JUNE 3, 1991

Mr. FORD (for Mr. CRANSTON) introduced the following joint resolution;
which was read twice and referred to the Committee on Finance

JOINT RESOLUTION

Disapproving the recommendation of the President to extend nondiscriminatory treatment (most-favored-nation treatment) to the products of the People's Republic of China.

1 *Resolved by the Senate and House of Representatives*
2 *of the United States of America in Congress assembled,*
3 That the Congress does not approve the extension of the
4 authority contained in section 402(c) of the Trade Act of
5 1974 recommended by the President to the Congress on
6 May 29, 1991, with respect to the People's Republic of
7 China.

○

102D CONGRESS
1ST SESSION

S. 1084

To deny the People's Republic of China nondiscriminatory (most-favored-nation) trade treatment.

IN THE SENATE OF THE UNITED STATES

MAY 16 (legislative day, APRIL 25), 1991

Mr. MITCHELL (for himself, Mr. MOYNIHAN, Mr. CRANSTON, Mr. WALLOP, Mr. KENNEDY, Mr. FORD, Mr. INOUE, Mr. DECONCINI, Mr. KERRY, Mr. BIDEN, Mr. DODD, Mr. PELL, Mr. BRYAN, Mr. WIRTH, Mr. LEAHY, Mr. AKAKA, Mr. D'AMATO, Mr. LEVIN, Mr. SARBANES, Mr. METZENBAUM, Mr. HOLLINGS, Mr. WOFFORD, Mr. DIXON, Mr. GLENN, Mr. WELLSTONE, Mr. SASSER, and Ms. MIKULSKI) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To deny the People's Republic of China nondiscriminatory (most-favored-nation) trade treatment.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. SHORT TITLE.

4 This Act may be cited as the "Support for Democra-
5 cy, Human Rights, and Fair Trade in China Act of 1991".

6 SEC. 2. FINDING; POLICY.

7 (a) FINDINGS.—The Congress makes the following
8 findings:

LEGISLATION REGARDING CHINA'S MOST FAVORED NATION STATUS

Thursday, June 27, 1991

S.J. Res. 153, a resolution disapproving China's most-favored-nation (MFN) status

S.J. Res. 153 was introduced by Senator Cranston on June 3, 1991. The resolution 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.

S. 1084, The "Support for Democracy, Human Rights, and Fair Trade in China Act of 1991"

S. 1084 was introduced by Senator Mitchell on May 16, 1991. S. 1084 requires the President to terminate MFN treatment for China six months after the date of enactment unless and until the President certifies to Congress that the Government of China has met certain conditions. The President must certify that the Chinese Government (1) has ceased violating internationally recognized human rights, including by releasing all political prisoners, granting press freedom, and ceasing surveillance and harassment of Chinese students outside China; (2) has ceased persecution of those involved in the pro-democracy movement and allows international observers to monitor those imprisoned; (3) is permitting unrestricted emigration; (4) has ceased religious persecution; (5) is providing adequate intellectual property protection, fair market access, has increased its purchases of U.S. goods, thereby reducing its surplus, and is not hiding the origin of its goods; (6) has demonstrated its good faith participation in international efforts to control the proliferation of weapons and chemical, biological and nuclear technologies; and, (7) has ceased the export of products made by forced labor.

STATEMENT OF SENATOR MAX BAUCUS

FINANCE COMMITTEE MARK-UP ON CHINA MFN

June 27, 1991

The Congress is falling into an annual ritual of threatening to revoke MFN trading status for China.

Each year, we review a long list grievances with the Peoples' Republic of China. And each year we consider revoking China's MFN status because of these grievances. In my opinion, this is a destructive and unproductive cycle. For this reason, I cannot support either the MFN Disapproval Resolution or the so-called "Mitchell Conditions Bill."

GRIEVANCES WITH CHINA

Our list of grievances with China is long. China continues to abuse the basic human rights of its own citizens and the people of Tibet. Credible reports have come to light that China is exporting goods made by prison labor to the U.S. in violation of U.S. law. There are indications that China is selling dangerous weapons and nuclear materials to other countries. And finally, China has raised new barriers to U.S. exports and has allowed piracy of U.S. intellectual property.

MFN IS NOT THE RIGHT TOOL

Each of these problems is worthy of serious concern and justifies strong action. But we cannot hope to resolve every bilateral issue on the back of MFN.

The very term Most Favored Nation status gives the false impression that MFN is a special benefit granted only to our closest friends. In fact, we extend MFN trading status to almost every nation, including South Africa, Iraq, and Libya. Because of the Generalized System of Preferences, the Caribbean Basin Initiative, and free trade agreements, more than 100 nations actually enjoy better than MFN treatment.

Denying a nation MFN is not merely denying a nation a special benefit. Rather, it is a severe unilateral trade sanction -- one that no other nation has even considered imposing on China. If MFN for China were revoked, tariffs on Chinese products would rise to Smoot-Hawley levels -- as high as 110%. More than \$15 billion in trade with China would be cut off virtually overnight.

Unfortunately, as we learned from the Soviet Grain Embargo, such unilateral sanctions do not hurt their intended targets nearly as much as they hurt us.

In this case, we would not hurt the hardline Chinese marxists that ordered the massacre of Chinese students. Those marxists shun ties with the West. If we cut off trade with China, we would only lend credence to their argument that China cannot depend on ties with the West.

Instead, restricting MFN would hurt those Chinese in southern China and Hong Kong that are working to build stronger ties with the West and bring about reform in China. We would undermine the very elements in China that we should be seeking to help.

We would also seriously damage U.S. exporters by revoking MFN. China would surely retaliate against the prohibitive new U.S. tariffs by cutting off U.S. exports. This would mean the loss of U.S. exports of wheat, aircraft, fertilizer, and many other products. Canada, Australia, the EC, and Japan -- all of whom will continue to extend MFN to China -- will happily move in to replace U.S. exporters in the Chinese market. Nationwide, Hundreds of millions of dollars in U.S. exports and tens of thousands of U.S. jobs would likely be lost.

CONDITIONALITY

Although the conditioned MFN bill before us does not directly withdraw MFN, it does place some fifteen conditions on extension of MFN. Personally, I support the objectives of each of these fifteen conditions. But as I said above, we cannot realistically hope to improve respect for human rights, change Chinese foreign policy, stop China's arms sales, and improve China's trade policy -- all in the context of MFN extension.

It is unlikely that China will meet all of these conditions. Thus, the effect of the legislation is to deny MFN to China next year. And since denying MFN would be counterproductive and have severe negative consequences, I cannot support the MFN conditions legislation now pending. However, at the request of Senator Bentsen, I will vote to report this legislation for consideration by the full Senate.

OTHER TOOLS

If MFN were the only tool to address our concerns with China, we might consider the harm to Chinese progressives and the loss of U.S. exports as necessary evils.

But MFN is not our only tool. Instead of using the MFN blunderbuss, we should address our concerns with China through carefully targeted rifle shots.

For example, we have already initiated Section 301 cases against China to address its piracy of intellectual property. Other Section 301 cases should be initiated to address Chinese trade barriers. The U.S. should use existing law to clamp down on forced labor imports from China.

The U.S. should also stop giving China veto power over U.S. policy toward Taiwan. The U.S. should support Taiwan's effort to join the GATT. This is a step that every Member of this Committee -- both Republican and Democrat -- have long advocated on trade grounds. Supporting Taiwan's GATT application would send a strong message to China, boost our friends in Taiwan, and help U.S. exporters seeking opportunities in the Taiwanese market.

Other steps are possible to address human rights and arms sales concerns.

I have sent a letter to the President outlining these alternatives and urging him to use them. I have been told by the President that he is preparing a formal response outlining the many steps he will take to address our concerns with China. Obviously, we cannot fairly evaluate the President's proposals until he makes them. But attempting to influence China's behavior with tools other than MFN is a far superior approach.

We should at least give the President's plan a fair airing before cutting off or conditioning MFN. But unless the Administration is forthcoming in their "action plan" on China, I may have no alternative but to reluctantly support some conditions.

CONCLUSION

Some in Congress are now moving forward with legislation to deny MFN to China.

Currently, I cannot support the China MFN legislation that is now pending. But I believe that some version of this legislation is almost certain to pass Congress -- perhaps with enough votes to override a veto. I find this conflict between the President and Congress unfortunate and unnecessary.

In the debate on extension of fast track, the Administration and Congress were able to work together in a constructive fashion.

I still hope that the same pattern can be repeated in the debate over China MFN.

But the ball is now in the President's court. Unless the Administration demonstrates a willingness to work with Congress to address our mutual concerns regarding China, we are headed for a dangerous showdown over extension of MFN.

STATEMENT OF SENATOR DAVE DURENBERGER

MOST FAVORED NATION STATUS FOR CHINA

Mr. Chairman, I want to briefly explain my reasons for supporting the President's request for an unconditional extension of MFN for the People's Republic of China.

In reaching this decision, I have concluded that it is in our nation's best economic and geopolitical interests to maintain normal trading relations with the People's Republic of China. I further believe that continuation of MFN will improve economic and political conditions for the people in China.

Mr. Chairman, neither the President of the United States, nor this Senator believes that extending MFN can be interpreted as condoning the domestic repression in China, or the Chinese government's irresponsible arms proliferation policies. The United States was the first country to condemn the brutal repression in Tiananmen Square! We were the first nation to guarantee the rights of Chinese students studying at universities in the United States! We were the first nation to impose sanctions against the Chinese, and we are now the last, alone among our Western allies, to keep those original sanctions in place.

But those actions are not enough for the critics of the President's policy. Do the critics of the President's policy think we would be better off if we turned the clock back on Sino-American relations to 1970 when we exercised a policy aimed at isolating China from the rest of the world? That would be the net effect

of our decision to abandon normal relations with the Chinese. Although it might make us feel good in the very short run, it will surely set back relations and dialogue with Chinese for years to come and likely lead to wider crackdowns within China against foreign influence.

Let those who want to return Sino-U.S. relations to 1970 remember that in 1970 China did not serve as a permanent member of the UN Security Council. Let them remember that because of President Nixon's opening to China, the people of China have ultimately benefitted and our long-term bi-lateral relationship with China and the Chinese people has been enhanced.

Let the critics also remember that they are putting at risk more than \$5 billion in U.S. exports including wheat (\$511 million), aerospace (\$749 million), computers and electrical machinery (\$860 million), fertilizer (\$544 million), cotton (\$259 million) and wood products (\$281 million). And not only will our European and Japanese competitors immediately step in to take up the slack caused by the loss of American business, but we would be putting at risk more than \$4 billion in U.S. investment in China.

Farmers and businesses in Minnesota stand to lose hundreds of millions of dollars if the United States decides to restrict MFN. For Minnesota wheat farmers, that's a \$27 million market that will disappear and for Cargill's wheat and phosphate exports that's a \$150 million loss. For 3M, Control Data, Eaton,

Honeywell, MTS, Thermoking, Conagra, North Star Steel, Medtronic and Crown Iron Works, restricting MFN means the whole transfer of export business to Japanese and European competitors.

And what about the American consumer, especially the low income consumers who rely on imports from developing countries like China for affordable clothing and footwear. If MFN is restricted, tariffs on clothing and footwear manufactured in China will rise by 72 percent. In other words, raising tariffs on Chinese imports of clothing and footwear is equivalent to imposition of a \$6 billion a year tax on the American consumer of low and moderate-priced clothing and shoes.

Mr. Chairman, it has been 12 years since the United States decided to use the American farmer as an instrument of foreign policy. Haven't we learned the lesson of the failed 1979 American grain embargo of the Soviet Union. And that lesson is simply that when America unilaterally decides to use trade as a weapon of foreign policy, the only ~~one~~ ^{POISONS} who ^{are} hurt ^{are} the American ~~people~~. **WALKERS!**

Other countries always step in to fill the breach left by our unilateral withdrawal from a market.

There's a second lesson that we should all keep in mind. And that is the lesson we learned last August after Iraq invaded Kuwait. Economic and trade policy can be a meaningful tool of foreign policy, but only when such a policy is

carried out in concert with all of the world's trading partners. UN economic sanctions against Saddam Hussein certainly had a devastating impact on the people of Iraq. But those sanctions had meaning only because the whole world acted in unison.

Will Japan follow our lead and restrict MFN for China? Will France? Will Germany? Will Brazil? Of course not. Their manufacturers and farmers will simply step in and take the business that we lose.

Mr. Chairman, for many in this room, the debate over MFN has been narrowed to focus on the issue of Chinese missile sales to terrorist countries such as Iran and Syria. Under the most recent Democratic leadership bill, MFN would be immediately revoked if it is determined that the Chinese have sold certain short-range missiles and launchers to Iran, Syria and Pakistan.

Mr. President, I am appalled that the Chinese seem indifferent to the proliferation of ballistic missiles, especially to countries in the over-militarized Middle East. Yet this has not gone unnoticed by the Administration.

Just two months ago, the President denied licenses for export of components critical for the launch of a Chinese domestic satellite and he has indicated that he will not seek any further satellite waivers for China until missile proliferation concerns are satisfied. The President has also publicly stated that

the United States would impose additional sanctions on any Chinese company found to violate international guidelines on missiles sales.

Mr. Chairman, MFN is the functional equivalent of closing down economic relations with a trading partner. It is a last resort trade weapon. Much as I believe that the Chinese have been irresponsible in selling missiles to certain terrorist countries, I do not believe that is a sufficient basis to terminate normal trading relations with China.

In fact, I would suggest that it was just as irresponsible for some of our own allies to sell missile parts, guidance systems, and facilities capable of manufacturing poison gas to Iraq as it would be for the Chinese to sell Silkworms, M-9s and M-11s. No one suggested that we terminate trade relations with the countries who supplied such weapons. Nor did anyone suggest that we endanger the entire U.S.-Japan trade relationship after it was learned that a Toshiba subsidiary sold our Cold War adversary, the Soviet Union, advanced machine tool milling machines.

Mr. Chairman, MFN is a vestige of the Cold War. Very few countries are denied MFN--The Soviet Union, Afghanistan, Albania, Cuba, Laos, North Korea, Vietnam, Kampuchea. The list keeps shortening every year as free markets and free societies evolve out of the rubble of Socialism. I believe it would be a step backward in international political and economic relations if the United States at

this late date seeks to terminate a relationship that holds great promise for the future once the current generation of Octogenarian rulers in Beijing passes the mantle to the new generation.

I would hope my colleagues will look toward stabilizing relations between our two countries, and leave this matter to the wisdom and judgment of the President.

Church Gravelly

CEG
SHORT STATEMENT
YOU MAY WANT TO
USE
Bal
6-27-91

MR. CHAIRMEN:

EXTENSION OF MFN FOR CHINA

FOR A VARIETY OF REASONS HAS CAUSED
ME GREAT ANGUISH.

I AM CONCERNED ABOUT OUR
TRADE DEFICIT WITH CHINA I AM
DEEPLY CONCERNED OVER THE HUMAN
RIGHTS ABUSES TAKING PLACE AND
I AM EXTREMELY TROUBLED BY THE
PROLIFERATION OF NUCLEAR AND BIOLOGICAL
WEAPONS.

IN LOOKING AT THE INITIAL
MITCHELL LANGUAGE I FELT COMFORTABLE
IN MY OWN MIND THAT I COULD
NOT SUPPORT HIS BILL.

HOWEVER, THE SUBSTITUTE HE
IS NOW PROPOSING OFFERS SOME
VERY APPEALING QUALITIES.

NEVERTHELESS, SEVERAL FACTORS
HAVE RECENTLY COME TO MY ATTENTION
THAT LEAVE ME TORN ON HOW TO
CAST MY VOTE.

FOR ONE, THE AMERICAN FARM
BUREAU FEDERATION, THE NATION'S
LARGEST ORGANIZATION OF FARMERS
AND RANCHERS HAVE SUBMITTED A
LETTER STRONGLY SUPPORTING
EXTENSION OF MFN, WITHOUT CONDITIONS.

FOR ANOTHER, THE AMERICAN
SOYBEAN ASSOCIATION ALONG WITH

SEVENTEEN OTHER FARM GROUPS
HAVE MADE A SIMILAR APPEAL FOR
EXTENSION OF MFN.

ALSO SEVERAL OF THE INDUSTRIES
IN MY HOME STATE OF IOWA ARE
~~ARE~~ INVOLVED IN JOINT VENTURES.

Clearly, THEY HAVE A VESTED INTEREST.

NEVERTHELESS, THEIR APPEAL TO ME
HAS ALSO CENTERED AROUND THEIR
ABILITY TO PROMOTE DEMOCRACY IN
THAT PART OF THE WORLD.

LASTLY, SEVERAL GENTLEMEN
WHO WERE PRINCIPAL ARCHITECTS OF
THE REFORMS UNDERTAKEN UNDER
FORMER PREMIER ZHAO ZIYANG AND

FORCED TO FLEE INTO EXILE

WROTE ME A LETTER OUTLINING

THREE CONCRETE REASONS WHY

FAILURE TO EXTEND MFN WILL HAVE

THE OPPOSITE EFFECT ON WHAT WE

ALL HOPE TO ACHIEVE.

FOR THESE AND OTHER REASONS

I WILL NOT BE ABLE TO SUPPORT

EITHER THE RESOLUTION OF

DISAPPROVAL OR THE MITCHELL

Bill.

I SHOULD MAKE IT CLEAR

HOWEVER THAT MY OPPOSITION

TO BOTH OF THESE PIECES OF

LEGISLATION SHOULD NOT BE CONSTR

AS NOT HAVING SOME OF
THE SAME CONCERNS RAISED IN
THE MITCHELL BILL

IN FACT, I HAVE CO-SPONSORED
LANGUAGE REGARDING SLAVE LABOR
WITH SENATOR HELMS, AND AM A
CO-SPONSOR WITH SENATOR KENNEDY
PROMOTING AMERICAN'S DOING BUSINESS
IN THE PRC TO BECOME MORE
ACTIVE IN TRYING TO RESOLVE SOME
OF THE CONCERNS RAISED BY ALL
OF US.

REGARDLESS OF THE OUTCOME OF
THIS DEBATE, THE PRC SHOULD TAKE ALL
OF THE CONCERNS RAISED BY THIS AND
THE OTHER BODY SERIOUSLY!