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China MFN [5]

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Withdrawal/Redaction Sheet (George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01a. Memorandum	To: President Bush From: Brent Scowcroft Re: Reply to Senator Baucus' Letter on China MFN (1 pp.)	n.d.	(b)(1)	
01b. Letter	To: Senator Baucus Re: China's MFN Status (4 pp.)	n.d.	(b)(1)	
01c. Paper	Re: Human Rights/Trade and Economic Issues (15 pp.)	n.d.	(b)(1)	
01d. Letter	To: Senator Dole Re: China's MFN Status (4 pp.)	n.d.	(b)(1)	
01e. Paper	Re: Human Rights/Trade and Economic Issues (15 pp.)	n.d.	(b)(1)	
01f. Memorandum	To: Brent Scowcroft From: Robert Pearson Re: Reply to Letter from Senator Baucus and Others (1 pp.)	7/12/91	(b)(1)	S
01g. Letter	To: Senator Baucus Re: China's MFN Status (8 pp.)	n.d.	(b)(1)	S
01h. Paper	Re: Trade and Economic Issues (14 pp.)	7/8/91	(b)(1)	☑
02. List	China MFN (5 pp.)	n.d.	(b)(1)	☑

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20508

July 17, 1991

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

FROM: TIMOTHY CARNEY *TC*
SUBJECT: Reply to Senator Baucus on China MFN

At Tab A is a letter to Senator Baucus and Senator Dole regarding MFN for China. Our intent would be to hold the letter for release until 24-48 hours before debate begins in the Senate. We think debate could begin early next week but so far Senator Mitchell has not made known his preference on timing.

Concurrence by: Mike *Adricos*

RECOMMENDATION

That you recommend the President sign the letter at Tab A.

Attachments

Tab I Scowcroft/President
Tab A Letter to Senator Baucus
Tab B Incoming Correspondence
Tab II State Drafts

THE WHITE HOUSE

WASHINGTON

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: BRENT SCOWCROFT

SUBJECT: Reply to Senator Baucus' Letter on China MFN

Purpose

To reply to Senator Baucus and Senator Dole, with copies to the others on their letter regarding most-favored-nation trading status for China. Our intent is to forward your response to the signatories shortly before the Senate begins debate on the subject, which could be early next week.

Background

The letter Senator Baucus initiated underscores serious U.S. concerns about Chinese human rights; economic and trade practices; missile and nuclear technology proliferation; and general foreign policy. The signatories maintain that revoking MFN is the wrong tool to effect the imperative need for Chinese behavior to change. But, they argue for a more active Administration response in addressing these American concerns.

Your reply, with its attachment, sets forth the philosophy that strong, targeted measures must be used when necessary; cites a number of sanctions already in effect; and touches on imminent discussion of Chinese human rights matters which you plan at the G-7 Summit. Your letter squarely addresses three issues said to figure in pre-debate discussion on the Hill by: promising resolute actions if China does not favorably address our missile and nuclear nonproliferation concerns; detailing your instructions to press on China's unfair trading practices including, specifically, possible further action under Section 301; and affirming U.S. support for Taiwan's accession to GATT while maintaining a one-China policy.

RECOMMENDATION

That you sign the letters at Tab A.

Attachments

Tab A Presidential Letter for Signature
Tab B Incoming Correspondence

cc: Vice President
Chief of Staff

THE WHITE HOUSE

WASHINGTON

Dear Senator Baucus:

I appreciated receiving your views on the importance of renewing China's most-favored-nation (MFN) trade status while also seeking to achieve progress with the Chinese on issues of vital concern to the American people. We clearly share the same goals. We want to see China return to the path of reform, show greater respect for human rights, adhere to international norms on weapons sales, and practice fair trade. China should contribute to international stability and not detract from it.

You rightly note that withdrawing MFN would hurt not only Americans but also the people of Hong Kong and the millions in China who are working for progressive change. Continuing MFN is essential to protect American consumers and exporters, and to support the economic forces that have been driving reform in China for more than a decade. It is no accident that the process of reform accelerated with the increase in foreign businesses operating in that nation. Those who would end political and economic reform in China have the most to gain if MFN were withdrawn. It is the economic forces pressing for the loosening of state control and increased personal freedom that would suffer the most. Other losers would be the thousands of American workers and farmers who together produced in 1990 almost \$5 billion in exports to China.

Since we started the process of normalizing contacts with China in the 1970s, there has been strong bipartisan support for the U.S.-China relationship. Building on the three U.S.-China communiques, U.S. interaction with the government and people of China has produced demonstrable progress. That interaction must continue despite the recent severe setbacks. Nevertheless, I support the view that strong measures are needed to address our concerns in China and have not hesitated to use them in a targeted fashion. To underscore our deep dismay about human rights violations, I have kept in place a number of sanctions since the Tiananmen Square crackdown which have affected arms sales, high-level contacts, U.S. economic programs and U.S. support for multilateral development bank lending to China.

The U.S. is currently the only nation maintaining its Tiananmen sanctions and refusing to normalize relations until China makes substantial progress on human rights. For example, while all our allies and other World Bank members have supported virtually all of the last sixteen World Bank loans to China, we have declined

to support seven because the loans would not serve basic human needs.

At the London Summit, we raised China's human rights practices with our G-7 allies and encouraged them to continue to stress to China's leaders, as we have repeatedly, the importance that democratic governments attach to human rights. We made clear that the U.S. will continue its policy of supporting only those multilateral development loans for China that serve basic human needs (BHN), and our view that any non-BHN lending to China help to promote market-oriented economic reform.

To advance our nonproliferation objectives, I recently authorized a number of steps aimed at engaging the Chinese on their weapons transfer policies and making clear our dissatisfaction with transfers that contribute to regional instability. The Under Secretary of State for International Security Affairs recently traveled to Beijing for a detailed discussion of nonproliferation issues, including our specific concerns about Chinese exports. He pressed for China's adherence to the Nuclear Nonproliferation Treaty and the Missile Technology Control Regime, actions I called for in my commencement speech at Yale University on May 27. We are pleased with the constructive role China played in the July 8-9 Middle East arms control talks in Paris. The Chinese endorsed all the key objectives of my Middle East arms control initiative (such as efforts to freeze and ultimately eliminate surface-to-surface missiles and block the production and acquisition of nuclear useable material). The Chinese also agreed to work rapidly in follow-on meetings to flesh out the broad agreements reached in Paris.

At the same time, I have also taken measures to emphasize to China that the U.S. is concerned about reports of destabilizing missile-related transfers. In April, I rejected requests for licenses to export satellite components for a Chinese communications project because of the involvement of Chinese companies in unacceptable missile equipment transfers. Just recently, I approved trade sanctions against two Chinese companies for that same reason. In addition, I directed that no further licenses of high-speed computers and no further exports of satellites to China be authorized until our concerns that China adhere to accepted international nonproliferation standards are satisfactorily addressed. The U.S. will be coordinating with other countries in order that these measures not be undercut. Our experience has demonstrated that such consultations will lead to effective, multilateral technology transfer restrictions.

I have also instructed U.S. agencies to press vigorously our concerns about Chinese unfair trading practices. In April, I directed the U.S. Trade Representative to identify China as a priority foreign country under the Special 301 provisions of the Trade Act for failing to protect U.S. intellectual property

rights. If China does not make real progress during the 301 investigation, trade action will follow. Beyond intellectual property protection, my Administration has invited senior Chinese trade officials to Washington in August for continuation of consultations begun in June regarding access for U.S. products to the Chinese market. If these talks fail to produce Chinese commitments to take substantial measures to improve market access, the Administration will self-initiate further action under Section 301 of our trade laws.

We are strictly enforcing the terms of our textile agreement with China and have already made charges against China's quota because of illegal textile shipments through third countries totalling approximately \$85 million so far. Following consultations in July, we expect to make additional charges. If China does not exert effective control over these illegal shipments, we are prepared to take additional action against China.

Charges that China exports goods produced with prison labor are a matter of serious concern. The Customs Service is investigating these charges. In addition, we have obtained a firm high-level commitment to prevent the sale of prison labor products to the United States. We will continue to monitor China's behavior in this area closely and will strictly enforce relevant legislation concerning prison labor exports. In particular, I am ordering the following additional measures: The Department of State will seek to negotiate a memorandum of understanding with China on procedures for the prompt investigation of allegations that specific imports from China were produced by prison labor. Pending negotiation of this agreement, the U.S. Customs Service will deny entry to products imported from China when there is reasonable indication that the products were made by prison labor. The denial will continue until the Chinese Government or the Chinese exporter provides credible evidence that the products were not produced by prison labor.

I am also instructing the U.S. Customs Service to identify an office to receive information on prison labor exports and establish procedures for the prompt investigation of reports of prison labor exports from interested parties. Additional customs officials will be directed to identify prison labor exports and aid in uncovering illegal textile transshipments.

Although it is not directly related to China's MFN status, I share your interest in Taiwan's accession to the GATT. As a major trading economy, Taiwan can make an important contribution to the global trade system through responsible GATT participation. The U.S. has a firm position of supporting the accession of Taiwan on terms acceptable to GATT contracting parties. The United States will begin to work actively with other contracting parties to resolve in a favorable manner the issues relating to Taiwan's GATT accessing. Because China, our

tenth largest trading partner, could also make an important contribution to the global trading system, I will seek to have the Chinese Government take steps on trade reform so that China's GATT application can advance and its trade practices can be brought under GATT disciplines through the Working Party formed for China in 1987. U.S. support for Taiwan's accession to GATT as a customs territory should in no way be interpreted as a departure from the long-standing policy of five administrations which acknowledges the Chinese position that there is only one China, and that Taiwan is part of China.

In sum, therefore, I am prepared to address the concerns you and your colleagues have identified, and I am doing so. But discontinuing MFN, or attaching conditions to its renewal, would cause serious harm to American interests and would render futile pursuit of the initiatives I have outlined, which are discussed in greater detail in the attachments. Working together, I believe we will best protect America's interests by remaining engaged with China and the Chinese people.

Sincerely,

Attachments:

- Part I - Human Rights
- Part II - Nonproliferation
- Part III - Trade and Economic Issues

The Honorable Max S. Baucus
United States Senate
Washington, D.C. 20510

PART I: HUMAN RIGHTS

Human rights concerns have been at the heart of our relationship with the PRC since the tragic events of June 1989. Every high-level meeting since that time has at least touched on human rights issues, and several -- such as the December 1990 visit to China by Assistant Secretary Schifter -- have been devoted exclusively to them. We have consistently stressed to the Chinese leadership that there can be no return to the kind of relationship we enjoyed before 1989 without substantial improvements in China's human rights practices.

Our overall approach on human rights issues has consisted of:

Public expression of concern

- President Bush condemned the brutal suppression of demonstrations in Tiananmen Square in June 1989, the first world leader to do so. He declared May 13, 1990 a National Day in support of Freedom and Human Rights in commemoration of the 1989 demonstrations, and issued another statement to mark the anniversary of the crackdown in 1991.
- In our human rights reports for 1989 and 1990, we were fair but hard-hitting, and as accurate as available information would allow. These reports have drawn high praise from human rights groups, and harsh condemnations from the Chinese government.
- The State Department issued a statement on January 9, 1991 condemning the trials of nonviolent dissidents.
- In April 1991 the President met the Dalai Lama at the White House to demonstrate our respect for His Holiness' nonviolent approach to conflict resolution and our concern for human rights problems in Tibet.

Suspension of bilateral programs

On June 6 and June 20, 1989, the President announced the suspension of a number of bilateral programs and changes in U.S. approach to multilateral issues until the human rights climate in China improved. Those suspensions generally remain in effect.

- A multitude of high-level exchange visits that would normally have taken place since 1989 have been canceled. Only a very limited number of visits at and above Assistant Secretary level have been approved on a case-by-case basis, and only when they addressed issues of key concern to the United States, e.g., like human rights, nonproliferation, unfair trade practices, and narcotics.
- Military exchange visits have been suspended completely.

- Work on several existing military equipment and technology projects has been suspended indefinitely.
- We have stopped the transfer of military or dual-use equipment or technology to Chinese military and security services.
- The U.S. sought to postpone all multilateral development bank loans to China from June 1989 to January 1990. Since then, we have supported only those loans that serve the basic human needs of the Chinese people.
- We have suspended grants, loans and insurance guarantees to China under the Trade and Development Program and OPIC.
- We have worked through COCOM to suspend planned liberalization of export controls to China.

Engagement in dialogue

Through the few high-level visits that have been authorized, and through regular diplomatic channels, we have engaged the Chinese government in an unprecedented continuing dialogue on a wide range of human rights issues.

- The Scowcroft-Eagleburger missions of July and December 1989 were devoted primarily to laying out our human rights concerns and suggesting steps the Chinese could take to address them.
- During Chinese Foreign Minister Qian's visit to Washington in November 1990, President Bush and Secretary Baker reiterated the need for progress on human rights, and stressed that human rights is a cornerstone of American foreign policy.
- Assistant Secretary Schifter visited China in December 1990, the first time our top human rights official has done so. In sixteen hours of intense discussions with senior Chinese officials, he spelled out in detail our human rights concerns in a wide range of areas including accounting of detainees, release of political prisoners, denial of due process and fair and open trials, treatment of prisoners, divergence of Chinese law from international standards, respect for freedom of religion, abusive implementation of family planning regulations, and human rights problems in Tibet. He delivered a list of 151 representative cases of reported political incarceration, and asked Chinese authorities to clarify the status of the cases and release those whose imprisonment violated international norms. He suggested changes in Chinese laws and judicial processes that would bring them into conformity with international standards.

- Under Secretary Kimmitt in May 1991 reiterated many of the points made by Assistant Secretary Schifter, and called on the Chinese government to declare an amnesty for all those imprisoned for nonviolent political activities. He also urged the Chinese to implement effectively their claimed prohibition on export of prison labor products.

Results of actions

Most importantly, the Chinese government has acknowledged the legitimacy of human rights as a subject of bilateral discussion, both with us and with other concerned governments. They received a Congressional delegation devoted exclusively to human rights concerns in March 1991, and agreed to receive another later this year. They also agreed to receive human rights delegations to be sent by the governments of France and Australia. In addition, they have taken a number of modest but positive steps to improve the human rights situation in China.

- Martial law was lifted in Beijing in January 1990 and in Lhasa four months later. No part of China is currently subject to martial law.
- Most of those detained after the Tiananmen tragedy were released by the end of 1989. Chinese authorities announced the release of nearly 1000 more detainees in 1990, and about 70 have been released so far in 1991. Officials claim that only 21 still await trial detention in Beijing, and at least one of these -- labor leader Han Dongfang -- has been released for medical treatment.
- While at least 30 persons have been convicted on political charges since the beginning of the year, the sentences meted out to them were generally less severe than those imposed on similar charges in previous years. Those released without further punishment included prominent dissidents such as essayist Liu Xiaobo, journalist Zhang Weiguo, playwright Wang Peigong, and legal scholar Chen Xiaoping.
- Leading dissident Fang Lizhi and his wife, who had obtained refuge in the U.S. Embassy in Beijing for over a year, were allowed to leave China in June 1990, and are now at Princeton.
- Most investigations of those involved in the 1989 protests have ended, and most of our Chinese contacts report that the oppressive atmosphere of 1989 has lifted significantly.
- The Chinese have ceased the most odious forms of harassment of Chinese students and scholars in the U.S.; harassment was a serious problem in 1989 and early 1990.
- Relatives of many, though not all, overseas dissidents have been allowed to leave China and join them abroad. In some

of the remaining cases that we have raised with Chinese officials, passports have subsequently been issued.

- Several released dissidents, including Tiananmen hunger striker Gao Xin and former Arizona State student Yang Wei, have been allowed to leave the country.
- Chinese authorities have undertaken to stop the export to the U.S. of products made in Chinese prisons. We will continue to monitor this situation closely, but it appears that the Chinese government is taking increasingly specific steps to enforce their prohibition on export of these products.
- In response to concerns expressed by Administration officials and Members of Congress, the Chinese have provided useful new information on the status of persons reported detained for religious activities.
- Economic reforms have resumed, in some cases matching or exceeding levels reached before 1989. Some limited political reforms, in important but relatively noncontroversial areas such as the personnel system, have continued. An Administrative Procedure Law that became effective in October 1990 for the first time enables Chinese citizens to sue abusive officials.

There are indications that further progress may be in the offing. We are continuing to press the Chinese government to release all remaining detainees, to commute the sentences of those nonviolent dissidents already convicted, and to allow the departure of the remaining relatives of overseas dissidents who wish to leave. We are hopeful that a combination of dialogue and specifically targeted pressure will lead to further movement on these and other remaining issues of concern. And in the longer term, we are confident that the momentum toward greater freedom and democratization in China, built up during the decade of reforms and dramatically reflected in the 1989 demonstrations, will prove irreversible.

PART II: ADMINISTRATION'S ACTIONS WITH RESPECT TO PROLIFERATION CONCERNS

The United States is engaged in a high-level dialogue with the Chinese that began early in our relationship. Looking at the broad trends in China's nonproliferation policy since normalization in 1979, it is clear that our dialogue has paid off in important areas, demonstrated by China's evolution toward international consensus on nonproliferation in areas of great importance to us. For example, China, which once held an antagonistic view of multilateral controls on nuclear exports, joined the IAEA in 1984 and sent observers to the Nuclear Nonproliferation Treaty Review Conference in 1990.

Middle East/South Asia

China's support for the Middle East arms control initiative is another case in point. China's participation in the initiative is a positive step that will strengthen international nonproliferation efforts and indicates China's resolve to contribute to efforts to attain stability in the Middle East. In addition, China's willingness to participate in multilateral efforts to reduce tension in South Asia will be crucial to establishing stability in that volatile region.

Moreover, we have seen Chinese arms sales restraint in some areas where we have vital interests. For example, to the best of our knowledge, apart from the 1987/88 sale of missiles to Saudi Arabia, China has not delivered medium-range missiles to the Middle East. It is clear that in other specific cases China has taken international concerns into account and declined proposed missile exports to prospective buyers.

Underscoring Our Concerns

It is because serious concerns remain that we want to maintain a constructive nonproliferation dialogue with Beijing. We do not intend to ignore current problems, but isolating China by dismantling the framework for our relations is not the way to advance our nonproliferation objectives.

We have the means available to underscore our concerns where there are differences in our approaches to nonproliferation and we have used these legislative and executive branch tools. For example, we have imposed trade sanctions mandated by the National Defense Authorization Act on Chinese entities involved in missile-related activities. We have also announced the Administration's decision that, pending progress toward our nonproliferation objectives, we will not license high speed computers and will not issue further waivers of legislative restrictions on satellite exports. These new sanctions have been imposed in addition to the existing sanctions announced immediately following the June 1989 assault on Tiananmen and amplified by Congress in the Department of State Authorization

Act for FY 1990-1991. Moreover, we have not certified China under the bilateral agreement for nuclear cooperation that took effect in 1985.

Our policy mix of sanctions and cooperation at any given time is necessarily dependent on Chinese behavior. We are encouraged by China's indication in June that it is reviewing its policies with respect to Missile Technology Control Regime (MTCR) and the NPT. We seek China's adherence to the NPT and the MTCR guidelines and will encourage the Chinese to take concrete steps toward adherence to the key multilateral standards for international behavior established by these institutions. The Administration will continue to use the legislative authority that already exists and will take resolute action if the Chinese do not address favorably our nonproliferation concerns.

PART III: TRADE AND ECONOMIC ISSUES

The Administration is committed to achieving with China the same goals that have guided our trade policy with all other countries. We seek open markets and the opportunity for U.S. firms and their products to compete on fair and equal terms. To achieve these goals, and realize the principles of equality, mutual benefit and non-discrimination set forth in the U.S.-China Bilateral Trade Agreement, this Administration has pursued a policy of negotiation and engagement on trade issues with China. In particular, the Administration has sought to improve U.S. access to China's marketplace; to bolster Chinese protection of intellectual property; to end fraudulent practices by Chinese textile exporters using false country of origin declarations; and, to induce Beijing to undertake the economic and trade reforms required for membership in the GATT.

Reciprocal MFN tariff treatment underpins our ability to work constructively with the PRC. China's desire to retain access to the U.S. market has enabled us to engage Chinese leaders even during periods of tension. We believe that discontinuing MFN, or attaching conditions to its renewal, would cause serious harm to our trade interests and erode our ability to influence China's behavior on key trade issues.

The Past Decade of Bilateral Trade Relations

After decades of adhering to an import-substitution strategy that focused on minimizing China's reliance on outside sources of machinery and equipment, China began in the 1980's to seek outside sources of these goods. It also has increasingly drawn on foreign technology, expertise, and funds by actively encouraging joint ventures.

China's opening to the outside world has helped transform its economy, bolstering reform-oriented sectors that are not directly controlled by the central government. For example, the state sector now produces just over half of China's industrial output; in 1978, its share was 78 percent. China's dynamic rural industries, which are privately and collectively owned, have burgeoned. There are 30,000 foreign-invested ventures now in China, with a total contracted value of \$40 billion. The impact of China's open door has been particularly pronounced in the southern and coastal provinces, where 90 percent of the foreign investment and more than three-fourths of China's trade activities are located. This region, in turn, has become the primary engine of economic reform in China largely as a result of the introduction of market concepts to Chinese employees of joint ventures and to citizens engaging in commercial exchanges with the West. The economic autonomy fostered by this interaction contributes to increased political and even individual self-determination.

The United States has been a vital partner in this transformation. Following Congressional approval of the bilateral trade agreement, the United States and China established formal trade relations and reciprocally granted most-favored-nation (MFN) status in 1980. Growth in our commercial ties has helped to change China and to bring it into the global trading system. Since the resumption of normal trade relations, U.S.-China two-way trade has increased almost 770 percent, from \$2.3 billion in 1979 to over \$20 billion last year.

- We are now China's second-largest trading partner and its largest export market.
- China is our tenth-largest trade partner, up from fifteenth in 1981.
- Over 1,000 U.S. firms have invested more than \$4 billion in China and another \$5 billion in Hong Kong related primarily to trade with the PRC.
- In 1990, the United States exported \$4.8 billion worth of goods to China, including:
 - \$749 million worth of aircraft
 - \$544 million worth of fertilizer
 - \$512 million worth of grain
 - \$281 million worth of cotton yarn and fabric
 - \$273 million worth of chemicals
 - \$264 million worth of electric machinery
 - \$238 million worth of wood and wood pulp
 - \$227 million worth of scientific instruments.

Commercial relations with the United States have exerted positive influences on China's business and economic practices since 1980. China has shifted away from total reliance on a strongly centralized economy, shown greater tolerance for experimentation with market mechanisms to regulate its domestic economy, and decentralized and liberalized its foreign trade practices.

Regression in China's Trade Policies

China's opening to the outside world has not been smooth. Over the past decade, attempts to accelerate the implementation of market-oriented reforms have been followed by Beijing's recentralization of control, as concern about the country's ballooning trade deficit led Beijing to step in to regain some of the trade authority it had relinquished.

Moreover, throughout the period since the normalization of trade relations and the granting of reciprocal most-favored-nation trading status in 1980, China's web of barriers to imports has made it difficult for many U.S. exporters to gain access to the Chinese market. U.S. firms have also had difficulty securing protection for their intellectual property.

U.S. trade negotiators have long been engaged with the Chinese Government, both in bilateral negotiations and in multilateral consultations at the GATT held to review China's application for membership. We have sought to ensure that bilateral commercial relations develop in accord with the principles that underlie our bilateral trade agreement: equality; mutual benefit; and nondiscrimination. From 1979 through 1987, Chinese authorities made some progress in reducing nontariff barriers to imports, in improving transparency, and in protecting the intellectual property of foreigners.

This trend has been reversed over the last three years.

- Since 1988, Chinese trade policies and practices have become more protectionist, nontariff barriers to imports have proliferated, and the trade system has become less transparent. These policies undoubtedly contributed to a 17 percent decline in U.S. sales to China in 1990. China was the only major foreign market for U.S. goods and services in which our exports declined in 1990.
- Despite intensive bilateral negotiations with Chinese authorities since the USTR in 1989 placed China on the "priority watch list" of countries providing inadequate intellectual property protection--including three rounds of meetings over the past five months--China has failed to live up to the commitments contained in the bilateral Memorandum of Understanding (MOU) signed in May 1989.

At the same time, other problems have developed in our bilateral trade relationship. For example, to bypass U.S. textile and apparel quotas, Chinese exporters have increasingly resorted to shipping these products to the United States via third countries using false invoices and counterfeit visas. Also of concern to us has been the apparent lapse in China's commitment to economic and trade reforms that would bring the country in line with the GATT's free-trade principles. China's reassertion of central control over the past few years has called into question its willingness and ability to undertake the obligations that would be required of China as a contracting party to the GATT.

Steps the U.S. Government Has Taken and Will Take to Address Bilateral Trade Problems

In six key areas of our bilateral trade and economic relations, the Administration has taken steps to resolve trade problems. We are prepared to do more.

On Market Access

- Beginning in the fall of 1990, the Administration resumed sub-cabinet level meetings with the Chinese, that had been suspended since June 1989, to secure Chinese actions to reverse the growing list of new protectionist measures.

- In April 1991, the Administration formally set in motion a market access initiative that continued with the visit to Beijing, in mid-June, of an interagency delegation to discuss market access issues. In meetings with senior Chinese officials, U.S. Government officials raised nine types of market access barriers, including: the lack of transparency in rules and regulations; the expansion of import licensing requirements; the use of import substitution policies; the proliferation of import bans and quotas; the growth of standards, testing, and certification requirements, including discriminatory "quality standards" procedures for imports; the high level of many import tariffs; the unnecessary use of certain phytosanitary regulations; the uncertainties regarding government procurement and tendering regulations; and the lack of information regarding China's major development projects.
- The Administration has proposed holding another round of market access consultations in August 1991. If that round of negotiations fails to yield substantial commitments from the Chinese authorities to dismantle market access barriers, the Administration will self-initiate Section 301 action to address those barriers the removal of which offers the most potential for achieving U.S. trade policy objectives and increasing U.S. exports.

On Intellectual Property Protection

- On April 26, 1991, USTR identified the PRC as a priority foreign country that denies adequate and effective protection of intellectual property rights. Accordingly, on May 26, 1991 USTR initiated a Special Section 301 investigation on the basis of four problem areas: (1) inadequate copyright protection, (2) inadequate patent protection, (3) inadequate trade secret protection and (4) ineffective enforcement of trademarks. Consultations with the Chinese are ongoing. The first round of consultations under the Section 301 investigation occurred in mid-June and a second has been proposed for August.
- The deadline for making a determination under Section 301 is November 26, 1991. This may be extended for three months if China is making substantial progress in drafting or implementing measures that will provide adequate and effective protection of U.S. intellectual property rights. At that time, the USTR must determine whether the acts, policies and practices of the PRC are actionable under Section 301 and what retaliatory action, if any, is appropriate.

- If the consultations fail to produce adequate and effective protection of intellectual property rights, the Administration will take retaliatory action.

On Textile Transshipments

- The U.S. Customs Service has been vigilant in documenting cases of Chinese textile transshipments over the past year.
- In August 1990, USTR held consultations with Chinese authorities on the transshipment issue. Additional consultations took place in November 1990, March 1991, and May 1991.
- The U.S. Government "charged" China's quotas for goods that were sent to the United States under false country of origin declarations valued at over \$85 million.
- China has begun to take actions to curtail textile fraud since the December charges were made. For example, it issued regulations prohibiting reexports through a third country to countries that have signed textile agreements with China. Further, the Chinese Government has issued provisions for the punishment of those who violate the regulations.
- The Administration has prepared more charges valued at about \$14 million that we anticipate will be levied after consultations with China next month.
- The Administration will increase the number of U.S. Customs officials dedicated to investigating circumvention.
- If transshipment persists, we will be prepared to take additional action against China.

On Forced Labor

- The importation of goods produced with forced, convict or indentured labor is prohibited by 19 USC Section 1307, which also directs the Secretary of the Treasury to prescribe regulations for enforcement of the provision. The Secretary of the Treasury, under 19 CFR Section 12.42, has delegated to the Commissioner of Customs, authority to determine that a class of goods is the product of forced labor and exclude those goods.
- Customs has been investigating imports alleged to be the product of forced labor in China. Customs has interviewed emigres about forced labor practices in China. Customs is also analyzing import samples to determine if they match the descriptions provided by the emigres and others. Additional special agents have

been detailed to Hong Kong to assist in the investigation.

- Although the letter from Senator Baucus and fourteen co-signers did not specifically address the issue of prison labor imports, appropriate action is called for to fulfill the intent of existing law. The Administration therefore proposes to negotiate a memorandum of understanding with China on procedures for the prompt investigation of allegations that specific products exports to the U.S. are being produced by prison labor.
- Pending negotiation of the MOU, Customs will temporarily embargo specific products from China when there is reasonable indication that they are made by prison labor. Embargoes will be lifted only after the Chinese Government or the Chinese exporter provides credible evidence that the products are not produced by prison labor.

Multilateral Lending to China

- The G-7 consensus, led by the United States, was successful in prohibiting all MDB lending to China from June 1989 to February 1990 in response to the international outcry against the crackdown by the Chinese authorities at Tiananmen Square.
- From February 1990 to July 1990, the G-7 consensus supported a gradual resumption of World Bank lending to China for projects that clearly met basic human needs (BHN). The consensus held firm and actively prohibited other loans from Board consideration. Only five loans (totalling \$590 million) were approved in WBFY 1990. This is substantially less than pre-Tiananmen Square levels of World Bank commitments to China, which were \$1.4 billion in WBFY 1988 and \$1.3 billion in WBFY 1989.
- At the Houston Summit in July 1990, several G-7 countries decided that China's long-term development needs argued for lending outside the BHN limits favored by the United States. Accordingly, the G-7 Houston Summit Declaration of July 1990 on MDB lending to China expanded the boundaries of permitted MDB lending to China to include loans which were environmentally beneficial or which supported market-oriented economic reform. Only BHN loans were considered by the World Bank Board until December 4, 1990 when the market oriented economic reform loan for Rural Industrial Technology was approved by the Board. On November 29, 1990, the ADB approved its first loan to China since Tiananmen Square, Agricultural Bank Project, which the U.S. did not support. Despite the approval of infrastructure project loans by the World Bank and the

Asian Development Bank, the U.S. has and will continue to withhold support on all loans that do not meet BHN criteria.

On GATT Accession

- Since China applied for GATT membership in July 1986, the United States has been a leading participant in the collective efforts of major GATT Contracting Parties to develop terms for China's GATT participation that will support the objectives of the GATT and will influence Chinese Government policies to become, over time, more compatible with the GATT framework for world trade.
- U.S. and other major GATT contracting parties' concerns about China's ability and willingness to live up to GATT obligations, particularly since June 1989, have stalled progress in the Working Party established to consider China's application for membership in the GATT.
- The Administration intends to continue to press Beijing to undertake trade and economic reforms so that its GATT application can advance and its trade practices be brought under GATT disciplines.
- At the same time, the Administration will begin to work actively with other GATT members to resolve in a favorable manner the issues relating to Taiwan's GATT accession. U.S. support for Taiwan's accession as a customs territory would be consistent both with GATT legal criteria and the "one-China" policy which acknowledges the Chinese position and has been adhered to by successive U.S. administrations.
- Taiwan's GATT accession would yield substantial trade and commercial benefits to the United States and to the international trading system.
 - Taiwan has indicated that it is prepared to accede to the GATT as a developed economy, to bind virtually all its tariffs, and to join the major non-tariff measure GATT codes.

The Importance of MFN

As highlighted above, the Administration is aggressively seeking to resolve outstanding bilateral trade issues with the PRC. MFN underpins our ability to work constructively with the PRC. We believe that discontinuing MFN, or attaching conditions to its renewal, would cause serious harm to our trade interests, and would render futile pursuit of the initiatives outlined above.

It would reduce our leverage in market-access, intellectual property rights protection, and other trade-related negotiations. China's desire to retain access to the U.S. market has enabled us

to engage Chinese leaders in consultations on bilateral and multilateral issues even during periods of tension. Because China is not a GATT member and not bound by GATT trade disciplines, it is especially important to have many levers that enable us to engage the Chinese on trade issues.

It would hurt U.S. exporters. If the United States rescinds China's MFN trading status, China will not only discontinue MFN tariff treatment for the United States, but would likely cease purchasing billions of dollars of U.S. wheat, aircraft, fertilizer, cotton yarn and fabric, wood and wood pulp, electric machinery, scientific equipment, and chemicals. Foreign competitors, whose goods would be subject to lower tariffs, would be quick to exploit our departure. Lost shares of China's market would not easily be regained even if MFN were restored at some future date.

It would hurt U.S. consumers. Tariffs on the 25 most important U.S. imports from China would rise from the present average tariff rate of 8.8 percent to an average rate of 50.5 percent. These increases would mean sharply higher prices for lower-end Chinese goods. The costs to U.S. consumers would be largely borne by poorer Americans, who are primary consumers of low-cost Chinese products.

It would damage America's reputation as a reliable trade partner. Our trade competitors will not join us in denying MFN status to China. Other Chinese trade partners, especially in Asia, urge that China's MFN status be retained.

It would hurt investors, businesses, and workers in Hong Kong. Loss of MFN would impede China's integration into the regional economy, a development crucial to regional stability particularly as we near the 1997 deadline for Hong Kong's reversion to Chinese sovereignty. It could cost over 43,000 jobs in Hong Kong and result in direct revenue losses of approximately \$1.2 billion dollars. Hong Kong's GDP growth could be curtailed by as much as two percent.

It would set back efforts to bring about meaningful economic reform in China. A disproportionate burden of the MFN denial would fall on the primary engine of economic reform in China--the economies of the southern and coastal provinces. In Guangdong province, for example, 40 percent of industrial output is produced for export, half of which goes to the United States. Sectors that fall outside of the direct control of the central government have been especially important to China's development as an exporter; one-third of China's exports currently come from rural (individual and collectively owned) industries and from foreign-invested ventures. The foreign ties these provinces and non-state-owned factories developed with the outside world prior to Beijing's reassertion of central control in mid-1989 enabled these provinces to weather the austerity program; without these foreign markets, Beijing's grip would have been all the tighter. As Beijing's influence over the regions and sectors most closely integrated into the global economy has diminished, these regions

and sectors have become increasingly sensitive to global economic conditions. Revocation of China's MFN trading status would cause unemployment to rise and factory losses to mount in export-producing regions.

Conclusion

Those who engineered the violence in China in June 1989 are unlikely to bear the economic costs associated with the denial of MFN. Instead, those who suffer would be American businesses and their employees, American consumers, and the people of Hong Kong and the progressive areas of China.

China's opening to the outside world over the past decade has accelerated growth in the non-state sectors of the economy; resulted in strong links between China's coastal regions and the global economy that have enabled this reformist region to weather Beijing's periodic efforts to reimpose central government control over economic activity; and introduced market concepts to a generation of Chinese managers involved in joint ventures, trade negotiations, and training in the West. For this process to continue, China's most-favored-nation treatment in the United States is essential.

THE WHITE HOUSE

WASHINGTON

Dear Senator Dole:

I appreciated receiving your views on the importance of renewing China's most-favored-nation (MFN) trade status while also seeking to achieve progress with the Chinese on issues of vital concern to the American people. We clearly share the same goals. We want to see China return to the path of reform, show greater respect for human rights, adhere to international norms on weapons sales, and practice fair trade. China should contribute to international stability and not detract from it.

You rightly note that withdrawing MFN would hurt not only Americans but also the people of Hong Kong and the millions in China who are working for progressive change. Continuing MFN is essential to protect American consumers and exporters, and to support the economic forces that have been driving reform in China for more than a decade. It is no accident that the process of reform accelerated with the increase in foreign businesses operating in that nation. Those who would end political and economic reform in China have the most to gain if MFN were withdrawn. It is the economic forces pressing for the loosening of state control and increased personal freedom that would suffer the most. Other losers would be the thousands of American workers and farmers who together produced in 1990 almost \$5 billion in exports to China.

Since we started the process of normalizing contacts with China in the 1970s, there has been strong bipartisan support for the U.S.-China relationship. Building on the three U.S.-China communiques, U.S. interaction with the government and people of China has produced demonstrable progress. That interaction must continue despite the recent severe setbacks. Nevertheless, I support the view that strong measures are needed to address our concerns in China and have not hesitated to use them in a targeted fashion. To underscore our deep dismay about human rights violations, I have kept in place a number of sanctions since the Tiananmen Square crackdown which have affected arms sales, high-level contacts, U.S. economic programs and U.S. support for multilateral development bank lending to China.

The U.S. is currently the only nation maintaining its Tiananmen sanctions and refusing to normalize relations until China makes substantial progress on human rights. For example, while all our allies and other World Bank members have supported virtually all of the last sixteen World Bank loans to China, we have declined

to support seven because the loans would not serve basic human needs.

At the London Summit, we raised China's human rights practices with our G-7 allies and encouraged them to continue to stress to China's leaders, as we have repeatedly, the importance that democratic governments attach to human rights. We made clear that the U.S. will continue its policy of supporting only those multilateral development loans for China that serve basic human needs (BHN), and our view that any non-BHN lending to China help to promote market-oriented economic reform.

To advance our nonproliferation objectives, I recently authorized a number of steps aimed at engaging the Chinese on their weapons transfer policies and making clear our dissatisfaction with transfers that contribute to regional instability. The Under Secretary of State for International Security Affairs recently traveled to Beijing for a detailed discussion of nonproliferation issues, including our specific concerns about Chinese exports. He pressed for China's adherence to the Nuclear Nonproliferation Treaty and the Missile Technology Control Regime, actions I called for in my commencement speech at Yale University on May 27. We are pleased with the constructive role China played in the July 8-9 Middle East arms control talks in Paris. The Chinese endorsed all the key objectives of my Middle East arms control initiative (such as efforts to freeze and ultimately eliminate surface-to-surface missiles and block the production and acquisition of nuclear useable material). The Chinese also agreed to work rapidly in follow-on meetings to flesh out the broad agreements reached in Paris.

At the same time, I have also taken measures to emphasize to China that the U.S. is concerned about reports of destabilizing missile-related transfers. In April, I rejected requests for licenses to export satellite components for a Chinese communications project because of the involvement of Chinese companies in unacceptable missile equipment transfers. Just recently, I approved trade sanctions against two Chinese companies for that same reason. In addition, I directed that no further licenses of high-speed computers and no further exports of satellites to China be authorized until our concerns that China adhere to accepted international nonproliferation standards are satisfactorily addressed. The U.S. will be coordinating with other countries in order that these measures not be undercut. Our experience has demonstrated that such consultations will lead to effective, multilateral technology transfer restrictions.

I have also instructed U.S. agencies to press vigorously our concerns about Chinese unfair trading practices. In April, I directed the U.S. Trade Representative to identify China as a priority foreign country under the Special 301 provisions of the Trade Act for failing to protect U.S. intellectual property

rights. If China does not make real progress during the 301 investigation, trade action will follow. Beyond intellectual property protection, my Administration has invited senior Chinese trade officials to Washington in August for continuation of consultations begun in June regarding access for U.S. products to the Chinese market. If these talks fail to produce Chinese commitments to take substantial measures to improve market access, the Administration will self-initiate further action under Section 301 of our trade laws.

We are strictly enforcing the terms of our textile agreement with China and have already made charges against China's quota because of illegal textile shipments through third countries totalling approximately \$85 million so far. Following consultations in July, we expect to make additional charges. If China does not exert effective control over these illegal shipments, we are prepared to take additional action against China.

Charges that China exports goods produced with prison labor are a matter of serious concern. The Customs Service is investigating these charges. In addition, we have obtained a firm high-level commitment to prevent the sale of prison labor products to the United States. We will continue to monitor China's behavior in this area closely and will strictly enforce relevant legislation concerning prison labor exports. In particular, I am ordering the following additional measures: The Department of State will seek to negotiate a memorandum of understanding with China on procedures for the prompt investigation of allegations that specific imports from China were produced by prison labor. Pending negotiation of this agreement, the U.S. Customs Service will deny entry to products imported from China when there is reasonable indication that the products were made by prison labor. The denial will continue until the Chinese Government or the Chinese exporter provides credible evidence that the products were not produced by prison labor.

I am also instructing the U.S. Customs Service to identify an office to receive information on prison labor exports and establish procedures for the prompt investigation of reports of prison labor exports from interested parties. Additional customs officials will be directed to identify prison labor exports and aid in uncovering illegal textile transshipments.

Although it is not directly related to China's MFN status, I share your interest in Taiwan's accession to the GATT. As a major trading economy, Taiwan can make an important contribution to the global trade system through responsible GATT participation. The U.S. has a firm position of supporting the accession of Taiwan on terms acceptable to GATT contracting parties. The United States will begin to work actively with other contracting parties to resolve in a favorable manner the issues relating to Taiwan's GATT accessing. Because China, our

tenth largest trading partner, could also make an important contribution to the global trading system, I will seek to have the Chinese Government take steps on trade reform so that China's GATT application can advance and its trade practices can be brought under GATT disciplines through the Working Party formed for China in 1987. U.S. support for Taiwan's accession to GATT as a customs territory should in no way be interpreted as a departure from the long-standing policy of five administrations which acknowledges the Chinese position that there is only one China, and that Taiwan is part of China.

In sum, therefore, I am prepared to address the concerns you and your colleagues have identified, and I am doing so. But discontinuing MFN, or attaching conditions to its renewal, would cause serious harm to American interests and would render futile pursuit of the initiatives I have outlined, which are discussed in greater detail in the attachments. Working together, I believe we will best protect America's interests by remaining engaged with China and the Chinese people.

Sincerely,

Attachments:

- Part I - Human Rights
- Part II - Nonproliferation
- Part III - Trade and Economic Issues

The Honorable Robert J. Dole
United States Senate
Washington, D.C. 20510

PART I: HUMAN RIGHTS

Human rights concerns have been at the heart of our relationship with the PRC since the tragic events of June 1989. Every high-level meeting since that time has at least touched on human rights issues, and several -- such as the December 1990 visit to China by Assistant Secretary Schifter -- have been devoted exclusively to them. We have consistently stressed to the Chinese leadership that there can be no return to the kind of relationship we enjoyed before 1989 without substantial improvements in China's human rights practices.

Our overall approach on human rights issues has consisted of:

Public expression of concern

- President Bush condemned the brutal suppression of demonstrations in Tiananmen Square in June 1989, the first world leader to do so. He declared May 13, 1990 a National Day in support of Freedom and Human Rights in commemoration of the 1989 demonstrations, and issued another statement to mark the anniversary of the crackdown in 1991.
- In our human rights reports for 1989 and 1990, we were fair but hard-hitting, and as accurate as available information would allow. These reports have drawn high praise from human rights groups, and harsh condemnations from the Chinese government.
- The State Department issued a statement on January 9, 1991 condemning the trials of nonviolent dissidents.
- In April 1991 the President met the Dalai Lama at the White House to demonstrate our respect for His Holiness' nonviolent approach to conflict resolution and our concern for human rights problems in Tibet.

Suspension of bilateral programs

On June 6 and June 20, 1989, the President announced the suspension of a number of bilateral programs and changes in U.S. approach to multilateral issues until the human rights climate in China improved. Those suspensions generally remain in effect.

- A multitude of high-level exchange visits that would normally have taken place since 1989 have been canceled. Only a very limited number of visits at and above Assistant Secretary level have been approved on a case-by-case basis, and only when they addressed issues of key concern to the United States, e.g., like human rights, nonproliferation, unfair trade practices, and narcotics.
- Military exchange visits have been suspended completely.

- Work on several existing military equipment and technology projects has been suspended indefinitely.
- We have stopped the transfer of military or dual-use equipment or technology to Chinese military and security services.
- The U.S. sought to postpone all multilateral development bank loans to China from June 1989 to January 1990. Since then, we have supported only those loans that serve the basic human needs of the Chinese people.
- We have suspended grants, loans and insurance guarantees to China under the Trade and Development Program and OPIC.
- We have worked through COCOM to suspend planned liberalization of export controls to China.

Engagement in dialogue

Through the few high-level visits that have been authorized, and through regular diplomatic channels, we have engaged the Chinese government in an unprecedented continuing dialogue on a wide range of human rights issues.

- The Scowcroft-Eagleburger missions of July and December 1989 were devoted primarily to laying out our human rights concerns and suggesting steps the Chinese could take to address them.
- During Chinese Foreign Minister Qian's visit to Washington in November 1990, President Bush and Secretary Baker reiterated the need for progress on human rights, and stressed that human rights is a cornerstone of American foreign policy.
- Assistant Secretary Schifter visited China in December 1990, the first time our top human rights official has done so. In sixteen hours of intense discussions with senior Chinese officials, he spelled out in detail our human rights concerns in a wide range of areas including accounting of detainees, release of political prisoners, denial of due process and fair and open trials, treatment of prisoners, divergence of Chinese law from international standards, respect for freedom of religion, abusive implementation of family planning regulations, and human rights problems in Tibet. He delivered a list of 151 representative cases of reported political incarceration, and asked Chinese authorities to clarify the status of the cases and release those whose imprisonment violated international norms. He suggested changes in Chinese laws and judicial processes that would bring them into conformity with international standards.

- Under Secretary Kimmitt in May 1991 reiterated many of the points made by Assistant Secretary Schifter, and called on the Chinese government to declare an amnesty for all those imprisoned for nonviolent political activities. He also urged the Chinese to implement effectively their claimed prohibition on export of prison labor products.

Results of actions

Most importantly, the Chinese government has acknowledged the legitimacy of human rights as a subject of bilateral discussion, both with us and with other concerned governments. They received a Congressional delegation devoted exclusively to human rights concerns in March 1991, and agreed to receive another later this year. They also agreed to receive human rights delegations to be sent by the governments of France and Australia. In addition, they have taken a number of modest but positive steps to improve the human rights situation in China.

- Martial law was lifted in Beijing in January 1990 and in Lhasa four months later. No part of China is currently subject to martial law.
- Most of those detained after the Tiananmen tragedy were released by the end of 1989. Chinese authorities announced the release of nearly 1000 more detainees in 1990, and about 70 have been released so far in 1991. Officials claim that only 21 still await trial detention in Beijing, and at least one of these -- labor leader Han Dongfang -- has been released for medical treatment.
- While at least 30 persons have been convicted on political charges since the beginning of the year, the sentences meted out to them were generally less severe than those imposed on similar charges in previous years. Those released without further punishment included prominent dissidents such as essayist Liu Xiaobo, journalist Zhang Weiguo, playwright Wang Peigong, and legal scholar Chen Xiaoping.
- Leading dissident Fang Lizhi and his wife, who had obtained refuge in the U.S. Embassy in Beijing for over a year, were allowed to leave China in June 1990, and are now at Princeton.
- Most investigations of those involved in the 1989 protests have ended, and most of our Chinese contacts report that the oppressive atmosphere of 1989 has lifted significantly.
- The Chinese have ceased the most odious forms of harassment of Chinese students and scholars in the U.S.; harassment was a serious problem in 1989 and early 1990.
- Relatives of many, though not all, overseas dissidents have been allowed to leave China and join them abroad. In some

of the remaining cases that we have raised with Chinese officials, passports have subsequently been issued.

- Several released dissidents, including Tiananmen hunger striker Gao Xin and former Arizona State student Yang Wei, have been allowed to leave the country.
- Chinese authorities have undertaken to stop the export to the U.S. of products made in Chinese prisons. We will continue to monitor this situation closely, but it appears that the Chinese government is taking increasingly specific steps to enforce their prohibition on export of these products.
- In response to concerns expressed by Administration officials and Members of Congress, the Chinese have provided useful new information on the status of persons reported detained for religious activities.
- Economic reforms have resumed, in some cases matching or exceeding levels reached before 1989. Some limited political reforms, in important but relatively noncontroversial areas such as the personnel system, have continued. An Administrative Procedure Law that became effective in October 1990 for the first time enables Chinese citizens to sue abusive officials.

There are indications that further progress may be in the offing. We are continuing to press the Chinese government to release all remaining detainees, to commute the sentences of those nonviolent dissidents already convicted, and to allow the departure of the remaining relatives of overseas dissidents who wish to leave. We are hopeful that a combination of dialogue and specifically targeted pressure will lead to further movement on these and other remaining issues of concern. And in the longer term, we are confident that the momentum toward greater freedom and democratization in China, built up during the decade of reforms and dramatically reflected in the 1989 demonstrations, will prove irreversible.

PART II: ADMINISTRATION'S ACTIONS WITH RESPECT TO PROLIFERATION CONCERNS

The United States is engaged in a high-level dialogue with the Chinese that began early in our relationship. Looking at the broad trends in China's nonproliferation policy since normalization in 1979, it is clear that our dialogue has paid off in important areas, demonstrated by China's evolution toward international consensus on nonproliferation in areas of great importance to us. For example, China, which once held an antagonistic view of multilateral controls on nuclear exports, joined the IAEA in 1984 and sent observers to the Nuclear Nonproliferation Treaty Review Conference in 1990.

Middle East/South Asia

China's support for the Middle East arms control initiative is another case in point. China's participation in the initiative is a positive step that will strengthen international nonproliferation efforts and indicates China's resolve to contribute to efforts to attain stability in the Middle East. In addition, China's willingness to participate in multilateral efforts to reduce tension in South Asia will be crucial to establishing stability in that volatile region.

Moreover, we have seen Chinese arms sales restraint in some areas where we have vital interests. For example, to the best of our knowledge, apart from the 1987/88 sale of missiles to Saudi Arabia, China has not delivered medium-range missiles to the Middle East. It is clear that in other specific cases China has taken international concerns into account and declined proposed missile exports to prospective buyers.

Underscoring Our Concerns

It is because serious concerns remain that we want to maintain a constructive nonproliferation dialogue with Beijing. We do not intend to ignore current problems, but isolating China by dismantling the framework for our relations is not the way to advance our nonproliferation objectives.

We have the means available to underscore our concerns where there are differences in our approaches to nonproliferation and we have used these legislative and executive branch tools. For example, we have imposed trade sanctions mandated by the National Defense Authorization Act on Chinese entities involved in missile-related activities. We have also announced the Administration's decision that, pending progress toward our nonproliferation objectives, we will not license high speed computers and will not issue further waivers of legislative restrictions on satellite exports. These new sanctions have been imposed in addition to the existing sanctions announced immediately following the June 1989 assault on Tiananmen and amplified by Congress in the Department of State Authorization

Act for FY 1990-1991. Moreover, we have not certified China under the bilateral agreement for nuclear cooperation that took effect in 1985.

Our policy mix of sanctions and cooperation at any given time is necessarily dependent on Chinese behavior. We are encouraged by China's indication in June that it is reviewing its policies with respect to Missile Technology Control Regime (MTCR) and the NPT. We seek China's adherence to the NPT and the MTCR guidelines and will encourage the Chinese to take concrete steps toward adherence to the key multilateral standards for international behavior established by these institutions. The Administration will continue to use the legislative authority that already exists and will take resolute action if the Chinese do not address favorably our nonproliferation concerns.

PART III: TRADE AND ECONOMIC ISSUES

The Administration is committed to achieving with China the same goals that have guided our trade policy with all other countries. We seek open markets and the opportunity for U.S. firms and their products to compete on fair and equal terms. To achieve these goals, and realize the principles of equality, mutual benefit and non-discrimination set forth in the U.S.-China Bilateral Trade Agreement, this Administration has pursued a policy of negotiation and engagement on trade issues with China. In particular, the Administration has sought to improve U.S. access to China's marketplace; to bolster Chinese protection of intellectual property; to end fraudulent practices by Chinese textile exporters using false country of origin declarations; and, to induce Beijing to undertake the economic and trade reforms required for membership in the GATT.

Reciprocal MFN tariff treatment underpins our ability to work constructively with the PRC. China's desire to retain access to the U.S. market has enabled us to engage Chinese leaders even during periods of tension. We believe that discontinuing MFN, or attaching conditions to its renewal, would cause serious harm to our trade interests and erode our ability to influence China's behavior on key trade issues.

The Past Decade of Bilateral Trade Relations

After decades of adhering to an import-substitution strategy that focused on minimizing China's reliance on outside sources of machinery and equipment, China began in the 1980's to seek outside sources of these goods. It also has increasingly drawn on foreign technology, expertise, and funds by actively encouraging joint ventures.

China's opening to the outside world has helped transform its economy, bolstering reform-oriented sectors that are not directly controlled by the central government. For example, the state sector now produces just over half of China's industrial output; in 1978, its share was 78 percent. China's dynamic rural industries, which are privately and collectively owned, have burgeoned. There are 30,000 foreign-invested ventures now in China, with a total contracted value of \$40 billion. The impact of China's open door has been particularly pronounced in the southern and coastal provinces, where 90 percent of the foreign investment and more than three-fourths of China's trade activities are located. This region, in turn, has become the primary engine of economic reform in China largely as a result of the introduction of market concepts to Chinese employees of joint ventures and to citizens engaging in commercial exchanges with the West. The economic autonomy fostered by this interaction contributes to increased political and even individual self-determination.

The United States has been a vital partner in this transformation. Following Congressional approval of the bilateral trade agreement, the United States and China established formal trade relations and reciprocally granted most-favored-nation (MFN) status in 1980. Growth in our commercial ties has helped to change China and to bring it into the global trading system. Since the resumption of normal trade relations, U.S.-China two-way trade has increased almost 770 percent, from \$2.3 billion in 1979 to over \$20 billion last year.

- We are now China's second-largest trading partner and its largest export market.
- China is our tenth-largest trade partner, up from fifteenth in 1981.
- Over 1,000 U.S. firms have invested more than \$4 billion in China and another \$5 billion in Hong Kong related primarily to trade with the PRC.
- In 1990, the United States exported \$4.8 billion worth of goods to China, including:
 - \$749 million worth of aircraft
 - \$544 million worth of fertilizer
 - \$512 million worth of grain
 - \$281 million worth of cotton yarn and fabric
 - \$273 million worth of chemicals
 - \$264 million worth of electric machinery
 - \$238 million worth of wood and wood pulp
 - \$227 million worth of scientific instruments.

Commercial relations with the United States have exerted positive influences on China's business and economic practices since 1980. China has shifted away from total reliance on a strongly centralized economy, shown greater tolerance for experimentation with market mechanisms to regulate its domestic economy, and decentralized and liberalized its foreign trade practices.

Regression in China's Trade Policies

China's opening to the outside world has not been smooth. Over the past decade, attempts to accelerate the implementation of market-oriented reforms have been followed by Beijing's recentralization of control, as concern about the country's ballooning trade deficit led Beijing to step in to regain some of the trade authority it had relinquished.

Moreover, throughout the period since the normalization of trade relations and the granting of reciprocal most-favored-nation trading status in 1980, China's web of barriers to imports has made it difficult for many U.S. exporters to gain access to the Chinese market. U.S. firms have also had difficulty securing protection for their intellectual property.

U.S. trade negotiators have long been engaged with the Chinese Government, both in bilateral negotiations and in multilateral consultations at the GATT held to review China's application for membership. We have sought to ensure that bilateral commercial relations develop in accord with the principles that underlie our bilateral trade agreement: equality; mutual benefit; and nondiscrimination. From 1979 through 1987, Chinese authorities made some progress in reducing nontariff barriers to imports, in improving transparency, and in protecting the intellectual property of foreigners.

This trend has been reversed over the last three years.

- Since 1988, Chinese trade policies and practices have become more protectionist, nontariff barriers to imports have proliferated, and the trade system has become less transparent. These policies undoubtedly contributed to a 17 percent decline in U.S. sales to China in 1990. China was the only major foreign market for U.S. goods and services in which our exports declined in 1990.
- Despite intensive bilateral negotiations with Chinese authorities since the USTR in 1989 placed China on the "priority watch list" of countries providing inadequate intellectual property protection--including three rounds of meetings over the past five months--China has failed to live up to the commitments contained in the bilateral Memorandum of Understanding (MOU) signed in May 1989.

At the same time, other problems have developed in our bilateral trade relationship. For example, to bypass U.S. textile and apparel quotas, Chinese exporters have increasingly resorted to shipping these products to the United States via third countries using false invoices and counterfeit visas. Also of concern to us has been the apparent lapse in China's commitment to economic and trade reforms that would bring the country in line with the GATT's free-trade principles. China's reassertion of central control over the past few years has called into question its willingness and ability to undertake the obligations that would be required of China as a contracting party to the GATT.

Steps the U.S. Government Has Taken and Will Take to Address Bilateral Trade Problems

In six key areas of our bilateral trade and economic relations, the Administration has taken steps to resolve trade problems. We are prepared to do more.

On Market Access

- Beginning in the fall of 1990, the Administration resumed sub-cabinet level meetings with the Chinese, that had been suspended since June 1989, to secure Chinese actions to reverse the growing list of new protectionist measures.

- In April 1991, the Administration formally set in motion a market access initiative that continued with the visit to Beijing, in mid-June, of an interagency delegation to discuss market access issues. In meetings with senior Chinese officials, U.S. Government officials raised nine types of market access barriers, including: the lack of transparency in rules and regulations; the expansion of import licensing requirements; the use of import substitution policies; the proliferation of import bans and quotas; the growth of standards, testing, and certification requirements, including discriminatory "quality standards" procedures for imports; the high level of many import tariffs; the unnecessary use of certain phytosanitary regulations; the uncertainties regarding government procurement and tendering regulations; and the lack of information regarding China's major development projects.
- The Administration has proposed holding another round of market access consultations in August 1991. If that round of negotiations fails to yield substantial commitments from the Chinese authorities to dismantle market access barriers, the Administration will self-initiate Section 301 action to address those barriers the removal of which offers the most potential for achieving U.S. trade policy objectives and increasing U.S. exports.

On Intellectual Property Protection

- On April 26, 1991, USTR identified the PRC as a priority foreign country that denies adequate and effective protection of intellectual property rights. Accordingly, on May 26, 1991 USTR initiated a Special Section 301 investigation on the basis of four problem areas: (1) inadequate copyright protection, (2) inadequate patent protection, (3) inadequate trade secret protection and (4) ineffective enforcement of trademarks. Consultations with the Chinese are ongoing. The first round of consultations under the Section 301 investigation occurred in mid-June and a second has been proposed for August.
- The deadline for making a determination under Section 301 is November 26, 1991. This may be extended for three months if China is making substantial progress in drafting or implementing measures that will provide adequate and effective protection of U.S. intellectual property rights. At that time, the USTR must determine whether the acts, policies and practices of the PRC are actionable under Section 301 and what retaliatory action, if any, is appropriate.

- If the consultations fail to produce adequate and effective protection of intellectual property rights, the Administration will take retaliatory action.

On Textile Transhipments

- The U.S. Customs Service has been vigilant in documenting cases of Chinese textile transhipments over the past year.
- In August 1990, USTR held consultations with Chinese authorities on the transhipment issue. Additional consultations took place in November 1990, March 1991, and May 1991.
- The U.S. Government "charged" China's quotas for goods that were sent to the United States under false country of origin declarations valued at over \$85 million.
- China has begun to take actions to curtail textile fraud since the December charges were made. For example, it issued regulations prohibiting reexports through a third country to countries that have signed textile agreements with China. Further, the Chinese Government has issued provisions for the punishment of those who violate the regulations.
- The Administration has prepared more charges valued at about \$14 million that we anticipate will be levied after consultations with China next month.
- The Administration will increase the number of U.S. Customs officials dedicated to investigating circumvention.
- If transhipment persists, we will be prepared to take additional action against China.

On Forced Labor

- The importation of goods produced with forced, convict or indentured labor is prohibited by 19 USC Section 1307, which also directs the Secretary of the Treasury to prescribe regulations for enforcement of the provision. The Secretary of the Treasury, under 19 CFR Section 12.42, has delegated to the Commissioner of Customs, authority to determine that a class of goods is the product of forced labor and exclude those goods.
- Customs has been investigating imports alleged to be the product of forced labor in China. Customs has interviewed emigres about forced labor practices in China. Customs is also analyzing import samples to determine if they match the descriptions provided by the emigres and others. Additional special agents have

been detailed to Hong Kong to assist in the investigation.

- Although the letter from Senator Baucus and fourteen co-signers did not specifically address the issue of prison labor imports, appropriate action is called for to fulfill the intent of existing law. The Administration therefore proposes to negotiate a memorandum of understanding with China on procedures for the prompt investigation of allegations that specific products exports to the U.S. are being produced by prison labor.
- Pending negotiation of the MOU, Customs will temporarily embargo specific products from China when there is reasonable indication that they are made by prison labor. Embargoes will be lifted only after the Chinese Government or the Chinese exporter provides credible evidence that the products are not produced by prison labor.

Multilateral Lending to China

- The G-7 consensus, led by the United States, was successful in prohibiting all MDB lending to China from June 1989 to February 1990 in response to the international outcry against the crackdown by the Chinese authorities at Tiananmen Square.
- From February 1990 to July 1990, the G-7 consensus supported a gradual resumption of World Bank lending to China for projects that clearly met basic human needs (BHN). The consensus held firm and actively prohibited other loans from Board consideration. Only five loans (totalling \$590 million) were approved in WBFY 1990. This is substantially less than pre-Tiananmen Square levels of World Bank commitments to China, which were \$1.4 billion in WBFY 1988 and \$1.3 billion in WBFY 1989.
- At the Houston Summit in July 1990, several G-7 countries decided that China's long-term development needs argued for lending outside the BHN limits favored by the United States. Accordingly, the G-7 Houston Summit Declaration of July 1990 on MDB lending to China expanded the boundaries of permitted MDB lending to China to include loans which were environmentally beneficial or which supported market-oriented economic reform. Only BHN loans were considered by the World Bank Board until December 4, 1990 when the market oriented economic reform loan for Rural Industrial Technology was approved by the Board. On November 29, 1990, the ADB approved its first loan to China since Tiananmen Square, Agricultural Bank Project, which the U.S. did not support. Despite the approval of infrastructure project loans by the World Bank and the

Asian Development Bank, the U.S. has and will continue to withhold support on all loans that do not meet BHN criteria.

On GATT Accession

- Since China applied for GATT membership in July 1986, the United States has been a leading participant in the collective efforts of major GATT Contracting Parties to develop terms for China's GATT participation that will support the objectives of the GATT and will influence Chinese Government policies to become, over time, more compatible with the GATT framework for world trade.
- U.S. and other major GATT contracting parties' concerns about China's ability and willingness to live up to GATT obligations, particularly since June 1989, have stalled progress in the Working Party established to consider China's application for membership in the GATT.
- The Administration intends to continue to press Beijing to undertake trade and economic reforms so that its GATT application can advance and its trade practices be brought under GATT disciplines.
- At the same time, the Administration will begin to work actively with other GATT members to resolve in a favorable manner the issues relating to Taiwan's GATT accession. U.S. support for Taiwan's accession as a customs territory would be consistent both with GATT legal criteria and the "one-China" policy which acknowledges the Chinese position and has been adhered to by successive U.S. administrations.
- Taiwan's GATT accession would yield substantial trade and commercial benefits to the United States and to the international trading system.
 - Taiwan has indicated that it is prepared to accede to the GATT as a developed economy, to bind virtually all its tariffs, and to join the major non-tariff measure GATT codes.

The Importance of MFN

As highlighted above, the Administration is aggressively seeking to resolve outstanding bilateral trade issues with the PRC. MFN underpins our ability to work constructively with the PRC. We believe that discontinuing MFN, or attaching conditions to its renewal, would cause serious harm to our trade interests, and would render futile pursuit of the initiatives outlined above.

It would reduce our leverage in market-access, intellectual property rights protection, and other trade-related negotiations. China's desire to retain access to the U.S. market has enabled us

to engage Chinese leaders in consultations on bilateral and multilateral issues even during periods of tension. Because China is not a GATT member and not bound by GATT trade disciplines, it is especially important to have many levers that enable us to engage the Chinese on trade issues.

It would hurt U.S. exporters. If the United States rescinds China's MFN trading status, China will not only discontinue MFN tariff treatment for the United States, but would likely cease purchasing billions of dollars of U.S. wheat, aircraft, fertilizer, cotton yarn and fabric, wood and wood pulp, electric machinery, scientific equipment, and chemicals. Foreign competitors, whose goods would be subject to lower tariffs, would be quick to exploit our departure. Lost shares of China's market would not easily be regained even if MFN were restored at some future date.

It would hurt U.S. consumers. Tariffs on the 25 most important U.S. imports from China would rise from the present average tariff rate of 8.8 percent to an average rate of 50.5 percent. These increases would mean sharply higher prices for lower-end Chinese goods. The costs to U.S. consumers would be largely borne by poorer Americans, who are primary consumers of low-cost Chinese products.

It would damage America's reputation as a reliable trade partner. Our trade competitors will not join us in denying MFN status to China. Other Chinese trade partners, especially in Asia, urge that China's MFN status be retained.

It would hurt investors, businesses, and workers in Hong Kong. Loss of MFN would impede China's integration into the regional economy, a development crucial to regional stability particularly as we near the 1997 deadline for Hong Kong's reversion to Chinese sovereignty. It could cost over 43,000 jobs in Hong Kong and result in direct revenue losses of approximately \$1.2 billion dollars. Hong Kong's GDP growth could be curtailed by as much as two percent.

It would set back efforts to bring about meaningful economic reform in China. A disproportionate burden of the MFN denial would fall on the primary engine of economic reform in China--the economies of the southern and coastal provinces. In Guangdong province, for example, 40 percent of industrial output is produced for export, half of which goes to the United States. Sectors that fall outside of the direct control of the central government have been especially important to China's development as an exporter; one-third of China's exports currently come from rural (individual and collectively owned) industries and from foreign-invested ventures. The foreign ties these provinces and non-state-owned factories developed with the outside world prior to Beijing's reassertion of central control in mid-1989 enabled these provinces to weather the austerity program; without these foreign markets, Beijing's grip would have been all the tighter. As Beijing's influence over the regions and sectors most closely integrated into the global economy has diminished, these regions

and sectors have become increasingly sensitive to global economic conditions. Revocation of China's MFN trading status would cause unemployment to rise and factory losses to mount in export-producing regions.

Conclusion

Those who engineered the violence in China in June 1989 are unlikely to bear the economic costs associated with the denial of MFN. Instead, those who suffer would be American businesses and their employees, American consumers, and the people of Hong Kong and the progressive areas of China.

China's opening to the outside world over the past decade has accelerated growth in the non-state sectors of the economy; resulted in strong links between China's coastal regions and the global economy that have enabled this reformist region to weather Beijing's periodic efforts to reimpose central government control over economic activity; and introduced market concepts to a generation of Chinese managers involved in joint ventures, trade negotiations, and training in the West. For this process to continue, China's most-favored-nation treatment in the United States is essential.

DANIEL PATRICK MOYNIHAN, NEW YORK
MAX BAUCUS, MONTANA
DAVID L. BORER, OKLAHOMA
BIL BRADLEY, NEW JERSEY
GEORGE J. MITCHELL, MAINE
DAVID PRYOR, ARKANSAS
DONALD W. RIEGLE, JR., MICHIGAN
JOHN D. ROCKEFELLER IV, WEST VIRGINIA
TOM DASCHLE, SOUTH DAKOTA
JOHN BREAUX, LOUISIANA

BOB PACKWOOD, OREGON
BOB DOLE, KANSAS
WILLIAM V. ROTH, JR., DELAWARE
JOHN C. DANFORTH, MISSOURI
JOHN H. CHAFFEE, RHODE ISLAND
JOHN MENZ, PENNSYLVANIA
DAVID DURENBERGER, MINNESOTA
WILLIAM L. ARMSTRONG, COLORADO
STEVE SYMMES, IDAHO

United States Senate

COMMITTEE ON FINANCE
WASHINGTON, DC 20510-6200

VANDA E. McMURTRY, STAFF DIRECTOR AND CHIEF COUNSEL
EDMUND J. MIKALEK, MINORITY CHIEF OF STAFF

June 19, 1991

Dear Mr. President:

Congress will decide in the next few weeks whether to accept your recommendation and extend most favored nation trade status to China. We are writing to share our concerns.

In the debate over the appropriate U.S. policy towards China, one thing is clear: China's behavior must change. The United States has serious human rights and foreign policy concerns with China. Every American remembers the vivid images of the Tiananmen massacre. In the two years since Tiananmen Square, evidence of democratic reform has been scant at best. We also have learned of Chinese sales of advanced missiles to Syria and Pakistan, and of nuclear technology sales to Algeria. There are credible reports that China has forced political prisoners to produce goods for export to the U.S.

The United States also has serious economic concerns with China. The U.S. Trade Representative's annual report on foreign trade barriers lists ten pages of Chinese barriers. China maintains restrictions including a preclusive licensing system, discriminatory testing and certification standards, and outright import bans. China also fails to protect U.S. intellectual property, resulting in enormous losses to U.S. producers of films, books, chemicals and pharmaceuticals. Moreover, the Administration has allowed China to dictate U.S. policy towards Taiwan, declining to support Taiwan's GATT application despite clear economic benefits to the U.S.

The United States cannot continue to tolerate Chinese intransigence. We must tailor active responses to our wide ranging concerns. But MFN is the wrong tool for the job. Revoking MFN would not promote human rights in China. Instead, it would punish China's most progressive regions and Hong Kong.

Revoking MFN also would hurt Americans. China is an important market for U.S. goods ranging from wheat to airplanes. If MFN were revoked, China almost certainly would retaliate against U.S. exports. The Australians, Canadians, Europeans and Japanese are ready to fill the void. No other country is contemplating cutting off China's MFN status.

We believe the Administration must be more active in addressing American concerns with China. You have taken meaningful steps in some areas. You have moved to protect U.S. intellectual property under provisions of the 1988 Trade Act. You also have taken steps to restrict certain technology transfers to China in response to its missile and nuclear sales. These steps are examples of the types of actions the U.S. should take.

We urge you to take appropriate actions in other areas. Human rights is a foremost concern. Revoking MFN would be counterproductive. But other steps can be taken. For example, the U.S. could reinvigorate its opposition to multilateral loans for China. The U.S. also could take strong action under U.S. law to address China's unfair trade barriers and imports produced by prison labor. In the area of nuclear and missile proliferation, the U.S. could immediately negotiate for strict, multilateral technology restrictions conditioned upon Chinese adherence to accepted international standards. As for Taiwan, the U.S. could immediately give strong support to Taiwan's GATT application.

These measures do not represent an exhaustive list. But it is essential that the Administration take concrete steps. If Congress is to extend China's MFN, we must see tangible evidence that the Administration is taking action. We look forward to hearing your response to our concerns.

Sincerely,

Max Baucus

Ben Rayburn

John Chafee

Richard Shelby

Don Stoen

Walter D. Rostenkowski

Walter D. Rostenkowski

John McCain

Bill Roth

Nick Long

Don Edwards

Herb Kohl

John Dingell

Frank H. Lautenberg

Orin Hatch

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01f. Memorandum	To: Brent Scowcroft From: Robert Pearson Re: Reply to Letter from Senator Baucus and Others (1 pp.)	7/12/91	(b)(1)	S

Collection:

Record Group: Bush Presidential Records
Office: Legislative Affairs, White House Office of
Series: Dyer, James W., Files
Subseries:
WHORM Cat.:
File Location: China MFN [5]

Date Closed: 9/24/2012	OA/ID Number: 08451-009
FOIA/SYS Case #: 2012-1098-F	Appeal Case #:
Re-review Case #:	Appeal Disposition:
P-2/P-5 Review Case #:	Disposition Date:
AR Case #:	MR Case #:
AR Disposition:	MR Disposition:
AR Disposition Date:	MR Disposition Date:

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

Freedom of Information Act - [5 U.S.C. 552(b)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
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(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Withdrawal/Redaction Sheet (George Bush Library)

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01g. Letter	To: Senator Baucus Re: China's MFN Status (8 pp.)	n.d.	(b)(1)	S

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NSC)

DECLASSIFIED

PER NSC WAIVER, 1500 2001-02 PART I: TRADE AND ECONOMIC ISSUES
By SS NARA, Date 6/23/85

The Administration is committed to achieving with China the same goals that have guided our trade policy with all other countries. We seek open markets and the opportunity for U.S. firms and their products to compete on fair and equal terms. To achieve these goals, and realize the principles of equality, mutual benefit and non-discrimination set forth in the U.S.-China Bilateral Trade Agreement, this Administration has pursued a policy of negotiation and engagement on trade issues with China. In particular, the Administration has sought to improve U.S. access to China's marketplace; to bolster Chinese protection of intellectual property; to end fraudulent practices by Chinese textile exporters using false country of origin declarations; and, to induce Beijing to undertake the economic and trade reforms required for membership in the GATT.

Reciprocal MFN tariff treatment underpins our ability to work constructively with the PRC. China's desire to retain access to the U.S. market has enabled us to engage Chinese leaders in periods of tension. We believe that discontinuing MFN, or attaching conditions to its renewal, would cause serious harm to our trade interests and erode our ability to influence China's behavior on key trade issues.

A. The Past Decade of Bilateral Trade Relations

After decades of adhering to an import-substitution strategy that focused on minimizing China's reliance on outside sources of machinery and equipment, in the 1980's China has sought outside sources of these goods. It also has increasingly drawn on foreign technology, expertise, and funds by actively encouraging joint ventures.

China's opening to the outside world has helped transform its economy, bolstering reform-oriented sectors that are not directly controlled by the central government. For example, the state sector now produces just over half of China's industrial output; in 1978, its share was 78 percent. China's dynamic rural industries, which are privately and collectively owned, have burgeoned. The 30,000 foreign-invested ventures China now has are valued at \$40 billion. The impact of China's open door has been particularly pronounced in coastal areas, where 90 percent of the foreign investment and more than three-fourths of China's trade activities are located. This region, in turn, has become the primary engine of economic reform in China largely as a result of the introduction of market concepts to Chinese employees of joint ventures and to citizens engaging in commercial exchanges with the West. The economic autonomy fostered by this interaction contributes to increased political and even individual self-determination.

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The United States has been a vital partner in this transformation. Following Congressional approval of the bilateral trade agreement, the United States and China established formal trade relations and reciprocally granted most-favored-nation (MFN) status in 1980. Growth in our commercial ties has helped to change China and to bring it into the global trading system. Since the resumption of normal trade relations, U.S.-China two-way trade has increased almost 770 percent, from \$2.3 billion in 1979 to over \$20 billion last year.

- We are now China's second-largest trade and investment partner and its largest export market.
- China is our tenth-largest trade partner, up from fifteenth in 1981.
- Over 1,000 U.S. firms have invested more than \$4 billion in China and another \$5 billion in Hong Kong related primarily to trade with the PRC.
- In 1990, the United States exported \$4.8 billion worth of goods to China, including:
 - \$749 million worth of aircraft
 - \$544 million worth of fertilizer
 - \$512 million worth of grain
 - \$281 million worth of cotton yarn and fabric
 - \$264 million worth of electric machinery
 - \$238 million worth of wood and wood pulp
 - \$238 million worth of chemicals
 - \$227 million worth of scientific instruments.

Commercial relations with the United States have exerted positive influences on China's business and economic practices since 1980. China has shifted away from total reliance on a strongly centralized economy; shown greater tolerance for experimentation with market mechanisms to regulate its domestic economy; and decentralized and liberalized its foreign trade practices.

B. Regression in China's Trade Policies

China's opening to the outside world has not been smooth. Over the past decade, attempts to accelerate the implementation of market-oriented reforms have been followed by Beijing's recentralization of control, as concern about the country's ballooning trade deficit led Beijing to step in to regain some of the trade authority it had relinquished.

Moreover, throughout the period since the normalization of trade relations and the granting of reciprocal most-favored-nation trading status in 1980, China's web of barriers to imports has made it difficult for many U.S. exporters to gain access to the Chinese market. U.S. firms have also had difficulty securing protection for their intellectual property.

U.S. trade negotiators have long been engaged with the Chinese Government, both in bilateral negotiations and in multilateral consultations at the GATT held to review China's application for membership. We have sought to ensure that bilateral commercial relations develop in accord with the principles that underlie our bilateral trade agreement: equality, mutual benefit, and nondiscrimination. From 1979 through 1987, Chinese authorities made some progress in dismantling nontariff barriers to imports, in improving transparency, and in protecting the intellectual property of foreigners.

This trend has been reversed over the last three years.

- Since 1988, Chinese trade policies and practices have become more protectionist, nontariff barriers to imports have proliferated, and the trade system has become less transparent. These policies undoubtedly contributed to a 17 percent decline in U.S. sales to China in 1990. China was the only major foreign market for U.S. goods and services in which our exports declined in 1990.
- Despite intensive bilateral negotiations with Chinese authorities since the USTR in 1989 placed China on the "priority watch list" of countries providing inadequate IPR protection--including three rounds of meetings over the past five months--China has failed to live up to the commitments contained in the bilateral Memorandum of Understanding (MOU) signed in May 1989.

At the same time, other problems have developed in our bilateral trade relationship. For example, to bypass U.S. textile and apparel quotas Chinese exporters have increasingly resorted to shipping these products to the United States via third countries using false invoices and counterfeit visas. Also of concern to us has been the apparent lapse in China's commitment to economic and trade reforms that would bring the country in line with the GATT's free-trade principles. China's reassertion of central control over the past few years has called into question its willingness and ability to undertake the obligations that would be required of China as a contracting party to the GATT.

C. Steps the U.S. Government Has Taken and Will Take to Address Bilateral Trade Problems

In four key areas of our bilateral trade relations, the Administration has taken steps to resolve trade problems. We are prepared to do more.

On Market Access

- Beginning in the fall of 1990, the Administration resumed sub-cabinet level meetings with the Chinese, that had been suspended since June 1989, to secure Chinese actions to reverse the growing list of new protectionist measures.

- In May 1991, the Administration formally set in motion a market access initiative that commenced with the visit to Beijing, in mid-June, of an interagency delegation to discuss market access issues. In meetings with senior Chinese officials, U.S. Government officials raised nine types of market access barriers, including: the lack of transparency in rules and regulations; the expansion of import licensing requirements; the use of import substitution policies; the proliferation of import bans and quotas; the growth of standards, testing, and certification requirements, including discriminatory "quality standards" procedures for imports; the high level of many import tariffs; the unnecessary use of certain phytosanitary regulations; the uncertainties regarding government procurement and tendering regulations; and the lack of information regarding China's major development projects.
- The Administration has proposed holding another round of market access consultations in August 1991. If that round of negotiations fails to yield substantial commitments from the Chinese authorities to dismantle market access barriers, the Administration will self-initiate Section 301 action to address those barriers the removal of which offers the most potential for achieving U.S. trade policy objectives and increasing U.S. exports.

On Intellectual Property Protection

- On April 26, 1991, USTR identified the PRC as a priority foreign country that denies adequate and effective protection of intellectual property rights.
- Accordingly, on May 26, 1991 USTR initiated a Special Section 301 investigation on the basis of four problem areas: (1) inadequate copyright protection, (2) inadequate patent protection, (3) inadequate trade secret protection and (4) ineffective enforcement of trademarks.
- Consultations with the Chinese are ongoing. The first round of consultations occurred in mid-June and a second has been proposed for August.
- The deadline for making a determination under Section 301 is November 26, 1991. This may be extended for three months if China is making substantial progress in drafting or implementing measures that will provide adequate and effective protection of U.S. intellectual property rights.
- At that time, the USTR must determine whether the acts, policies and practices of the PRC are actionable under Section 301 and what retaliatory action, if any, is appropriate.

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- If the consultations fail to produce adequate and effective protection of intellectual property rights, the Administration will take retaliatory action.

On Textile Transhipments

- The U.S. Customs Service has been vigilant in documenting cases of Chinese textile transhipments over the past year.
- In August 1990, USTR held consultations with Chinese authorities on the transhipment issue. Additional consultations took place in November 1990, March 1991, and May 1991.
- The U.S. Government "charged" China's quotas for goods that were sent to the United States under false country of origin declarations valued at over \$85 million.
- China has begun to take actions to curtail textile fraud since the December charges were made. For example, it issued regulations prohibiting reexports through a third country to countries that have signed textile agreements with China. Further, the Chinese Government has issued provisions for the punishment of those who violate the regulations.
- The Administration has prepared more charges valued at about \$14 million that we anticipate will be levied after consultations with China next month.
- The Administration will increase the number of U.S. Customs officials dedicated to investigating circumvention.
- If transhipment persists, we will be prepared to take further action against China, beyond charging China's textile quota the documented amount imported through transhipment.

On Forced Labor

The importation of goods produced with forced, convict or indentured labor is prohibited by 19 USC Section 1307, which also directs the Secretary of the Treasury to prescribe regulations for enforcement of the provision. The Secretary of the Treasury, under 19 CFR Section 12.42, has delegated to the Commissioner of Customs, authority to determine that a class of goods is the product of forced labor and exclude those goods.

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Although the letter from Senator Baucus and fourteen co-signers did not specifically address the issue of prison labor imports, appropriate action is called for to fulfill the intent of existing law. The Administration therefore proposes to negotiate a memorandum of understanding with China on procedures for the prompt investigation of allegations that specific products exports to the U.S. are being produced by prison labor.

Pending negotiation of the MOU, Customs will temporarily embargo specific products from China when there is reasonable indication that they are made by prison labor. Embargoes will be lifted only after the Chinese Government or the Chinese exporter provides credible evidence that the products are not produced by prison labor.

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From February 1990 to July 1990, the G-7 consensus supported a gradual resumption of World Bank lending to China for projects that clearly met basic human needs (BHN). The consensus held firm and actively prohibited other loans from Board consideration. Only five loans (totalling \$590 million) were approved in WBFY 1990. This is substantially less than pre-Tiananmen Square levels of World Bank commitments to China, which were \$1.4 billion in WBFY 1988 and \$1.3 billion in WBFY 1989.

At the Houston Summit in July 1990, several G-7 countries decided that China's long-term development needs argued for lending outside the BHN limits favored by the U.S. Accordingly, the G-7 Houston Summit Declaration of July 1990 on MDB lending to China expanded the boundaries of permitted MDB lending to China to include loans which were environmentally beneficial or which supported market-oriented economic reform. Only BHN loans were considered by the World Bank Board until December 4, 1990 when the market oriented economic reform loan for Rural Industrial Technology was approved by the Board. On November 29, 1990, the ADB approved its first loan to China since Tiananmen Square, Agricultural Bank Project, which the U.S. did not support.

Since March 1991, infrastructure projects outside the Houston summit guidelines (highways, power plants, bridges, and railways) have been approved for China by the World Bank and the Asian Development Bank. The U.S. has and will continue to withhold support on all non-BHN loans at the Board. In WBFY 1991 (which ended June 30, 1991), World Bank lending to China totalled \$1.6 billion.

On GATT Accession

-- Since China applied for GATT membership in July 1986, the United States has been a leading participant in the

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collective efforts of major GATT Contracting Parties to develop terms for China's GATT participation that will support the objectives of the GATT and will influence Chinese Government policies to become, over time, more compatible with the GATT framework for world trade.

- U.S. and other major GATT contracting parties' concerns about China's ability and willingness to live up to GATT obligations, particularly since June 1989, have stalled progress in the Working Party established to consider China's application for membership in the GATT.
- The Administration intends to continue to press Beijing to undertake trade and economic reforms so that its GATT application can advance and its trade practices be brought under GATT disciplines.
- At the same time, the Administration will work actively with other GATT members to resolve in a favorable manner issues relating to Taiwan's GATT accession ~~and support the formation of a Working Party for the commencement of accession deliberations.~~ U.S. support for Taiwan's accession as a customs territory would be consistent both with GATT legal criteria and the "one-China" policy which acknowledges the Chinese position and has been adhered to by successive U.S. Administrations.
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 - Taiwan has indicated that it is prepared to accede to the GATT as a developed economy, to bind virtually all its tariffs, and to join the major non-tariff measure GATT codes.

D. The Importance of MFN

As highlighted above, the Administration is aggressively seeking to resolve outstanding bilateral trade issues with the PRC. MFN underpins our ability to work constructively with the PRC. We believe that discontinuing MFN, or attaching conditions to its renewal, would cause serious harm to our trade interests, and would render futile pursuit of the initiatives outlined above.

It would reduce our leverage in market-access, intellectual property rights protection, and other trade-related negotiations. China's desire to retain access to the U.S. market has enabled us to engage Chinese leaders in consultations on bilateral and multilateral issues even during periods of tension. Because China is not a GATT member and not bound by GATT trade disciplines, it is especially important to have many levers that enable us to engage the Chinese on trade issues.

It would hurt U.S. exporters. If the United States rescinds China's MFN trading status, China will not only discontinue MFN

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tariff treatment for the United States, but would likely cease purchasing billions of dollars of U.S. wheat, aircraft, fertilizer, cotton yarn and fabric, wood and wood pulp, electric machinery, scientific equipment, and chemicals. Foreign competitors, whose goods would be subject to lower tariffs, would be quick to exploit our departure. Lost shares of China's market would not easily be regained even if MFN were restored at some future date.

It would hurt U.S. consumers. Tariffs on the 25 most important U.S. imports from China would rise from the present average tariff rate of 8.8 percent to an average rate of 50.5 percent. These increases would mean sharply higher prices for lower-end Chinese goods. The costs to U.S. consumers would be largely borne by poorer Americans, who are primary consumers of low-cost Chinese products.

It would damage America's reputation as a reliable trade partner. Our trade competitors will not join us in denying MFN status to China. Other Chinese trade partners, especially in Asia, urge that China's MFN status be retained.

It would hurt investors, businesses, and workers in Hong Kong. Loss of MFN would impede China's integration into the regional economy, a development crucial to regional stability particularly as we near the 1997 deadline for Hong Kong's reversion to Chinese sovereignty. It could cost over 43,000 jobs in Hong Kong and result in direct revenue losses of approximately \$1.2 billion dollars. Hong Kong's GDP growth could be curtailed by as much as two percentage points.

It would set back efforts to bring about meaningful economic reform in China. A disproportionate burden of the MFN denial would fall on the primary engine of economic reform in China--the economies of the southern and coastal provinces. In Guangdong province, for example, 40 percent of industrial output is produced for export, half of which goes to the United States. SEctors that fall outside of the direct control of the central government have been especially important to China's development as an exporter; one-third of China's exports currently come from rural (individual and collectively owned) industries and from foreign-invested ventures. The foreign ties these provinces and non-state-owned factories developed with the outside world prior to Beijing's reassertion of central control in mid-1989 enabled these provinces to weather the austerity program; without these foreign markets, Beijing's grip would have been all the tighter. As Beijing's influence over the regions and sectors most closely integrated into the global economy has diminished, these regions and sectors have become increasingly sensitive to global economic conditions. Revocation of China's MFN trading status would cause unemployment to rise and factory losses to mount in export-producing regions.

E. Conclusion

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Those who engineered the violence in China in June 1989 are unlikely to bear the economic costs associated with the denial of MFN. Instead, those who suffer would be American businesses and their employees, American consumers, and the people of Hong Kong and the progressive areas of China.

China's opening to the outside world over the past decade has accelerated growth in the non-state sectors of the economy; resulted in strong links between China's coastal regions and the global economy that have enabled this reformist region to weather Beijing's periodic efforts to reimpose central government control over economic activity; and introduced market concepts to a generation of Chinese managers involved in joint ventures, trade negotiations, and training in the West. For this process to continue, China's most-favored-nation treatment in the United States is essential.

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PART II:
ADMINISTRATION'S ACTIONS WITH RESPECT TO PROLIFERATION CONCERNS

We are engaged in a high-level dialogue with the Chinese that began early in our relationship. Looking at the broad trends in China's nonproliferation policy since normalization in 1979, it is clear that our dialogue has paid off in important areas, demonstrated by China's evolution toward international consensus on nonproliferation in areas of great importance to us. For example, China, which once held an antagonistic view of multilateral controls on nuclear exports, joined the IAEA in 1984 and sent observers to the Nuclear Nonproliferation Treaty Review Conference in 1990.

China's support for the Middle East arms control initiative is another case in point. China's participation in the initiative is a positive step that will strengthen international nonproliferation efforts and indicates China's resolve to contribute to efforts to attain stability in the Middle East. In addition, China's willingness to participate in multilateral efforts to reduce tension in South Asia will be crucial to establishing stability in that volatile region.

Moreover, we have seen Chinese arms sales restraint in some areas of where we have vital interests. For example, to the best of our knowledge, apart from the 1987/88 sale of missiles to Saudi Arabia, China has not delivered medium-range missiles to the Middle East. It is clear that in other specific cases China has taken international concerns into account and declined proposed missile exports to prospective buyers.

It is because serious concerns remain that we want to maintain a constructive nonproliferation dialogue with Beijing. We do not intend to ignore current problems, but isolating China by dismantling the framework for our relations is not the way to advance our nonproliferation objectives.

We have the means available to underscore our concerns where there are differences in our approaches to nonproliferation and we have used these legislative and executive branch tools. For example, we have imposed trade sanctions mandated by the National Defense Authorization Act on Chinese entities involved in missile-related activities. We have also announced the Administration's decision that, pending progress toward our nonproliferation objectives, we will not license high speed computers and will not issue further waivers of legislative restrictions on satellite exports. These new sanctions have been imposed in addition to the existing sanctions announced immediately following the June 1989 assault on Tiananmen and amplified by Congress in the State Authorization Bill for FY90-91. Moreover, we have not certified China under the bilateral agreement for nuclear cooperation that took effect in 1985.

Our policy mix of sanctions and cooperation at any given time is necessarily dependent on Chinese behavior. We are encouraged by China's indication in June that it is reviewing its policies with respect to the Missile Technology Control Regime and the NPT. We seek China's adherence to the NPT and the MTCR guidelines and will do all we can to promote concrete steps toward Chinese adherence to the key multilateral standards for international behavior established by these institutions. The Administration will continue to use the legislative authority that already exists and will take resolute action if the Chinese do not address favorably our nonproliferation concerns.

PART III: HUMAN RIGHTS

Human rights concerns have been at the heart of our relationship with the PRC since the tragic events of June 1989. Every high-level meeting since that time has at least touched on human rights issues, and several -- such as the December 1990 visit to China by Assistant Secretary Schifter -- have been devoted exclusively to them. We have consistently stressed to the Chinese leadership that there can be no return to the kind of relationship we enjoyed before 1989 without substantial improvements in China's human rights practices.

Our overall approach on human rights issues has consisted of:

- o Public expressions of concern.
 - President Bush condemned the brutal suppression of demonstrations in Tiananmen Square in June 1989, the first world leader to do so. He declared May 13, 1990 a National Day in Support of Freedom and Human Rights in commemoration of the 1989 demonstrations, and issued another statement to mark the anniversary of the crackdown in 1991.
 - In our human rights reports for 1989 and 1990, we strove to be fair but hard-hitting, and as accurate as available information would allow. These reports have drawn high praise from human rights groups, and harsh condemnations from the Chinese government.
 - The State Department issued a statement on January 9, 1991 condemning the trials of nonviolent dissidents.
 - In April 1991 the President met the Dalai Lama at the White House to demonstrate our respect for His Holiness' nonviolent approach to conflict resolution and our concern for human rights problems in Tibet.
- o Suspension of bilateral programs. On June 6 and June 20, 1989, the President announced the suspension of a number of bilateral programs and changes in U.S. approach to multilateral issues until the human rights climate in China improved. Those suspensions generally remain in effect.
 - A multitude of high-level exchange visits that would normally have taken place since 1989 have been canceled. Only a very limited number of visits at and above Assistant Secretary level have been approved on a case-by-case basis, and only when they addressed issues of key concern to the U.S. like human rights, nonproliferation, unfair trade practices and narcotics.

- Military exchange visits have been suspended completely.
- Work on several existing military equipment and technology projects has been suspended indefinitely.
- We have stopped the transfer of military or dual-use equipment or technology to Chinese military and security services.
- The U.S. sought to postpone all multilateral development bank loans to China from June 1989 to January 1990. Since then, we have supported only those loans that serve the basic human needs of the Chinese people.
- We have suspended grants, loans and insurance guarantees to China under the Trade and Development Program and OPIC.
- We have worked through COCOM to suspend planned liberalization of export controls to China.
- o Engagement in dialogue. Through the few high-level visits that have been authorized, and through regular diplomatic channels, we have engaged the Chinese government in an unprecedented continuing dialogue on a wide range of human rights issues.
 - The Scowcroft-Eagleburger missions of July and December 1989 were devoted primarily to laying out our human rights concerns and suggesting steps the Chinese could take to address them.
 - During Chinese Foreign Minister Qian's visit to Washington in November 1990, President Bush and Secretary Baker reiterated the need for progress on human rights, and stressed that human rights is a cornerstone of American foreign policy.
 - Assistant Secretary Schifter visited China in December 1990, the first time our top human rights official has done so. In 16 hours of intense discussions with senior Chinese officials, he spelled out in detail our human rights concerns in a wide range of areas including accounting of detainees, release of political prisoners, denial of due process and fair and open trials, treatment of prisoners, divergence of Chinese law from international standards, respect for freedom of religion, abusive implementation of family planning regulations, and human rights problems in Tibet. He delivered a list of 151 representative cases of reported political incarceration, and asked Chinese authorities to clarify the status of the cases

and release those whose imprisonment violated international norms. He suggested changes in Chinese laws and judicial processes that would bring them into conformity with international standards.

- Under Secretary Kimmitt in May 1991 reiterated many of the points made by Assistant Secretary Schifter, and called on the Chinese government to declare an amnesty for all those imprisoned for nonviolent political activities. He also urged the Chinese to implement effectively their claimed prohibition on export of prison labor products.

These actions have produced results. Most importantly, the Chinese government has acknowledged the legitimacy of human rights as a subject of bilateral discussion, both with us and with other concerned governments. They received a Congressional delegation devoted exclusively to human rights concerns in March 1991, and agreed to receive another later this year. They also agreed to receive human rights delegations to be sent by the governments of France and Australia. In addition, they have taken a number of modest but positive steps to improve the human rights situation in China:

- o Martial law was lifted in Beijing in January 1990 and in Lhasa four months later. No part of China is currently subject to martial law.
- o Most of those detained after the Tiananmen tragedy were released by the end of 1989. Chinese authorities announced the release of nearly 1000 more detainees in 1990, and about 70 have been released so far in 1991. Officials claim that only 21 still await trial detention in Beijing, and at least one of these -- labor leader Han Dongfang -- has been released for medical treatment.
- o While at least 30 persons have been convicted on political charges since the beginning of the year, the sentences meted out to them were generally less severe than those imposed on similar charges in previous years. Those released without further punishment included prominent dissidents such as essayist Liu Xiaobo, journalist Zhang Weiguo, playwright Wang Peigong, and legal scholar Chen Xiaoping.
- o Leading dissident Fang Lizhi and his wife, who had obtained refuge in the U.S. Embassy in Beijing for over a year, were allowed to leave China in June 1990, and are now at Princeton.
- o Most investigations of those involved in the 1989 protests have ended, and most of our Chinese contacts report that the oppressive atmosphere of 1989 has lifted significantly.

- o The Chinese have ceased the most odious forms of harassment of Chinese students and scholars in the U.S.; harassment was a serious problem in 1989 and early 1990.
- o Relatives of many, though not all, overseas dissidents have been allowed to leave China and join them abroad. In some of the remaining cases that we have raised with Chinese officials, passports have subsequently been issued.
- o Several released dissidents, including Tiananmen hunger striker Gao Xin and former Arizona State student Yang Wei, have been allowed to leave the country.
- o Chinese authorities have undertaken to stop the export to the U.S. of products made in Chinese prisons. We will continue to monitor this situation closely, but it appears that the Chinese government is taking increasingly specific steps to enforce their prohibition on export of these products.
- o In response to concerns expressed by Administration officials and Members of Congress, the Chinese have provided useful new information on the status of persons reported detained for religious activities.
- o Economic reforms have resumed, in some cases matching or exceeding levels reached before 1989. Some limited political reforms, in important but relatively noncontroversial areas such as the personnel system, have continued. An Administrative Procedure Law that became effective in October 1990 for the first time enables Chinese citizens to sue abusive officials.

There are indications that further progress may be in the offing. We are continuing to press the Chinese government to release all remaining detainees, to commute the sentences of those nonviolent dissidents already convicted, and to allow the departure of the remaining relatives of overseas dissidents who wish to leave. We are hopeful that a combination of dialogue and specifically targeted pressure will lead to further movement on these and other remaining issues of concern. And in the longer term, we are confident that the momentum toward greater freedom and democratization in China, built up during the decade of reforms and dramatically reflected in the 1989 demonstrations, will prove irreversible.

Prez

THE WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

ID# 248968
TAD05

INCOMING

DATE RECEIVED: JUNE 24, 1991

NAME OF CORRESPONDENT: THE HONORABLE MAX BAUCUS

SUBJECT: CONCERNS REGARDING MOST FAVORED NATION STATUS
FOR CHINA



ROUTE TO: OFFICE/AGENCY	(STAFF NAME)	ACTION		DISPOSITION	
		ACT CODE	DATE YY/MM/DD	TYPE RESP	C COMPLETED D YY/MM/DD
FREDERICK MCCLURE		ORG	91/06/24		C 91/06/27
<u>NS SITT</u> REFERRAL NOTE:		A	91/06/27		/ /
REFERRAL NOTE:			/ /		/ /
REFERRAL NOTE:			/ /		/ /
REFERRAL NOTE:			/ /		/ /
REFERRAL NOTE:			/ /		/ /

COMMENTS: _____

ADDITIONAL CORRESPONDENTS: 14 MEDIA:L INDIVIDUAL CODES: 1210 1220
MAIL USER CODES: (A) _____ (B) _____ (C) _____

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*ACTION CODES:          *DISPOSITION          *OUTGOING          *
*                       *                       *CORRESPONDENCE:  *
*A-APPROPRIATE ACTION  *A-ANSWERED          *TYPE RESP=INITIALS *
*C-COMMENT/RECOM       *B-NON-SPEC-REFERRAL *                       OF SIGNER *
*D-DRAFT RESPONSE      *C-COMPLETED        *                       CODE = A *
*F-FURNISH FACT SHEET  *S-SUSPENDED        *COMPLETED = DATE OF *
*I-INFO COPY/NO ACT NEC*                       *                       OUTGOING *
*R-DIRECT REPLY W/COPY *                       *                       *
*S-FOR-SIGNATURE       *                       *                       *
*X-INTERIM REPLY       *                       *                       *
*****

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REFER QUESTIONS AND ROUTING UPDATES TO CENTRAL REFERENCE
(ROOM 75, OEOB) EXT-2590
KEEP THIS WORKSHEET ATTACHED TO THE ORIGINAL INCOMING
LETTER AT ALL TIMES AND SEND COMPLETED RECORD TO RECORDS
MANAGEMENT.

SENATOR BROCK ADAMS _____
 SENATOR DANIEL AKAKA _____
 SENATOR MAX BAUCUS _____
 SENATOR LLOYD BENTSEN _____
 SENATOR JOSEPH BIDEN _____
 SENATOR JEFF BINGAMAN _____
 SENATOR DAVID BOREN _____
 SENATOR BILL BRADLEY _____
 SENATOR JOHN BREAUX _____
 SENATOR RICHARD BRYAN _____
 SENATOR DALE BUMPERS _____
 SENATOR QUENTIN BURDICK _____
 SENATOR ROBERT BYRD _____
 SENATOR KENT CONRAD _____
 SENATOR ALAN CRANSTON _____
 SENATOR THOMAS DASCHLE _____
 SENATOR DENNIS DECONCINI _____
 SENATOR ALAN DIXON _____
 SENATOR CHRISTOPHER DODD _____
 SENATOR JAMES EXON _____
 SENATOR WENDELL FORD _____
 SENATOR WYCHE FOWLER _____
 SENATOR JOHN GLENN _____
 SENATOR AL GORE _____
 SENATOR ROBERT GRAHAM _____
 SENATOR TOM HARKIN _____
 SENATOR HOWELL HEFLIN _____
 SENATOR FRITZ HOLLINGS _____
 SENATOR DANIEL INOUE _____
 SENATOR BENNETT JOHNSTON _____
 SENATOR TED KENNEDY _____
 SENATOR JOHN KERRY _____
 SENATOR BOB KERREY _____
 SENATOR HERB KOHL _____
 SENATOR FRANK LAUTENBERG _____
 SENATOR PATRICK LEAHY _____
 SENATOR CARL LEVIN _____
 SENATOR JOSEPH LIEBERMAN _____
 SENATOR HOWARD METZENBAUM _____
 SENATOR BARBARA MIKULSKI _____
 SENATOR GEORGE MITCHELL _____
 SENATOR DANIEL MOYNIHAN _____
 SENATOR SAM NUNN _____
 SENATOR CLAIBORNE PELL _____
 SENATOR DAVID PRYOR _____
 SENATOR HARRY REID _____
 SENATOR DONALD RIEGLE _____
 SENATOR CHARLES ROBB _____
 SENATOR JOHN ROCKEFELLER _____
 SENATOR TERRY SANFORD _____
 SENATOR PAUL SARBANES _____
 SENATOR JIM SASSER _____
 SENATOR RICHARD SHELBY _____
 SENATOR PAUL SIMON _____

SENATOR PAUL WELLSTONE _____
 SENATOR TIMOTHY WIRTH _____
 SENATOR HARRIS WOFFORD _____

TOTALS

- 1. No Conditions _____
- 2. Undecided on Conditions _____
- 3. Mild Condition _____
- 4. Supports Mitchell _____
- 5. Opposes MFN _____

SENATOR CHRISTOPHER BOND	_____
SENATOR HANK BROWN	_____
SENATOR CONRAD BURNS	_____
SENATOR JOHN CHAFEE	_____
SENATOR DAN COATS	_____
SENATOR THAD COCHRAN	_____
SENATOR WILLIAM COHEN	_____
SENATOR LARRY CRAIG	_____
SENATOR ALFONSE D'AMATO	_____
SENATOR JOHN DANFORTH	_____
SENATOR ROBERT DOLE	_____
SENATOR PETE DOMENICI	_____
SENATOR DAVE DURENBERGER	_____
SENATOR JAKE GARN	_____
SENATOR SLADE GORTON	_____
SENATOR PHIL GRAMM	_____
SENATOR CHARLES GRASSLEY	_____
SENATOR ORRIN HATCH	_____
SENATOR MARK HATFIELD	_____
SENATOR JESSE HELMS	_____
SENATOR JAMES JEFFORDS	_____
SENATOR NANCY KASSEBAUM	_____
SENATOR ROBERT KASTEN	_____
SENATOR TRENT LOTT	_____
SENATOR RICHARD LUGAR	_____
SENATOR CONNIE MACK	_____
SENATOR JOHN MCCAIN	_____
SENATOR MITCH MCCONNELL	_____
SENATOR FRANK MURKOWSKI	_____
SENATOR DON NICKLES	_____
SENATOR BOB PACKWOOD	_____
SENATOR LARRY PRESSLER	_____
SENATOR WILLIAM ROTH	_____
SENATOR WARREN RUDMAN	_____
SENATOR JOHN SEYMOUR	_____
SENATOR ALAN SIMPSON	_____
SENATOR ROBERT SMITH	_____
SENATOR ARLEN SPECTER	_____
SENATOR TED STEVENS	_____
SENATOR STEVEN SYMMS	_____
SENATOR STROM THURMOND	_____
SENATOR MALCOLM WALLOP	_____
SENATOR JOHN WARNER	_____

TOTALS

- | | |
|----------------------------|-------|
| 1. No Conditions | _____ |
| 2. Undecided on Conditions | _____ |
| 3. Mild Condition | _____ |
| 4. Supports Mitchell | _____ |
| 5. Opposes MFN | _____ |

JUNE 25, 91

SENATOR CHRISTOPHER BOND	<u>1</u>	
SENATOR HANK BROWN	<u>2</u>	
SENATOR CONRAD BURNS	<u>2</u>	
SENATOR JOHN CHAFEE	<u>1</u>	
SENATOR DAN COATS	<u>2</u>	
SENATOR THAD COCHRAN	<u>1</u>	
SENATOR WILLIAM COHEN	<u>3</u>	
SENATOR LARRY CRAIG	<u>1</u>	
SENATOR ALFONSE D'AMATO	<u>4</u>	
SENATOR JOHN DANFORTH	<u>1</u>	
SENATOR ROBERT DOLE	<u>1</u>	
SENATOR PETE DOMENICI	<u>1</u>	
SENATOR DAVE DURENBERGER	<u>1</u>	
SENATOR JAKE GARN	<u>1</u>	
SENATOR SLADE GORTON	3	
SENATOR PHIL GRAMM	<u>1</u>	
SENATOR CHARLES GRASSLEY	<u>2</u> <u>1</u>	OK
SENATOR ORRIN HATCH	<u>1</u>	
SENATOR MARK HATFIELD	<u>2</u> <u>1</u>	OK
SENATOR JESSE HELMS	<u>5</u>	
SENATOR JAMES JEFFORDS	<u>3</u>	
SENATOR NANCY KASSEBAUM	<u>1</u>	
SENATOR ROBERT KASTEN	<u>2</u>	
SENATOR TRENT LOTT	<u>2</u>	
SENATOR RICHARD LUGAR	<u>1</u>	
SENATOR CONNIE MACK	5	
SENATOR JOHN MCCAIN	<u>1</u>	
SENATOR MITCH MCCONNELL	<u>1</u>	
SENATOR FRANK MURKOWSKI	<u>1</u>	
SENATOR DON NICKLES	<u>1</u>	
SENATOR BOB PACKWOOD	1	
SENATOR LARRY PRESSLER	<u>1</u>	
SENATOR WILLIAM ROTH	<u>1</u>	
SENATOR WARREN RUDMAN	<u>1</u>	
SENATOR JOHN SEYMOUR	<u>2</u>	
SENATOR ALAN SIMPSON	<u>1</u>	
SENATOR ROBERT SMITH	5	
SENATOR ARLEN SPECTER	<u>2</u>	
SENATOR TED STEVENS	<u>1</u>	
SENATOR STEVEN SYMMS	1	OK W) GATT
SENATOR STROM THURMOND	<u>1</u>	
SENATOR MALCOLM WALLOP	<u>4</u>	
SENATOR JOHN WARNER	<u>1</u>	

TOTALS

1. No Conditions	<u>24</u> <u>28</u>
2. Undecided on Conditions	<u>10</u> <u>17</u>
3. Mild Condition	4 <u>3</u>
4. Supports Mitchell	<u>2</u> <u>42</u>
5. Opposes MFN	<u>23</u> <u>5</u>

June 13, 91

SENATOR CHRISTOPHER BOND	<u>1</u>	
SENATOR HANK BROWN	<u>2</u>	
SENATOR CONRAD BURNS	<u>2</u> 2	-
SENATOR JOHN CHAFEE	<u>1</u>	
SENATOR DAN COATS	<u>2</u>	
SENATOR THAD COCHRAN	<u>1</u>	
SENATOR WILLIAM COHEN	<u>3</u>	
SENATOR LARRY CRAIG	<u>2</u>	
SENATOR ALFONSE D'AMATO	<u>4</u>	
SENATOR JOHN DANFORTH	<u>1</u>	
SENATOR ROBERT DOLE	<u>1</u>	
SENATOR PETE DOMENICI	<u>1</u>	-
SENATOR DAVE DURENBERGER	<u>1</u>	
SENATOR JAKE GARN	<u>1</u>	
SENATOR SLADE GORTON	<u>5</u>	- (TAIWAN, STUDENTS)
SENATOR PHIL GRAMM	<u>1</u>	
SENATOR CHARLES GRASSLEY	<u>2</u>	
SENATOR ORRIN HATCH	<u>1</u>	
SENATOR MARK HATFIELD	<u>2</u>	-
SENATOR JESSE HELMS	<u>5</u>	
SENATOR JAMES JEFFORDS	<u>3</u>	
SENATOR NANCY KASSEBAUM	<u>1</u>	-
SENATOR ROBERT KASTEN	<u>2</u>	(STUDENTS)
SENATOR TRENT LOTT	<u>2</u>	- (MISSILES, TRADE)
SENATOR RICHARD LUGAR	<u>1</u>	
SENATOR CONNIE MACK	<u>2</u> 4 3	-
SENATOR JOHN MCCAIN	<u>2</u> 1	-
SENATOR MITCH MCCONNELL	<u>1</u>	
SENATOR FRANK MURKOWSKI	<u>1</u>	
SENATOR DON NICKLES	<u>1</u>	
SENATOR BOB PACKWOOD	<u>3</u>	
SENATOR LARRY PRESSLER	<u>1</u>	
SENATOR WILLIAM ROTH	<u>1</u>	
SENATOR WARREN RUDMAN	<u>1</u>	
SENATOR JOHN SEYMOUR	<u>2</u>	(STUDENTS)
SENATOR ALAN SIMPSON	<u>1</u>	
SENATOR ROBERT SMITH	<u>3</u>	
SENATOR ARLEN SPECTER	<u>2</u>	
SENATOR TED STEVENS	<u>1</u>	
SENATOR STEVEN SYMMS	<u>2</u>	(TAIWAN)
SENATOR STROM THURMOND	<u>1</u>	
SENATOR MALCOLM WALLOP	<u>4</u>	(TAIWAN)
SENATOR JOHN WARNER	<u>1</u>	

TOTALS

1. No Conditions	<u>24</u>	<u>24</u>
2. Undecided on Conditions	<u>1</u>	<u>10</u>
3. Mild Condition	<u>6</u>	<u>5</u>
4. Supports Mitchell	<u>2</u>	<u>2</u>
5. Opposes MFN	<u>2</u>	<u>2</u>

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TOPIC: CHINA MFN

<u>MEMBER</u>	<u>SUPPORT MFN</u>	<u>CONCERNS</u>
BOND		UNCONDITIONALLY -- OFFERED TO SPEAK ON FLOOR.
BROWN	UNDECIDED	CONCERNS WITH NUCLEAR PROLIFERATION, TRADE DEFICIT. DID NOT SUPPORT PRESIDENT IN THE HOUSE LAST YEAR.
BURNS	SUPPORTS	
CHAFEE	SUPPORTS	
COATS	UNDECIDED	MIGHT BE LEANING TOWARDS ADMINISTRATION -- HAS A LOT OF CONSTITUENT MAIL ON THE SUBJECT. BUSINESS PEOPLE IN INDIANA ARE PRESSING HIM TO SUPPORT. HE REMAINS NONCOMMITTAL.
COCHRAN	SUPPORTS	GENERALLY WANTS TO SEE ISSUES SUCH AS HUMAN RIGHTS AND PRISON LABOR ADDRESSED, YET NOT AS CONDITIONS TO MFN RENEWAL.
COHEN	UNDECIDED	WOULD BE AMENABLE TO SEEING CONDITIONS SET DOWN THAT CHINESE ARE ABLE TO MEET. SIGNED ROTH LETTER. STAFFER THINKS AKS SHOULD TALK TO COHEN.
CRAIG	SUPPORTS	COSIGNED BAUCUS LETTER TO PRESIDENT. IN FAVOR OF SOME CONDITIONS. WANTS SOME STIPULATIONS ON HUMAN RIGHTS.
D'AMATO	OPPOSED	MITCHELL COSPONSOR
DANFORTH	SUPPORTS	
DOLE	SUPPORTS	SUPPORT PRESIDENT
DOMENICI	SUPPORTS	IN FAVOR OF MILD CONDITIONS
DURENBERGER	SUPPORTS	

DECLASSIFIED
PER NSC WAIVER, 1500 2021-02
By SS NARA, Date 6/23/25

GARN	LEANING OP.	WILL PROBABLY GO AGAINST PRESIDENT. VOTED AGAINST HIM LAST YEAR. THINKS IT IS TIME FOR A MORAL STAND AND THINKS IF A DEM ADMIN WAS POWER THE REPUBLICANS WOULD BE SHARPLY OPPOSED TO GRANTING P.R.C. MFN STATUS. VERY CONCERNED ABOUT TECH TRANSFERS.
GORTON	UNDECIDED	INTERESTED IN INTRODUCING PELOSI-TYPE LEGISLATION. WOULD LIKE TO SEE CHINESE STUDENT IMMIGRATION PROBLEM SOLVED.
GRAMM	SUPPORTS	DOES NOT WANT TO GET TOO INVOLVED. DOES BELIEVE THAT DENIAL OF MFN WOULD ADVERSELY AFFECT THE U.S. CONSUMER.
GRASSLEY	LEANING FOR	
HATCH	SUPPORTS	
HATFIELD	SUPPORTS	THINKS SOME KIND OF HUMAN RIGHTS MESSAGE IS NECESSARY. WOULD NOT VOTE FOR ANY CONDITIONS THAT WOULD BE IMPOSSIBLE TO "ENFORCE" OR PROVE.
HELMS	OPPOSED	HAS INTRODUCED PRISON LABOR BILL.
JEFFORDS	LEANS OP.	INTERESTED IN MILDER CONDITIONS THAN WHAT THE MITCHELL BILL HAS. WOULD BE INTERESTED IN REPUBLICAN ALTERNATIVE.
KASSEBAUM	SUPPORTS	SIGNED ON TO BAUCUS LETTER. CONCERNED ABOUT ARMS SALES.
KASTEN	UNDECIDED	HAS GRAVE CONCERNS AND IS LEANING TOWARD OPPOSING MFN UNLESS A GOOD ALTERNATIVE IS INTRODUCED.

LOTT	UNDECIDED	
LUGAR	SUPPORTS	PUBLICLY SUPPORTS GEORGE BUSH ON THIS ISSUE. IS DEBATING MITCHELL ON HIS BILL. WILLING TO HELP ASSIST IN ANY WAY ON ADMINISTRATION POSITION. COSIGNED BAUCUS LETTER.
MACK	LEANING OP.	VOTED WITH PRESIDENT LAST YEAR. UPSET THAT PRESIDENT DID NOT FOLLOW THROUGH ON HIS PROMISE TO ENSURE THAT P.R.C. WOULD CHANGE THEIR WAYS. NOT A FIRM OPPOSITION BUT HAS RELEASED 2 PRESS RELEASES THAT HE HAS A PROBLEM WITH MFN FOR CHINA.
MCCAIN	UNDECIDED	IS INCLINED TO SUPPORT THE PRESIDENT BUT IS STILL DEBATING THE ISSUE.
MCCONNELL	SUPPORTS	WOULD BE INTERESTED IN COMPROMISE LEGISLATION.
MURKOWSKI	SUPPORTS	WOULD LIKE TO SEE SOMETHING ADDRESSING HUMAN RIGHTS ISSUE. RANKING MINORITY MEMBER OF EAST ASIAN AND PACIFIC AFFAIRS SUBCOMMITTEE - FOREIGN RELATIONS COMM.
NICKLES	SUPPORTS	HAS CONCERNS ABOUT PRISON LABOR AND MISSILE SALES BUT IS GENERALLY SUPPORTIVE OF PRESIDENT.
PACKWOOD	SUPPORTS	NEEDS ADDITIONAL COVERAGE.
PRESSLER	SUPPORTS	TOLD THE PRESIDENT THAT HE WOULD SUPPORT HIM -- BUT DID NOT SAY HE WOULD VOTE FOR MFN WITHOUT CONDITIONS. HAS HUMAN RIGHTS CONCERNS

		AND WOULD BE VERY INTERESTED IN LEGISLATION WITH CONDITIONS INTRODUCED BY REPUBLICANS
ROTH	UNDECIDED	SIGNED BAUCUS LETTER. SENT LETTER TO PRESIDENT CONCERNING TAIWIAN'S MEMBERSHIP IN GATT.
RUDMAN	SUPPORTS	SUPPORTS PRESIDENT, BUT MIGHT BE INTERESTED IN MILD CONDITIONS.
SEYMOUR	UNDECIDED	WOULD LIKE TO SUPPORT PRESIDENT, BUT REALISTICALLY, HE NEEDS "SOME COVER" IN CALIF., SO HE WOULD LIKE TO SEE MAYBE A HUMAN RIGHTS PROVISION AND STILL NEEDS TO EVALUATE HIS CONSTITUENCIES IN-STATE.
SMITH	OPPOSED	WOULD SUPPORT MFN IF STRONG CONDITIONS WERE ATTACHED.
SPECTER	UNDECIDED	STILL STUDYING THE ISSUE.
STEVENS	SUPPORTS	STRONG SUPPORTER -- MFN WITH NO CONDITIONS.
SYMMS	UNDECIDED	SUPPORTS MILD CONDITIONS. SUPPORTS TAIWAN MEMBERSHIP TO THE GATT. SEES TAIWAN AS MAJOR TRUMP CARD.
THURMOND	SUPPORTS	VERY CONCERNED OVER THE PRISON LABOR ISSUE. MAY SIGN ON TO HELMS BILL TO PUT SANCTIONS ON PRODUCTS PRODUCED BY PRISONERS.
WALLOP	OPPOSED	MITCHELL BILL COSPONSOR. BELIEVES THE TIME IS NOW TO PUT DOWN OUR FOOT FOR CHINA'S HUMAN RIGHTS ABUSES.
WARNER	SUPPORTS	NOT PREPARED TO GO AGAINST

ANY LEGISLATIVE EFFORT
THAT THE ADMINISTRATION
DOES NOT SUPPORT.

THE WHITE HOUSE

WASHINGTON

July 10, 1991

MEMORANDUM FOR WHITE HOUSE STAFF MESS MEMBERS

FROM:

RICHARD G. TREFRY *RT*
MILITARY ASSISTANT TO THE PRESIDENT

During the period July 15-22, 1991, while the President is travelling, the White House Staff Mess will close after the noon meal is served. There will be no dinner service available during this period.

#
Y *Greany* - vote was not how he would vote on floor.
#
Sanford - *Eagleburger*
(call Textiles) - Hills
#
Doschle - *gone*
#
Bumpers - *M9s to Syria*
#
Leben - *bad staff*
#
Heflin - *textiles - Home Gove*

Born - (stay) Learning found
Mitchell

Wally

#

response will be week

Y	Abercrombie	Y	Clay	Y	Evans
Y	Ackerman	Y	Coleman (TX)	Y	Flake
Y	Andrews (ME)	Y	Collins (IL)	Y	Foglietta
Y	Andrews (NJ)	Y	Collins (MI)	Y	Ford (MI)
Y	Annunzio	Y	Condit	Y	Ford (TN)
Y	Anthony	Y	Conyers	Y	Frank (MA)
Y	Applegate	Y	Costello	Y	Frost
Y	Atkins	Y	Cramer	Y	Gaydos
Y	Barnard	Y	DeFazio	Y	Gejdenson
Y	Bennett	Y	Dellums	Y	Gephardt
Y	Berman	Y	Derrick	Y	Gonzalez
Y	Bevill	Y	Dixon	Y	Gordon
Y	Bilbray	Y	Donnelly	Y	Hall (OH)
Y	Bonior	Y	Downey	Y	Harris
Y	Borski	Y	Durbin	Y	Hatcher
Y	Boxer	Y	Dwyer	Y	Hayes (IL)
Y	Browder	Y	Early	Y	Hayes (LA)
Y	Bruce	Y	Eckart	Y	Hefner
Y	Bryant	Y	Edwards (CA)	Y	Hertel
Y	Bustamante	Y	Edwards (TX)	Y	Hochbrueckner
Y	Campbell (CO)	Y	Engel	Y	Horn
Y	Cardin	Y	Erdreich	Y	Hoyer
Y	Carper	Y	Espy	Y	Hubbard

ROLL NO. 203 DEMOCRATIC - YEAS -

Y	Hughes	Y	Martinez	Y	Owens (UT)
Y	Hutto	Y	Mavroules	Y	Pallone
Y	Jefferson	Y	McCurdy	Y	Panetta
Y	Jenkins	Y	McHugh	Y	Parker
Y	Jones (GA)	Y	McNulty	Y	Patterson
Y	Jones (NC)	Y	Mfume	Y	Payne (NJ)
Y	Kanjorski	Y	Miller (CA)	Y	Pelosi
Y	Kennedy	Y	Mineta	Y	Perkins
Y	Kildee	Y	Mink	Y	Poshard
Y	Kleczka	Y	Moakley	Y	Price
Y	Kolter	Y	Mollohan	Y	Rahall
Y	Kostmayer	Y	Moran	Y	Rangel
Y	LaFalce	Y	Mrazek	Y	Ray
Y	Lantos	Y	Natcher	Y	Richardson
Y	Lehman (CA)	Y	Neal (MA)	Y	Rose
Y	Levin (MI)	Y	Neal (NC)	Y	Roybal
Y	Levine (CA)	Y	Nowak	Y	Russo
Y	Lewis (GA)	Y	Oakar	Y	Sabo
Y	Lipinski	Y	Oberstar	Y	Sawyer
Y	Lloyd	Y	Obey	Y	Scheuer
Y	Lowey (NY)	Y	Olin	Y	Schroeder
Y	Manton	Y	Olver	Y	Schumer
Y	Markey	Y	Owens (NY)	Y	Sikorski

ROLL NO. 203 DEMOCRATIC - YEAS - CONTINUED

Y	Sisisky	Y	Waters
Y	Slaughter (NY)	Y	Waxman
Y	Smith (FL)	Y	Weiss
Y	Spratt	Y	Wheat
Y	Staggers	Y	Whitten
Y	Stark	Y	Wilson
Y	Stokes	Y	Wise
Y	Studds	Y	Wolpe
Y	Synar	Y	Yates
Y	Tallon	Y	Yatron
Y	Tauzin		
Y	Taylor (MS)		

Y Thomas (GA)
 Y Thornton
 Y Torricelli
 Y Towns
 Y Traficant
 Y Traxler
 Y Unsoeld
 Y Valentine
 Y Vento
 Y Visclosky
 Y Washington

ROLL NO. 203

DEMOCRATIC - YEAS - CONTINUED

N Alexander
 N Anderson
 N Andrews (TX)
 N Aspin
 N AuCoin
 N Bacchus
 N Beilenson
 N Boucher
 N Brewster
 N Brooks
 N Brown
 N Byron
 N Carr
 N Chapman
 N Clement
 N Cooper
 N Cox (IL)
 N Coyne
 N Darden
 N de la Garza
 N DeLauro
 N Dicks
 N Dingell

N Dooley
 N Dorgan (ND)
 N Dymally
 N English
 N Fascell
 N Fazio
 N Feighan
 N Geren
 N Gibbons
 N Glickman
 N Guarini
 N Hall (TX)
 N Hamilton
 N Hoagland
 N Huckaby
 N Johnson (SD)
 N Johnston
 N Jontz
 N Kaptur
 N Kennelly
 N Kopetski
 N Lancaster
 N LaRocco

N Laughlin
 N Lehman (FL)
 N Long
 N Luken
 N Matsui
 N Mazzoli
 N McCloskey
 N McDermott
 N McMillen (MD)
 N Montgomery
 N Moody
 N Murphy
 N Murtha
 N Nagle
 N Ortiz
 N Orton
 N Payne (VA)
 N Pease
 N Penny
 N Peterson (FL)
 N Peterson (MN)
 N Pickett
 N Pickle

ROLL NO. 203

DEMOCRATIC - NAYS -

N Reed
 N Roe
 N Roemer
 N Rostenkowski
 N Rowland
 N Sangmeister
 N Sarpalius
 N Savage
 N Sharp
 N Skaggs
 N Skelton
 N Slattery
 N Smith (IA)
 N Solarz
 N Stallings
 N Stenholm
 N Swett
 N Swift
 N Tanner
 N Torres
 N Volkmer
 N Williams
 N Wyden

ROLL NO. 203

DEMOCRATIC - NAYS - CONTINUED

- Foley
- Gray
- Jacobs
- Serrano

ROLL NO. 203

DEMOCRATIC -NOT VOTING -

U.S. Chamber of Commerce

Washington, D.C. 20062

CHINA MFN ALERT!!! VOTES ARE IMMINENT

**VOTES ARE LIKELY IN BOTH THE HOUSE
AND SENATE IN THE NEXT COUPLE OF
WEEKS (BEGINNING JULY 8).**

**THE HOUSE RULES COMMITTEE IS
EXPECTED TO MEET TO DETERMINE WHAT
ADDITIONAL AMENDMENTS MAY BE
CONSIDERED. A FULL HOUSE VOTE
WOULD COME SHORTLY THEREAFTER.**

**THE SENATE MAY ATTEMPT TO SCHEDULE
A VOTE AROUND THE SAME TIME.
DON'T BE FOOLED BY SO-CALLED
"COMPROMISES" (E.G., MITCHELL).
AS WRITTEN, THEY ARE TANTAMOUNT TO
DENIAL OF MFN.**

**PLEASE CONTACT YOUR SENATORS AND
REPRESENTATIVES AND URGE THEM TO VOTE
"NO" ON ANY BILLS WHICH DENY OR PLACE
CONDITIONS ON CONTINUED MFN STATUS
FOR CHINA.**

U.S. Chamber of Commerce

LEGISLATIVE AND PUBLIC AFFAIRS

1615 H Street, N.W. Washington, D.C. 20062 202/463-5406 Fax 202/463-3173

July 1, 1991

Donald J. Kroes
Vice President

IDENTICAL LETTER SENT TO
ALL SENATORS

The Honorable Brock Adams
United States Senate
Washington, D.C. 20510

Dear Senator Adams:

The U.S. Chamber of Commerce respectfully urges you to support unconditional extension of "most-favored-nation" (MFN) trading status for China and to oppose any resolutions, such as S. J. Res. 153 (Cranston, D-CA) and S. 1367 (Mitchell, D-ME), which would disapprove, or impose conditions on, continuation of MFN for China.

First, MFN is itself a misnomer; there is nothing preferential or special about it. Such treatment is routine for most industrial nations, and actually less favorable than the Generalized System of Preferences (GSP), a tariff treatment within and augmenting MFN, currently granted to more than 100 developing countries. While virtually all Americans are appalled at the Chinese government's abysmal record on human rights, weapons proliferation, and trade policy, terminating MFN will not help to improve that record. On the contrary, denial of MFN will likely worsen these problems by providing the Chinese government with an excuse to retaliate against U.S. interests, cement its authoritarian rule, and further exclude U.S. political influence from that country. Such an outcome would hurt most the very reform-minded people and sectors we are most interested in helping. Moreover, it would jeopardize nearly \$5 billion in U.S. exports and more than 100,000 U.S. jobs that are dependent on those exports. The only real winners in such a scenario would be the hardliners themselves and our Japanese and European competitors, whose governments have given no indication that they are even considering tampering with MFN.

Enclosed are some additional materials which explain the importance of MFN in greater detail. Please feel free to contact me, or the Chamber's International Division, (202-463-5460), if you have any questions concerning this matter.

Sincerely,


Donald J. Kroes

Enclosure

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Join the U.S. Chamber.



Because the fight goes on.

U.S. Chamber of Commerce

LEGISLATIVE AND PUBLIC AFFAIRS

1615 H Street, N.W. Washington, D.C. 20062 202/463-5406 Fax 202/463-3173

July 1, 1991

Donald J. Kroes
Vice President

IDENTICAL LETTER SENT TO
ALL REPRESENTATIVES

The Honorable Neil Abercrombie
House of Representatives
Washington, D.C. 20515

Dear Representative Abercrombie:

The U.S. Chamber of Commerce respectfully urges you to support unconditional extension of "most-favored-nation" (MFN) trading status for China and to oppose any resolutions, such as H. J. Res. 263 (Solomon, R-NY) and H.R. 2212 (Pelosi, D-CA), which would disapprove, or impose conditions on, continuation of MFN for China.

First, MFN is itself a misnomer; there is nothing preferential or special about it. Such treatment is routine for most industrial nations, and actually less favorable than the Generalized System of Preferences (GSP), a tariff treatment within and augmenting MFN, currently granted to more than 100 developing countries. While virtually all Americans are appalled at the Chinese government's abysmal record on human rights, weapons proliferation, and trade policy, terminating MFN will not help to improve that record. On the contrary, denial of MFN will likely worsen these problems by providing the Chinese government with an excuse to retaliate against U.S. interests, cement its authoritarian rule, and further exclude U.S. political influence from that country. Such an outcome would hurt most the very reform-minded people and sectors we are most interested in helping. Moreover, it would jeopardize nearly \$5 billion in U.S. exports and more than 100,000 U.S. jobs that are dependent on those exports. The only real winners in such a scenario would be the hardliners themselves and our Japanese and European competitors, whose governments have given no indication that they are even considering tampering with MFN.

Enclosed are some additional materials which explain the importance of MFN in greater detail. Please feel free to contact me, or the Chamber's International Division, (202-463-5460), if you have any questions concerning this matter.

Sincerely,


Donald J. Kroes

Enclosure

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U.S. Chamber of Commerce

FACT SHEET ON SO-CALLED "MOST FAVORED NATION" STATUS FOR CHINA

The U.S. Chamber of Commerce supports extension of "most favored nation" (MFN) status for the Peoples Republic of China (PRC) as the best means of advancing U.S. national interests, including market-oriented and democratic economic and political reform efforts in that country.

WHAT IS "MOST FAVORED NATION" STATUS?

- Standard tariff treatment extended to over 160 countries. Only eleven countries are currently denied MFN status.
- Neither special nor preferential.
- Shared with many countries with whom we have significant policy disagreements.

WHY IS MOST FAVORED NATION STATUS SO IMPORTANT?

- Foundation for all Sino-U.S. commercial relations, which have taken a decade to build.
- Provides basis for continued business with one-fourth of the world's population.
- Business contact encourages political and economic reform in China.
- Loss of MFN would spark Chinese retaliation, threatening \$5 billion in U.S. exports and over 100,000 U.S. jobs.
- None of our trading competitors is even considering tampering with China's MFN status. The primary beneficiaries of a unilateral U.S. pullout would be the hardline central government and our Japanese and European competitors.
- Termination of MFN would seriously damage the Hong Kong economy and the most progressive and market-oriented coastal provinces which support reform.
- U.S. leverage on the full range of our priorities with China, e.g., trade, weapons proliferation, human rights, would be sharply reduced if MFN were terminated.

WHY NOT IMPOSE CONDITIONS IN EXCHANGE FOR CONTINUED MOST FAVORED NATION STATUS?

- Chinese are likely to reject such conditions as a violation of their sovereignty.
- The U.S. is already using existing trade law, export controls, suspension of military and nuclear cooperation, and other methods to address our various problems with China.
- Conditionality would create a huge cloud of uncertainty for U.S. firms dealing with China. This uncertainty would lead to a disengagement of U.S. business that would undermine larger U.S. interests.



U.S. Chamber of Commerce

WHO WINS AND LOSES IF CHINA'S "MOST FAVORED NATION" STATUS IS TERMINATED?

LOSERS

Political moderates in China. Termination of MFN would effectively cut the legs out from under the moderates by providing the Chinese regime with a pretext to cut off whatever contacts with the U.S. currently exist.

U.S. exporters. Loss of MFN will trigger Chinese retaliation against U.S. exporters. About \$5 billion in U.S. exports and the 110,000 U.S. jobs they represent would be jeopardized, as China would either purchase similar products from Japan or Europe, or forego them altogether. Investment and long-term business relations would also be severely weakened.

American consumers and retailers. American consumers would pay a higher price for textiles, electrical appliances, toys, footwear, apparel and other items where China is the low-cost supplier.

Hong Kong. Over half of all American imports from China come through Hong Kong. Termination of MFN will significantly hinder their banking, insurance, shipping, and legal services resulting in the loss of up to 43,000 jobs and nearly \$12 billion in trade.

The "semi-private" sector in China. China's coastal provinces produce most of China's exports to the U.S. It is no coincidence that these export-oriented provinces are also most pro-reform and most resistant to central control from Beijing. Removing MFN would damage these provinces and seriously weaken the most progressive forces in contemporary China.

WINNERS

China's hardline central government. The central government is struggling to retain state control and stifle dissent. Withdrawing MFN will serve as justification for the central government to clamp down on the export market by claiming that further opening of the Chinese market will only make them more vulnerable to foreign interference. The result: liberal, market-oriented reformers will lose clout.

Our Japanese and European competition. No other advanced industrial nation with whom China trades has given any indication that they will terminate MFN status for China, or that termination of MFN status would serve their interests. The business U.S. companies lose, and the influence the U.S. government loses, will simply be picked up by our competitors.

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Because the fight goes on.

U.S. Chamber of Commerce

MYTHS ABOUT CHINA MFN

Myth #1: Most-favored nation status is a reward granted by the United States to selected countries on a preferred basis.

Reality: In fact, MFN tariff treatment is actually less favorable than that which the U.S. provides to the vast majority of our trading partners. The United States has MFN treatment with 160 countries. Such treatment provides that nations will not use tariff rates to discriminate against other nations. However, over 100 developing countries also receive additional tariff benefits under the Generalized System of Preferences (GSP), in order to promote trade-based economic development. Only 11 countries do not enjoy the benefits of GSP or an MFN relationship with the United States. Terminating MFN for China, a developing country, would deny tariff treatment that is not only routine for most developed countries, but also already less favorable than that accorded many other developing countries.

Myth #2: Removing MFN for China will improve human rights conditions in China.

Reality: MFN removal will most hurt the progressive, outward-oriented coastal provinces of China supportive of economic and political reform. The conservative hard liners in Beijing will also use MFN loss as a rationale to tighten control and delay reform. Chinese contact with U.S. firms has been a force for positive change; MFN removal will seriously reduce this presence and lessen U.S. influence across the board.

Myth #3: Since 1989, the United States has ignored Chinese violations of human rights, non-proliferation, and trade practice standards. Removing MFN is needed to signal American disapproval of Chinese behavior.

Reality: The U.S. Government imposed various trade sanctions against China following the Tiananmen Square crackdown. These remain essentially in effect. In contrast, Japan and the European Community have relaxed their sanctions. In addition, the President recently prohibited the sale of technology to China for a satellite project and designated China for trade action for violation of U.S. intellectual property rights.

Myth #4: Extending MFN for China only if the Chinese meet quantifiable criteria in human rights, trade, and other areas as determined by the U.S. Congress would be a viable alternative.

Reality: Attaching tough conditions to MFN extension is tantamount to delayed removal. The Chinese would be unable to meet such conditions and would resist changing their behavior if pressured publicly to do so under the threat of MFN loss. Subjecting the foundation of our trading relations with China to an annual progress report on a host of non-trade criteria will create an enormous cloud of uncertainty for U.S. firms doing business with China. Many firms will simply pull out of China or stop trading rather than face this unpredictability. Such disengagement from China will only undercut our long-term national interests.

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9th Home
all letters out ASAP
3 letters

4 areas
1

S. 1367 — United States-China Act of 1991

Calendar No. 149

Reported: From the Finance Committee, without recommendation, on July 9, 1991 on a straight party-line vote of 11-9. Hearings were held June 19-20. S. Rept. 102-101. No minority views filed.

NOTEWORTHY

- S. 1367 requires the immediate withdrawal of non-discriminatory trade status — usually called “Most-Favored-Nation” (MFN) status — from the People’s Republic of China (PRC) 15 days after enactment if the President has not certified that the PRC has not transferred certain missiles and launchers to specified countries.
- S. 1367 also forbids the extension of MFN status after July 3, 1992, unless the PRC meets other enumerated conditions.
- S. 1367 is a more stringent version of H.R. 2212, which passed the House of Representatives (313-112) on July 10. The same day, by a margin of 223-204, the House passed H.J. Res. 263, an outright disapproval of MFN, not subject to any conditions, which is identical in its provisions to S.J. Res. 153. (Summaries of H.R. 2212, S.J. Res. 153, and H.J. Res 263 are included in this Notice.)
- The President’s senior advisors will recommend a veto of either S. 1367 or S.J. Res. 153.

HIGHLIGHTS

- On May 29, President Bush recommended continuation of the PRC’s MFN status under the Jackson-Vanik waiver for the 12-month period beginning July 3, 1991. The PRC’s eligibility for MFN expires on July 3 of each year, unless the President recommends extension by June 3. (See “Background,” below, for fuller procedural explanation.)
- Based on the PRC’s suppression of the democracy movement in 1989, continued human rights abuses, and other incidents (such as involvement in proliferation of certain military technology), supporters of S. 1367 believe that MFN should not be renewed unless the PRC’s record improves.

- Passage of S. 1367 (or H.R. 2212) could allow the PRC's MFN status to continue for another year. But this would be the last year under which the PRC could receive MFN simply pursuant to the Jackson-Vanik waiver procedure. Beginning in July 1992, the new standards established by this legislation would apply.
- However, under Section 4 of S. 1367, MFN would have to be withdrawn **immediately** (i.e., 15 days after enactment) if the President had not certified that the PRC had not transferred certain missiles and launchers to specified countries. (No parallel provision exists in H.R. 2212.)

BACKGROUND

What MFN Really Is

The principle of non-discriminatory trade treatment (more commonly known as "Most-Favored-Nation" [MFN] treatment) is of long standing and is one of the basic elements of international trade. In general, MFN status refers to trade concessions the United States accords to a trading partner that are as good as those we accord to all other countries that are "most favored" in their trade relations with us. The result is that all countries normally are given MFN treatment and are treated equally, unless they are specifically denied MFN. MFN works by exclusion, not inclusion; countries have MFN status unless they are specifically denied it.

As President Bush stated in his May 27 remarks at Yale University, "MFN is not special. It is not a favor. It is the ordinary basis of trade world-wide."

In the context of U.S. tariff legislation, MFN treatment means that products exported from MFN countries to the United States are subject to lower rates of duty (found in Column 1 of the U.S. Tariff Schedules). Non-MFN countries are subject to the higher rates found in Column 2. Thus, MFN means the more favorable, regular status accorded to the vast majority of U.S. trading partners. In some cases, the tariff rates between Column 1 and Column 2 differ by a factor of 10. It is not certain how much PRC exports to the United States might decrease if they were charged the higher Column 2 duties.

Jackson-Vanik

Along with all other communist countries (except Yugoslavia) the PRC's eligibility for MFN status was revoked under the Trade Agreements Extension Act of 1951. This ineligibility was modified in 1974 by the Jackson-Vanik amendment (Section 402 of the Trade Act of 1974, P.L. 93-618; 19 USC 2432), pursuant to which communist countries can receive MFN status only if (1) the country permits free emigration or (2) the President determines that a waiver of this requirement would promote free emigration and other fundamental human rights. The PRC was first granted MFN status upon a waiver from President Jimmy Carter in 1980.

A waiver granting MFN under Jackson-Vanik must be reviewed yearly; the President must recertify the eligibility of the country in question each year. Prior to the *Chadha* decision by the U.S. Supreme Court in 1983, a one-house veto of the President's certification was provided for in Jackson-Vanik; now, post-*Chadha*, a resolution of disapproval (such as S.J.Res. 153 and H.J. Res. 263) must be passed by both houses, and is subject to presidential veto.

The President called for renewal of the PRC's MFN status on May 29, prior to the June 3 deadline, to prevent MFN from expiring on July 3. The resolution of disapproval must be passed by August 31, i.e., 60 days from the date MFN would have expired except for the President's action, as specified in Jackson-Vanik (though now, it must be passed by both houses). This procedure applies to both S.J. Res. 153 and H.J. Res. 263. With regard to the Senate floor, S.J. Res. 153 is subject to expedited procedures (specified in Section 153 of the 1974 Trade Act, 19 USC 2193), consisting of 20 hours of debate equally divided. It is not amendable.

On the other hand, S. 1367 and H.R. 2212 are not worded as resolutions of disapproval of the yearly Jackson-Vanik recertification and are not subject to the 60-day limit nor expedited procedures. However, the Majority Leader has expressed his hope that the Senate might act on this bill in July.

BILL PROVISIONS

Section 3 concerns Most-Favored-Nation status continuation:

Notwithstanding any other provision of law, the President may not provide MFN status to the PRC under the Jackson-Vanik procedure after July 3, 1992 unless he reports that the PRC has (1) accounted for citizens detained, accused, or sentenced on account of nonviolent political expression; (2) released such citizens; (3) ceased exporting forced-labor goods to the United States; and (4) ceased supplying military assistance to the Khmer Rouge.

In addition, (5) the PRC must have made significant progress in (A) fulfilling its commitment to engage in high-level discussions on human rights issues; (B) taking action to prevent human rights violations in China and Tibet; (C) terminating the harassment of PRC citizens in the United States; (D) ensuring access of international human rights monitors to prisoners, trials, and places of detention; (E) providing adequate protection for U.S. intellectual property rights; (F) removing trade barriers and increasing U.S. imports; and (G) adopting a policy that adheres to international standards on weapons proliferation.

Finally, (6) the PRC must be adhering to the Joint Declaration on Hong Kong between the PRC and the United Kingdom.

Section 4 addresses the contingency for immediate termination of MFN:

(a) Effective 15 days after enactment, the PRC must be denied MFN unless the President certifies to the Congress that the PRC has not transferred M-9 or M-11 ballistic missile launchers to Syria or Iran, and has not transferred M-9 missiles or missile launchers or M-11 missiles to Pakistan.

(b) If, at any time after enactment, the President determines that any transfer described in subsection (a) has occurred, he must immediately notify Congress and revoke the PRC's MFN status.

Differences Between Senate and House Bills (S. 1367 and H.R. 2212)

In general, H.R. 2212 contains far less stringent conditions than S. 1367. The Senate bill includes in substance all the conditions of the House-passed measure. However, with reference to S. 1367, H.R. 2212 includes no parallel provisions to the following sections of the Senate bill:

- Sec. 2. Findings. There is no statement of findings or policy by the Congress in the House bill. In S. 1367, the bill's Section 2 makes a number of findings, relating to the PRC's violations of human rights and misbehavior abroad, such as support for the Khmer Rouge in Cambodia and weapons proliferation.
- Sec. 3. There are no conditions in the House bill parallel to those in S. 1367 requiring the PRC to (3) cease export of forced-labor goods to the United States; (4) cease military assistance to the Khmer Rouge in Cambodia; or requiring progress in (5)(A) fulfilling commitments to engage in discussions on human rights, (E) providing protection to U.S. intellectual property rights, (F) improving trade practices, or (G) adopting international standards on weapons proliferation.
- Sec. 4. There is no provision in H.R. 2212 requiring the denial of MFN based on M-9 and M-11 missile and missile launcher sales.

Resolutions of Disapproval (S.J. Res. 153 and H.J. Res. 263)

These are resolutions of disapproval, as specified in the Jackson-Vanik language, and both contain the identical operative language, quoted below in its entirety:

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

ADMINISTRATION POSITION

[Excerpts]

“The Administration strongly opposes S.J.Res. 153, which would deny China most-favored-nation (MFN) trade status, and S. 1367, which would place additional conditions on MFN renewal.

“Extension of MFN substantially promotes U.S. freedom of emigration and travel objectives, and its withdrawal would place at risk the substantial gains already achieved in these areas.

“Extension of MFN is also important for promoting reform in China. . . . Millions of Chinese depend on a healthy commercial relationship to justify business and social contacts with the United States.

“A fundamental pillar of our relationship with the Chinese people, MFN is essential if we are to stay engaged on a broad range of issues, including human rights, nonproliferation, prison labor exports, and trade. Eliminating MFN would seriously erode our ability to influence Chinese behavior on these issues. It would also hurt U.S. exporters and consumers, and undermine confidence in Hong Kong where the United States has substantial economic interests.

“Conditional renewal is not acceptable because it would make China less likely to respond to U.S. concerns. Hardline Chinese leaders would claim that national honor and sovereignty preclude any concessions to the United States.

“Where particular issues are unresolved and the Chinese are not forthcoming, the President has the tools necessary to pursue U.S. interests in a targeted fashion. MFN’s withdrawal is the wrong tool because of its indiscriminate impact and adverse effect on all Chinese, particularly those who continue to seek reform. The Administration believes that MFN should be renewed unconditionally now on its own merits, as the most effective means for influencing China’s behavior on a range of U.S. interests.”

BIPARTISAN SENATE REQUEST FOR EXECUTIVE ACTION

A position on U.S. policy towards the PRC that does not involve either revocation or conditioning of MFN was signalled in a letter to President Bush on June 19. Signed by 15 Senators (nine of them Republicans, including Republican Leader Dole and Republican Whip Simpson), the letter expresses concern over the PRC’s human rights and foreign policy record. Singled out is the PRC’s behavior with respect to missile sales to Syria and Pakistan, nuclear technology sales to Algeria, and export to the U.S. of forced-labor products. In addition, the Senators note their “serious concerns” on economic matters, including trade barriers, failure to protect U.S. intellectual property rights, and the Administration’s having allowed the PRC “to dictate U.S. policy towards Taiwan” by “declining to support Taiwan’s GATT application despite clear economic benefits to the U.S.”

However, in addressing these concerns, the Senators agree with the President's position on MFN: "But MFN is the wrong tool for the job. Revoking MFN would not promote human rights in China. Instead, it would punish China's most progressive regions and Hong Kong. Revoking MFN would also hurt Americans. China is an important market for U.S. goods ranging from wheat to airplanes. If MFN were revoked, China almost certainly would retaliate against U.S. exports. The Australians, Canadians, Europeans and Japanese are ready to fill the void. No other country is contemplating cutting off China's MFN status."

The Senators note meaningful steps already taken by the President, such as moves to protect intellectual property under the 1988 Trade Act and steps to restrict technology transfers. They urge additional measures, such as opposing multilateral loans for the PRC, taking action under U.S. law to address trade barriers and forced-labor imports, negotiating for multilateral controls on nuclear and missile proliferation, and supporting Taiwan's GATT membership.

COSTS

The Congressional Budget Offices expects S. 1367 would have no budgetary effects through FY 1996.

POSSIBLE AMENDMENTS

Gorton Substitute bill (S. 1469): Similar to S. 1367, without corresponding provisions relating to Khmer Rouge (Sec. (3)(4)) or immediate termination of MFN for missile transfers (Sec. 4).

Helms: Forced labor.

Gorton: Chinese students.

Mikulski: Tying MFN to cessation of forced abortion.

Lugar: Administration substitute.

Adams: Chinese students.

MEDIA REFERENCES

"GOP Loyalty to Bush May Be Key in Fight Over China Status," *Congressional Quarterly Weekly Report*, June 29, 1991, pp. 1737-1741.

"Baucus Pitted in Fight Over China's MFN Status," *The Washington Post*, July 14, 1991, p. A6.

Staff Contact: Jim Jatras, 224-2946

IN PROGRESS: ROLL NO. 203 YEA-AND-NAY TIME REMAINING FINAL
 AUTHOR(S):
 ON PASSAGE

DISAPPROVING THE EXTENTION OF MOST FAVORED NATION TREATMENT
 TO THE PRODUCTS OF CHINA

	H J RES 263			
	YEA	NAY	PRES	NOT VOTING
DEMOCRATIC	171	92		4
REPUBLICAN	51	112		3
INDEPENDENT	1			
TOTALS	223	204		7

TIME REMAINING FINAL

Y Ballenger	Y McEwen	Y Stearns
Y Barton	Y McGrath	Y Walker
Y Bunning	Y McMillan (NC)	Y Weldon
Y Burton	Y Molinari	Y Wolf
Y Coble	Y Moorhead	Y Wylie
Y Cox (CA)	Y Morella	
Y Dannemeyer	Y Paxon	
Y Dickinson	Y Porter	
Y Doolittle	Y Quillen	
Y Dornan (CA)	Y Ravenel	
Y Duncan	Y Ridge	
Y Edwards (OK)	Y Riggs	
Y Fish	Y Ritter	
Y Gilman	Y Rogers	
Y Hancock	Y Rohrabacher	
Y Hefley	Y Ros-Lehtinen	
Y Herger	Y Schulze	
Y Hunter	Y Sensenbrenner	
Y James	Y Shuster	
Y Kasich	Y Smith (NJ)	
Y Kyl	Y Smith (TX)	
Y Lewis (FL)	Y Snowe	
Y McCandless	Y Solomon	
ROLL NO. 203	REPUBLICAN - YEAS -	
N Allard	N Davis	N Hobson
N Archer	N Dreier	N Holloway
N Armey	N Emerson	N Horton
N Baker	N Ewing	N Houghton
N Barrett	N Fawell	N Hyde
N Bateman	N Fields	N Ireland
N Bentley	N Franks (CT)	N Johnson (CT)
N Bereuter	N Gallegly	N Johnson (TX)
N Bilirakis	N Gallo	N Klug
N Bliley	N Gekas	N Kolbe
N Boehlert	N Gilchrest	N Lagomarsino
N Boehner	N Gillmor	N Leach

N Broomfield
N Callahan
N Camp
N Campbell (CA)
N Chandler
N Clinger
N Coleman (MO)
N Combest
N Coughlin
N Crane
N Cunningham

N Gingrich
N Goodling
N Goss
N Gradison
N Grandy
N Green
N Gunderson
N Hammerschmidt
N Hansen
N Hastert
N Henry

N Lent
N Lewis (CA)
N Lightfoot
N Livingston
N Lowery (CA)
N Machtley
N Marlenee
N Martin
N McCollum
N McCrery
N McDade

ROLL NO. 203

REPUBLICAN - NAYS -

N Meyers
N Michel
N Miller (OH)
N Miller (WA)
N Morrison
N Myers
N Nichols
N Nussle
N Oxley
N Packard
N Petri
N Pursell
N Ramstad
N Regula
N Rhodes
N Rinaldo
N Roberts
N Roth
N Roukema
N Santorum
N Saxton
N Schaefer
N Schiff

N Shaw
N Shays
N Skeen
N Slaughter (VA)
N Smith (OR)
N Spence
N Stump
N Sundquist
N Taylor (NC)
N Thomas (CA)
N Thomas (WY)
N Upton
N Vander Jagt
N Vucanovich
N Walsh
N Weber
N Young (AK)
N Young (FL)
N Zeliff
N Zimmer

ROLL NO. 203

REPUBLICAN - NAYS - CONTINUED

- DeLay
- Hopkins
- Inhofe

THE WHITE HOUSE
WASHINGTON

RECOMMENDED TELEPHONE CALL BY THE PRESIDENT

TO: Senator James Jeffords (R-VT)

DATE: July 22, 1991

RECOMMENDED BY: Frederick D. McClure

PURPOSE: To urge Senator Jeffords to support Most Favored Nation trade status for China.

BACKGROUND: Today the Senate begins work on the Mitchell bill providing conditional Most Favored Nation trade status for China. Senator Jeffords is the lone remaining undecided vote on this matter. He has told us he is most concerned about China's human rights policy and, while he wants to be helpful, he has not yet agreed to oppose the Mitchell bill and support our position. A phone call from you, assuring him that human rights policy is the correct one, will help us secure his vote.

KEY POINTS:

- Jim, I hope you had a chance to read my letter to Max Baucus and Bob Dole outlining my China policy. I understand you have strong concerns about China's human rights violations.
- Believe me, I share those concerns, and we are making every possible effort to improve China's human rights policy, but I cannot make real progress on human rights by denying MFN to China -- or worse, putting conditions on it.
- Jim, you have my strong commitment on this area, but I need your vote against the Mitchell bill.
- Can I count on you to help me with this difficult problem?

DATE OF SUBMISSION: July 22, 1991

ACTION:

AMENDMENT NO. _____

Calendar No. _____

Purpose: To express Congress' findings with respect to the trade practices of the People's Republic of China, to specify additional areas of trade in which the People's Republic of China needs to make significant progress, to require the President to take action with respect to certain trade practices and human rights violations, and for other purposes.

IN THE SENATE OF THE UNITED STATES—102d Cong., 1st Sess.

S. 1367

To extend to the People's Republic of China renewal of nondiscriminatory (most-favored-nation) treatment until 1992 provided certain conditions are met.

Referred to the Committee on _____
and ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENTS intended to be proposed by Mr. BINGAMAN

Viz:

- 1 On page 4, between lines 23 and 24, insert the follow-
- 2 ing:
- 3 (10) The United States has failed to use existing laws
- 4 and other means to respond to, prevent, or discourage the
- 5 People's Republic of China from—

AMENDMENT N^o 802

By *Bingaman*

Bill/Res. No. *S.1367*

..... *495*

1 (A) committing violations of internationally rec-
2 ognized human rights, including the rights of the
3 people of Tibet;

4 (B) taking action that results in the proliferation
5 of dangerous military technology and weapons; and

6 (C) engaging in unfair trade practices against
7 the United States.

8 (11) The Government of the People's Republic of
9 China is engaging in unfair trade practices against the
10 United States which are unreasonable and discriminatory
11 and burden and restrict United States commerce by failing
12 to protect intellectual property rights, raising tariffs, em-
13 ploying regulatory taxes as a surcharge to tariffs, using dis-
14 criminatory customs rates, imposing import quotas and
15 other quantitative restrictions, barring the importation of
16 some items, using licensing and testing requirements to
17 limit imports, and falsifying country of origin documenta-
18 tion to transship textiles to the United States through third
19 countries.

20 On page 5, between lines 11 and 12, insert the follow-
21 ing new section:

22 **SEC. 3. PRESIDENTIAL ACTION.**

23 / The President is directed to take the following actions
24 with respect to the People's Republic of China's human

1 rights violations, weapons proliferation, and unfair trade
2 practices:

3

4

~~(1) Substantially tighten restrictions on technol-
ogy transfers to China.~~

5

6

7

8

9

(1) Interact more forcefully with our allies, es-
pecially Japan and European countries, and with the
World Bank and other multilateral lending institu-
tions, to ~~encourage them to restrict~~ *accomplish the restriction of* transfers of
technology to China.

10

11

12

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14

(2) ~~Encourage~~ Encourage members of the Missile Technol-
ogy Control Regime to set up a working group to
develop a common policy concerning the People's
Republic of China's missile transfers to other coun-
tries.

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(3) ~~Direct~~ Direct the United States Trade
Representative to take appropriate action pursuant to sec-
tion 301 of the Trade Act of 1974 with respect to the trade
practices of the People's Republic of China which are un-
reasonable, unjustifiable, or discriminatory and which
burden or restrict United States Commerce.

21

22

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(4) ~~Encourage~~ Encourage the Human Rights Commission
of the United Nations to issue a report on human
rights conditions in the People's Republic of China,
and to work with our allies and the Union of Soviet
Socialist Republics to encourage the Human Rights
Commission to issue such a report.

1 (5.) ~~Take~~ Take any other action the President deems
2 advisable to achieve the purposes of this Act.

3 Redesignate sections 3 through 5 as sections 4
4 through 6, respectively.

5 On page 7, line 5, strike "and".

6 On page 7, between lines 5 and 6, insert the follow-
7 ing:

8 (G) ceasing unfair trade practices against
9 the United States which are unreasonable and
10 discriminatory and burdensome and restrict
11 United States commerce by failing to protect in-
12 tellectual property rights, employing regulatory
13 taxes as a surcharge to tariffs, using discrimina-
14 tory customs rates, imposing import quotas and
15 other quantitative restrictions, barring the im-
16 portation of some items, using licensing and
17 testing requirements to limit imports, and falsi-
18 fying country of origin documentation to trans-
19 ship textiles to the United States through third
20 countries, and

21 On page 7, line 6, strike "(G)" and insert "(H)".



United States Department of State

Washington, D.C. 20520

June 5, 1991

Enclosed you will find the China package that is being sent to every Member. I hope you find it useful.


Janet G. Mullins