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TO: PRESIDENT

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FROM: LAKE

DOC DATE: 22 MAR 93
SOURCE REF:

KEYWORDS: CHINA P R
ECONOMICS
VOA

INTL TRADE
MFN
BROADCASTING

PERSONS:

SUBJECT: ATLANTIC COUN POLICY PAPER ON US - CHINA RELATIONS

ACTION: NOTED BY PRES

DUE DATE: 16 FEB 93 STATUS: C

STAFF OFFICER: PATTERSON

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THE PRESIDENT HAS SEEN ²/₂ 3THE WHITE HOUSE
WASHINGTON

March 22, 1993

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INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: ANTHONY LAKE ✓

SUBJECT: Atlantic Council Policy Paper on U.S.-China Relations

You asked for a summary of the recent study on China policy done by The Atlantic Council of the United States and the National Committee on United States - China Relations. The report recommends against conditional MFN and against the establishment of a Radio Free Asia. It has received some press attention.

A highlighted copy of the report's executive summary is at Tab A. I have also attached at Tab B a copy of the actual report for your information. I suggest you review only pages xv-xxv and the section on American interests, pages 10 - 19, if you wish.

We are conducting our own internal reviews of China policy, chaired by Win Lord, and will provide you with recommendations soon.

Major Themes

- U.S. policy toward China must take into account the expanding role of Asia in world affairs and the specific role of China in the region and the world;
- Broad-based economic growth and prosperity "have become the new global imperative, replacing the exhausting military and ideological competition of the Cold War;"
- "There is no necessary contradiction between our hope for the progressive enlargement of human liberty and our hope for tolerable stability."

The paper argues that "Americans must break out of a historical pattern in which they have unilaterally projected either their best hopes or their worst fears upon the usually mixed reality of China."

A "large majority" of the authors argue that China's MFN status should not be withdrawn or further conditioned and that a vigorous and quiet dialogue should be used to engage the Chinese on human rights. Others argue that the U.S. must stand firm for human rights by conditioning MFN status on improvement of

cc: Vice President
Chief of Staff

Beijing's performance and using access to the U.S. market as leverage in this regard.

The paper strongly opposes Radio Free Asia because it would be perceived in the region as PRC directed and thus reinforce repressive and xenophobic tendencies in Beijing. It does argue that the United States should augment the resources of Voice of America to include economics, the environment and human rights. It argues that an enhanced VOA would have much more credibility and be more cost effective than a "Radio Free Asia". This issue is only discussed in the Executive Summary (pg xxiv-xxv) and not mentioned in the body of the report.

Attachments

Tab A Executive Summary

Tab B "United States and China Relations at a Crossroads" by
 The Atlantic Council of the United States and the
 National Committee on United States - China Relations

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

March 22, 1993

ACTION

MEMORANDUM FOR ANTHONY LAKE

FROM: KENT WIEDEMANN 

SUBJECT: Atlantic Council Policy Paper on U.S.-China
Relations

Attached is a memo for the President describing and summarizing the Atlantic Council's policy paper on U.S.-China relations. [The President asked for this -- one of our Q's & A's mentioned the report.]

RECOMMENDATION

That you sign the memorandum to the President at Tab I.

Attachments

Tab I Memorandum to the President

Tab A Executive Summary of the "United States and China Relations at a Crossroads" by The Atlantic Council of the United States and the National Committee on United States - China Relations

Tab B "United States and China Relations at a Crossroads" by The Atlantic Council of the United States and the National Committee on United States - China Relations

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A

THE ATLANTIC COUNCIL
OF THE UNITED STATES
&
NATIONAL COMMITTEE
ON UNITED STATES-CHINA RELATIONS

**United States and China
Relations at a Crossroads**

POLICY PAPER

Barber B. Conable, Jr. AND John C. Whitehead

CO-CHAIRS

David M. Lampton AND Alfred D. Wilhelm, Jr.

CO-RAPPORTEURS

Executive Summary

Future economic growth of the United States, the creation of higher income jobs, and our national security are closely tied to the Asia-Pacific region, the fastest developing region in the world, and to the region's two principal engines of growth—China and Japan. In turn the creativity and productivity of the people of the region depend upon their attainment of social stability based on individual freedoms governed by self-discipline. To advance U.S. interests and relations in the region, the Administration of President Clinton and the new Congress should engage in a dialogue with China and its neighbors prior to adopting any long-term policy, carefully examine the interrelationships among issues, and avoid letting one issue dominate bilateral relations.

In an effort to advance the national debate about U.S. relations with China, the Committee on China Policy of the Atlantic Council of the United States and of the National Committee on United States-China Relations has attempted to evaluate the interests of the United States and of China, to determine where those interests converge and diverge, and to recommend policies upon which to base a long-term relationship.

This policy paper examines the current state of relations between the United States and the People's Republic of China, Hong Kong, and Taiwan, discusses the interests of the United States and ways to promote them, evaluates current and likely future developments in China, surveys the probable behavior of other actors, and discusses how the United States might coordinate its policies to achieve its own goals as well as satisfy the concerns of its Atlantic and Pacific friends and allies.

The Committee on China Policy has arrived at the broad conclusions and specific recommendations enumerated below, and believes these recommendations responsibly promote U.S. interests and values and satisfy the concerns of friends and allies in the Atlantic and Pacific communities. While there may be parts of the report with which some participants are not in full agreement, nevertheless each participant believes that the report, as a whole, provides a sound basis for future U.S. policy.

Conclusions

- A. U.S. policy toward China should be viewed in a broad global and regional context. In the uncertainty of the post-Cold War era and in contrast to the

turmoil in other world areas, the Asia-Pacific region is basically stable, peaceful, and characterized by high economic growth rates. For the first time, despite some strained relationships, no major strategic fault lines split the major powers (Japan, China, Russia and the United States) in the region. In this context, the principal task of American policy is to contribute to the conditions which make continuation of these circumstances possible. This goal includes assisting the region to manage several potentially disruptive contingencies, while firmly articulating America's conflicting interests and values in its bilateral relationship with China.

Within this framework, being an effective economic competitor in the region is essential to America's own growth. Japan is the principal U.S. economic partner and competitor in the region, but China is currently the region's major source of growth. Moreover, China is an increasingly important force in the world economy today and will become a major force early in the next century if current trends continue.

B. Among the common interests that nurtured the Sino-American relationship in its initial phase during the 1970s and early 1980s was shared opposition to the Soviet Union. The rationale for cooperation in opposing Moscow ended with the conclusion of the Cold War and the collapse of the USSR, but many economic, security and other interests still require a productive relationship between the United States and the PRC.

- ▶ Among these interests are global peace and prosperity, regional growth and stability, the promotion of investment and trade, the creation of jobs, avoidance of environmental degradation, the prevention of drug trafficking, and the improvement of public health.
- ▶ To pursue mutually beneficial interests, both nations must strive to resolve their differences with respect to such issues as weapons sales, human rights, trade, and the future of Hong Kong and Taiwan. To do so, the two societies will have to transcend social and cultural differences some of which will move their economic and political development along different paths.
- ▶ A passive policy toward the PRC would be an unfortunate mistake. Only an active, fully engaged relationship will enable the United States to obtain substantial Chinese cooperation in achieving common interests

and resolving differences. Even though in many cases U.S. influence can only affect Chinese behavior at the margins, those margins are important.

- C. How to respond to change in China will pose some of the greatest challenges facing the United States in the foreseeable future. An unstable and disunited China would create severe problems not only for the Chinese people, but also for the region, the United States, and for an increasingly interdependent world. If, however, China continues to succeed economically, it can contribute to global prosperity and growth. A rapidly developing China will present increasing economic opportunities for Americans, but at the same time there inevitably will be additional points of friction, including trade and security issues. China's growing power will give it expanding global reach, and its interests in distant places will not always be the same as those of the United States or of our friends and allies in Asia. Chinese success is much to be preferred to Chinese failure, but it will pose new problems for U.S. policymakers that will be difficult to manage.
- D. Particularly since the events in Tiananmen Square in June 1989, Americans have been rightly distressed by China's human rights practices. The Asian-Pacific nations generally agree with the United States that human rights are universal, but many have argued that the West has laid too much stress on political and civil rights. Most of these nations argue that significant progress toward the level of human rights and civil liberties being pursued in the West can be achieved only when significant progress is being made toward meeting society's needs for security and economic development, and that one needs to take account of different cultural and historical experiences, demographics, systems of governance, and stages of economic development. The United States believes in the indivisibility of political and economic rights while continuing to speak out on violations of the former. China and the United States, as members of the United Nations, share the obligation to uphold the principles proclaimed in the Universal Declaration of Human Rights, including rights of expression as well as economic rights, such as the right to livelihood, and the United States should continue to make clear to China that human rights are not solely an internal matter but an issue that transcends international boundaries.
- E. U.S. policy toward China in the period ahead should continue to be based on the three joint communiqués—the Shanghai Communiqué of February 1972,

the December 1978 joint communiqué on normalization, and the August 17, 1982, joint communiqué on weapons sales to Taiwan. Policy also should be based on U.S. domestic legislation, most specifically, the Taiwan Relations Act of 1979 and the United States-Hong Kong Policy Act of 1992, as well as international conventions to which both countries are parties. All of these define objectives and standards that can continue to provide the basis for a productive relationship.

Recommendations

A. General Recommendations

1. U.S. policies toward the PRC should be guided by the following principles:
 - ▶ The fact that in some cases U.S. interests diverge from those of the PRC should neither prevent the United States from promoting those divergent interests nor paralyze pursuit of its other policy objectives. With respect to systemic differences, change probably will be evolutionary over a long period of time. U.S. ties to China should be strengthened wherever possible so as to withstand the inevitable stresses as both sides defend their own interests where differences exist.
 - ▶ International standards embraced by international organizations on human rights and on other issues should be utilized wherever possible. This will strengthen these standards worldwide. It will attract international support and help to reduce Third World resentment at unilateral pressures by the United States.
 - ▶ The support of the Congress and the American public is important for a healthy relationship with China. Executive leadership is required in creating and explaining policy toward China as a function of various U.S. interests and values, including human rights.
 - ▶ Most of the time, U.S. policy will only be effective if it is supported by our friends and allies. It should take into account their interests and anxieties. Consultations in both the Atlantic and Pacific communities should be the norm.

2. As we do in other countries, the United States should encourage political reform and greater accountability in China's political process, condemn violations of human rights in China, and promote the PRC's participation in regional economic and security cooperation. These goals are consistent with our own values and, in the long run, will not only contribute to a more stable China but also to a peaceful and prosperous future for Taiwan and Hong Kong. In the human rights area, the key features of policy should be to initiate a vigorous human rights dialogue with Beijing at senior levels to achieve objectives as discussed in the recommendations below.
3. With respect to regional and global economic objectives and their relevance to China, the United States should:
 - ▶ Promote a more vigorous American business, commercial, and economic presence in East and Southeast Asia, including China.
 - ▶ Promote the development of regional economic organizations that span both sides of the Pacific to assist growth, encourage cooperation and open markets, discourage destructive economic practices, and contribute to the resolution of conflict.
 - ▶ Encourage the further integration of the Chinese economy into the region and into the global economy in a number of ways, including staunchly supporting China's entry into the General Agreement on Tariffs and Trade (GATT) after reaching agreement on an acceptable "Protocol" as the United States agreed to do in October 1992, and Taiwan's entry as a separate customs territory of Taiwan, Penghu, Quemoy, and Matsu at approximately the same time.
 - ▶ Support the development of an open, healthy, market-oriented, Chinese economy.
 - ▶ Support open, cooperative economic relations among the PRC, Taiwan, and Hong Kong. Such cooperation reduces the chances for uncontrolled conflict among the parties, promotes the economic and social welfare of citizens in all three areas, and promotes desirable political change. Conversely, economic failure on China's mainland is likely to produce dangerous instability not only within the PRC, but also in Hong Kong, Taiwan, and elsewhere in the region.

4. With respect to regional and global security cooperation:

- ▶ Normal and cooperative relations between the United States and the PRC are part of an overall policy of reassuring and easing concerns among Asian-Pacific nations about threats to peace and prosperity in the region. America needs to continue playing a role that helps to stabilize an uneasy Asian equilibrium.
- ▶ The United States should maintain a military presence in the Western Pacific sufficient to help deter aggression and to help discourage a destabilizing arms race in East Asia. A modest and gradual reduction in U.S. military force in the region is not inconsistent with this objective, but should be carried out only after close consultations with affected countries.
- ▶ The PRC should be encouraged to enter the next phase of multilateral nuclear arms discussions to reduce nuclear weapons stocks worldwide. Beijing also should be asked to participate in the development and implementation of future nuclear, chemical, biological, and delivery system conventions, not simply to subscribe to agreements devised by others.
- ▶ The United States and China should explore ways for the members of the Asia-Pacific region to discuss in a multilateral setting, as well as on a bilateral basis, economic, security, human rights, and other issues of mutual concern. Regional conferences that involve most or all of the region's members may significantly reduce tensions.
- ▶ The United States should expand and intensify efforts to coordinate and consult with China, Russia, and Japan with respect to the prevention of nuclear proliferation on the Korean peninsula and attempt to develop contingencies should a crisis develop there. Further, cooperative efforts should continue in order to realize the objectives of the United Nations operation in Cambodia.

5. With respect to the PRC, Taiwan, and Hong Kong, which have developed mutually beneficial trade, economic, and cultural relations:

- ▶ It will serve neither the interests of the United States nor the welfare of the people of Taiwan or Hong Kong for the United States to call into question the principles upon which U.S. policy toward China has been based for many years (the three communiqués, the Taiwan Relations Act [TRA] and the "United States-Hong Kong Policy Act"), nor should the United States question the validity of the 1984 Sino-British Joint Declaration on Hong Kong or the Basic Law. The overriding interest of the United States is that the transfer of sovereignty over Hong Kong to the PRC be accomplished in ways that serve the interests of both the people of Hong Kong and the PRC and take full account of important American interests there. With respect to Taiwan, America's overriding interest is that the future relationship between Beijing and Taipei be determined by them peacefully. Washington should make it clear to various forces in Taiwan that the autonomy that is now enjoyed would be jeopardized if the people of Taiwan declared *de jure* independence.
- ▶ U.S. policy should take account of the fact that the PRC, Hong Kong, and Taiwan are increasingly interdependent economically. U.S. economic policies toward one should be formulated with consideration of their effects on the other two. A punitive policy aimed at reducing PRC exports to the United States, for example, will adversely affect the economies of Taiwan and Hong Kong.
- ▶ The United States should continue to make vigorous efforts to reduce the bilateral trade deficit between the United States and both the PRC and Taiwan. In negotiations with the PRC and with Taiwan, the United States should continue to press for increased access to their markets for American commodities, manufactured goods, and services, and continue to monitor the protection of American intellectual property rights.
- ▶ The United States should facilitate an early and constructive role not only for the PRC but also for both Taiwan and Hong Kong in world multilateral organizations, especially such economic and professional bodies as the GATT, World Bank, and International Monetary Fund (IMF). Participation by Taiwan and Hong Kong is fully consistent with the principles and understandings that underlie U.S.-China relations and those embodied in the Sino-British Joint Declaration.

- ▶ The public and private sectors in the United States should expand cultural and educational ties not only with the PRC, but also with Taiwan and Hong Kong. To improve American research and education about all three, as well as to further strengthen overall U.S.-China educational relations, the United States should ensure adequate funding for scholarly exchanges with the PRC, Taiwan, and Hong Kong, seek to expand access to scholarly materials in all three areas, and further strengthen Chinese language training in the United States. Also, the United States should encourage the PRC to allow scholars who wish to study abroad to do so and remove political barriers to their departure.

B. Specific Recommendations for U.S.-PRC Relations

6. The fundamental focus of policy disputes concerning China in the American government since 1989 has been whether or not to continue extending normal most-favored-nation (MFN) trading treatment to the PRC given its human rights record and, if it is to be continued, what, if any, additional conditions should be placed upon that extension. In American society, and within the China Policy Committee, there have been two broad, divergent schools of thought (see page 16), with many intermediate permutations.

A large majority of the China Policy Committee believes that China's MFN status should not be withdrawn or further conditioned, and all Committee Members agree that it is necessary to work out a vigorous, positive, and comprehensive human rights policy so as to avoid further debilitating argument over this issue.

The key features of such an approach are threefold:

- ▶ The Administration, in consultation with Congress, should actively engage the Chinese leadership in a vigorous and quiet dialogue on human rights at senior levels. A bilateral human rights commission is one form that such a dialogue might take. The Administration should identify the general and specific important dimensions along which it would like to see human rights progress made in China. One objective of such a dialogue could be to facilitate regular and systematic access to Chinese prisons by the International Committee of the Red Cross. Another dimension along which progress could be made would be to

bring an end to the largely ineffective attempts to jam the Voice of America (VOA).

- ▶ The Administration should also vigorously pursue issues of human rights in such international bodies as the United Nations Human Rights Commission and in consultation with friends and allies.
 - ▶ The President should periodically review the progress of this dialogue with China and make appropriate recommendations to Congress. MFN extension for the PRC should not be subject to serious debate for at least a year in order to assess the utility of the dialogue approach by the Administration.
7. The post-Cold War world order that has emerged since 1989 has by no means eliminated the rationale for productive U.S.-China relations; it simply has made that rationale more complex. The United States should seek to reshape the relationship to give greater emphasis to economic, scientific, and cultural ties, to the need for shared efforts to maintain stability in Asia, and to Chinese involvement in the search for cooperative solutions to the problems that transcend national boundaries, including democracy, human rights, technology and weapons proliferation, and the environment. To this end, we propose that Washington and Beijing resume joint, high-level talks to identify those principal global and regional issues on which the United States and China can actively cooperate (either bilaterally or multilaterally) over the next five years.
 8. Some important American objectives can best be served by meetings at and above ministerial level. The changes in Beijing's policies and senior leadership made at the 14th Party Congress in October 1992 and the initiatives of the Clinton Administration in Washington will increase the opportunities for such meetings. The work of all three joint Sino-American commissions (on science and technology, commerce and trade, and economics) should be resumed. The agenda of appropriate high-level meetings should provide for frank, face-to-face discussions of our differences in such areas as arms sales, trade, and human rights. Diplomacy should be the principal means to find solutions to our differences.
 9. U.S. interests clearly call for major efforts to increase trade and direct investment in the PRC economy, as well as in Hong Kong and Taiwan. The

United States should facilitate and promote U.S. private sector participation in Chinese economic growth and resume Trade and Development Program (TDP) and Overseas Private Investment Corporation (OPIC) activity with respect to China. The U.S. government also should encourage the Chinese to continue to work on establishing a favorable climate for American business in the PRC. At the same time, the United States should continue vigorously to expand market access in China, building on the foundation of the October 10, 1992 market access agreement in which China made far-reaching commitments to enhanced market access. The PRC will have to fulfill its promises to abandon its own protectionist practices if it hopes to continue to strengthen its trade ties with the United States and others; China's early fulfillment of conditions necessary to enter into GATT would serve these purposes.

10. A private sector advisory committee to the Secretary of Commerce should be formed to make specific suggestions about how the United States can promote its trade and investment activity in the PRC, Taiwan, and Hong Kong, as well as other parts of East Asia. Once the advisory committee's recommendations are in place, the Secretary should actively explore means by which those recommendations can be implemented, including appropriate cabinet-level visits, similar to the December 1992 visits by the U.S. Trade Representative to Taipei and the Secretary of Commerce to Beijing.
11. Because of the importance of China's military leaders to the ongoing succession in China, to the PRC's global and regional postures, and to issues of weapons and technology proliferation, the United States should restore high-level official military exchanges. Further, military education and other professional exchanges should be resumed. The first objective of a bilateral military relationship should be to enhance understanding of and influence with this important leadership element and to understand clearly the national security objectives of the PRC, given recent budgetary increases and weapons purchases by China's military establishment.
12. To facilitate the educational and information requirements of China's policy of reform and opening to the world, the United States should augment the resources devoted to the Voice of America for providing news about world developments, including those in China, and for broadening understanding about such issues as economics, the environment, and human rights. It would not only be cost effective to enlarge an already existing organization (VOA), but would also greatly enhance the credibility

of such reports by including them in a service that has a reputation for objectivity. The alternative, surrogate services such as "Asia Information Radio" or "Radio Free Asia," aimed principally at the PRC, would be perceived as treating China as an "enemy state" and thereby reinforce the repressive and xenophobic tendencies in Beijing.

13. Sanctions should be employed to achieve specific objectives where cooperation has failed. For example:
 - ▶ Targeted economic and technology transfer sanctions can be effective in achieving important and specific economic and non-proliferation objectives, when discussions and/or negotiations fail. The U.S. Trade Representative has been effective in persuading Beijing that U.S. demands for opening markets, curbing violations of intellectual property rights, and diversifying export markets are beneficial to both sides. When sanctions are applied, they should be easily implemented, their effect capable of being evaluated, and the conditions for their removal specified. Pursuing diffuse objectives through broad sanctions that are difficult to implement and assess and that lack the support of friends and allies is a formula for ineffectiveness and unilaterally disadvantages American economic and other interests.
 - ▶ Appropriate sanctions should be imposed and publicized when violations of American trade law or international trade and other agreements, such as Beijing's promises to adhere to the Non-Proliferation Treaty and the Missile Technology Control Regime, are documented. Current trade cases range from mislabeling of product origins and the avoidance of quota limitations to the use of prison labor to produce goods destined for the United States. With respect to prison labor, appropriate and targeted sanctions should be imposed if there is a failure to meet the terms of the Memorandum of Understanding signed in 1992.
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THE ATLANTIC COUNCIL
OF THE UNITED STATES
&
NATIONAL COMMITTEE
ON UNITED STATES-CHINA RELATIONS

**United States and China
Relations at a Crossroads**

POLICY PAPER

Barber B. Conable, Jr. AND John C. Whitehead

CO-CHAIRS

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CO-RAPPORTEURS