

DISAPPROVAL OF MOST-FAVORED-NATION TREATMENT
FOR CHINA

JUNE 25, 1996.—Committed to the Committee of the Whole House on the State of
the Union and ordered to be printed

Mr. ARCHER, from the Committee on Ways and Means,
submitted the following

ADVERSE REPORT

together with

DISSENTING VIEWS

[To accompany H.J. Res. 182]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the joint resolution (H.J. Res. 182) disapproving the extension of non-discriminatory treatment (most-favored-nation treatment) to the products of the People's Republic of China, having considered the same, report unfavorably thereon without amendment and recommend that the joint resolution do not pass.

I. INTRODUCTION

A. PURPOSE AND SUMMARY

H.J. Res. 182 would disapprove the extension of nondiscriminatory treatment (most-favored-nation treatment) to the products of the People's Republic of China.

B. BACKGROUND

Prior to 1951, the United States extended nondiscriminatory, or unconditional most-favored-nation (MFN) treatment, to all of its trading partners, in accordance with obligations undertaken when the United States joined the General Agreement on Tariffs and Trade (GATT) in 1948. However, the Trade Agreements Extension Act of 1951, directed the President to withdraw or suspend the

MFN status of the Soviet Union and all countries under the domination of international communism. As implemented, this directive was applied to all then-existing communist countries except Yugoslavia. Poland's MFN status was restored by Presidential directive in 1960.

Title IV of the Trade Act of 1974, which includes the so-called "Jackson-Vanik amendment," represented a liberalization of the 1951 law. Title IV authorizes the extension of MFN treatment to nonmarket economies which meet freedom of emigration requirements and conclude a commercial agreement with the United States. Title IV authorizes the President to waive the freedom-of-emigration requirements of that title, and to grant MFN status to a nonmarket economy country, if he determines that doing so will substantially promote the freedom-of-emigration objectives of that title.

MFN status was first granted to the People's Republic of China on February 1, 1980, and has been renewed annually since then on the basis of Presidential waivers. (A bilateral commercial agreement, as required by the Jackson-Vanik amendment, has remained in force during that time.) On May 31, 1996, the President, formally transmitted to the Congress his recommendation to waive, once again, the 1974 Trade Act's freedom-of-emigration requirements and to thereby extend China's MFN status for an additional year, during the period of July 3, 1996, to July 3, 1997.

The President's waiver authority under Title IV expires at midnight on July 2 of each year. It may be extended on an annual basis upon a Presidential determination and report to Congress that such extension will substantially promote the freedom-of-emigration objectives of the 1974 Trade Act. The waiver authority continues in effect unless disapproved by the Congress—either generally or with respect to a specific country—within 60 calendar days after the expiration of the existing authority. Under Title IV amendments adopted as part of the Customs and Trade Act of 1990, disapproval takes the form of a joint resolution disapproving the extension of Presidential authority to waive the 1974 Trade Act's freedom-of-emigration requirements. Under the 1990 amendments, Congress can consider any veto message before the later of the end of the 60-day period or within 15 legislative days. The disapproval resolution is privileged for a Member. This generally guarantees a vote in the House if it is introduced.

If both chambers of Congress do not pass a resolution of disapproval within the 60 calendar days following the July 2, 1996 expiration of the existing waiver authority, China's MFN status is automatically renewed through July 2, 1997. House Joint Resolution 181 was introduced by Representative Walker (R, PA) on June 12, 1996. House Joint Resolution 182 was introduced by Representative Rohrabacher (R.,CA) on June 13, 1996. The resolutions provide for disapproval of extension of the waiver authority recommended by the President on June 2 with respect to China for the period beginning July 3, 1996.

C. LEGISLATIVE HISTORY

Committee resolution

House Joint Resolution 182 was introduced on June 13, 1996, by Representative Rohrabacher (R., CA), and was referred to the Committee on Ways and Means. On June 18, 1996, the Committee ordered House Joint Resolution 182 reported adversely without amendment to the House by a recorded vote of 31 ayes, 6 noes.

Legislative hearing

The Subcommittee on Trade held a hearing June 11, 1996 on the question of renewing China's most-favored-nation trade status. At this hearing, Members of Congress, as well as representatives of the Administration and the business community expressed their views regarding U.S.-China trade relations.

II. EXPLANATION OF THE RESOLUTION*Present law*

Title IV of the Trade Act of 1974, as amended by the Customs and Trade Act of 1990 (Public Law 101-382), sets forth three requirements relating to freedom of emigration which must be met, or waived by the President, in order for a nonmarket economy country to be granted MFN treatment. Title IV also requires that a bilateral commercial agreement that provides for nondiscriminatory, MFN status remain in force between the United States and the nonmarket economy country receiving MFN status. Title IV also sets forth minimum provisions that must be included in such an agreement.

An annual Presidential recommendation under section 402(d) for a 12-month extension of authority to waive the Jackson-Vanik freedom-of-emigration requirements—either generally, or for specific countries—may be disapproved through passage by Congress of a joint resolution of disapproval within 60 calendar days after the expiration of the previous waiver authority. Congress may override a Presidential veto within the later of the end of the 60 calendar day period for initial passage or 15 legislative days.

Explanation of the resolution

House Joint Resolution 182 states that the Congress does not approve the extension of the waiver authority contained in section 402(c) of the Trade Act of 1974, recommended by the President to the Congress on May 31, 1996, with respect to the People's Republic of China.

Reasons for committee action

The Committee reports Congressman Rohrabacher's disapproval resolution adversely, primarily because the Members, in general, support the Administration's policy. The Committee is convinced that non-discriminatory trade treatment is the cornerstone of a policy of engagement and increased trade, which enables the United States to influence the growth of democratic and market-oriented policies in China, in a manner which will improve respect for fundamental human rights and lead eventually to political reform. The

Committee, in general, recognizes that disapproving the President's recommendation for an extension of China's MFN status would permanently sacrifice U.S. leverage to bring about change in China, while at the same time harming U.S. exporters.

Withdrawing MFN for China would also have a serious adverse effect on Taiwan and Hong Kong due to the high levels of trade and investment between Hong Kong and China, and between Taiwan and China. Finally, the majority of Members believe that revoking China's MFN status as of July 3 of this year is too blunt a sanction that would undermine U.S. Government efforts to bring China into the global community of civilized nations. While the U.S. has many serious problems with China, the Committee believes they are best addressed through expanding the involvement of U.S. citizens in Chinese society, and making full use of U.S. trade statutes where necessary.

III. VOTES OF THE COMMITTEE

In compliance with clause 2(1)(2)(B) of rule XI of the Rules of the House of Representatives, the following statement is made relative to the vote of the Committee in its consideration of House Joint Resolution 182:

Motion to report the resolution

House Joint Resolution 182 was ordered adversely reported without amendment by a recorded vote of 31 ayes, 6 noes on June 18, 1996, with a quorum present. The rollcall vote was as follows:

Representatives	Yea	Nay	Present	Representatives	Yea	Nay	Present
Mr. Archer	X	.....	.....	Mr. Gibbons	X	.....	.....
Mr. Crane	X	.....	.....	Mr. Rangel	X	.....	.....
Mr. Thomas	X	.....	.....	Mr. Stark .....	.....	X	.....
Mr. Shaw	X	.....	.....	Mr. Jacobs	X	.....	.....
Mrs. Johnson	X	.....	.....	Mr. Ford .....	.....	.....	.....
Mr. Bunning .....	.....	X	.....	Mr. Matsui	X	.....	.....
Mr. Houghton	X	.....	.....	Mrs. Kennelly	X	.....	.....
Mr. Herger	X	.....	.....	Mr. Coyne .....	.....	X	.....
Mr. McCrey	X	.....	.....	Mr. Levin	X	.....	.....
Mr. Hancock	X	.....	.....	Mr. Cardin .....	.....	X	.....
Mr. Camp	X	.....	.....	Mr. McDermott	X	.....	.....
Mr. Ramstad .....	.....	.....	.....	Mr. Kleczka	X	.....	.....
Mr. Zimmer	X	.....	.....	Mr. Lewis .....	.....	X	.....
Mr. Nussle	X	.....	.....	Mr. Payne	X	.....	.....
Mr. Johnson	X	.....	.....	Mr. Neal	X	.....	.....
Ms. Dunn	X	.....	.....	Mr. McNulty	X	.....	.....
Mr. Collins	X	.....	.....		
Mr. Portman	X	.....	.....		
Mr. Hayes .....	.....	X	.....			
Mr. Laughlin	X	.....	.....		
Mr. English	X	.....	.....		
Mr. Ensign	X	.....	.....		
Mr. Christensen	X	.....	.....		

IV. BUDGET EFFECTS

A. COMMITTEE ESTIMATE OF BUDGETARY EFFECTS

In compliance with clause 7(a) of the rule XIII of the Rules of the House of Representatives, the following statement is made concerning the effects on the budget of this resolution, House Joint Resolu-

tion 182 as reported: The Committee agrees with the estimate prepared by CBO which is included below.

B. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX EXPENDITURES

In compliance with subdivision (B) of clause 2(1)(3) of rule XI of the Rules of the House of Representatives, the Committee states that the provisions of H.J. Res. 182 do not involve any new budget authority, or any decrease in revenues or tax expenditures. Enactment of H.J. Res. 182 would increase customs duty receipts due to higher tariffs imposed on goods from China.

C. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

In compliance with subdivision (C) of clause 2(1)(3) of rule XI of the Rules of the House of Representatives, requiring a cost estimate prepared by the Congressional Budget Office, the following report prepared by CBO is provided:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 21, 1996.

Hon. BILL ARCHER,
*Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has reviewed H.J. Res. 182, a joint resolution disapproving the President's recommendation to extend most-favored-nation (MFN) status to the People's Republic of China, as adversely reported on June 18, 1996, by the Committee on Ways and Means. CBO estimates that disapproving the extension of MFN status to the People's Republic of China would increase receipts by \$110 million in fiscal year 1996 and by \$331 million in fiscal year 1997.

Under the Trade Act of 1974, MFN status may not be conferred on a country with a nonmarket economy if that country maintains restrictive emigration policies. Under present law, however, the President may waive this prohibition on an annual basis if he certifies that granting MFN status would promote freedom of emigration in that country. The People's Republic has received MFN status through presidential proclamation on an annual basis beginning in 1980. On May 31, 1996, President Clinton transmitted to Congress his intention to waive the emigration prohibition and extend MFN status to the People's Republic of China for an additional year, beginning July 3, 1996. H.J. Res. 182 would disapprove the President's recommendation to extend MFN treatment.

If the People's Republic were denied MFN status, tariff rates on its export to the U.S. would rise substantially. The higher tariffs on these goods would increase the prices faced by U.S. consumers for the goods imported from the People's Republic, reducing demand. Therefore, imports of goods from the People's Republic would be lower than they would be if MFN status were to be extended. CBO estimates that the increased tariff rates caused by the loss of MFN status would cause an overall increase in customs duty receipts measured relative to revenues generated under continued MFN status. Because imports from the People's Republic

would decline substantially, customs duties collected on Chinese imports to the U.S. would fall, but it is likely that some of the decline in U.S. imports from the People's Republic would be made up by an increase in imports from other MFN countries. CBO estimates that the increase in revenues from this effect would outweigh the reduction in revenues from the reduced level of imports from the People's Republic. The budget effects of the bill are shown in the following table.

REVENUE EFFECTS OF H.J. RES. 182
[By fiscal years, in billions of dollars]

	1996	1997	1998	1999	2000
Projected Revenues Under Current Law ¹	1,417.583	1,475.572	1,547.285	1,619.979	1,699.866
Proposed Changes	0.110	0.331	0	0	0
Projected Revenues Under H.J. Res. 182	1,417.693	1,476.903	1,547.285	1,619.979	1,699.866

¹Includes the revenue effects of P.L. 104-7 (H.R. 831), P.L. 104-104 (S. 652), P.L. 104-117(H.R. 2778), P.L. 104-121 (H.R. 3136), P.L. 104-132 (S. 735), and P.L. 104-134 (H.R. 3019).

The proposed legislation contains no intergovernmental mandates as defined in Public Law 104-4 and would impose no direct costs on state, local, or tribal governments. The increased tariff rates on products from the People's Republic caused by the loss of MFN would impose a private-sector mandate on importers of Chinese products into the United States. The private-sector mandate would exceed \$100 million in both fiscal years 1996 and 1997. Taxes would increase by \$0.1 billion in 1996 and by \$0.3 billion in 1997. In addition to these increased tariffs, firms would incur additional costs when they substitute goods from other MFN countries or domestic producers.

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts through 1998. CBO estimates that H.J. Res. 182 would affect receipts. Therefore, pay-as-you-go procedures would apply. The pay-as-you-go impact is summarized below.

PAY-AS-YOU-GO CONSIDERATIONS
[By fiscal years, in millions of dollars]

	1996	1997	1998
Changes in Outlays	(¹)	(¹)	(¹)
Changes in Receipts	110	331	0

¹Not applicable.

If you wish further details, please feel free to contact me or your staff may wish to contact Stephanie Weiner.

Sincerely,

JAMES L. BLUM
(For June E. O'Neill, Director).

V. OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

A. COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS

With respect to subdivision (A) of clause 2(1)(3) of rule XI of the Rules of the House of Representatives (relating to oversight findings), the Committee, based on public hearing testimony and information from the Administration, believes that revoking China's MFN status as of July 3, 1996 would be unwise and counter-productive.

B. SUMMARY OF FINDINGS AND RECOMMENDATIONS OF THE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

With respect to subdivision (D) of clause 2(1)(3) of rule XI of the Rules of the House of Representatives, no oversight findings or recommendations have been submitted to the Committee by the Committee on Government Reform and Oversight with respect to the subject matter contained in the resolution.

C. INFLATIONARY IMPACT STATEMENT

In compliance with clause 2(1)(4) of rule XI of the Rules of the House of Representatives, the Committee states that House Joint Resolution 182 would not have an inflationary impact on prices and costs in the operation of the national economy.

VI. DISSENTING VIEWS

DISSENTING VIEWS OF HON. JIM BUNNING

I can think of no reason to continue giving Most Favored Nation trading status to China, and I support the resolution of disapproval.

Every year when Congress wrestles with this issue, we hear how improving trade with China will encourage change in that land. We hear that China is finally turning the corner and improving upon its pitiful record on human rights issues, and that China is going to stop supporting terrorists and shipping missiles to rogue nations like Iran. My friends who support MFN claim that continued engagement with China will help exorcise the ghosts of Tiananmen Square.

But, each summer when MFN renewal comes up, I am reminded of the old saying, "The more things change, the more they stay the same."

MFN supporters keep telling us how improving commerce with Beijing is changing China for the better, but nothing really changes at all. Since we visited this issue last year, China has not changed its brutal "one child per family" policy of forced abortion and sterilization. China has not stopped persecuting Christians, or reversed its oppressive policies toward Tibet, and it still uses slave labor to produce products for export to America.

China continues to menace Taiwan, and Beijing even tried to undermine the recent elections with its saber-rattling and threats of invasion. China has not stopped smuggling automatic weapons into the U.S., and only recently claims to have stopped exporting nuclear bomb-making materials to Pakistan.

Since the MFN debate last year, I can not see any evidence that China is mending its ways. In fact, if Beijing is headed in any direction, it is backwards.

When dealing with China, I think that we should probably put a new twist on the old adage and instead say, "The more things change, the more they get worse."

I know that the administration reached an intellectual property agreement with China in the last several days, but many of the early reports that I have seen about it are not favorable. Still, no matter how good a deal it is for the U.S., I am afraid that it is not going to mean anything to the women who are forced to undergo abortions, or for the little girls who are left for dead in the "Dying Rooms" in the state-run orphanages. Improving trade with China and continuing MFN is not going to make a difference in the slave labor camps, or for the Tibetan monks who are tortured for their beliefs.

I can think of no reason to support MFN or to further encourage trade with China.

JIM BUNNING.

DISSENTING VIEWS OF HON. JOHN LEWIS

We should not give unconditional Most Favored Nation status to China. As a Congress and as a country, we do not allow any business with Cuba or Iran. This year, we imposed sanctions on foreign businesses that do business with Cuba. Very recently, this Committee passed a bill to sanction foreign business that would help Iran.

And yet, when it comes to China, we do not impose sanctions. We do not even impose trade barriers. We give China the same trade privileges that we give to democratic nations. We have tried a policy of business as usual with China, and it has not worked.

China continues down its troubling path of human rights abuses and opposition to democracy. Human rights abuses have continued since Tiananmen Square. In fact, in Tibet, human rights abuses have worsened in the last year. China feels no need to improve, because the Chinese leaders know that we will allow business as usual to continue.

Chinese companies—including one directly under the control of China's army—smuggled illegal assault weapons into our country. These assault weapons help fuel the deadly, terrible crime on our streets. China has violated its international nuclear nonproliferation agreements by sending materials for nuclear weapons to Pakistan and to Iran.

China has made no progress in human rights. The slave labor camps in China and Tibet continue. Political prisoners are brutally tortured. Democratic reformers are imprisoned. Religious leaders are imprisoned. There is no freedom of speech, no freedom of press, no freedom at all!

We should not reward China. We must send China a strong message. We must tell them that if they want to join the community of nations, they must treat their people with respect and dignity. We must make them understand that goods produced by slave labor are tainted. We must make it clear that selling arms to Iran, a terrorist nation, is unacceptable.

It has been said that for evil to exist, all that is needed is for good people to do nothing. This is our opportunity to do something—to make a difference. Should we choose to do nothing—to continue business as usual with China, history will not be kind to us. When historians take up their pens to write about this debate, they will remember it as a day when good people did nothing.

Human rights is and should be an important foreign policy goal. We cannot have trade at any cost. The price for MFN for China is too high. I for one am not willing to pay that price.

JOHN LEWIS.

DISSENTING VIEWS OF HON. PETE STARK AND HON. JOHN
LEWIS

Each year the President must seek a waiver from Congress to allow China to have Most Favored Nations (MFN) status. Each year, China provides us with at least one new reason to oppose normalized trade with China.

China consistently and flagrantly violates our laws and repudiates our values. China was caught red-handed sending materials to create nuclear weapons—last year to Iran and this year to Pakistan. World peace threatened, just to make a profit.

China's human rights violations have been a long-standing problem. Who among us could forget the sight of those tanks crushing students whose only crime was to meet publicly and peacefully to voice their opposition to their government? China still refuses its citizens the right to speak freely and to meet publicly.

This year's transgressions implicate China's top government officials. A series of Chinese companies operated by the children of senior Chinese officials played a major role in the illicit copying of over \$2 billion of US commercial goods.

Even worse, the son-in-law of China's top leader, Deng Xiaoping, along with other relatives of top Chinese government officials, has been implicated in the biggest seizure of illegal guns in our nation's history. On May 22, 1996, US customs officials intercepted \$4 million worth of illegal AK-47 automatic weapons. The link between this illegal shipment and the Chinese government is direct and indisputable.

We have urged the President to bar all trade in the US with the companies involved in this outrageous gun running scheme. The problem is not just the companies but the government of China which exhibits a pattern of flaunting US and international laws.

The Chinese government has shown little regard for the safety of our streets and our children, or the safety of our world. For these reasons, we adamantly oppose granting China favorable trading status.

PETE STARK.
JOHN LEWIS.

