



Executive Memorandum

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WHY NORMAL TRADE WITH CHINA SHOULD CONTINUE

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In accordance with the Jackson–Vanik Amendment to the 1974 Trade Act, President Clinton has extended China’s normal trade relations (NTR) status for another year. As it has done every year since 1990, Congress, though not required to act on the President’s decision, has chosen to consider a resolution of disapproval. Each year, debate over the resolution focuses on human rights, trade, and national security concerns that plague U.S.–China relations. This year, national security concerns are expected to dominate as Members consider the startling revelations contained in the Cox Committee report.

The Cox report, however, advocates tough safeguards on the most critical military secrets, not increased government regulation of normal trade. Trade in normal goods and services—like clothing, toys, consumer electronics, and fast food—promotes a spirit of enterprise that is capable of transforming Chinese society in a way that promotes U.S. interests. It is entirely consistent for the United States to do all it can to control the spread of dangerous technologies, deploy defenses against their use, and at the same time promote a vigorous normal trade relationship with China.

Normal Trade Serves U.S. Interests. NTR simply expresses the U.S. commitment to “normal” trade and the environment of freedom and opportunity it can create. It does not endorse trade in militarily sensitive technologies, and it does not absolve the

U.S. government of its responsibility to defend against the use of such technologies.

A normal trade relationship with China remains critical to the promotion of U.S. interests. It affords Americans an opportunity to contribute directly to the expansion of free enterprise in China, to break down barriers to trade and investment, to strengthen the institutional infrastructure necessary for free people to flourish, and to integrate China into a rule-based international trade system. A normal trade relationship also supports China’s domestic policy priority of market reforms, which should make China’s commercial practices more consistent with international standards.

These objectives are consistent with long-standing U.S. interests, and none compromises U.S. national security.

To Protect American Security and Promote Freedom in China. Members of Congress are right to be concerned over the Clinton Administration’s lack of priority and judgment on questions of national security. The Administration’s failure is due in part

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to lax enforcement of domestic security guidelines, but it also derives from a mentality that de-emphasizes national security in favor of export promotion. The Cox report chronicles the consequences of this mindset.

Congress must swing the pendulum back toward protecting national security first. Technology that has a direct military application, especially upgrading high-tech weaponry, should not be exported to China or any other country that is not a close ally of the United States. Such necessary restrictions, however, should not hinder the ability of the United States to participate actively in the creation and expansion of free enterprise in China. Although true free enterprise is in short supply in China, it exists and should be encouraged to grow. To restore a proper sense of priority and balance between security and commercial interests in China, the U.S. should:

- **Welcome continuation of a normal trade relationship with China.** Congress should welcome the President's extension of China's NTR status to support the efforts of American businesses to expand China's small but growing private sector. Developing China's private sector through commerce and trade is the best way to free the Chinese people from government control in the short term. Private-sector employment offers them the wealth and freedom to choose private alternatives to government regulation and restriction.
- **Conclude the World Trade Organization agreement with China.** In April, President Clinton rebuffed an agreement offered by China's Premier, Zhu Rongji, which would have committed China to dramatic trade barrier reductions consistent largely with U.S. demands. The President must revive this deal. China's market-access agreement sets an important precedent for other major economies awaiting WTO membership and, regrettably, appears to be a prerequisite for Taiwan's membership. By securing China's WTO membership, the U.S. will increase exports to China's large potential market and Taiwan's large current market.
- **Accelerate the development of missile defenses.** China's missile modernization, advanced by technology transfers catalogued in the Cox report, requires that the Clinton Administration commit to an earliest possible deployment of effective national and theater missile defense systems. The American people would be twice the loser if the Administration, having failed to stem the flow of dangerous technologies, then failed to rapidly deploy effective defenses against their use.
- **Increase scrutiny of and controls on high-tech exports.** Controls on the export of dual-use technology (goods with commercial and military application) have weakened since the end of the Cold War, but especially during the Clinton Administration. The U.S. should restore stiff penalties for firms whose negligence compromises U.S. security, and work to rebuild a multilateral regime to coordinate controls on the spread of the most dangerous dual-use technologies. By calling for the reauthorization of an updated 1979 Export Administration Act, the Senate could ensure that national security is not compromised in the course of continued normal trade.

Conclusion. The challenge now before U.S. policymakers is to build a China policy that safeguards American security and fosters developments within China that allow freedom, opportunity, and civil society to flourish. The Cox report demonstrates the strategic cost of weak safeguards on sensitive military technology. Unrealistic optimism about establishing a strategic partnership with China seemed to blind the Clinton Administration to the danger posed by relaxed controls on strategic goods. Congress must act to protect Americans from the abnormal trade in U.S. nuclear and missile technologies, but at the same time promote a vigorous normal trade relationship with China to foster continued economic reforms and to empower the Chinese people to take greater control over their own lives.

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