



Executive Memorandum

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PERMANENT TRADE RELATIONS WITH CHINA: NECESSARY STEPS FOR CONGRESS

STEPHEN J. YATES

The Clinton Administration is calling on Congress to extend China's normal trade relations (NTR) status on a permanent basis at the earliest possible date. The Administration sent proposed language for such action to Capitol Hill on March 8. It is important that any legislation eventually approved by Congress enables the United States to benefit from the landmark trade agreement concluded with China last November. But it is critical that Congress not allow the Administration's haste in this matter to hinder its own consideration of other priority interests with China, such as national security and human rights.

The earliest possible date that this latest U.S.–China trade agreement will enter into force is the day that China officially joins the World Trade Organization (WTO). Although China has concluded the requisite bilateral trade agreement with the United States, similar agreements with other trading partners (most notably the European Union) remain under negotiation. After these other bilateral agreements are reached, the WTO must assimilate them into a common accession protocol determining the rules and commitments that will govern China's membership. Only then will China be able to join the WTO.

With the European Union bilateral trade agreement still outstanding, it is premature to vote on China's permanent normal trade status. Agreement could be reached soon, but it appears more likely that negotiations will carry on for much of this year.

This would delay the drafting of China's accession protocol significantly and likely put off WTO membership until 2001 or later. The United States gains nothing by rushing ahead of this process to approve a permanent extension of China's NTR status. This would send an undesirable message to China and the American people that securing China's membership in the WTO is more important than addressing significant security and human rights concerns, or even public disclosure of the deal.

Before considering any vote to permanently extend normal trade relations with China, the United States should:

- **Review the Export Administration Act (S. 1712).** The Administration allowed relations with China to be dominated by trade. Trade is an important factor in promoting freedom in China by expanding the private sector, but it should be part of a more comprehensive strategy that protects U.S. security first and then promotes freedom. Before making China's trade status permanent, Washington should demon-

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strate its commitment to security by reviewing the terms of the Export Administration Act to ensure that sufficient controls over sensitive dual-use technology exports to China are maintained. This would help demonstrate that national security is more important than commerce in dealing with China.

- **Enhance Taiwan's security.** On March 18, the people of Taiwan will elect a new president. In the days before this election, China has chosen coercion over conciliation in projecting its interests into the contest. On February 21, China released an 11,000-word White Paper broadening the conditions under which Beijing would use military force against Taiwan to include an indefinite delay of unification talks on Beijing's terms. More pressing than a premature endorsement of China's WTO membership is a demonstration of U.S. support for Taiwan's democracy and the security it needs in order to enter into negotiations with Beijing. The House led the way on February 1 by passing the Taiwan Security Enhancement Act (H.R. 1838) by a vote of 341–71. It is now up to the Senate to move ahead.
- **Address human rights.** According to the just-released State Department 1999 Human Rights Country Report, China's "poor human rights record deteriorated markedly throughout the year, as the government intensified efforts to suppress dissent, particularly organized dissent." Crackdowns on the fledgling China Democracy Party and the Falun Gong spiritual movement demonstrate Beijing's severe intolerance. Although the annual debate in Congress over China's trade status has not led to marked improvement in the government's treatment of Chinese people who think for themselves, neither is trade alone the solution. As the Congress considers permanent trade relations

with China, the Administration should also consult with Congress to devise a more comprehensive approach to promoting freedom in China, one that fosters the foundations of democracy (for example, the rule of law and freedom of information and association) and empowers the Chinese people to reform their government as they see fit. Counting on trade promotion and half-hearted denunciations at the United Nations alone will not drive systemic change in China.

- **Declassify the U.S.–China trade agreement.** The broad terms of the U.S.–China bilateral trade deal have been released by the U.S. Trade Representative and widely publicized by the business community. The details of the deal remain classified because "negotiations are ongoing." While the Administration is not required to declassify the details, neither should it ask for tacit ratification of an unfinished agreement. When the negotiations are concluded, the deal should be declassified and its terms subject to the same level of public scrutiny as such other major trade agreements as the North American Free Trade Agreement.

The Administration's goal of normalized trade relations with China is correct, but its haste is unwarranted. Conclusion of negotiations with the European Union and public scrutiny of China's accession protocol will make it easier for Congress to approve permanent normal trade relations with China. In the meantime, the United States should make clear its determination to protect U.S. security and support democracy before and after China becomes a member of the World Trade Organization.

—Stephen J. Yates is Senior Policy Analyst for China in the Asian Studies Center at The Heritage Foundation.