AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

106TH CONGRESS
1st Session

HOUSE OF REPRESENTATIVES

REPORT
106–262

DISAPPROVAL OF NORMAL TRADE RELATIONS TREATMENT TO THE PRODUCTS OF THE PEOPLE'S REPUBLIC OF CHINA

JULY 26, 1999.—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

[To accompany H.J. Res. 57]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the joint resolution (H.J. Res. 57) disapproving the extension of non-discriminatory treatment (normal trade relations treatment) to the products of the People's Republic of China, having considered the same, report unfavorably thereon and recommend that the joint resolution do not pass.

CONTENTS

69–006

I. INTRODUCTION

A. PURPOSE AND SUMMARY

H.J. Res. 57 would disapprove the extension of normal trade relations (NTR status) 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, now referred to as normal trade relations (NTR[1]), 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 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 normal trade relations treatment to nonmarket economies which both meet freedom-of-emigration requirements and conclude a commercial agreement with the United States. Title IV also authorizes the President to waive the freedom-of-emigration requirements of that title and to extend NTR status to a nonmarket economy country if he determines that doing so will substantially promote the freedom-of-emigration objectives. 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.

In the case of the People's Republic of China, a bilateral commercial agreement, as required by the Jackson-Vanik amendment, was concluded on July 7, 1979, and has remained in force since that time. NTR was first granted to China on February 1, 1980, and has been renewed annually since then on the basis of Presidential waivers. On June 3, 1999, the President formally transmitted to the Congress his recommendation to waive the 1974 Trade Act's freedom-of-emigration requirements and to thereby extend China's NTR status for an additional year, during the period of July 3, 1999, through July 2, 2000.

The President's waiver authority continues in effect unless disapproved by the Congress—either generally or with respect to a specific country—within 60 calendar days of 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 re-

[1] Legislation to replace the term "most-favored-nation" (MFN) in United States statutes with the term "normal trade relations" (NTR) was enacted into law as part of the Internal Revenue Service Restructuring and Reform Act of 1998, P.L. 105–206.

quirements. Under the 1990 amendments, Congress may consider any veto message before the later of the end of the 60-day period or within 15 legislative days. The disapproval resolution is highly privileged, thus generally guaranteeing a vote in the House if it is introduced.

If both chambers of Congress do not pass a resolution of disapproval within 60 calendar days following the July 3, 1999, expiration of the existing waiver authority, China's NTR status is automatically renewed through July 2, 2000. House Joint Resolution 57 was introduced by Representative Rohrabacher on June 7, 1999. The resolution provides for disapproval of extension of the waiver authority recommended by the President on June 3, 1999, with respect to China for the period beginning July 3, 1999.

C. LEGISLATIVE HISTORY

Committee action

House Joint Resolution 57 was introduced on June 7, 1999, by Representative Rohrabacher and was referred to the Committee on Ways and Means. On July 1, 1999, the Committee ordered House Joint Resolution 57 reported adversely without amendment to the House by voice vote, with a quorum present.

Legislative hearing

The Subcommittee on Trade held a hearing June 8, 1999, on the question of renewing China's NTR status. At this hearing, Members of Congress, representatives of the Administration, and other interests 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 NTR. Title IV also requires that a bilateral commercial agreement that provides for nondiscriminatory, NTR status remain in force between the United States and the nonmarket economy country receiving NTR 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 57 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 June 3, 1999, 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 of engagement with China. The Committee is convinced that normal trade relations, or non-discriminatory trade treatment, should be the cornerstone of a policy of engagement. This is because increased trade 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 encourage political reform. The Committee continues to view with deep concern widespread human rights abuses carried out by the Government of China against Catholic priests and bishops, Protestant pastors, Tibetan Buddhist clergy, and pro-democracy activists. Nevertheless, the Committee recognizes that disapproving the President's recommendation for an extension of China's NTR status would permanently sacrifice U.S. leverage to bring about change in China, while at the same time harming U.S. exporters, workers, and consumers.

Withdrawing NTR for China would also have a serious adverse effect on Hong Kong and Taiwan due to the high levels of trade and investment between Hong Kong and China, and between Taiwan and China. By severely disrupting trade in the region, terminating NTR would harm U.S. efforts to address the current financial crisis in Asia and risk prompting further currency devaluations. Terminating NTR would also jeopardize efforts to finalize market access concessions made by Chinese Premier Zhu Rongji during his April 8 Summit meeting with President Clinton in which the two leaders negotiated China's accession to the World Trade Organization. If implemented, these commitments would represent substantial new opportunities for United States exports to, and investment in China. Finally, the Committee believes that revoking China's NTR status as of July 3 of this year would constitute too blunt a sanction and would work against U.S. Government efforts to bring China into the global community of civilized nations. While the United States has many serious problems with China, the Committee believes areas of U.S.-Sino disagreement are best addressed through expanding U.S. contact with China.

III. VOTES OF THE COMMITTEE

In compliance with clause 3(b) of rule XIII of the Rules of the House of Representatives, the following statement is made concerning the vote of the Committee on Ways and Means in its consideration of the joint resolution, H.J. Res. 57.

MOTION TO REPORT THE BILL

The joint resolution, H.J. Res. 57, was ordered adversely reported by a voice vote, with a quorum being present.

VOTES ON AMENDMENTS

A roll call vote was conducted on an amendment by Mr. Rangel to add Cuba to the resolution disapproving the extension of non-discriminatory treatment to China. The amendment was defeated by a roll call vote of 11 yeas to 24 nays, with 2 members passing. The vote was as follows:

Representatives	Yea	Nay	Present	Representatives	Yea	Nay	Present
Mr. Archer		X		Mr. Rangel	X		
Mr. Crane		X		Mr. Stark	X		
Mr. Thomas		X		Mr. Matsui [1]			
Mr. Shaw		X		Mr. Coyne	X		
Mrs. Johnson		X		Mr. Levin		X	
Mr. Houghton		X		Mr. Cardin [1]			
Mr. Herger		X		Mr. McDermott	X		
Mr. McCrery		X		Mr. Kleczka	X		
Mr. Camp		X		Mr. Lewis (GA)			
Mr. Ramstad		X		Mr. Neal	X		
Mr. Nussle		X		Mr. McNulty	X		
Mr. Johnson		X		Mr. Jefferson	X		
Ms. Dunn		X		Mr. Tanner	X		
Mr. Collins		X		Mr. Becerra	X		
Mr. Portman		X		Mrs. Thurman	X		
Mr. English		X		Mr. Doggett			
Mr. Watkins		X					
Mr. Hayworth		X					
Mr. Weller		X					
Mr. Hulshof		X					
Mr. McInnis		X					
Mr. Lewis (KY)		X					
Mr. Foley		X					

[1] Messrs. Matsui and Cardin passed.

IV. BUDGET EFFECTS

A. COMMITTEE ESTIMATE OF BUDGETARY EFFECTS

In compliance with clause 3(d)(2) 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 Resolution 57 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 clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee states that enactment of H.J. Res 57 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 clause 3(c)(3) of rule XIII 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, July 12, 1999.

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

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.J. Res. 57, disapproving the extension of nondiscriminatory treatment to the products of the People's Republic of China.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Hester Grippando.

Sincerely,

BARRY B. ANDERSON
(For Dan L. Crippen, Director).

Enclosure.

H.J. Res. 57: Disapproving the extension of nondiscriminatory treatment to the products of the People's Republic of China

Summary: Under the Trade Act of 1974, nondiscriminatory trade relations may not be conferred on a country with a nonmarket economy if that country maintains restrictive emigration policies. However, the President may waive this prohibition on an annual basis if he certifies that doing so would promote freedom of emigration in that country. On June 3, 1999, President Clinton transmitted to Congress his intention to waive the prohibition with respect to the People's Republic of China for a year, beginning July 3, 1999. H.J. Res. 57 would disapprove the President's extension of this waiver. CBO estimates that denying the People's Republic of China would increase revenues by $507 million in fiscal year 2000. Since adopting this resolution would affect receipts, pay-as-you-go procedures would apply.

The bill contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments. H.J Res. 57 would impose a private sector mandate on importers of Chinese goods that would be subject to higher tariffs. CBO estimates that the increased costs in tariffs to importers would total $507 million in fiscal year 2000, exceeding the threshold for private-sector mandates ($100 million in 1996, adjusted annually for inflation) established in UMRA.

Estimated cost to the Federal Government: The estimated budgetary impact of H.J. Res. 57 is shown in the following table.

	By fiscal year, in millions of dollars—					
	1999	2000	2001	2002	2003	2004
CHANGES IN REVENUES						
Estimated Revenues	0	507	0	0	0	0

Basis of estimate: Denial of nondiscriminatory trade relations to the People's Republic of China would substantially increase the tariff rates imposed on its exports to the United States. CBO assumes that these higher tariff rates would increase U.S. prices and would decrease U.S. demand of goods imported from the People's Republic of China. CBO estimates that imports from the People's Republic of China would decline, by more than enough to offset the higher rates so that the U.S. customs duties collections on Chinese imports would fall. However, CBO estimates that some of that drop in trade with the People's Republic of China would be offset by an increase in imports from other countries with normal trade relations status. The increase in revenues from this effect would outweigh the reduction in revenues from the People's Republic of China. Assuming an effective date of October 1, 1999, CBO estimates that revenues would increase by $507 million in fiscal year 2000. CBO assumes a resumption of normal trade relations with the People's Republic of China after September 30, 2000.

Pay-as-you-go considerations: The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By fiscal year, in millions of dollars—										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Changes in outlays	not applicable										
Changes in receipts	0	507	0	0	0	0	0	0	0	0	0

Estimated impact on state, local, and tribal governments: The bill contains no intergovernmental mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

Estimated impact on the private sector: H.J. Res. 57 would impose a private sector mandate on importers of Chinese goods that would be subject to higher tariffs. CBO estimates that the increased costs in tariffs to importers would total $507 million in fiscal year 2000, exceeding the threshold for private-sector mandates ($100 million in 1996, adjusted annually for inflation) established in UMRA. U.S. consumers of those goods would also bear indirect costs in substituting goods from other countries or domestic producers for Chinese products.

Estimate prepared by: Federal costs: Hester Grippando; impact on state, local, and tribal governments: Leo Lex; impact on the private sector: Keith Mattrick.

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

A. COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS

With respect to clause 3(c)(1) of rule XIII 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 NTR status as of July 3, 1999, would be unwise and counterproductive.

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

With respect to clause 3(c)(4) of rule XIII 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. CONSTITUTIONAL AUTHORITY STATEMENT

With respect to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, relating to Constitutional Authority, the Committee states that the Committee's action in reporting the bill is derived from Article I of the Constitution, Section 8 ("The Congress shall have power to lay and collect taxes, duties, imposts and excises, to pay the debts and to provide for * * * the general Welfare of the United States * * *").

○