

104TH CONGRESS
2D SESSION

H. R. 3569

To provide that most-favored-nation trading status for the People's Republic of China may continue provided that Taiwan is admitted to the World Trade Organization by March 1, 1997.

IN THE HOUSE OF REPRESENTATIVES

JUNE 4, 1996

Mr. COX of California (for himself, Mr. GILMAN, Mr. SOLOMON, Mr. TORRICELLI, Mr. LANTOS, Mr. SMITH of New Jersey, Mr. ROYCE, Mr. BURTON of Indiana, Mr. SCARBOROUGH, Mr. FUNDERBURK, Mr. BROWN of Ohio, Mr. DORNAN, Mr. ROHRABACHER, and Mr. BONO) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To provide that most-favored-nation trading status for the People's Republic of China may continue provided that Taiwan is admitted to the World Trade Organization by March 1, 1997.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. FINDINGS.**

4 The Congress finds that—

5 (1) the purpose of the World Trade Organiza-
6 tion (hereafter in this Act referred to as the

1 “WTO”) is to enable member countries to conduct
2 trade based upon free market principles, by limiting
3 government intervention in the form of state sub-
4 sidies, by limiting nontariff barriers, and by encour-
5 aging reciprocal reductions in tariffs among mem-
6 bers;

7 (2) the WTO is based on the assumption that
8 the import and export of goods are conducted by
9 independent enterprises responding to profit incen-
10 tives and market forces;

11 (3) the WTO requires that countries with non-
12 market economies implement significant reforms to
13 change centralized and planned economic systems
14 before they may be considered for WTO member-
15 ship, and the existence of a decentralized and a free
16 market economy is considered a precondition to fair
17 trade among WTO members;

18 (4) pursuant to its charter and rules, member-
19 ship in the WTO is not limited to nations nor indic-
20 ative of sovereignty, a policy illustrated by the fact
21 that Hong Kong will remain a full member of the
22 WTO as a separate customs territory after becoming
23 part of the People’s Republic of China on July 1,
24 1997;

1 (5) the Republic of China on Taiwan (hereafter
2 in this Act referred to as “Taiwan”) has applied for
3 membership in the WTO as the separate customs
4 territory of Taiwan, Penghu, Kinmen, and Matsu,
5 and its application is under review by a Working
6 Party appointed under Article XXXIII of the GATT
7 1994 (as defined in section 2 of the Uruguay Round
8 Agreements Act (19 U.S.C. 3501));

9 (6) Taiwan has a free market economy that has
10 existed for more than 3 decades, and is currently the
11 14th largest trading nation in the world;

12 (7) Taiwan has a gross national product that is
13 the world’s 20th largest, its foreign exchange re-
14 serves are among the largest in the world, and it has
15 become the world’s 7th largest foreign investor;

16 (8) Taiwan is the 7th largest trading partner of
17 the United States and its purchases of United States
18 exports are more than 50 percent greater than those
19 of the People’s Republic of China;

20 (9) Taiwan has already agreed to reduce the
21 tariff level of many products, and to eliminate other
22 nontariff barriers;

23 (10) the United States and Taiwan have en-
24 joyed a longstanding and uninterrupted friendship,
25 which has only increased in light of the remarkable

1 economic development and political liberalization in
2 Taiwan in recent years;

3 (11) Taiwan reached an historic turning point
4 in the development of Chinese democracy on March
5 23, 1996, when it conducted the first competitive,
6 free, fair, direct, and popular election of a head of
7 state in over 4,000 years of recorded Chinese his-
8 tory, leading to Lee Teng-hui's inauguration as
9 President on May 20, 1996;

10 (12) for the past century the United States has
11 promoted democracy and economic freedom through-
12 out the world, and the evolution of Taiwan is an
13 outstanding example of the success of that policy;

14 (13) Taiwan's accession to the WTO is impor-
15 tant to the United States because it is the largest
16 importer of United States goods that is not already
17 a member of the WTO, and because Taiwan's entry
18 into the WTO would promote significant new market
19 opportunities for United States exporters and inves-
20 tors;

21 (14) notwithstanding these circumstances, the
22 People's Republic of China has sought to block the
23 admission of Taiwan to the WTO until its own ac-
24 cession to membership;

1 (15) notwithstanding this opposition, Taiwan is
2 ready for, and meets the criteria for, admission to
3 the WTO;

4 (16) the People's Republic of China, in contrast
5 to Taiwan, has applied for membership in the WTO
6 not as a developed nation, but rather as a developing
7 nation, so that it would be relieved of the obligations
8 to reduce its tariffs and eliminate its subsidies for
9 government-controlled industries, even after its ad-
10 mission to the WTO;

11 (17) in contrast to Taiwan, the Communist gov-
12 ernment of the People's Republic of China maintains
13 strict government controls over most trade within its
14 territory, restricts and often outlaws free market
15 competition, and denies legal and regulatory protec-
16 tions for property rights, all in ways that are incom-
17 patible with WTO principles;

18 (18) the Communist government of the People's
19 Republic of China maintains an intricate system of
20 restrictive and punitive tariff and nontariff adminis-
21 trative controls to implement its centrally-planned
22 industrial and trade policies, with tariffs on foreign
23 goods, such as automobiles, as high as 150 percent,
24 even though the People's Republic of China has
25 made commitments in the Memorandum of Under-

1 standing on market access it signed with the United
2 States on October 10, 1992, and reaffirmed in
3 March of 1995, to reform significant parts of its im-
4 port regime;

5 (19) the People's Republic of China's failure to
6 implement its March 11, 1995, agreement with the
7 United States to curtail piracy of products protected
8 by intellectual property rights, including music, vid-
9 eos, books, software, has prompted a United States
10 threat to impose trade sanctions proportionate to an
11 estimated loss of \$2,300,000,000 to the United
12 States economy in 1995 that the piracy has caused;

13 (20) representatives of the People's Republic of
14 China's two leading state-owned arms exporting
15 companies, Poly Technologies and Norinco, were ar-
16 rested by Federal law enforcement officers for smug-
17 gling into the United States 2,000 AK-47 rifles in-
18 tended for sale to gangs;

19 (21) illegal activities such as these should be
20 taken into account in formulating trade policy with
21 respect to any country;

22 (22) the Communist government of the People's
23 Republic of China continues to use direct and indi-
24 rect government subsidies to unfairly advantage its
25 own exports in contravention of market principles;

1 (23) as a consequence of these practices, the
2 People's Republic China is not ready for, and does
3 not meet the criteria for, admission to the WTO ei-
4 ther as a developed nation or a developing nation;
5 and

6 (24) inasmuch as Taiwan can easily meet and
7 exceed all of the requirements for admission to the
8 WTO, while the People's Republic of China has long
9 enjoyed most-favored-nation trading status with the
10 United States notwithstanding its failure to meet the
11 criteria for WTO membership, the People's Republic
12 of China should continue to enjoy most-favored-na-
13 tion trading status with the United States only if
14 Taiwan is admitted to the WTO at the earliest prac-
15 ticable date.

16 **SEC. 2. CONTINGENT EXTENSION OF NONDISCRIMINATORY**
17 **TRADE TREATMENT TO THE PEOPLE'S RE-**
18 **PUBLIC OF CHINA.**

19 Notwithstanding any other provision of law, non-
20 discriminatory treatment (most-favored-nation treatment)
21 may apply to the products of the People's Republic of
22 China after March 1, 1997, if and only if, as of that date,
23 Taiwan has been admitted to the WTO as a separate cus-
24 toms territory and the People's Republic of China has not

- 1 been admitted to the WTO, whether as a developing or
- 2 a developed nation.

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