

H. Res. 461

In the House of Representatives, U.S.,

June 27, 1996.

Whereas the People's Republic of China has long enjoyed most favored nation trading status with the United States notwithstanding significant policy and security issues in our bilateral relationship;

Whereas, despite the positive influence that United States trade with the People's Republic of China has had in encouraging the abandonment of state control over all aspects of the economy by the Communist government, serious human rights, trade, security, and weapons proliferation issues have remained and often worsened during the period of this trade policy;

Whereas this experience has made clear that of itself, the extension of most favored nation trading status (and the potential of its annual non-renewal) has been inadequate to address the many policy and security issues that characterize our bilateral relationship;

Whereas these policy and security issues include, with regard to the economic activities of the People's Liberation Army—

(1) according to the Defense Intelligence Agency, the People's Liberation Army of Communist China is in fact engaged, through controlled enterprises, in government-controlled and subsidized trade overseas;

(2) the General Staff Department of the People's Liberation Army owns and operates Polytechnologies, which is the weapons trading arm of the People's Liberation Army. Polytechnologies has a representative office in the United States;

(3) the General Logistics Department of the People's Liberation Army owns and operates a large international conglomerate known as Xinxing Corporation, which has a representative office in the United States;

(4) the People's Armed Police, which is partially controlled by the People's Liberation Army, is responsible for the occupation and suppression of dissent in Tibet and the execution of prisoners throughout China, provides guards for the forced labor camp system in Communist China, and owns and operates China Jingan Equipment Import and Export, which has a representative office in the United States;

(5) the export of products by these entities allows the People's Liberation Army to earn hard currency directly, which in turn can be and is used to modernize its forces without being reflected in official reports of military spending;

(6) consumers in the United States are ordinarily unaware that revenues from the products they are purchasing from or through such entities contribute to the financial benefit of the People's Liberation Army;

(7) trade with the People's Liberation Army effectively is a subsidy of military operations of the People's Republic of China that is inconsistent with our national security; and

(8) free trade in world markets is based on the assumption that the import and export of goods and services are conducted by independent enterprises responding

to profit incentives and market forces, and commercial activities by the People's Liberation Army are fundamentally inconsistent with these precepts;

Whereas, with regard to Communist Chinese military activity and weapons proliferation—

(1) it has been reported that United States intelligence has estimated that Communist Chinese military industries have become a leading supplier of illicit precursor chemicals for use in Iran's chemical weapons program;

(2) in contravention of Communist China's commitment to the Treaty on Non-Proliferation of Nuclear Weapons (NPT), the China National Nuclear Corporation, a Communist Chinese military industry, sold materials critical to the production of enriched uranium to a non-NPT signatory, Pakistan;

(3) China National Precision Instrument Import-Export Company, a Communist Chinese military industry, sold nuclear-capable missiles to Pakistan;

(4) China Great Wall Industry Corporation, a Communist Chinese military industry, sold nuclear-capable missiles to Pakistan;

(5) Poly Group, a People's Liberation Army owned company, sold \$1,200,000,000 worth of arms to the military rulers of Myanmar (Burma);

(6) In contravention of the United Nations embargo, China North Industries Corporation (Norinco), a Communist Chinese military industry, sold chemicals critical to the manufacture of nuclear weapons to Iraq;

(7) Poly Group and Norinco, Communist Chinese military industries, attempted to sell 2,000 AK 47 rifles, 20,000 AK 47 bipods, 4,000 30 round ammunition magazines, and 2 machinegun silencers, and offered for sale

300,000 silenced machineguns and “Red Parakeet” missiles (stingers), RPGs (rocket propelled grenades), 60mm mortars, and handgrenades to United States law enforcement authorities conducting a so-called “sting” operation;

(8) according to the May 21, 1996, United States Customs Service affidavit against the Communist Chinese representatives of Norinco and Poly Group, at paragraph 96, one of the Communist Chinese representatives bragged that a “Red Parakeet” missile—which he was offering for sale in the United States—“could take out a 747”;

(9) these and other enterprises owned by the People’s Liberation Army and the Communist Chinese military industries regularly export a variety of products to the United States, including clothing, toys, shoes, hand tools, fish, minerals, and chemicals;

(10) the People’s Liberation Army implemented an unprovoked, dangerous, and aggressive campaign to intimidate Taiwan in July of 1995, and again before Taiwan’s first direct presidential election in March of 1996, with military maneuvers, live-fire exercises, and missile tests in close proximity to that island democracy; and

(11) the People’s Liberation Army seized territory claimed by the Philippines and threatened the United States Navy’s right of free passage in the South China Sea;

Whereas, with respect to human rights—

(1) according to the United States Department of State’s Country Reports on Human Rights for 1995, the Government of Communist China “continued to commit widespread and well-documented human rights abuses, in violation of internationally accepted norms, stemming

both from the authorities' intolerance of dissent and the inadequacy of legal safeguards for basic freedoms. Abuses included arbitrary and lengthy incommunicado detention, forced confessions, torture, and mistreatment of prisoners The Government continued severe restrictions on freedom of speech, the press, assembly, association, religion, privacy, movement, and worker rights";

(2) in April 1996, the Communist Chinese Government launched a major anticrime campaign called "Strike Hard" carried out nationwide by the Public Security Bureau (PSB), and in Tibet and Xinjiang (East Turkestan) also by the People's Armed Police, which has included large scale arbitrary arrests, detentions with minimal legal protection, and swift executions;

(3) the current anticrime campaign has targeted political, religious and labor activists in addition to common criminals in Tibet, Xinjiang, and in the whole of Communist China;

(4) the Communist Government has ordered a crackdown on unofficial religious believers by the Religious Affairs Bureau and the Public Security Ministry, requiring all local congregations to register with the Religious Affairs Bureau or risk the legal dismantling of the congregation and official harassment, fines and arrest;

(5) according to Asia Watch, the Communist Chinese authorities in Tibet have launched a repressive campaign against religious practice and the Public Security Bureau and PLA have been involved in violent suppression of dissent in Tibet and Xinjiang, resulting in the death or imprisonment of over one thousand Tibetans and Uighurs this year;

(6) the Ministry of Public Security has imposed new regulations to strengthen controls over Internet use, the

State Council must approve “interactive” networks, and the official Communist Chinese news agency (Xinhua) has been put in charge of supervising all foreign wire services selling economic information to Communist China, censoring their reports for “false economic news and attacks on Communist China”;

(7) Wei Jingsheng, the leading Chinese pro-democracy activist, was sentenced on December 13, 1995, to a second 14-year prison term, after a sham trial in which he was denied access to counsel of his choice and given access to the actual charges against less than two days before trial;

(8) on November 21, 1995, the Government of the People’s Republic of China announced the arrest of Wei Jingsheng and its intention to try him for “attempt[ing] to overthrow the government”;

(9) the government had previously imprisoned Wei from 1979 until 1993 on a charge of “spreading counterrevolutionary propaganda” for his peaceful participation in the Democracy Wall movement;

(10) during his long imprisonment Wei was subjected to torture and other ill treatment which left him in extremely poor health;

(11) far from advocating an “overthrow” of the Government of China, Wei has been a strong advocate of nonviolence and a peaceful transition to democracy; and

(12) Wei was regarded as a leading contender for the 1995 Nobel Peace Prize, having been nominated by parliamentarians throughout the world, including 58 members of the United States Congress;

Whereas, with respect to Communist Chinese trade and economic policy—

(1) the United States Trade Representative's 1996 National Trade Estimate Report on Foreign Trade Barriers notes that "China continued to use standards and certification practices which the United States and other trading partners regard as barriers to trade";

(2) the report indicates that "Despite its commitment under the 1992 market access Memorandum of Understanding to publish all laws and regulations affecting imports, some regulations and a large number of directives have traditionally been unpublished, and there is no published, publicly available national procurement code in China";

(3) the report finds that "China's market for services remains severely restricted";

(4) these practices limiting American access to Communist China's market have contributed to an increase in the United States trade deficit with China from \$10 million in 1985 to \$33,807,000,000 in 1995, according to the United States Department of Commerce;

(5) these unfair trade practices and tariff and non-tariff barriers result in lost opportunities for American companies and lost jobs for American workers, and harm the United States economy;

(6) the failure of Communist China to stop the piracy of intellectual property, including music, videos, books, and software required by the January 16, 1992, agreement on intellectual property rights, is evidenced by the necessity of further agreements (signed on March 11, 1995 and June 17, 1996), and the threat of over \$2,000,000,000 in sanctions as a means of achieving as yet hoped-for compliance with the agreements;

(7) according to the United States Trade Representative's 1996 National Trade Estimate Report on Foreign

Trade Barriers, investment restrictions by Communist China are “abundant”;

(8) under so-called “export performance requirements,” Communist Chinese authorities frequently force foreign manufacturers operating in Communist China to export 50 to 70 percent (and sometimes more) of their goods to other markets, as a condition of approving the investment;

(9) two-thirds of Communist China’s exports are, in fact, manufactured by foreign firms operating in Communist China;

(10) the export performance requirements imposed on foreign investment by the Communist Chinese government serve to undercut domestic producers employing millions of Americans;

(11) Communist China has failed to liberalize its foreign exchange market, and to make the Yuan fully convertible;

(12) Communist China maintains two exchange rates for the Yuan, an official rate for Chinese citizens and a swap rate for foreigners, and regularly manipulates the exchange rate to the advantage of domestic exporting industries;

(13) even with the establishment of currency swap markets, this gap between the official and swap rates serves as (a) a subsidy for Communist China’s exporters to the United States, totaling nearly \$15,000,000,000 in 1993, and (b) a nontariff barrier to United States exports, artificially raising the price of exports in Communist China’s market;

(14) Communist China received over \$4,000,000,000 in multilateral loans from the World Bank and the Asian Development Bank;

(15) the United States is the largest shareholder in these banks, and thus can exercise considerable leverage over loans to Communist China; and

(16) Communist China has continued to insist that Taiwan not be admitted to the WTO unless it is admitted simultaneously, notwithstanding the differences in the status of their compliance with the criteria for WTO membership;

Whereas given the number and gravity of these issues, the debate over Communist China's most-favored-nation trade status cannot bear the weight of the entire bilateral relationship between the United States and the People's Republic of China; and

Whereas these issues should be promptly addressed by appropriate legislation: Now, therefore, be it

1 *Resolved*, The Committee on International Relations,
2 the Committee on National Security, the Committee on
3 Ways and Means, and the Committee on Banking and Fi-
4 nancial Services will each hold hearings on the matters
5 described in the preamble to this resolution insofar as
6 those matters fall within their respective jurisdictions and,
7 if appropriate, report legislation addressing these matters
8 to the House of Representatives not later than Septem-
9 ber 30, 1996.

Attest:

Clerk.