

DSG

SPECIAL REPORT

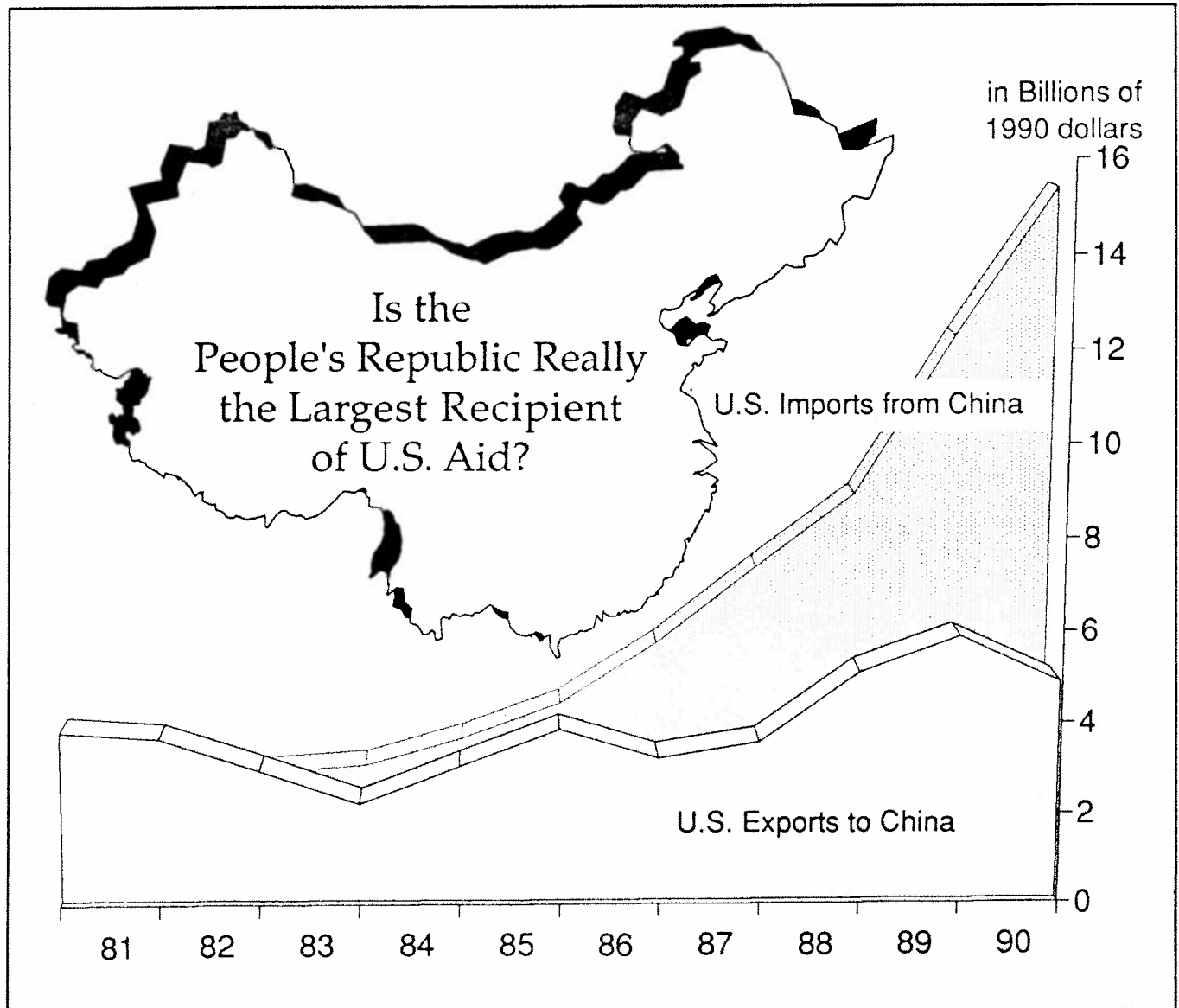
July 10, 1991

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HON. BOB WISE (W. Va.) — Chairman

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In the Red to China



Democratic Study Group • U.S. House of Representatives

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U.S. Becomes China's Cash Cow

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In 1980, the United States extended Most-Favored Nation (MFN) trading status to the People's Republic of China. Under existing law "communist countries" can be granted MFN status for one year at a time, subject to a Presidential determination that the country is not limiting its citizens' right to emigrate, or if the President certifies that granting MFN would substantially promote free emigration in that country.

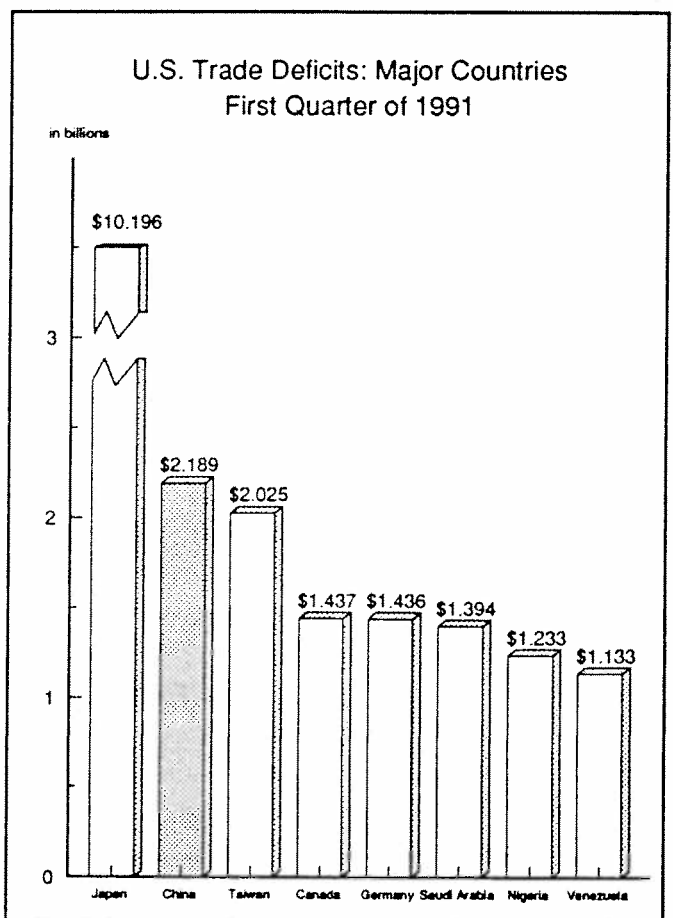
This year, as in the past, the debate on renewing China's MFN status has focused on that nation's recent record of human rights abuses, and on its role as a major weapons supplier to such outlaw nations as Iraq. To date, however, there has been little discussion of how the decision to renew China's MFN status affects U.S.-Chinese trade and the economies of the two nations.

This report contends that the heavily unbalanced trade relationship between the United States and China is one of managed rather than market-based trade — with the trade being managed to provide extraordinary benefits to the Chinese while substantially aggravating U.S. trade deficits. These persistent and growing imbalances represent a failure on the part of U.S. trade negotiators that has significantly weakened U.S. economic growth and job creation.

This report also argues that granting MFN status to China diminishes the likelihood that the People's Republic can be encouraged to undertake meaningful economic reforms in the future. One of the principal means of encouraging reforms has been to hold out the possibility of including China in the General Agreement on Tariffs and Trade (GATT), and

indeed, China applied for GATT membership in 1986.¹ But to the extent that China can enjoy access to the U.S. economy — the world's single largest market — on terms identical to those extended to GATT nations, it can refuse to undertake — or severely limit — economic reforms with impunity.

Finally, this report argues that China has manipulated its U.S. trade for the purpose of amassing foreign currency reserves that are now among the highest in the world.² These reserves effectively insulate China from world opinion. Thus, China can follow whatever course it wishes with respect to political or economic reforms without regard for the broader considerations of the free world.



In sum, rather than integrating China into the world community, the imbalanced nature of U.S.-Chinese trade has provided the means for China to build an economic shield with which it can deflect international condemnation of political repression.

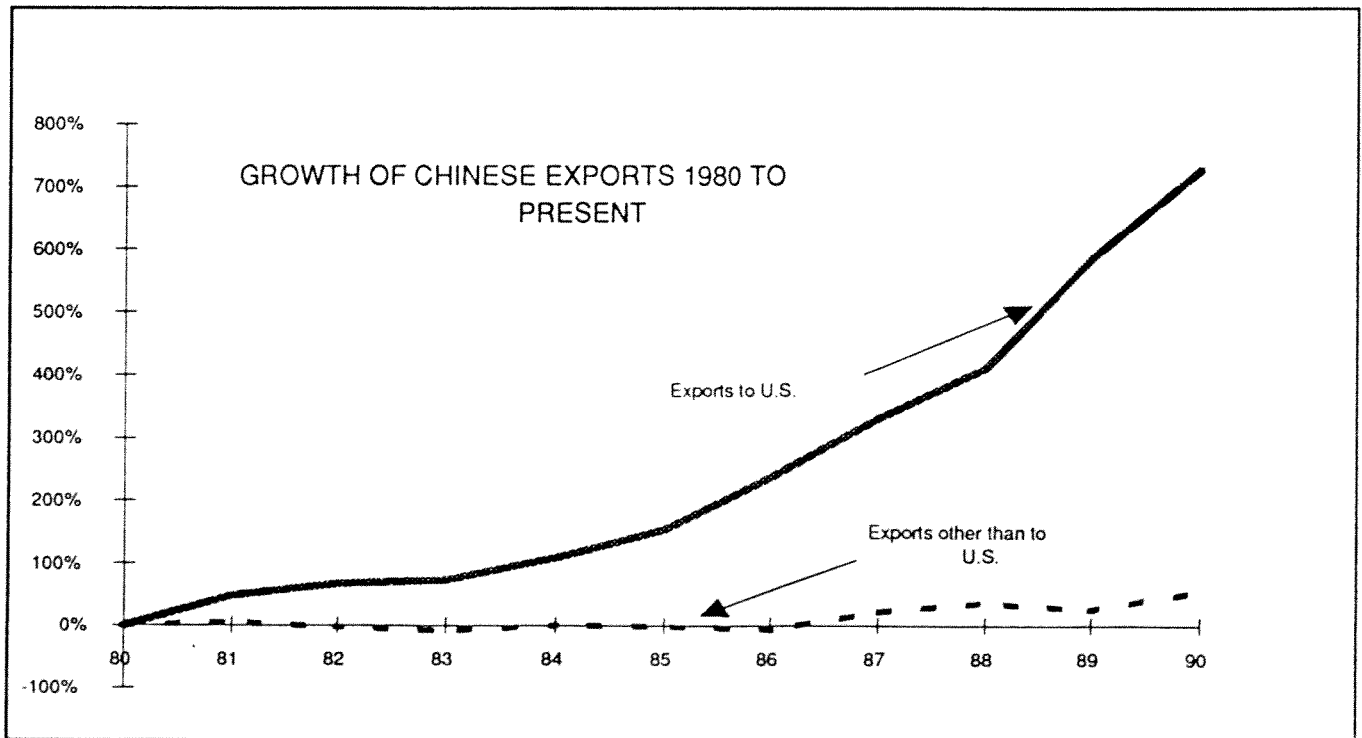
BACKGROUND: CHINA'S REENTRY INTO THE WORLD ECONOMY

The Korean War demonstrated to all who doubted that the most populous nation on earth was a formidable military and political force. But as an economic force, China remained an international nonentity for the next three decades.

During the mid-1970s China's trade with the outside world approximated that of Finland or Romania. As recently as 1980, U. S. imports from China equalled half of U. S. imports from the city-state of Singapore.³

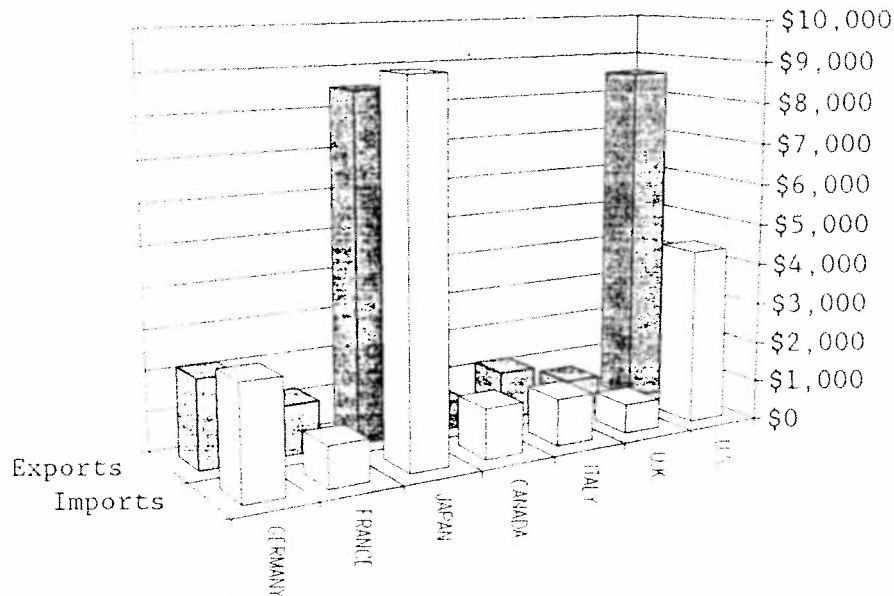
It is within this context that the United States initially agreed to grant the People's Republic MFN trade status. Although China was immensely important in a political and military sense, there was little at stake economically in extending a hand to help China's tiny and struggling efforts in the area of world trade.

During the 1980s, however, China's role in world commerce changed dramatically. Exports bound for U.S. markets increased at the astonishing pace of nearly 30% per year, so that by 1990, the real value of China's exports into this country (after adjusting for inflation) had increased eight-fold.⁴ In the process, China became the eighth largest exporter to the United States, accounting for the third largest trade deficit posted by any U.S. trading partner that year. The trend continued and during the first quarter of 1991, China displaced Taiwan as the nation with the second largest trade surplus with the United States.⁵



Chinese Trade with G-7 Nations, 1986-1989

(Average Yearly Trade in Millions of Nominal Dollars)



Today the economic context in which Congress will vote on the 1992 continuation of MFN is clearly different from the one in which it was initially granted. We are no longer dealing with an inconsequential economy to which large scale concessions can be made solely on the basis of political and military tradeoffs. To do so has serious potential economic costs for every nation—including the United States—that must now compete with China for a share of the U.S. and international markets.

TRADE WITH CHINA IS MANAGED TRADE

During the last several years, trade analysts have begun to focus increasingly on “informal” barriers to trade. Traditionally, tariffs had been thought of as the major barrier to the free competition of products on world markets and the improved efficiency of the world economy.

There is now a growing awareness that in many countries the informal relationships that

characterize market systems may constitute barriers to the free flow of goods and services that are far more formidable than those posed by traditional tariffs. Foreign products of equal or superior quality cannot be sold, even when offered at a substantially better price than locally produced goods, simply because distributors will not carry them and stores will not stock them.

Further, domestic distributors and producers in a given country may act in collusion to exclude imports from one foreign competitor in order to favor imports from a second. In exchange, the importing nation may insist on gaining increased access to the domestic markets of the “favored” country. Using tariffs in such a discriminatory practice would constitute a violation of GATT principals of MFN and the injured country could justifiably retaliate with punitive tariffs of its own. But since informal trade management does not involve the use of discriminatory tariffs, the practice is difficult to identify and document.

The extent to which these so-called "managed trade" agreements exist is a controversial topic, particularly with regard to nations generally considered to be "free market" rather than centrally planned economies.

But there is little doubt as to whether China's trade with the outside world is managed. In practice, Beijing has direct control over both the price of its exports and the volume of its imports to achieve a strategic trade balance.

It is, in fact, nearly impossible in a non-market economy to set prices on the basis of the costs of production. Every element of the production process is subject to state subsidy. The price of Chinese exports, therefore, is whatever price the Chinese government and its international marketing consultants determine will put Chinese products on store shelves ahead of the products of other nations. Some China watchers contend, for example, that some highly labor-intensive products are now selling on the world market for about the same price as the value of the raw materials from which these goods are made.

With imports, the central government has even greater control. China purchases what the government decides it will purchase and from whom the government decides to purchase. If the government wishes to run a trade surplus and it has already done all that is possible to increase exports, it simply cuts back its imports. If purchases from country "Y" will help improve market opportunities for Chinese exports more than purchases from country "X", China will buy from country "Y" regardless of the relative price and quality of its products.

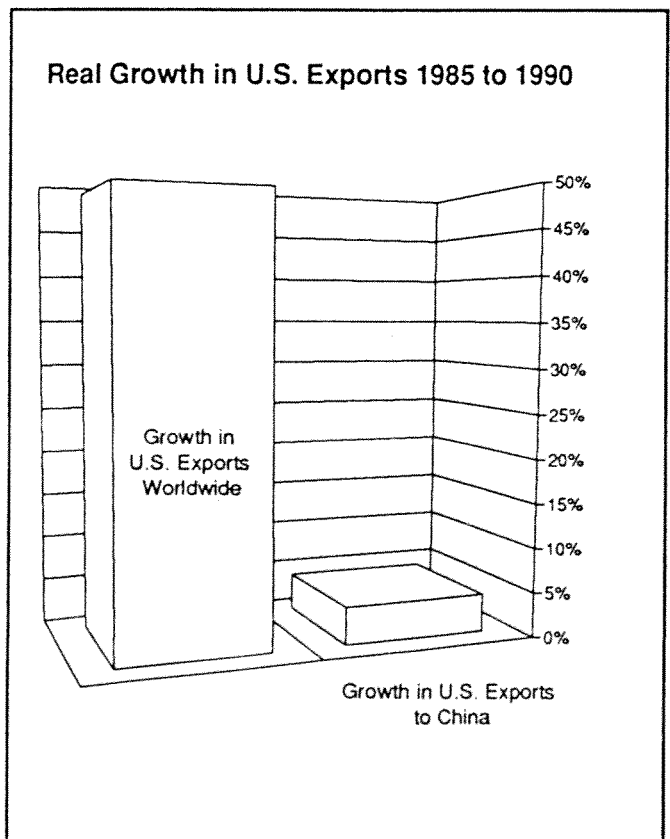
DEALING WITH THE MANAGED NATURE OF CHINESE TRADE

World trade statistics indicate that most nations are aware of the managed nature of

their trade with China. Through whatever mechanisms are available to them, most nations have held down Chinese imports to levels roughly equivalent to the amount of exports that the Chinese have been willing to purchase in exchange.

During the 1980s, Chinese exports to countries other than the United States (measured in real dollars) increased by only 56%. Over the same period, however, China's exports to the United States increased by 727%.⁶

Most of China's major trading partners — except the United States — were able to persuade China to purchase their products in sufficient volume to offset the growth in Chinese exports. During the last four years for which data is available (1986 to 1989), Chinese exports to Japan averaged 96% of the value of Chinese imports from Japan. Chinese exports to Germany averaged 82% of Chinese imports from Germany. Exports to Italy averaged 102% of



imports on a yearly basis and exports to England averaged 97%. Although bilateral trade figures are not available for 1990, it is known that China bought slightly more, approximately 4%, from nations other than the United States than it sold. By comparison, exports to the United States from 1986 to 1989 equaled 193% of China's imports from the United States. And that number seems low compared to 1990 when China's exports to the United States equalled 316% of its purchases of American products.⁷

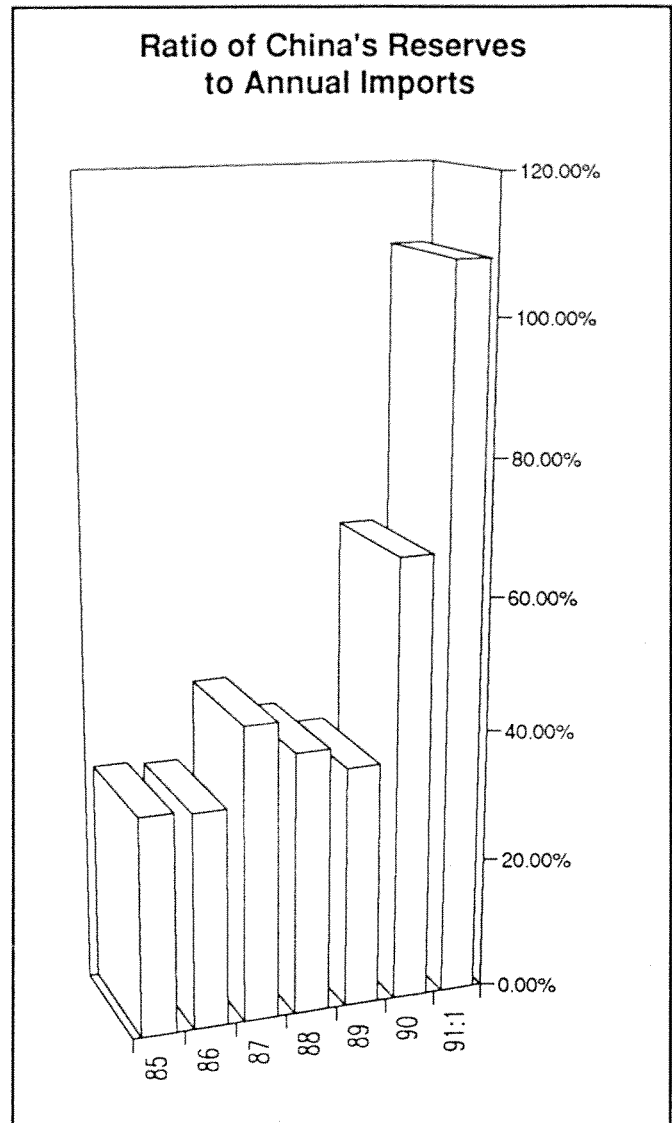
Excluding its trade with the United States, China's overall exports grew during the eighties by \$15.2 billion. Its overseas purchases, on the other hand, increased by \$17.5 billion.⁸

One plausible explanation of the sharply divergent pattern of China's trade with the United States and the rest of the world is that the United States would have failed to do as well as other nations, even if China had free and open markets, simply because U. S. products were not especially competitive during this period.

This argument fails to hold up, however, if one compares the periods of greatest and least competitiveness of U. S. exports with Chinese purchases.

The history of U.S.-Chinese trade relations during the 1980s contains three distinct periods. At the onset of the decade, the United States enjoyed a relatively large bilateral surplus in its trade with China, a surplus that China steadily erased during the decade's opening years. By 1983, U.S. trade with China was in relative balance and remained that way through 1985 despite the rapidly deteriorating U.S. trade balance worldwide. Although U.S. exports declined in real dollar terms between 1983 and 1985, Chinese purchases of U.S. exports jumped by 63%.

The imbalance in the U.S.-Chinese bilateral trade relationship began after 1985, a period



during which U.S. sales overseas were beginning to improve. Since 1985, despite increasing its worldwide exports by 49%, the U.S. has seen its sales to China increase by a mere 4%.⁹

WHAT CHINA HAS GAINED FROM IMBALANCED TRADE WITH THE UNITED STATES

With a labor force five times the size of the U.S. labor force, the principle inhibition which the Chinese face in increasing output is obtaining the equipment and manufacturing techniques available in the industrialized world. The availability of such equipment and technology

is in turn limited by the availability of foreign currency.

China has several options for obtaining foreign currency. It can attract partners — American corporations or Hong Kong entrepreneurs — who will make direct investments in China. It can also borrow from banks, foreign governments, or multilateral lenders like the World Bank. Following the crackdown in Tiananmen Square, both of these sources of capital were closed to the Chinese government.

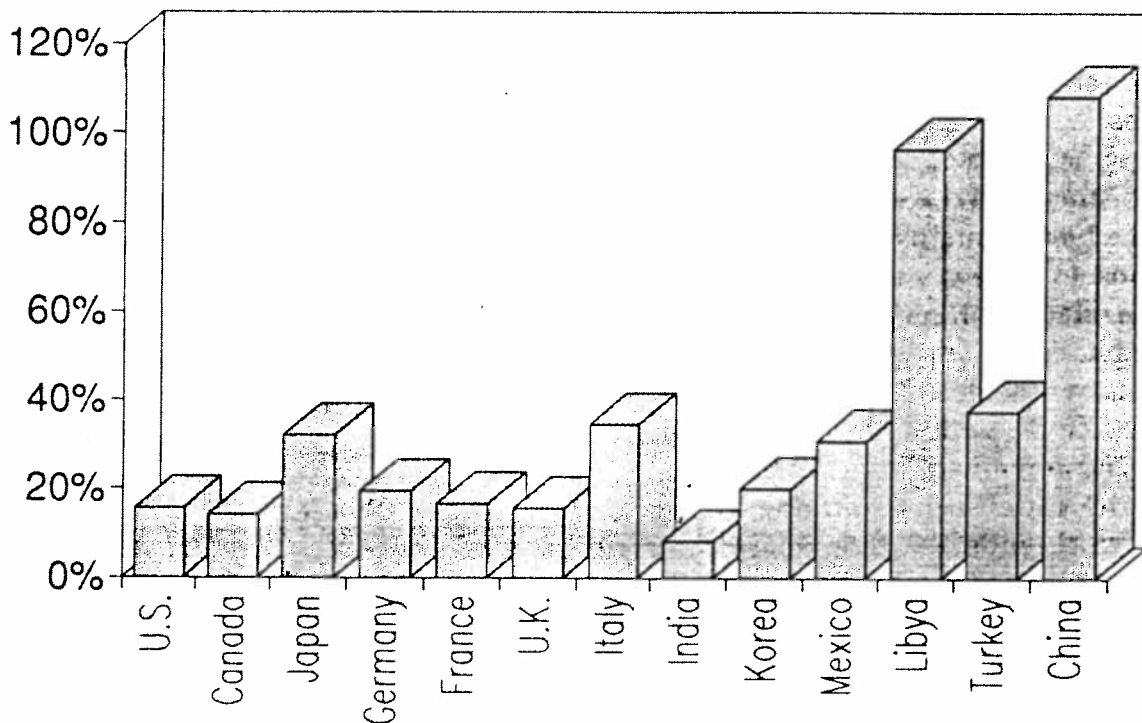
But China can also acquire the foreign exchange it needs for future growth by expanding its imports and generating a growing trade surplus. In this

effort it has met with considerable success. As the previous discussion indicates, exports to the United States have been principally responsible for this success. U.S. purchases of Chinese goods now account for more than a quarter of China's total exports, yet generate nearly half of the real dollar growth in the value of Chinese exports during the past decade. This has not only allowed China to pay cash when necessary for imported capital goods, it also has enabled China to boost its foreign reserves.

Since 1985, China has been concerned about its levels of foreign reserves. Reserves simply mean the amount of hard foreign currency (plus gold and credits from the International Monetary Fund) which a country holds in its banks so as

RATIO OF RESERVES TO ANNUAL IMPORTS

(for Selected Countries)



(All ratios based on 1990 end-of-year numbers except China which is based on first quarter 1991.)

to be able to make foreign purchases or loan payments in cash whenever necessary. Credit-worthy countries need little ready cash while countries with large debts or erratic export sales need more. But there is also a third reason a country may need greater levels of cash to meet its purchasing needs. If a country anticipates its internal political situation may cause world lenders to withhold credit, it may attempt to build up high levels of foreign reserves to protect itself against being unable to make needed purchases in time of political strife.

The United States and most Western industrialized countries held foreign reserves equal to around 15% of import purchases in 1990. Some less developed countries such as India or the Philippines were unable to maintain reserves of as much as 10%. Oil countries such as the Gulf states traditionally have maintained reserve levels of around 50% of import purchases, presumably as a hedge against

volatility in oil prices. Heavily indebted countries such as Poland, Argentina, and Brazil have maintained reserves ranging from 35% to 100% of import purchases.¹⁰

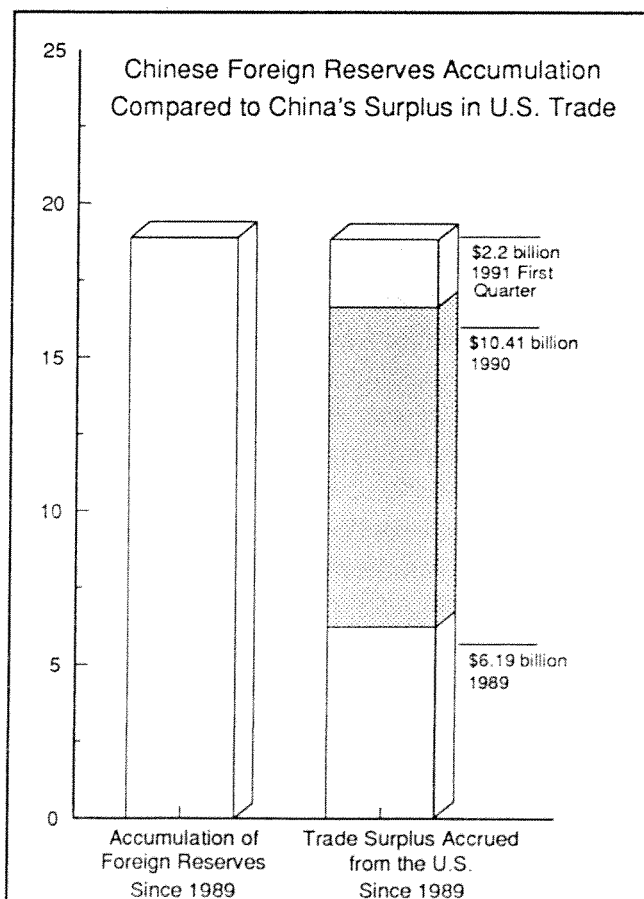
By 1985, Chinese foreign reserves had settled to around 35% of import earnings. This level of reserves appeared acceptable from a cash flow standpoint given the growing diversity of the Chinese exports, the growing acceptance of China into the world community, and most importantly, the relatively low level of China's external indebtedness. China maintained roughly this level of reserves through 1989 at which time total foreign reserves were equal to \$18 billion in U.S. dollars or 37% of China's 1989 import purchases.¹¹

By the end of 1989, China hit the brakes hard on new orders for overseas purchases, with the not unexpected result that its holdings of foreign reserves began to soar. Over the next 12 months, China's bankroll of foreign reserves jumped to nearly \$30 billion. By the end of the first quarter of 1991, according to International Monetary Fund reports, China's foreign reserves-in-hand were just under \$37 billion.¹²

Over this same brief period in which China's reserves of foreign exchange increased by \$11.6 billion, its trade surplus with the United States exploded. China racked up a \$6.2 billion surplus in 1989, a \$10.4 billion surplus in 1990, and during the first quarter of 1991, China's surplus amounted to \$2.2 billion.¹³

Thus, during the period when China was recoiling from international sanctions and was cut off from international credit, it managed to generate a surplus in its trade with the United States that coincides closely with the increase it has generated in its holdings of foreign cash.

Based on import purchases for the first two months of this year, China now has foreign



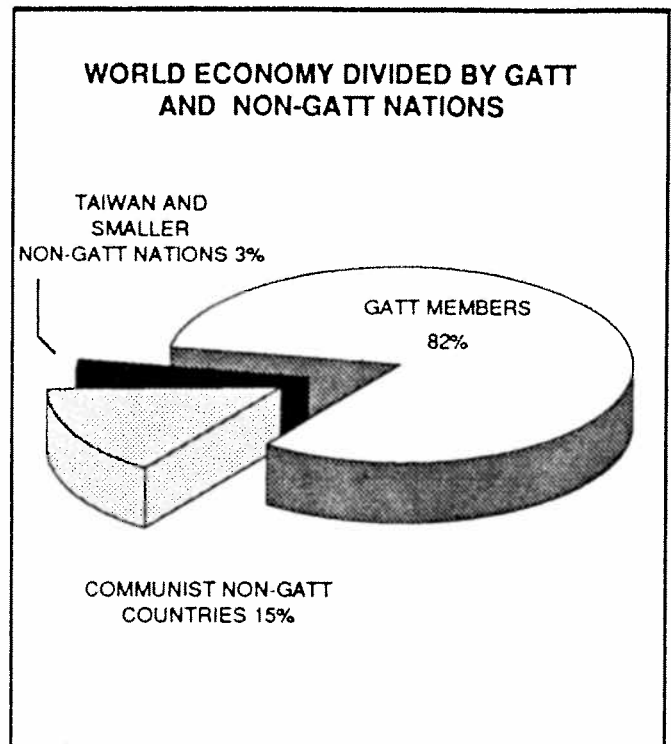
reserves sufficient to cover 108% of annual import purchases.¹⁴

One can only speculate as to why the leaders in Beijing believe that they must forego the purchase of much needed capital equipment in order to maintain such reserve levels. Clearly, however, the decision to do so was made at or very shortly after the time of the Tiananman Square incident and clearly the desire to build reserves continued long after the Tiananmen incident ended.

Regardless of the intentions of the Chinese leadership, there is little doubt that the effect of the creation of such reserves is to permit China to insulate itself from the effects of world opinion. Contrary to the rhetoric of the Bush Administration, China is not using its trade opportunities with the United States to increase its interdependence with the outside world, but rather as a means of guaranteeing that it can function on a cash only basis for an indefinite period of time in the event that much or even all outside credit is eliminated as the result of some future event.

CONSEQUENCES OF THE U.S.- CHINESE TRADE IMBALANCE ON U.S. ECONOMY

It is difficult to project how much a different trade policy toward China would have affected the U.S. economy. Clearly, the growing market access that we have provided gave us the opportunity to have considerable influence over China. How China would have responded had we exercised that influence, on the other hand, is far from clear. If we had demanded that China purchase goods equal to or approaching U.S. purchases of Chinese products, would we have gained \$10 billion in exports, or would China have given up some portion of its export sales to the United States and increased purchases by an amount less than \$10 billion?



Would China have declined opportunities for U. S. markets altogether? Probably, but no one can know for sure.

Let us assume for the sake of discussion that China would have elected to stay full force in the U.S. market and would have increased purchases of U.S. goods during 1990 by \$10.4 billion and continued in future years to purchase U.S. products in order to offset Chinese sales to the United States. The effect this would have had not only on U.S. farmers and manufacturers but on the U.S. economy in general would have been substantial.

This is because a job created in manufacturing or agriculture stimulates the creation of several additional jobs in other areas of the economy. While some place this so-called multiplier effect at \$4 in economic growth for every new dollar in exports, a more conservative estimate is offered by the economic forecasting firm of Data Resources Incorporated. They assume for the purpose of forecasting that a \$1 increase in the annual level of export sales will generate

\$2.40 in increased economic activity by the following year.

Based on this analysis, one could conservatively assume that if China had purchased an additional \$10.4 billion in U.S. products in 1990, those purchases would have stimulated \$25 billion in economic activity. This would have resulted in increased employment of at least 400,000 jobs and reduced the federal deficit by \$11.3 billion.

WHAT IS MOST-FAVORED NATION STATUS AND HOW HAS IT AFFECTED U.S.-CHINESE TRADE?

Most-Favored Nation status is a term that originated in the United State prior to the turn of the century. It was adopted by the General Agreement on Tariffs and Trade (GATT) which was signed by the leading world economies following World War II to refer to the relationship that would exist among the signers of the agreement.

Today, 101 nations are full fledged members of GATT. These nations represent about 82% of the world's economy.¹⁵ Of the 18% of the world economy outside the GATT, 15 percentage points are accounted for by China, the Soviet Union, and several other centrally planned communist economies.¹⁶

GATT members and other nations holding MFN status pay tariffs that are substantially lower than those levied against the manufactured goods of countries that do not enjoy most-favored nation status. Last year, for example, China exported just over \$582 million in rubber footwear to the United States. As an MFN country, it paid a tariff equal to 6% of the total value, or \$35 million. Without MFN status, these goods would have had to bear a tariff equal to 35% of their total value.

The tariff on stuffed toys, a leading Chinese export, is set at 6.8 % for all MFN nations, as opposed to the 70% tariff levied against similar products from non-MFN countries. Women's shirts and blouses, another leading export item for China, carry an MFN tariff of 7.5%. These same items exported from a country that does not receive MFN would confront tariffs of 65%.

It is particularly difficult to determine the effect of revoking MFN status on the export capabilities of a nation such as China. Since the prices of Chinese products are not necessarily cost sensitive, it is quite possible that on many items the Chinese government would absorb the higher tariff charges in order to maintain current market share. In some circumstances, China may feel that it can pass some or all of the increased tariff burden on to U.S. consumers without giving up a substantial market share.

In other instances, competitive low cost producers, both in the United States and overseas, could be expected to expand production to meet the market loss which the Chinese will experience as the result of higher tariffs.

MFN STATUS FOR NON-GATT MEMBERS?

The notion of granting MFN status to a non-GATT nation appears on its face to contradict the free trade objectives of the GATT. Since GATT membership requires a nation to make concessions as well as receive benefits, the unilateral offering of MFN to a non-GATT nation removes much of the incentive for what otherwise may be a path of painful and politically difficult economic reforms.

China applied for membership in GATT in 1986. Since then the application has been

pending before a special working group of the GATT and, despite numerous meetings on the matter, no resolution has been reached.¹⁷

Press accounts and participants in the working group report that China has repeatedly failed to provide convincing documentation of adequate economic reform or assurances of future conversion toward more market-based economic structures. It is widely felt that in the absence of these assurances, GATT members will have little or no protection from the potentially massive levels of "dumping" in which such a large, centrally structured non-market economy could engage.

The last meeting of the GATT working group was in September 1990 and there is currently no meeting of the group scheduled because there continues to be little indication that the Chinese have collected sufficient evidence to move the application process forward.

Among the considerations which Congress should examine in deciding whether to continue China's MFN status is whether the unilateral granting of such status strengthens or weakens the world trading system. If non-GATT members can gain major portions of the benefits of membership through bilateral agreements, will GATT working groups have the authority to deal with the challenges posed by the integration of non-market or largely non-market economies into the established world trading system?

Notes

1 China formally applied for membership to the GATT in July 1986. For an excellent reference on the history of Chinese trade and trade agreements, see the Joint Economic Committee's "China's Economic Dilemmas in the 1990s," edited by Richard Kaufman and John Hardt.

2. According to IMF International Financial Statistics, China had the eight largest foreign exchange holdings, following the G-7 (except Canada) and Spain.

3. Survey of Current Business, Bureau of Economics Analysis, June 1989.

4. Bilateral U.S.-China trade data from the Commerce Department.

5. Commerce Department, U.S. Merchandise Trade: March 1991 released on May 17, 1991.

6. Calculated by DSG from IMF International Financial Statistics, 1990, and bilateral trade figures from the U.S. Commerce Department.

7. Calculated by DSG from IMF Direction of Trade statistics, 1990.

8. Commerce Department data on bilateral U.S.-China trade data, and U.S. Foreign Trade Highlights, 1990.

9. Ibid.

10. IMF International Financial Statistics, 1990.

11. Ibid.

12. Ibid.

13. Ibid.

14. Bilateral U.S.-China trade data from the Commerce Department.

15. IMF International Financial Statistics, 1990.

16. Calculated by DSG from World Fact Book 1990, Central Intelligence Agency.

17. It also should be noted that the United States has refused to provide MFN status to several Communist countries that are GATT members. All U.S. trade with Cuba was terminated and MFN status denied following the Cuban Revolution. Romania was denied MFN in 1988.

The Case of Chinese Investment in the United States

One consequence of China's growing earnings from a trade surplus with the United States is that China now has greater foreign currency with which to buy U.S. firms and make investments in the United States.

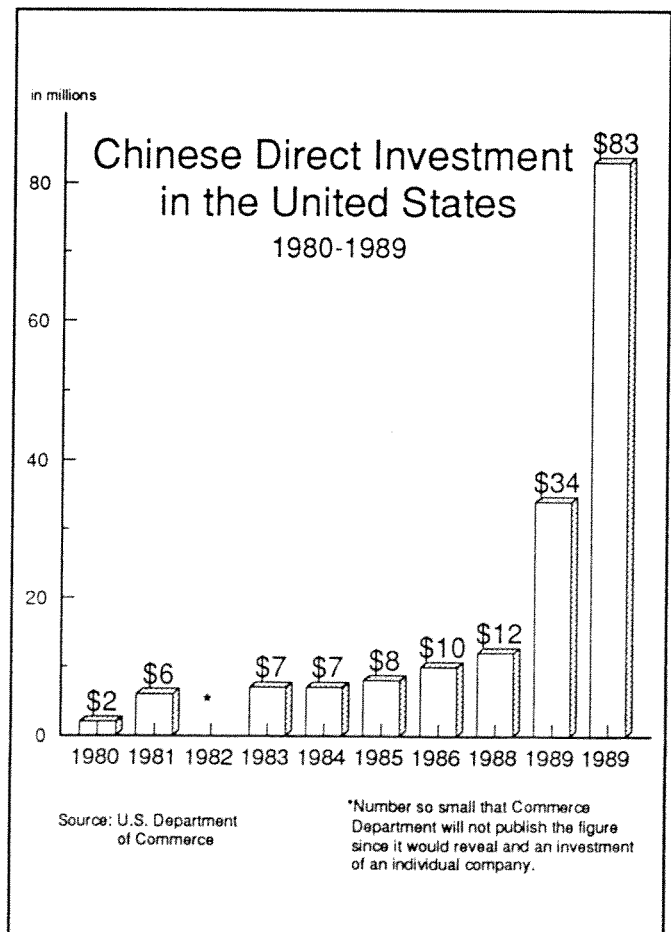
Commerce Department statistics indicate that in just the last five years, Chinese investment in the United States has increased over 1,000%, from just \$7 million in 1984 to \$83 million in 1989 (see graph). Investment in the United States offers the Chinese the ability to make secure and stable investments, insure future earnings of foreign currency, and gain an "inside track" on the latest U.S. technology and production methods to use in modernizing its factories.

China's purchase of a U.S. steel mill in Claymont, Delaware represents the first major manufacturing investment by the Chinese in the United States. In this case, China bought the plant after its closing in 1988 and made certain promises to U.S. workers to re-hire laid-off workers. To date, however, these promises have not been kept and controversy has arisen over labor practices at the new plant.

The Chinese company's labor practices were so harsh that the National Labor Relations Board took the unusual step of citing the company for unfair labor practices, charging them with "suppressing workers". The NLRB found that the Chinese company, CitiSteel, unlawfully refused to hire workers who they determined had so-called "union sympathies", had discriminated against rehiring former, unionized employees, and had refused to recognize and bargain with the steelworkers union. Instead of rehiring former, experienced workers as promised, Chinese managers

threatened and harassed workers. The NLRB report cites threats by the company to close the plant if employees selected a union to represent them, interrogation of job applicants to ascertain if the applicant had union sympathies, and threats to applicants that the company had no interest in employees who wanted union representation.

There are also charges that the Chinese government deliberately misled U.S. officials in order to purchase the plant and secure needed exemptions from U.S. law. Delaware state officials and union representatives maintain that the Chinese deliberately misled U.S. officials



about the extent of involvement of the Chinese in the deal, using a front organization in Hong Kong to give the impression that the Chinese government was only a partial investor. But the day after the Delaware legislators voted the special exemptions for the company, the Hong Kong investor mysteriously dropped out of the deal, leaving the Chinese with 100% ownership of the plant. The Chinese government company now claims that it was a representative of the Hong Kong firm which made promises to U.S. workers and thus it has no obligation to honor any such commitments.

Yet another area of conflict at the Chinese plant is the low wages paid to U.S. workers. U.S. union officials say the pay scale at the Chinese plant is below the industry average, with a

starting rate of only \$8.50/hour. Very few workers are paid the top rate of \$16.50/hour.

The treatment of U.S. workers at the Delaware plant has raised great concern not only for the individual workers and their community but also for what it may indicate about future Chinese investment and management practices in the United States.

The Delaware steel mill represents the first major U.S. manufacturing acquisition by the Chinese. As such, the case raises concerns about the potential for similar problems in the future, as the Chinese continue to search for new investments with cash earned from growing trade surpluses with the United States.

Selected Major U.S. Corporations with China Investments

3M China Ltd.	Grumman Corp.
Abbott Laboratories	Heinz Co.
Allen-Bradley Co.	Hewlett-Packard International Co.
American Standard, Inc.	Hoechst-Celanese
Amoco Chemicals Far East Ltd.	Ingersoll-Rand China Ltd.
AT&T Network Systems International	Intel Microprocessor Corp.
Avon Products, Inc.	S.C. Johnson Co.
Babcock and Wilcox Co.	Johnson & Johnson
Bailey Controls	Kendall Co.
Bausch and Lomb	Kraft General Foods Co.
Bechtel Inc.	Lockheed Corp.
Briggs & Stratton	Lummus Crest Inc.
Brown and Root International, Inc.	Mercury Marine
Business Week International	Modicon Inc.
Caltex Petroleum Corp.	Occidental Petroleum
Cargill Southeast Asia, Ltd.	Pepsico Inc.
Central Soya Co.	Pfizer International Inc.
Chrysler Corp.	PPG Industries Inc.
Coca-Cola	Proctor & Gamble Hutchison Ltd.
Continental Can	R.J.R. Nabisco
Continental Grain Co.	Rohm and Haas
Digital Equipment Corp.	Sara Lee
Dow Chemicals Comp.	Security Pacific Corp.
DuPont China, Ltd.	Shearson Lehman Hutton/American Express
Eastman-Christensen	Singer Sewing Machine Co.
EDS Inc.	Smithkline-Beecham Plc.
Esso Petroleum	United Technologies
First Interstate Bank	Wang Laboratories, Inc.
Fluor China Inc.	Warner-Lambert Co.
Gillette Co.	Western-Atlas International
W.R. Grace	Xerox Ltd.

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Chronology of U.S.-China Trade Relations

- 1947 and 1948
The Republic of China (ROC) is one of the 23 original signatories of GATT in 1947, and later is a member or Contracting Party of the GATT when it is established in 1948.
- March 8, 1950
The ousted government of the Republic of China, now on Taiwan, proclaims China's withdrawal from the GATT, but the People's Republic of China (PRC or China) claims itself to be the sole legal government and that the ROC's proclamation is without effect. In any case, the PRC does not participate in GATT.
- September 1, 1951
President Truman adds China to the list of Communist countries (except Yugoslavia) which are denied MFN status.
- 1971
PRC's delegation is seated in the United Nations.
- March 1, 1975
President Ford signs the Trade Act of 1974, which includes the Jackson-Vanik "freedom of emigration" amendment that provides for the restoration of MFN status to "nonmarket economy" countries.
- January 1, 1979
U.S. normalizes diplomatic relations with China and breaks official relations with Taiwan.
- July 7, 1979
Trade agreement between U.S. and China signed in Beijing.
- January 24, 1980
H.Con.Res.204, which approves the extension of MFN status to China, passes in both houses by rollcall votes.
- February 1980
China adopts "Open Door" policy.
- April 17, 1980
China is granted admission to International Monetary Fund.
- May 15, 1980
China is granted admission to World Bank, IDA, and International Finance Corporation.
- 1983
China is granted observer status in the GATT organization.
- September 23, 1985
President Reagan withdraws support for U.N. family planning operations due to reports of coercive abortions in China.
- July 14, 1986
China formally applies to rejoin the GATT.
- February 26, 1989
Weeks after inauguration, President Bush visits China and reportedly discusses missile exports, unfair trade practices, and human rights.
- May 31, 1989
President Bush transmits to Congress his recommendation for a 12-month extension of his Jackson-Vanik waiver authority and waivers for China. (H.Doc.101-69)
- June 4, 1989
P.L.A. troops begin assault on demonstrators in Tiananmen Square.
- June, 1989
Both Houses of Congress introduce bills to deny MFN to China.
- July 4, 1989
According to Washington Post reports Scowcroft and Eagleburger make a secret trip to Beijing over the July 4th weekend.
- December, 1989
In order to increase their trade surplus, China devalues its currency 21.2% against the dollar.
- May 24, 1990
President Bush recommends extending MFN status to China for another year.
- July 6, 1990
Newspapers report that U.S. has complained to China about chemical weapons shipments to Libya.
- October 18, 1990
The House passes H.J.Res. 647, to deny MFN to China, but the Senate takes no action on the matter.
- November 16, 1990
China again devalues the Yuan against the dollar, this time by 9%, in order to improve its trade balance and add to foreign exchange reserves.
- March 1, 1991
Assistant U.S. Trade Representative Joseph A. Massey, after talks on intellectual property rights in China, states, "the tremendous growth in the trade deficit, and the proliferation of Chinese measures to restrict access to the market for imports... constitute a meaningful, significant trade problem."
- April 12, 1991
Washington Post reports that China is helping Algeria in its nuclear weapons development program.

Top 25 U.S. Imports from China in 1990			
Item	US\$ in millions	MFN Tariffs as Percentage of Total Value	Non-MFN Tariffs as Percentage of Total Value
Petroleum, oils, and oils from bituminous materials	635.1	10.5 cts/bbl	21 cts/bbl
Footwear not elsewhere indicated; uppers over 90% rubber or plastic	582.8	6.0%	35.0%
Sweaters, pullovers, sweatshirts, vests, and similar articles; other textile materials	527.3	6.0%	60.0%
Other toys; without spring mechanisms	377.9	6.8%	70.0%
Nonwelt footwear; outer soles of rubber or plastic, leather upper, \$2.50/pair value	246.5	10.0%	20.0%
Telephone sets	231.8	8.5%	35.0%
Stuffed toys representing animals or non-human creatures	227.4	6.8%	70.0%
Dolls; not stuffed, over 33cm in height	200.8	12.0%	70.0%
Women's/girls' blouses and shirts; of silk or silk waste	194.8	7.5%	65.0%
Toys; representing animals or non-human creatures, other	170	6.8%	70.0%
Articles of plastics and other materials of headings	154.2	5.3%	80.0%
Fans; table, floor, wall, window, ceiling, or roof; not more than 125W output	143.4	4.7%	35.0%
Radio-tape player combinations; non-recording	139.7	3.7%	35.0%
Electrothermic hair dryers	138	3.9%	35.0%
Handbags; with or without shoulder strap or handle	135.6	20.0%	45.0%
Men's/boys' trousers, overalls, and shorts; of cotton, other	131.1	17.7%	90.0%
Game machines; other than coin or token operated	126.6	3.9%	35.0%
Artificial flowers; man-made fibers, other	119.7	9.0%	71.5%
Sweaters, pullovers, vests, and similar articles; man-made fiber, other	117.6	34.2%	90.0%
Sweaters, pullovers, vests, and similar articles of cotton; 36% + flax fiber, other	113.5	20.7%	50.0%
Nonwelt footwear with outer soles of rubber or plastic	112.8	8.5%	20.0%
Handbags, with/without shoulder strap or handle, not over \$20 value	110.3	10.0%	35.0%
Travel, sports and similar with outer surface	102.2	20.0%	65.0%
Toys incorporating an electric motor	100	6.8%	70.0%
Women's/girls' blouses and shirts; man-made fiber, other	99.9	28.6%	90.0%

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