

# THE AMERICAN CHAMBER OF COMMERCE IN HONG KONG

## Position Paper

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### NORMAL TRADE RELATIONS WITH CHINA

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#### *The Issue*

On October 10, 2000, President Clinton signed legislation granting permanent normal trade relations (PNTR) status to China into law. However, a condition of the legislation requires China to accede to the WTO before PNTR becomes effective. As multilateral negotiations on China's WTO accession will not be completed by June 3, the Administration will be required under the Jackson-Vanik amendment to the 1974 Trade Act, to decide whether to extend non-discriminatory tariff treatment (Normal Trade Relations) to imports from China for an additional year.

#### *Position*

*China's Normal Trade Relations (NTR) status should be renewed without conditions.*

#### *Rationale*

*Normal trade relations status is not preferential treatment.* NTR is the standard bilateral trading relationship the US maintains with all but six countries: Afghanistan, Cuba, Laos, North Korea, Serbia and Vietnam. The status merely accords a country the same level of tariff rates the United States extends to imports from virtually all trading partners.

*Granting NTR is crucial to stable US-China relations.* The US-China relationship is multi-faceted. There are many areas of common interest as well as unilateral concerns. Maintaining a constructive dialogue across all fronts, and particularly continuing normal trade relations, is helpful to all facets of the relationship. Stable, predictable relations are critical, not only to both countries, but also to global stability. In order to protect our vital economic and strategic interests in the Asia-Pacific region, the US should pursue a policy that encourages China to integrate into the international system and uphold accepted rules and norms. This can be accomplished only if the US interacts with, rather than isolates, China.

*Revocation of NTR would undercut economic reform in China.* In the past decade, China's market-oriented economic reforms have led to sweeping changes in Chinese society, resulting in dramatic improvements in living standards and the quality of life for the average Chinese citizen. Withdrawal of NTR would exact a heavy toll on the Chinese economy, with ordinary Chinese people suffering the greatest pain as millions of workers would lose their jobs, exacerbating an already serious unemployment problem and increasing the potential for social unrest.

*American companies are a force for positive change in China.* US business has played a unique role as a catalyst for positive change by promoting American values, human welfare and the principles of free enterprise. American companies set high standards for ethical business practices, industrial safety, environmental conditions, and workers' rights. The

improvements in quality of life arising from the presence of American business and the prosperity created by international commerce enhance social stability in China and promote economic and civil progress of the Chinese people.

***WTO rules require member countries to grant each other unconditional and permanent trading rights***, including “any advantage, favor, privilege or immunity” provided to any other trading partner. The current annual review of China’s trade status under the Jackson-Vanik amendment is considered conditional and discriminatory under WTO rules. If the US does not grant China PNTR, China is not obligated to extend WTO benefits to the US.

***Failure to renew NTR will not block China’s entry into the WTO.*** A decision by the US to grant or deny NTR will not affect China’s entry into the WTO. Accession can be approved by two-thirds of the 135 WTO member countries.

***Rescinding NTR would jeopardize progress made in recent years and deny new opportunities for US exports and business in China.*** China’s accession to the WTO will eliminate market access barriers that impede US businesses in the China market. US businesses will gain greater access to the China market through:

- trading rights, including the right to import and export foreign and domestic products;
- domestic distribution rights, including wholesaling, retailing, direct sales, maintenance and service and transportation;
- removal of quotas and other quantitative restrictions for imports;
- removal of policies blocking the importation of inputs for production;
- removal of trade and foreign exchange balancing requirements; and
- removal of local content requirements, technology transfer or related requirements to conduct research and development in China as conditions for investment approvals.

***Denying NTR for China will put US businesses at a direct disadvantage.*** Businesses from Asia, Europe, Latin America, Canada and many of the other members of the WTO will move quickly after China’s entry to take advantage of greater access to the China market. Without NTR, US businesses would be left behind, as China would not extend the same trading benefits to the US that will be extended to other WTO member countries. Renewing NTR for China will allow US companies to stay competitive and to enjoy the benefits of the most important market liberalization that China has embarked upon.

***Granting NTR confirms current trade and market access practices extended by the US and enjoyed by China since 1979.*** Congress has renewed normal trade relations with China every year since 1979.