

THE AMERICAN CHAMBER OF COMMERCE IN HONG KONG

A Framework for U.S.-China Relations

Introduction

China's emergence as a world power presents the United States with a major challenge as well as a major opportunity. Having taken its rightful place in the community of nations, a stable, prosperous and peaceable China has much to offer the U.S. and the world at large. U.S. efforts to promote global free trade, prevent the spread of weapons of mass destruction, take action through the United Nations, ensure the security of northern Asia, and reduce global environmental damage stand a greater chance of success with China's co-operation. To this end, the U.S. should seek China's responsible participation in the world community. China should be encouraged to take on an international role commensurate with its economy, population and size, and to shoulder the attendant burdens and responsibilities.

To meet the challenge posed by China's rising influence, the U.S. must craft a policy toward China that best serves long-term national interests. In the conduct of this policy, the U.S. should seek to cultivate greater mutual confidence, while working on issues that advance mutual interests. A constructive relationship with China cannot be built on the recrimination that has marked U.S.-China relations the past. Building trust and confidence will require that U.S. and Chinese officials at all levels meet regularly, not just when relations have reached an impasse. Whenever appropriate, the U.S. should also invite China to participate in gatherings of the world's leading countries.

A successful China policy requires that the president take the lead in explaining to Congress and the American people the rationale for improved relations with China. The president and his cabinet must necessarily acknowledge that the two countries have real political, economic, and cultural differences, and then explain the importance of bridging those differences. A well-reasoned, clearly articulated policy toward China will attract broader political and popular support in the U.S. and provide an enduring framework for amicable and mutually beneficial U.S.-China relations.

Trade

Trade forms a cornerstone of U.S.-China relations, with both countries benefiting considerably from greatly expanded bilateral trade and investment since 1978. Last year, bilateral merchandise trade exceeded US\$63 billion. By the end of 1995, approved U.S. investment in China reached an estimated US\$28 billion in roughly 20,000 projects, making the U.S. the third largest investor in China after Hong Kong and Taiwan. Yet both countries maintain obstacles to even broader trade relations: the U.S. has refused to grant China permanent most-favored-nation tariff treatment; China, on the other hand, has denied American companies fair access to its markets.

World Trade Organization: The U.S. should make every effort to bring China into the World Trade Organization (WTO) on terms that comply with current international norms, but that also which acknowledge China's particular economic situation. China's accession agreement should include explicit timetables that allow China to bring its economy and commerce into compliance with WTO standards within a reasonable period of time on an industry-by-industry basis. The agreement should require that China commit to further tariff reductions,

the elimination of non-tariff barriers, increased market access for foreign products and services, national treatment for foreign companies, the reduction and eventual elimination of performance requirements, and the phase-out of subsidies to state industries.

Most-Favored-Nation Trade Status: China's full entry into the world trade system demands that other nations grant it the same trade treatment afforded the vast majority of other nations. Without permanent most-favored-nation status, China has less incentive to make the painful economic adjustments that full participation in the international trade system requires. Congress should positively consider and the administration strongly support legislation giving China permanent most-favored-nation tariff treatment. The U.S. cannot expect that China will accept the responsibilities and burdens of membership in the world trade system when the U.S. refuses to grant it, without reservation, treatment normally only denied a nation's enemies.

Tiananmen Sanctions: The U.S. should immediately lift sanctions that prohibit the Overseas Private Investment Corporation and Trade Development Agency from providing assistance to American companies competing for business in China. These sanctions punish American business far more than they do their intended target. Prohibitions that bar the U.S.-Asia Environmental Partnership from operating in China should also be lifted. Providing assistance to American companies selling modern environmental technology and equipment in China will not only increase U.S. exports, but also enhance the health and welfare of Chinese citizens, and help reduce global pollution.

Joint Commission for Commerce and Trade (JCCT): Established in 1983, the JCCT provides an excellent forum for high-level bilateral discussions on trade and investment issues. The JCCT should continue the task of resolving differences in two-way trade accounting and complex issues of methodology in reporting trade balances. The JCCT also plays a productive role to facilitate greater U.S. business involvement in China.

Hong Kong

Both China and the U.S. have an abiding interest in Hong Kong's continued prosperity and stability after the territory returns to Chinese rule this year. In addition to economic benefits, Hong Kong's successful transition to Chinese sovereignty will bring China enhanced prospects for a peaceful resolution of its differences with Taiwan. U.S. interests include the over 36,000 American citizens who reside in Hong Kong, bilateral merchandise trade totalling almost US\$24 billion in 1996, and investments worth an estimated US\$14 billion through 1995.

Hong Kong's tremendous success rests on various attributes, including a strong and independent legal system, the free passage of people and goods, non-discriminatory government policies, a freely convertible currency, the free flow of ideas and information, minimal levels of corruption and coercion, and a world-class infrastructure. The U.S. should support the preservation of these attributes in order to maintain the territory's prosperity and stability, the livelihood of the Hong Kong people, and the viability of American economic interests in Hong Kong. In this regard, the U.S. should make clear that international confidence in Hong Kong's future as an international business center depends on Hong Kong being governed by the terms of the Joint Declaration and the Basic Law. For its part, Congress should consider carefully before pursuing additional legislation concerning Hong Kong. Current U.S. law, as embodied in the U.S.-Hong Kong Policy Act, already requires that the U.S. monitor developments in Hong Kong and provides adequate remedies should China fail to meet its internationally recognized obligations regarding the territory.

Taiwan

Taiwan's future remains the most troublesome issue in U.S.-China relations; the one issue that could conceivably bring both countries into open conflict. Friendly bilateral relations and stability in the region depend on peaceful accommodation between the People's Republic of China (PRC) and Taiwan. Consequently, the U.S. must stress to the PRC and Taiwan that they must avoid a violent resolution of the issue.

Although Taiwan's economic influence and close trade relations with the U.S. require continued dialogue and co-operation, as elaborated in the Taiwan Relations Act, the U.S. should adhere to the three joint communiqués on Taiwan. The U.S. must recognize that China will interpret attempts to upgrade relations as a violation of the precedent that has governed U.S. relations with Taiwan for almost 25 years. A U.S. retreat from its acceptance of a one China policy would cripple relations with the PRC.

Human Rights

The U.S. has an abiding interest in the way all countries, including China, treat their people. Policies that respect recognized humanitarian values, political freedoms and the rule of law also promote stronger economic growth and enhance stability. The U.S. should pursue its concerns about human rights through bilateral discussions, possibly under the auspices of an established forum or commission, and through multilateral forums such as the United Nations.

Discussions on human rights should in part address China's own interests, such as the establishment of the rule of law, and consider those forces, such as economic growth, that help underpin human rights. An ongoing dialogue on human rights also requires that the U.S. listens to China's criticisms of American human rights shortcomings. U.S. criticisms of China should acknowledge that, despite continuing political and religious repression, the lives of the great majority of the Chinese people have improved markedly since 1979. China's subsequent economic and administrative reforms have significantly reduced poverty, introduced grassroots political pluralism, allowed wider access to information and much greater personal choice. Chinese citizens now enjoy considerably more control over employment, travel, housing and schooling than they did two decades ago.

American business has played a role in fostering these changes. Foreign trade and investment have brought into China new ideas and practices, and employed millions of Chinese workers. American companies have set the standard in China for ethical practices, respect for law, worker training, remuneration, environmental protection and dignity in the workplace. In order to promote continued American leadership on such issues, AmCham encourages member companies to adopt a set of voluntary business principles covering the ethical conduct of business activities.

Regional Security

After two decades of sustained peace in Asia, recent events and lingering historical animosities call into question the durability of this peace. The absence of established regional security institutions make the peaceful accommodation of China's growing power less certain. China's extensive territorial claims and recent military actions have caused concern among its neighbours and in the U.S. Unfortunately, strengthened security ties between the region's nations and the U.S. have raised China's fears of encirclement.

The U.S. and China should increase bilateral military ties to promote greater mutual understanding and trust. Military exchanges that discuss training, doctrine, and technology will help reduce mutual suspicion by enhancing the transparency of each country's capabilities and intentions. The U.S. should encourage the Chinese to begin such exchanges with its neighbours as well. China should be encouraged to enter regional security discussions, including those concerning competing territorial claims in the South China Sea. The U.S. should continue efforts to persuade China to play a stabilising role in the region, especially with regard to the Korean peninsula, where the two countries share mutual concerns. The U.S. should continue its dialogue with China about North Korea and give greater recognition of China's tacit co-operation with U.S. efforts in diffusing tensions between the two Koreas.

Weapons of mass destruction, and the means of their delivery, threaten not only regional security, but also global security. China has pledged to prevent the further spread of such weapons by acceding to the various international conventions governing such weapons.

The U.S. should insist that China abide by the Nuclear Non-Proliferation Treaty, the Missile Technology Control Regime, the Chemical Weapons Convention, and the Biological and Toxin Weapons Convention. The U.S. should also encourage China to join international organizations, such as the Nuclear Suppliers Group, dedicated to the control of the technologies covered under these conventions. At the same time, the U.S. should remove prohibitions that limit the export to China of civilian nuclear technology that is available from our allies, since these limitations only harm American business.