

THE AMERICAN CHAMBER OF COMMERCE IN HONG KONG

Fact Sheet

Normal Trade Relations Status

- Normal trade relations (NTR) status is not a special privilege or reward; it is the standard non-discriminatory tariff treatment the US extends to other countries in return for reciprocal tariff treatment for US exports. The US extends NTR to over 160 countries. Only Afghanistan, Cuba, Laos, North Korea, Serbia and Vietnam have not been granted NTR status by the US.
- The Jackson-Vanik amendment to the Trade Act of 1974 calls upon the President to deny non-discriminatory tariff treatment - formerly known as most favored nation treatment, now called normal trade relations - to any non-market economy that seriously restricts free emigration. The President may waive this requirement if he determines that the country permits free and unrestricted emigration or if he believes extension of NTR would promote free emigration.
- China's NTR status expires on July 3 each year. By law, the President must inform Congress of his intention to renew or withdraw NTR no less than 30 days prior to that date. No Congressional action is required to support extension.
- Congress may overturn a decision to extend NTR by passing a joint resolution of disapproval. This action must be taken within 60 days of July 3, that is by September 1. Approval of the resolution requires a majority vote in both the House of Representatives and the Senate. If a majority is not achieved in both houses, the resolution fails.
- If the joint resolution is passed, the President has 60 days to veto it. Congress then has the remainder of the 60 days or a minimum of 15 days, whichever is longer, to vote on the veto. A two-thirds majority in both houses is required to override a Presidential veto. If the override is successful, NTR trade status for China would be withdrawn, effective 60 days after the disapproval resolution is enacted into law.
- Apart from a joint resolution of disapproval, Congress may at any time pass free-standing legislation withdrawing NTR or conditioning future extension. The House Ways & Means and Senate Finance Committees are responsible for all NTR-related legislation. NTR tariff treatment for China has been renewed each year since 1980 despite acrimonious debate, several disapproval resolutions and introduction of various bills to condition NTR.
- The President may also, at any time, terminate NTR by executive order.
- Consequences of NTR revocation: US duties on goods imported from China would rise to the level of rates established in the 1930s under the highly protectionist Smoot-Hawley Tariff Law. The tariffs for Chinese-made products would increase from an average rate of 5% to an average of nearly 50%. Tariff rates on certain items would soar to more than

100%. Imports from China of such items as footwear, toys, and apparel would become dramatically more expensive for the American consumer.

- NTR tariff treatment is extended on a reciprocal basis. If the US revoked China's NTR status; China would very likely retaliate, thereby blocking access to one of the world's largest export markets. Withdrawing NTR from China would effectively suspend the commercial relationship and jeopardize important U.S. economic and strategic interests.

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