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## **China: Economic Sanctions**

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Dianne E. Rennack  
Specialist in Foreign Policy Legislation  
Foreign Affairs, Defense, and Trade Division

# China: Economic Sanctions

## Summary

The United States currently maintains the following economic sanctions against China:

- limits on U.S. foreign assistance;
- U.S. “No” votes or abstention in the international banks;
- ban on Overseas Private Investment Corporation programs;
- ban on export of defense articles or defense services;
- ban on import of munitions or ammunition;
- denial of Generalized System of Preferences status;
- substantial export controls on dual-use items, particularly satellites, nuclear technology, and computers;
- export and licensing restrictions on targeted entities found to have engaged in proliferation of missiles and weapons of mass destruction (or related technology); and
- Presidential authority to restrict Chinese military companies and Chinese government-affiliated businesses from developing commercial activities inside the United States.

Human rights conditions in China and the threat of proliferation of weapons of mass destruction resulting from China’s lack of export controls or lack of cooperation with international export control standards continue to be the main foreign policy or national security issues that hold these economic restrictions in place.

The influence of Congress on U.S. policy toward China, once significant because so much hung on the annual possibility that favorable trade terms could be suspended, has more recently been diffused. Sanctions that remain in place today can all be modified, eased, or lifted altogether by the President, without congressional input (though some changes would require that the President notify Congress). Congress and the Administration each recognize the importance of China’s emerging ability to consume and to produce, and China has become an increasingly important trading partner of the United States. At the same time, because of the unrelenting tension between the United States and the Peoples Democratic Republic of Korea over the latter’s interest in developing nuclear weapons capability, and because of China’s longstanding relation with North Korea as a primary trading partner and benefactor, the United States’ relations with China are crucial.

This paper will be updated as events warrant.

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# China: Economic Sanctions

## U.S. Economic Sanctions Currently in Place Against China

U.S.-China relations, since 1969, when the process of normalization began under President Nixon, have advanced to a point that relatively few restrictions remain.<sup>1</sup> Today, U.S. economic sanctions against China include:

- limits on U.S. foreign assistance;
- U.S. “No” votes or abstention in the international banks;
- ban on Overseas Private Investment Corporation (OPIC) programs;
- ban on export of defense articles or defense services;
- ban on import of munitions or ammunition;
- denial of Generalized System of Preferences status;
- substantial export controls on dual-use items, particularly satellites, nuclear technology, and computers;
- export and licensing restrictions on targeted entities found to have engaged in proliferation of missiles and weapons of mass destruction (or related technology); and
- Presidential authority to restrict Chinese military companies and Chinese government-affiliated businesses from developing commercial activities inside the United States.

Many of these sanctions are imposed as a U.S. response to the Chinese government’s crackdown against a fledgling democracy movement in the spring of 1989. The incidents at Tiananmen Square upended what had been two decades of cautious but positive steps toward full and unfettered economic relations between the United States and China.

U.S.-China relations have also been impeded by China’s willingness, some would say eagerness, to export nuclear materials and goods and technology related to missile proliferation. The early 1990s can be noted for reports that China assisted Pakistan, Iran, and North Korea in their pursuit of the acquisition of weapons of mass destruction.

## Tiananmen Sanctions

In 1990, in the wake of the 1989 Tiananmen Square crackdown in China, Congress passed legislation to reenforce interim economic and diplomatic sanctions that President George H.W. Bush had implemented earlier to express U.S.

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<sup>1</sup> For a discussion of U.S. sanctions in place against China from 1949 to 1997, see Rennack, Dianne E. *China: U.S. Economic Sanctions*. CRS Report 96-272 F. October 1, 1997. 51 p.

disapproval of the Chinese government's actions. The Tiananmen Square sanctions, as they are popularly called, included:<sup>2</sup>

- a continuance of the suspension of Overseas Private Investment Corporation financing (imposed earlier by the President);
- a continuance of the suspension of U.S. Trade and Development Agency (USTDA) financing (imposed earlier by the President);
- a continuance of the suspension of export licensing for defense articles and defense services on the U.S. Munitions List, including helicopters and helicopter parts (imposed earlier by the President);
- a continuance of the suspension of export licenses for satellites contracted to be launched in China (imposed earlier by the President);
- a suspension of export licenses for crime control and detection instruments and equipment;
- a denial of export licenses for any goods or technology used in nuclear production, if the President finds that such products could be diverted to the research or development of a nuclear explosive device; and
- U.S. opposition to multilateral efforts to liberalize the application of export controls that limited goods or technology to China.

The legislation included waiver authority provisions, authorizing the President to end the sanctions if he determined either that (1) China's progress in instilling certain human rights standards warranted a change, or (2) it was in the U.S. national interest to do so. It should be noted that "national interest" is considered the easiest standard to meet in legislation that requires or authorizes the imposition of sanctions (by comparison to what many consider the most rigorous standard, that a sanction not be waived unless it is "essential to national security interests"). President Bush and his successors have exercised the waiver on a case-by-case basis, in instances of satellite exports and items related to counter-terrorism, or wholesale, in the case of restoring USTDA funding, nuclear cooperation, and liberalization of export controls. In 1998, however, Congress reenforced a portion of the Tiananmen Square sanctions, by requiring that the President provide a detailed justification before he waived restrictions on the export of any satellite of U.S. origin or related items.<sup>3</sup>

## Foreign Aid<sup>4</sup>

While China is not explicitly denied U.S. foreign assistance, in recent past years, the U.S. Agency for International Development (USAID) has noted that "[t]he Chinese Government does not share core American values on human rights, religious

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<sup>2</sup> Section 902 of the Foreign Relations Authorization Act, Fiscal Years 1990 and 1991 (P.L. 101-246; 22 U.S.C. 2151 note).

<sup>3</sup> Section 1515 of P.L. 105-261 (112 Stat. 2177; 22 U.S.C. 2778 note).

<sup>4</sup> Not everyone agrees that the withholding of foreign aid is an economic sanction. See, for example: Helms, Jesse. "What Sanctions Epidemic? U.S. Business' Curious Crusade." *Foreign Affairs*. January-February 1999.

freedom, and democracy. The United States and China also disagree on the best policies for Taiwan and Tibet.”<sup>5</sup> Each of these would be grounds for denying U.S. foreign assistance.<sup>6</sup> Even where foreign aid is denied, it should be remembered, aid may be made available for many reasons, particularly for emergency food aid, child survival and health, or disaster assistance.

In the past eight years, the United States has taken steps to make some aid available to China. Since the late 1990s, for example, the United States has supported medical projects through its American Schools and Hospitals Abroad program. In 2000, in the same measure that authorized the extension of normal trade relations, Congress established the means to provide assistance to support rule of law programs in China.<sup>7</sup> Beginning with the Fiscal Year 2002 foreign aid appropriations measure, Congress removed China from the list of countries prohibited from receiving U.S. indirect foreign assistance. China had been prohibited from receiving such funds since FY1993, although the prohibition had little effect since the President waived it each year. In the FY2002 appropriations measure, Congress also put not less than \$10 million in Economic Support Funds toward “activities to support democracy, human rights, and the rule of law in the People’s Republic of China,” of which \$5 million was specifically earmarked for the State Department’s Human Rights and Democracy Fund. Of that \$5 million, \$3 million “may be made available to nongovernmental organizations located outside the People’s Republic of China to support activities which preserve cultural traditions and promote

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<sup>5</sup> U.S. Agency for International Development. *Fiscal Year 2004 Budget Justification to the Congress: Annex II — Asia and the Near East*. p. 39-44.

<sup>6</sup> For example, for human rights, consider secs. 116, 239(i), and 502B of the Foreign Assistance Act of 1961 (22 U.S.C. 2151n, 2199(i), and 2304, respectively), in which human rights violations are grounds for denying economic assistance, Overseas Private Investment Corporation programming, and military assistance, respectively. Sec. 701 of the International Financial Institutions Act (22 U.S.C. 262d) requires that human rights be taken into consideration when evaluating multilateral bank loan votes. Sec. 2(b)(1)(B) of the Export-Import Bank Act of 1945 (12 U.S.C. 635(b)(1)(B)) authorizes the President to deny Bank support if it is in the U.S. national interest in various areas, including human rights and child labor. Title IV of the International Religious Freedom Act of 1998 (22 U.S.C. 6441 *et seq.*) authorizes the President to restrict foreign aid if he finds certain conditions exist. Other laws provide for foreign aid restrictions if specific aspects of human rights are substandard. Finally, annual foreign assistance appropriations bills have, for many years, required international family planning programs to meet stringent conditions relating to abortion, involuntary sterilization, and coercive family planning in developing countries. The United Nations Population Fund (UNFPA) lost \$34 million in each of the past three fiscal years when, in FY2002, the Secretary of State determined that the organization engaged in coercive family planning in China. See CRS Report RL32919, *Foreign Operations (House)/State, Foreign Operations, and Related Programs (Senate): FY2006 Appropriations*, by Larry Q. Nowels and Susan B. Epstein. 59 p; and CRS Report RL32703, *The U.N. Population Fund: Background and U.S. Funding Debate*, by Larry Q. Nowels. 33 p.

<sup>7</sup> P.L. 106-286, particularly title V (114 Stat.903; 22 U.S.C. 6961 *et seq.*).

sustainable development and environmental conservation in Tibetan communities in Tibet.”<sup>8</sup>

Since 1989, the Overseas Private Investment Corporation (OPIC), an export promotion program that is considered foreign aid, has not provided coverage or risk insurance for U.S. investments in China. President George H.W. Bush required OPIC and the U.S. Trade and Development Agency (USTDA), which finances feasibility studies of U.S. overseas investments, to close their China offices and programs after the Tiananmen Square crackdown. In the waning days of his term, President Clinton notified Congress that it was in the U.S. national interest to terminate the suspension of USTDA funding to China.<sup>9</sup> USTDA officials subsequently signed operating framework agreements with China’s Ministry of Foreign Trade and Economic Cooperation and several other government offices, and opened its grant assistance program on July 31, 2001. USTDA awarded China its “Country of the Year” honor in 2002, and obligated more than \$10 million toward projects and events in the country that year. In 2004, USTDA committed more than \$3.9 million toward projects in China, largely relating to environmental and infrastructure improvements.<sup>10</sup>

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<sup>8</sup> Secs. 523 and 526 of Public Law 107-115 (115 Stat. 2146, 2147). See also sec. 511 of P.L. 106-286 (22 U.S.C. 6981), granting normal trade relations for China, in which the Secretary of Commerce is authorized to establish a program to conduct rule of law training and provide technical assistance related to commercial activities, and in which the Secretary of State is similarly tasked to create a program aimed at the development of China’s legal system and civil society. USAID provides assistance to the Tibetan population in the Tibet Autonomous Region and the Tibet Autonomous Prefectures and Counties in the provinces of Qinghai, Gansu, Sichuan, and Yunnan. USAID supports HIV/AIDS work of nongovernmental organizations in Guangxi and Yunnan. American Schools and Hospitals Abroad (ASHA) has been engaged for eight years with the Center for American Studies at Fudan University, Shanghai, and more recently with the Hopkins-Nanjing Center for Chinese and American Studies, Nanjing, and with Project Hope in support of the Shanghai Children’s Medical Center. U.S. Agency for International Development. *Budget Justification to the Congress: Fiscal Year 2006*. p. 246-247. Beginning in 1993, China also hosts Peace Corps volunteers to teach English and environmental studies in universities (estimated FY2006 request: \$1.8 million). *A Legacy of Service and Compassion: Peace Corps Congressional Budget Justification, Fiscal Year 2006*. p. 89.

<sup>9</sup> *Compilation of Presidential Documents: Administration of William J. Clinton*. “Letter to Congressional Leaders Transmitting a Report on Funding for the Trade and Development Agency With Respect to China.” January 15, 2001. p. 128. In fact, many policy analysts expected President Clinton to resume both OPIC and USTDA programs in China prior to his state visit in mid-1998. Even as the Administration was preparing for the summit, however, Members of Congress were calling for an investigation of satellite exports to China, and several departments and agencies within the executive branch began to scrutinize technology transfers that exceeded licensing limits or took place altogether outside legal bounds. See Kan, Shirley A. *China: Possible Missile Technology Transfers from U.S. Satellite Export Policy — Actions and Chronology*. CRS Report 98-485 F. 59 p.

<sup>10</sup> “China Receives USTDA 2002 Country of the Year Honors,” *Trade and Export News* (press release). April 23, 2003; *Annual Report 2004: The U.S. Trade and Development Agency: Building the Environment for Trade*. p. 37.

The United States generally continues to abstain from or vote “No” in the international financial institutions when loans for projects in China are on the table. From April 1, 2001, through December 31, 2001, the last period for which data are available, the World Bank, International Finance Corporation, Asian Development Bank, and Asian Development Fund considered 26 loan or restructuring requests for various projects in China, totaling some \$1,633.5 million. Of these, the United States abstained from or voted “No” in 24 instances. The United States gave its support only where programs would meet basic human needs, or in circumstances where impact on the human environment was not significantly damaging. Indeed, in the 26 instances where the United States abstained or voted “No” for human rights reasons globally in this period, 24 of those votes were on loans to China.<sup>11</sup> No one country holds singular power to block a loan once it is brought up for a vote, however.

## Arms Sales

The United States government maintains a prohibition on exporting defense articles and defense services to China under the general authority granted to the President and Secretary of State to control the import and export of such goods and services in the context of U.S. foreign policy, as well as pursuant to the Tiananmen sanctions.<sup>12</sup> The export of defense articles and defense services has been prohibited or limited to varying degrees as U.S.-China relations have thawed and shifted since 1949.

The United States also prohibits the import of munitions and ammunition from China. President Clinton announced the sanction on imports in May 1994, along with the announcement that he would renew Most-Favored-Nation trade status for China for another year.<sup>13</sup>

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<sup>11</sup> Department of the Treasury. *International Financial Institutions' Transactions (April 1, 2001 through December 31, 2001)*, as reported to the Senate Committee on Foreign Relations, November 18, 2003, in accordance with section 701 of the International Financial Institutions Act (P.L. 95-118; 22 U.S.C. 262d), which requires the Secretary of the Treasury to report to congressional committees annually on U.S. votes in the international financial institutions.

<sup>12</sup> Sections 2, 38, 40, 42, and 71 of the Arms Export Control Act (22 U.S.C. 2752, 2778, 2780, 2791, and 2797). Restrictions are stated at 22 CFR 126.1: Department of State: Prohibited exports and sales to certain countries.

<sup>13</sup> In 1993, President Clinton linked the annual renewal of Most-Favored-Nation trade status for China to improved human rights conditions there. One year later, he de-linked human rights from trade, but imposed the import restriction as an expression of continuing concerns over human rights. He also announced increased Radio Free Asia and Voice of America broadcasts to China, support for nongovernmental organizations working on human rights in China, and the “development with American business leaders of a voluntary set of principles for business activity in China.” “The President’s News Conference: May 26, 1994,” in *Public Papers of the Presidents of the United States: William J. Clinton*, vol. I, p. 991. See munitions import restrictions stated at 27 CFR 447.52 (redesignated from 27 CFR 47.52 on January 24, 2003; 63 F.R. 3744), Bureau of Alcohol, Tobacco and Firearms, Department of Treasury; and arms embargo stated at 22 CFR 126.1, Department of State.



## Trade<sup>14</sup>

**Generalized System of Preferences.** Imports from China are denied duty-free treatment afforded to certain imports from other developing countries under the U.S. Generalized System of Preferences (GSP). The Trade Act of 1974, which authorizes the GSP, requires a communist country to meet certain conditions before the President may designate it as a “beneficiary developing country” to become eligible for preferential trade treatment. The first set of bases for ineligibility are applicable to communist countries and include ineligibility for normal trade relations (formerly Most Favored Nation) and nonmembership in the World Trade Organization (WTO) and International Monetary Fund (IMF). China cleared these hurdles when China joined the WTO in 2001, the United States granted normal trade status in 2002, and China has been a member in good standing in the IMF since 1980. The third condition to be met by communist countries is that the country in question “is not dominated or controlled by international communism.” Conditions applicable to communist countries are not waivable. China may be denied for its political system or for a number of other reasons stated in the law, including intellectual property rights protection or workers’ rights.<sup>15</sup>

**Export Controls Applied to U.S.-China Trade.** Export regulations are constructed to implement U.S. law and various international control regimes to which the United States is a party (i.e., the Missile Technology Control Regime, or the Nuclear Suppliers Group). They generally are not cast as economic sanctions because their goal is not to change the particular objectionable behavior of a targeted country but to meet U.S. legal and international obligations. The application of export controls, however, can have the same appearance and effect as an economic sanction imposed for foreign policy or national security objectives.

Though several departments and two commissions have export control responsibilities,<sup>16</sup> the lion’s share is assigned to the Department of Commerce’s

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<sup>14</sup> The sanctions discussed here are applied for foreign policy or national security objectives but affect trade. Trade-related sanctions — including those imposed for intellectual property rights issues or unfair market practices, for example — draw from a different body of law and are not addressed in this paper. For trade related issues, see CRS Report RS21292, *Agriculture: U.S.-China Trade Issues*, by Geoffrey S. Becker and Charles E. Hanrahan; and CRS Issue Brief IB91121, *China-U.S. Trade Issues*, by Wayne M. Morrison.

<sup>15</sup> Title V of the Trade Act of 1974 (P.L. 93-618; 19 U.S.C. 2461-2466), particularly sec. 502(b), (c), and (d).

<sup>16</sup> As detailed in 15 CFR Part 730, Suppl. No. 3: the State Department oversees defense articles and defense services. Department of Justice handles most controlled drug issues, including related chemicals and precursor agents. Department of Health and Human Services (Food and Drug Administration) manages the export of other drugs, biologics, medical devices, and investigational drugs. Department of the Interior oversees fish and wildlife controls and endangered species. Department of the Treasury (Office of Foreign Assets Control) controls the flow of financial transactions and foreign access to assets in, or of, the United States. Department of Energy scrutinizes exports related to gas, electricity, and nuclear technology, technical data for nuclear weapons and special nuclear materials.

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Bureau of Industry and Security (BIS). BIS promulgates the Export Administration Regulations (EAR).<sup>17</sup> The EAR include the Commerce Control List, which categorizes all goods, services, and technology for which export licenses are required for a range of national security and foreign policy reasons.

An export license is required for commercial goods, services, or technology intended for China for reasons of: chemical and biological weapons proliferation, nuclear proliferation, national security, missile technology, regional stability, and crime control. This means that exporting most items on the Commerce Control List to China would require a license. For some goods and services, further guidance is provided in the form of license exceptions. Computer equipment, assemblies and components, for example, are controlled for national security reasons, but trading partners are sorted into two groups or tiers. China is listed in the more restricted Tier 3, for which a computer may be sold and shipped if it is a slower processor, if the end-user is clearly identified, and if the end-use does not pertain to nuclear, chemical, biological, or missile activities.<sup>18</sup> Each license application is thus scrutinized by the Department of Commerce.

The United States' trading partners are also sorted into four country groups. Country Group A is reserved, mostly, for countries that are participants in the Nuclear Suppliers Group, the Australia Group, and the Missile Technology Control Regime. The most restrictive group, Country Group E, is reserved for those countries identified by the State Department as supporters of international terrorism. China is in Country Group D for national security and for proliferation of chemical and biological weapons and missile technology. A Country Group D listing further limits the likelihood of export licenses being granted for China for most Commerce Control List items, though for China the general policy is to approve licenses except in certain, very specific, instances. For example, it is general policy to deny licenses to any national security-listed country where the export "would make a significant contribution to the military potential of any other country or combination of countries that would prove detrimental to the national security of the United States." In the case of China, however, only exports that "would make a direct and significant contribution to electronic and anti-submarine warfare, intelligence gathering, power projection, and air superiority receive extended review or denial.... Items may be approved even though they may contribute to China's military development or the end-user or end-use is military."<sup>19</sup>

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<sup>16</sup> (...continued)

Department of Transportation oversees the use of U.S.-flagged vessels. Two independent commissions, the Nuclear Regulatory Commission and the Federal Maritime Commission, keep track of nuclear materials and equipment, and ocean freight forwarders, respectively. In each department or commission, it is possible that punitive restrictions — sanctions — could be imposed on licensing to further national security or foreign policy goals.

<sup>17</sup> 15 CFR Subchapter C (Parts 730-799).

<sup>18</sup> Tiers are at 15 CFR Part 740.7.

<sup>19</sup> 15 CFR Part 742.4(a) and 742.4(b)(7).

**Proliferation-Related Sanctions.**<sup>20</sup> China is a signatory of the Nuclear Nonproliferation Treaty, the Comprehensive Nuclear Test Ban Treaty, and the Chemical Weapons Convention; is a member of the Zangger Committee (pertaining to nuclear trade); and has issued export control regulations to demonstrate its commitment to follow the guidelines of the Missile Technology Control Regime. Nonetheless, entities and individuals in China have been found to be in violation of U.S. laws pertaining to proliferation of weapons of mass destruction. China has been linked to sales or transfers of controlled nuclear and missile technology to Iran, North Korea, Libya, Syria, and Pakistan. As a result of violating U.S. laws intended to staunch international proliferation of weapons of mass destruction, the charged Chinese entities have been denied: U.S. government contracts relating to missile equipment or technology (unlikely to occur in any event), licenses to transfer controlled materials (also unlikely in any circumstance), the right to import any products into the United States, U.S. government sales or transfers of items controlled on the U.S. Munitions List, and any U.S. (government or commercial) sales or transfers of dual-use items on the Commerce Control List (for which China is already heavily restricted).<sup>21</sup>

**Satellites.**<sup>22</sup> President George H.W. Bush suspended export licenses for satellites contracted to be launched in China after the Tiananmen Square crackdown in 1989, an action reenforced by Congress a few months later when it enacted the Tiananmen Square sanctions in 1990. The restriction remains in law but was waived on a case-by-case basis by Presidents George H.W. Bush and Clinton, who each found it in the U.S. national interest to do so. Following several controversial issuances of export licenses for satellites during the Clinton Administration, since 1998, the President has been required to provide a detailed description and justification of each waiver applicable to satellites or related items. The State Department suspended the processing of export licenses for satellites to China in February 2000. Each year since FY2002, Congress has enacted legislation to require 15-days advance notification of any licensing for export to China of satellites or satellite components.<sup>23</sup>

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<sup>20</sup> For further discussion, see CRS Report RL31555, *China and Proliferation of Weapons of Mass Destruction and Missiles: Policy Issues*, by Shirley A. Kan.

<sup>21</sup> For U.S. Munitions List items: sec. 38 of the Arms Export Control Act (AECA) (P.L. 90-629; 22 U.S.C. 2778); for missiles: sec. 73 of the AECA (22 U.S.C. 2797b), and sec. 11B of the Export Administration Act of 1979 (EAA) (P.L. 96-72; 50 U.S.C. app. 2410b). For chemical weapons: sec. 81 of the AECA (22 U.S.C. 2798), sec. 11C of the EAA (50 U.S.C. app. 2410c), and sec. 3 of the Iran Nonproliferation Act of 2000 (P.L. 106-178; 50 U.S.C. 1701 note). For all manner of WMD proliferation: Executive Order 12938 (November 14, 1994; 50 U.S.C. 1701 note), wherein the President has the authority to control any relevant item, deny procurement contracts, foreign aid, importation, support in the international financial institutions, credit in other fora, and landing rights to an entity or country.

<sup>22</sup> For further discussion, see CRS Report 98-485, *China: Possible Missile Technology Transfers From U.S. Satellite Export Policy — Actions and Chronology*, by Shirley A. Kan.

<sup>23</sup> Most recently in the Department of State and Related Agency Appropriations Act, 2005 (title IV of division B of P.L. 108-447).

## Presidential Prerogative

Effective since October 1998, the President is authorized to freeze the assets of, prohibit any transactions with, and impose other restrictions (except those related to importation) afforded his office under the International Emergency Economic Powers Act on, any Communist Chinese military company, or any company controlled by the People's Liberation Army, a Chinese government ministry, or an entity affiliated with the defense industrial base of China, that are operating directly or indirectly in the United States. To trigger this, the Secretary of Defense is required to identify the company or entity and notify Congress, the Director of Central Intelligence, the Attorney General, and Secretaries of State, Treasury, Commerce, and Energy.<sup>24</sup> To date, the President has not used this authority.

In 2000, Congress enacted legislation to improve U.S.-China relations, primarily by setting in motion the means to grant China permanent normal trade relations once it joined the World Trade Organization.<sup>25</sup> Prior to that, human rights conditions in China had been subject to regular scrutiny by both the Legislative and Executive Branches, with the two bodies often not in agreement. China continues to be so scrutinized for human rights, religious freedom, labor rights, use of prison labor, and proliferation issues. But the power of Congress, once significant because so much hung on the annual possibility that favorable trade terms could be suspended, has been diffused. The sanctions that remain in place today can all be modified, eased, or lifted altogether by the President, without congressional input (though some changes would require that the President notify Congress).

Congress and the Administration each recognize the importance of China's emerging ability to consume and to produce, and China has become an increasingly important trading partner of the United States. At the same time, because of the unrelenting tension between the United States and the Peoples Democratic Republic of Korea over the latter's interest in developing nuclear weapons capability, and because of China's longstanding relation with North Korea as a primary trading partner and benefactor, the United States' relations with China are crucial.

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<sup>24</sup> Sec. 1237 of the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999 (P.L. 105-261; 50 U.S.C. 1701 note). As enacted, the law required the Secretary of Defense to publish a list of Chinese companies in the *Federal Register* annually. The Secretary notified Congress that the task exceeded his office's intelligence capabilities. The law was amended the following year to require the Secretary to notify only the Committees on Armed Services and the above-noted administration officials. For complete statement of the President's authority under sec. 203 of the International Emergency Economic Powers Act, see P.L. 95-223 (50 U.S.C. 1702). For further discussion of the People's Liberation Army's commercial interests inside the United States, see CRS Report 98-197, *China's Military-Owned Businesses*, by Shirley A. Kan.

<sup>25</sup> P.L. 106-286 (114 Stat. 880, enacted October 10, 2000).