

CHINA'S MOST FAVORED NATION STATUS

In previous years, China's eligibility for Most Favored Nation status had to be renewed by Congress. Until 1994, the Clinton administration maintained that the United States should use its economic leverage to promote democracy and respect for human rights in China, a view Congress had supported. China was one of a handful of countries that had to obtain an annual presidential waiver or extension of a waiver to continue their Most Favored Nation status (MFN).

In 1994, President Clinton announced that he was recommending MFN status be granted to China for another year despite Beijing's failure to meet the human rights conditions set forward in his Executive Order of the previous year (Executive Order 12850). He also announced measures to promote human rights and civil society in China and the continuance of certain sanctions on military technology and supplies; however, preserving China's MFN status essentially separated that issue from human rights concerns.

In 1998 the term "Most Favored-Nation status" was changed to "Normal Trade Relations (NTR)" to reflect the fact that nearly all U.S. trading partners have this trade status.

In 2000, China was on the verge of being accepted into the World Trade Organization (WTO) after 14 years of negotiations. Since the basic principle of the WTO is that member countries provide each other unconditional Permanent Normal Trade Relations (PNTR), President Clinton asked Congress to amend the law requiring annual renewal of Normal Trade Relations. In October of that year, bill H.R. 4444 was signed into law, granting China PNTR (effective after China entered the WTO in November 2001).

The law established a Congressional-Executive Commission on the People's Republic of China to monitor human rights and the development of rule of law in China. It also provided for programs run by the Commerce, Labor, and State Departments to promote the rule of law in China. This represents a shift in U.S. efforts to promote democratization and human rights in China. Rather than punish human rights violations by withholding normal trade relations, the goal now is to integrate China as much as possible into international norms to promote liberalization.

Although human rights issues continue as a part of public policy discussion in 2009, other issues, such as deepening trade and economic ties, the global financial crisis, engagement on climate change, the war on terrorism, non-proliferation, and regional security matters, have become more prominent in U.S. relations with China.

Adapted from various Congressional Research Service Reports for Congress and text from H.R. 4444.