

**VETO OF H.R. 5318**

---

**MESSAGE**

**FROM**

**THE PRESIDENT OF THE UNITED STATES**

**TRANSMITTING**

**HIS VETO OF H.R. 5318 A BILL ENTITLED, "UNITED STATES-CHINA  
ACT OF 1992"**



**SEPTEMBER 29, 1992.—Ordered to be printed**

---

**U.S. GOVERNMENT PRINTING OFFICE**

**WASHINGTON : 1992**

*To the House of Representatives:*

I am returning herewith without my approval H.R. 5318, the "United States-China Act of 1992," which places additional conditions on renewal of China's most-favored-nation (MFN) trade status.

I share completely the goals of this legislation: to see greater Chinese adherence to international standards of human rights, free and fair trade practices, and international nonproliferation norms. However, adding broad conditions to China's MFN renewal would not lead to faster progress in advancing our goals. To those who advocate this approach, let me set the record straight.

Our policy of comprehensive engagement lets the Chinese know in no uncertain terms that "business as usual" is not possible until they take steps to resolve our differences. Through multiple, focused measures, we are eliciting the results we seek.

This year China joined global efforts to control the spread of nuclear weapons and ballistic missiles by declaring adherence to the Missile Technology Control Regime's (MTCR) guidelines and parameters and signing the Nuclear Proliferation Treaty (NPT). Chinese behavior remains MTCR-consistent, and we have begun a dialogue with the Chinese on their responsibilities under the NPT. We continue to monitor vigilantly China's weapons export practices. We have used the sanction authorities available successfully and remain prepared to do so again if necessary.

We have made progress on the resolution of outstanding trade issues with our agreements to protect Intellectual Property Rights and to ban prison labor exports. I will not allow, however, market access to remain a one-sided benefit in China's favor while our bilateral trade deficit grows. If China fails to reduce trade barriers, we are prepared to take trade action under the statutory guidelines of section 301 of the Trade Act of 1974.

The limited steps China has taken on human rights are inadequate. But our human rights dialogue gives us an avenue to express our views directly to China's leaders. Significant improvement in China's human rights situation, including freedom for all those imprisoned solely for the peaceful expression of their beliefs, remains our objective. It is easy to be discouraged by the pace of progress in this area. But it would be a serious mistake to let our frustration lead us to gamble with policies that would undermine our goals.

Withdrawing MFN or conditioning it, such that it will be withdrawn at a later date, will not promote these goals. H.R. 5318 imposes unworkable constraints on our bilateral trade. Among the casualties of this bill would be the dynamic, market-oriented regions of southern China and Hong Kong, as well as those Chinese who support reform and rely on outside contact for support.

The impact of this bill would extend beyond the state enterprise system, harming independent industrial and agricultural entities that have sprung up in China since the advent of economic reform and its opening to the outside. These family-owned and operated entities are interlinked in the manufacturing process with large, state-controlled factories and marketing agencies. They would not be shielded from the effects of this bill.

Americans too would be affected. This year our exports to China will climb to about \$8 billion. China's retaliation for the loss of MFN would cost us this growing market and thousands of American jobs. We would cede our market share of our foreign competitors who impose no restrictions on their trade with China, at a time when China is taking market-opening measures that our trade negotiators fought to obtain.

Our policy seeks to address issues of vital concern to us and looks to the future of our relations with a country that is home to almost one-quarter of the human race. MFN is a means to bring our influence to bear on China. Comprehensive engagement is the process we use to transform this influence into positive change. The relationship between these two key elements of our China policy is a powerful one, and the absence of one element diminishes the potency of the other. We continue to advance broad U.S. objectives without imposing economic hardship on Americans because both elements of our policy are in place.

Engagement through our democratic, economic, and educational institutions instead of confrontation offers the best hope for reform in China. MFN is the foundation we need to engage the Chinese. H.R. 5318 places conditions on MFN renewal for China that will jeopardize this policy and includes a requirement that infringes upon the President's exclusive authority to undertake diplomatic negotiations on behalf of the United States.

In order to protect the economic and foreign policy interests of the United States, I am returning H.R. 5318 to the House of Representatives without my approval.

GEORGE BUSH.

THE WHITE HOUSE, *September 28, 1992.*