
U.S. Exports Controls and China

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Background: U.S. export controls on technology and equipment transfers to China, particularly for items in widespread commercial use, have been liberalized gradually since the early 1980s. An important motivation for this liberalization has been a desire to support U.S. private sector involvement in China's modernization program, which in turn aids the development of China's economy. It has been the view of five U.S. Administrations that a friendly, stable, modernizing China will contribute to peace and stability in East Asia and is in the general U.S. foreign policy interest.

In June 1983, recognizing China's status as a "friendly, non-allied country," President Reagan announced his decision to shift China into export control "Country Group V," which includes most friendly Asian, Africa, and European countries. Technical guidelines ("green lines") were established to describe products in certain categories that would be approved routinely for export to satisfactory end-users in China. License applications for such green line products required only Commerce Department review in the U.S. Government. Export of these products still were subject to review, however, in the Coordinating Committee for Multilateral Export Control (COCOM) in Paris. COCOM comprises Japan and all the NATO countries except Iceland.

Beginning in 1985, the U.S. and its COCOM partners agreed on a series of procedures to streamline approval of routine China cases. As a result of these changes, certain items falling within 39 product categories no longer require COCOM review. These changes have reduced significantly the China caseload in COCOM and sped up licensing of high-technology export to China by the U.S. and other COCOM members.

U.S. Export Licenses Approved for China

<u>Year</u>	<u>Number of Applications</u>	<u>Total Dollar Value*</u>
1982	2,020	\$0.5 billion
1983	2,834	\$0.9 billion
1984	4,443	\$2.0 billion
1985	8,637	\$5.5 billion
1986	6,157	\$3.4 billion
1987	5,777	\$2.3 billion
1988	5,724	\$2.9 billion

*Value of licenses approved does not reflect value of actual licensed shipments, which is substantially less.

National security concerns: Although controls gradually have been liberalized, U.S. high-technology exports remain subject to national security controls, reflecting our awareness that China poses strategic threats unlike other friendly countries. U.S. regulations outline areas of potential concern: nuclear weapons and delivery systems, intelligence gathering, electronic warfare, antisubmarine warfare, power projection, and air superiority.

U.S. policy is designed to allow U.S. companies to participate fully in China's modernization program, while the U.S. retains controls on truly sensitive items. The level of

technology approved for China has been rising steadily. Large mainframe computers, some sophisticated semiconductor manufacturing equipment, and scientific instruments (all denied for export to the Soviet Union) are now routinely approved for China.

Volume of high-technology exports to China: Export control liberalization has facilitated an expanding volume of U.S. exports to China. The Commerce Department estimates that the value of U.S. high-technology exports to China increased from \$600 million in 1982 to \$1.7 billion in 1988. The total comes to more than \$8 billion. (These figures not only represent actual licensed shipments, but also include items not subject to strategic technology controls.)

U.S. High-Technology Exports to China	
<u>Year</u>	<u>Total Dollar Value*</u>
1982	\$0.63 billion
1983	\$0.65 billion
1984	\$0.82 billion
1985	\$1.71 billion
1986	\$1.28 billion
1987	\$1.43 billion
1988	\$1.72 billion

Recent events: In the wake of the Chinese Government crackdown against student demonstrators in June 1989, the U.S. and its COCOM partners suspended further liberalization of export control on China. The U.S. also suspended export of goods and technology on the U.S. Munitions List as a means of administering the President's ban on the export of weapons.

Guidance for exporters. General information on export licensing procedures is available from the Commerce Department's Office of Export Licensing, Exporter Assistance Staff (202-377-4811). Information on licensing of goods on the Munitions List is available from the State Department's Office of Munitions Control (703-875-6644). Once an export license application is sent to COCOM for review, its progress is followed by the Department of State's Office of COCOM Affairs. Exporters may make occasional inquiries on the status of urgent applications pending in COCOM by calling the Security Enforcement and Licensing Division in that office (202-647-2885).

For further information: See Department of State *GISTs* on "U.S. Exports: Strategic Technology Controls" (replaces "Controlling Transfer of Strategic Technology") and "U.S. Exports: Foreign Policy Controls" (replaces U.S. Export Controls").