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The 1988 Trade Act and the Effect on United States Export Controls to the People's Republic of China

I. INTRODUCTION

Throughout history, the United States has used export controls to protect its national security interests. These controls have varied depending on both the importing country's adverse-ness to the United States and the nature of the commodity exported. Over the past century, United States export controls toward the People's Republic of China (PRC) have ranged from a total free exchange to a total ban. The United States export policy for PRC exports established through the 1980's created hybrid restrictions between these two extremes.¹ The 1988 Omnibus Trade and Competitiveness Act (Trade Act)² attempts to add to the existing policy and create a less restrictive, more open policy. However, because the Trade Act's additions to the existing PRC export control policy are minimal, they do not adequately address the current need for freer trade with the PRC.

This comment will first explain the basic framework of the United States Export Control System.³ It will then outline the treatment of the PRC under this system and discuss the significance of recent changes that the Trade Act may have on export control policy for the PRC. Finally, this comment concludes that the Trade Act does not adequately consider the relevant factors for refining the PRC export control policy.

II. U.S. EXPORT CONTROL SYSTEM

There are two fundamental interests on which the United States export control system is based: first, the need for the

1. McKenzie, *China and U.S. Trade: Recent Export Regulations*, 18 INT'L LAW. 455 (1984).

2. Pub. L. No. 100-418, 102 Stat. 1107 (1988) [hereinafter Trade Act]. The Trade Act was signed into law on August 23, 1988. A portion of this massive piece of legislation contains changes and revisions to the Export Administration Act.

3. The U.S. export control system is authorized by the Export Administration Act (EAA), codified at 50 U.S.C. app. §§ 2401-20 (Supp. IV 1986), and its accompanying Export Administration Regulations (EAR), 15 C.F.R. §§ 368-399 (1988). These provisions provide the nuts and bolts for implementing the export policies as they pertain to individual commodities and countries.

United States to expand foreign markets for domestic producers, and second, the need for the United States to protect national security interests.⁴ Congress has chosen to balance these interests by restricting certain commodities through a series of licensing procedures based on the country destination and the sophistication of the commodity to be exported.

A. Country Groups

For export control purposes the countries of the world are divided up into groups according to their potential adverseness to United States security interests.⁵ For example, Great Britain and France are included in a country group that receives favorable treatment while Cuba and North Korea are included in a country group that is heavily restricted.⁶

B. Commodity Restrictions

Congress, through the export control system, restricts certain commodities. These commodities are listed under subject groups in the commodities control list (CCL).⁷ For example,

4. The Export Administration Act (EAA) 50 U.S.C. app. §§ 2401-20 (Supp. IV 1986) lists the two competing policies as follows:

(2) Exports contribute significantly to the world economic well-being of the United States and the stability of the world economy by increasing employment and production in the United States, and by earning foreign exchange, thereby contributing favorably to the trade balance. The restriction of exports from the United States can have serious adverse effects on the balance of payments and on domestic employment, particularly when restrictions applied by the United States are more extensive than those imposed by other countries. . . .

(5) Exports of goods or technology without regard to whether they make a significant contribution to the military potential of individual countries or combinations of countries may adversely affect the national security of the United States.

Id. § 2401.

5. 15 C.F.R. § 370 sup. 1 (1988) lists the country groups as follows: Group Q, Romania; Group S, Libya; Group T, (most of North and South America); Group V, (All countries not included in any country group except Canada, but including the PRC); Group W, Hungary & Poland; Group Y, (Soviet Union and other Communist countries); Group Z, North Korea, Vietnam, Cambodia & Cuba.

6. *Id.*

7. 15 C.F.R. § 399 Supp. 1 (1988). This list divides the controlled commodities into the following groups: Group (O), Metal Working; Group 1, Chemical and Petroleum Equipment; Group 2, Electrical and Power-Generating Equipment; Group 3, General Industrial Equipment; Group 4, Transportation Equipment; Group 5, Electronics and Precision instruments; Group 6, Metals, Minerals, and Their Manufactures; Group 7, Chemicals, Metalloids, Petroleum Products and Related Materials; Group 8, Rubber and

“commodity group 5” includes electronic and precision instrument commodities, while “commodity group 1” includes chemical and petroleum equipment commodities. Licensing requirements and ultimate approval or disapproval of exports of CCL items vary depending on the combination of the commodity and the country group for which that commodity is destined.

C. Types of Licenses

There are basically three types of licenses available for exports of commodities listed on the CCL.⁸ These include the validated, general, and special licenses.

The general rule for export of CCL items is that a validated license must be obtained. The validated license is the basic license issued by the OEL and requires an individual application for each CCL export. Each validated license application requires “full disclosure” of the type of commodity, the country of destination, and the interim and final consignees in the destination country.⁹ Each application may be subjected to further processing and reviews which can be extremely time consuming.¹⁰ The validated license process, therefore, acts as a deterrent for U.S. exporters of controlled commodities.

The general and special licenses, on the other hand, are exceptions to the general rule of requiring an individual validated license for each export shipment of CCL commodities. The general license does not require any formal application or review and is the license every exporter would like to obtain.¹¹ A general license is available if a validated license is not required. For example, if a specific commodity within the CCL excludes countries, by way of country groups, from requiring a validated license, a general license may be used.¹²

The special license is a unique, situation specific license. It

Rubber Products; Group 9, Miscellaneous items.

8. 15 C.F.R. § 372.1(e) (1988). Export licenses are handled by the Commerce Department's Office of Export Licensing (OEL). Reports or requests should be mailed to: Office of Export Licensing, P.O. Box 273, Washington D.C. 20044.

9. 15 C.F.R. § 372.3 (1988).

10. For a general discussion of the CCL and the licensing procedure, see 15 C.F.R. § 399.1 (1988).

11. For a list of all types of general licenses and an explanation of how to use them, see 15 C.F.R. § 371 (1988). Only general license-GTE, requires formal authorization and application. 15 C.F.R. § 371.1 (1988).

12. General license “G-Dest” is used for shipments of commodities to destinations not requiring a validated license. 15 C.F.R. § 371.3 (1988).

allows for streamlining the regular validated license process under certain circumstances.¹³ For example, one type of special license, the distribution license,¹⁴ allows for continuous exports of similar commodities over time from established U.S. exporters to established foreign consignees without requiring an "individual" validated license for each export shipment.¹⁵

III. PRC'S TREATMENT UNDER THE U.S. EXPORT CONTROL SYSTEM

After the communist overthrow of the U.S.-backed nationalists in 1949, the United States put a virtual embargo on all commodities destined for the PRC. It was not until the 1969 version of the Export Administration Act (EAA) that the absolute ban was lifted and the PRC was placed on the same restrictive level as the Soviet Union.¹⁶

As relations with the PRC continued to improve, further efforts were made to reduce export restrictions. In 1980, the PRC was moved from the Soviet Union country group to a group all by itself.¹⁷ In 1981, the United States attempted to promulgate a "two-times policy", supposedly allowing exports to the PRC to be twice the level of technical sophistication allowed for exports to the Soviet Union.¹⁸ However, this policy proved too difficult to administer and led to the 1983 placement of the PRC into country group "V"; the group which also contains most United States allies.¹⁹ Nonetheless, in recognition that the PRC has not been just another "friendly" nation and that there are other important factors to consider, the PRC is still subject to extra license restrictions not imposed on other countries in group V.²⁰

13. See 15 C.F.R. § 373 (1988).

14. For an explanation of the distribution license, see 15 C.F.R. § 373.3 (1988).

15. *Id.*

16. Seabolt, *United States Technology Exports to the People's Republic of China: Current Developments in Law and Policy*, 19 TEX. INT'L L.J. 577, 600 (1984).

17. Effective April 25, 1980 the PRC was removed from country group Y to country Group P. The PRC was the only country in the newly created country Group P 15 C.F.R. § 370 Supp. 1 (1988); Comment, *The 1983 Amendments to the Export Administration Regulations: The Status of Export Control to the People's Republic of China*, 6 N.W.J. INT'L L. & BUS. 1096, 1109 (1984-85).

18. Comment, *supra* note 17, at 1109.

19. See 15 C.F.R. § 370 Supp. 1 (1988).

20. Most notable are the restrictions on exporters to the PRC against using general license-GLV, general license-GTE, general license-GFW, and the special restrictions under general license-GTDR. For an explanation of how these licenses work and how exports to the PRC are excluded, see 15 C.F.R. § 371 (1988).

In application, these extra restrictions have effectively excluded the PRC from obtaining any general license for meaningful commodities on the CCL either by name or by dollar amount.²¹ For example, under the general licence-GLV (GLV), exports of items on the CCL that would ordinarily require a validated license may be exported without a validated license if the shipment is below the allowable dollar amount listed for that particular commodity on the CCL.²² For group V countries, this amount generally ranges from \$1,000 to \$2,000 before a validated license is required for a particular export. Although the PRC is listed as a group V country, the PRC is expressly given a zero (\$0) GLV dollar amount for all CCL commodities. This dollar amount exclusion, therefore, requires exporters of controlled commodities to obtain a validated license for every PRC export, including those exports of insignificant value.²³ This discrimination exemplifies typical provisions under the current hybrid policy which set the PRC apart from other countries in country group V.

IV. TRADE ACT CHANGES TO THE U.S. EXPORT CONTROL SYSTEM

The Trade Act has a general objective of opening up foreign markets for United States exporters.²⁴ In attempting to do this, the Trade Act creates changes that both directly and indirectly affect PRC export control policy. The direct changes, however, do little to change the current policy of requiring individual review of meaningful exports to the PRC.²⁵ In contrast, the broad indirect changes generally contribute to a less restrictive control system of which PRC exports are also a part.

21. The Commerce Department justifies these exclusions by using certain "zones of approval" for validated licenses, green, yellow and red. These zones were set up to streamline the validated license process for PRC exports of CCL items. The green zone includes items of low technical sophistication and carry a presumption of approval without interagency review. The yellow zone items are reviewed carefully before approval is given. The red zone items, which include highly sophisticated military application items, are denied approval. For further explanation of these zones, see Seabolt, *supra* note 16, at 609-11.

22. 15 C.F.R. § 371.3 (1988).

23. McKenzie, *supra* note 1, at 458-59.

24. Trade Act, *supra* note 2, § 1101(a).

25. Current policy on export controls for the PRC can be found at 15 C.F.R. § 384.5 (1988). For an explanation of the rationale behind the individual review policy, see *supra* note 21.

A. *Direct Changes*

There are two changes made by the Trade Act which directly affect export control policy for the PRC. These changes involve distribution licenses and PRC trade shows. Although these changes appear minimal, as far as the overall PRC export control policy is concerned, they may contribute somewhat to a less restrictive control policy.

1. *Distribution license*

The distribution license is a type of license available for exporters of controlled commodities to group V countries under certain circumstances.²⁶ Until the passage of the Trade Act, exporters were expressly excluded from using a distribution license for exports to the PRC.²⁷ This exclusion placed an extra burden on well established exporters by requiring an individual validated license for each export even if the distribution license would have been available for an identical commodity destined for another group V country. Congress recognized the discriminatory effect of this exclusion and provided in the Trade Act a section authorizing the Secretary to "establish a [unique] type of distribution license appropriate for consignees in the People's Republic of China."²⁸

This authorization was a positive step by Congress toward eliminating the discrimination against the PRC (as compared with other group V countries), even though the effect of this change may not be felt for some time.²⁹ Unfortunately this congressional authorization was the only Trade Act provision which specifically sought to eliminate any of the current discriminatory provisions against the PRC.

2. *General license-GTE for temporary exports*

The general license for temporary exports, general license-GTE (GTE), is available for exports of CCL items intended for "temporary" use abroad.³⁰ GTE licenses are generally available

26. 15 C.F.R. § 373.3 (1988). See *supra* note 14 with accompanying text.

27. See 15 C.F.R. § 373.3(a)(1)(ii) (1988).

28. See Trade Act *supra* note 2, § 2412.

29. Because the terms, limitations and conditions may differ dramatically for the PRC than for other group V countries, it may take a while for a workable distribution license process to become effective.

30. 15 C.F.R. § 371.22 (1988).

for all group V countries.³¹ However, the PRC is expressly excluded from using a GTE license for temporary exports of most controlled commodities and instead must go through the lengthy validated license process.³² This restriction has special significance for exporters to the PRC because the GTE license is unavailable for commodities shown in PRC "trade shows."³³ Therefore, exporters who want to show a controlled item in PRC trade show, are required to go through the lengthy validated license process.³⁴

Congress, rather than simply eliminating the PRC prohibition from the GTE license, provided in the Trade Act that applications for validated licenses for demonstration or exhibition of controlled commodities to be shown at "any" trade show within the PRC will carry a "presumption of approval" if the U.S. exporter retains title to the commodity and returns it to the United States at the conclusion of the trade show.³⁵

This provision should be welcomed by United States exporters who use the PRC trade shows for exhibition and demonstration of their products. However, Congress could have accomplished a better result by simply eliminating the PRC's restriction from using a GTE license, and, at the same time, erased one of the remaining discriminatory provisions against the PRC.

31. *Id.*

32. 15 C.F.R. § 371.22(c)(1)(iii) (1988).

33. PRC "Trade shows" are a very important to U.S. exporters because of the unique PRC market system. See Seabolt, *supra* note 16, at 592.

34. This exemplifies the political nature of the PRC's placement in a non-adverse country group. The PRC is technically listed as a group V country. However, in actuality, the PRC is still discriminated against because it is not allowed the same privileges as the other countries within the same country group.

35. Trade Act, *supra* note 2, § 2417. This provision states:

Any application for a license for the export to the People's Republic of China of any good on which export controls are in effect under this section, without regard to the technical specifications of the good, for the purpose of demonstration or exhibition at a trade show shall carry a presumption of approval if-

(A) the United State's exporter retains title to the good during the entire period in which the good is in the People's Republic of China; and

(B) the exporter removes the good from the PRC no later than at the conclusion of the trade show.

Id.

The Senate version of this provision would have only allowed the "presumption of approval" for U.S. Trade Association sponsored trade shows. But the final version was not so narrow and allowed the presumption for "any" PRC trade show. See H.R. CONF. REP. No. 576, 100th Cong. at 815, *reprinted in*, 1988 CODE CONG. & ADMIN. NEWS at 1848.

B. Indirect Changes

Although there are only minor direct changes in the export control policies under the Trade Act which affect the PRC, there are other provisions within the Trade Act which may have a significant impact on the PRC indirectly.³⁶ Two of these Trade Act changes that could indirectly affect PRC export control policy are (1) reductions to the commodity control list, and (2) review by the Coordinating Committee (COCOM).³⁷

1. Changes in the commodity control list

Trade Act provisions dealing with the commodity control list (CCL) could have a significant impact on United States export control policy in general. In response to allegations that the CCL was too expansive to be administratively feasible,³⁸ Congress responded through the Trade Act by authorizing the elimination of certain commodities from the export control list.³⁹ Therefore, many commodities once restricted by the CCL are no

36. Another area of potential significance is the Trade Act's raising of the technical level for COCOM (*see supra* note 37) and 5(k) countries (Austria, Finland, Singapore, Sweden and Switzerland) before a validated license is required. The new technical level is the flexible PRC green line. This level is a flexible line above which commodities destined for the PRC must receive COCOM review. Although this provision does not directly affect the PRC because it is neither a COCOM nor a 5(k) country, the added attention to this flexible level may eventually lead to further reductions to the PRC review level. *See* Trade Act, *supra* note 2, § 2415. In addition, Department of Defense reviews must be completed within 20 days or else the Commerce Department can act without Department of Defense (DOD) input. *Id.* § 2425. Authority is given the Commerce Department to establish an "Office of Foreign Availability" to help determine whether U.S. controls are unnecessary because of the availability of the product from other sources. *Id.* at § 2418.

37. COCOM is comprised of representatives from the U.S., Belgium, Canada, Denmark, France, West Germany, Greece, Italy, Japan, Luxembourg, the Netherlands, Norway, Portugal, Turkey and the United Kingdom.

38. The 1987 report of the National Academy of Sciences found the current control system encompassed too many products and technologies. The study also found that U.S. national security controls are not generally perceived as rational, credible, or predictable by other nations. "Higher fences" around "fewer goods" was arguably the most effective policy to accomplish control policy objectives. *See* U.S. CODE CONG. & ADMIN. NEWS, *supra* note 35, at 1846-47.

39. Trade Act, *supra* note 2, § 2416. This section provides for, 1) the elimination of controls on commodities within the technical parameters of the AEN's (Administrative Exception Notes to the CCL), 2) the elimination of controls on medical instruments and equipment, and 3) the elimination of all unilateral controls where a commodity is available from foreign sources.

longer subject to export regulation. The PRC, of course, benefits from this type of general export control reduction.⁴⁰

2. Changes in COCOM review

Before the Office of Export Licensing (OEL) will issue a license for high technology level commodities, the COCOM must give its approval.⁴¹ COCOM review often creates delays and is a further hindrance and deterrent for United States exporters of commodities to the PRC.⁴²

The Trade Act responds to this problem by allowing industry representatives to attend COCOM reviews of the international commodity control list.⁴³ This could allow industry representatives a first hand opportunity to argue for further reductions in controls and for a more streamlined review process for PRC commodities that must receive COCOM review.⁴⁴

V. FAILURE OF THE TRADE ACT TO ADDRESS PRC POLICY CONCERNS

The PRC's movement into country group V in 1983 was in recognition of the continued improvement of U.S.-PRC relations.⁴⁵ This was a political move because it allowed the United

40. The time frame for "review" of commodities on the CCL was reduced from an "annual" review session to "quarterly" review sessions with the requirement that "every" item be reviewed at least once a year. Trade Act, *supra* note 2, § 2416(b)(1)(3). This has a potential to benefit the PRC by allowing for currently restricted commodities on the control list to be reviewed for possible elimination from the list more often.

41. COCOM was created to ensure uniformity of export controls among U.S. and its allies. Because of the divergent views of the individual countries participating in COCOM, problems about what is the "best" policy often occur. For example, France continues to argue for relaxation of controls to the Soviet Union similar to those the U.S. promotes for the PRC. Comment, *supra* note 17, at 1118.

42. Comment, *Computer Technology Exports Under the Export Administration Amendments Act of 1985: Taking Competitive Advantage of China's Open Door*, 10 HASTINGS INT'L & COMP. L. REV. 669, 697 (1987).

43. Trade Act, *supra* note 2, § 2421. This section reads: "For purposes of reviews of the International Control List, the President may include as advisors to the United States delegation to the Committee representatives of the industry who are knowledgeable with respect to the items being reviewed." *Id.*

The House provision of the Bill wanted to require the President to send industry representatives to COCOM reviews, but the final language was "may send" thus allowing the President more discretion for individual items up for review. See U.S. CODE CONG. & ADMIN. NEWS, *supra* note 35, at 1854.

44. The commodities which require COCOM review are those contained within the CCL which have the letter "A" following the commodity number. See 15 C.F.R. § 399.1 Supp. 1 (1988).

45. See Seabolt, *supra* note 16, at 607.

States to outwardly put the PRC into a "friendly" country group while at the same time allow for certain "exceptions" to keep a close eye on all PRC exports. The Trade Act offered Congress an excellent opportunity to reward the continued improvement in U.S.-PRC relations and bring the PRC into full compliance with other group V countries. Such a move would not have been unwarranted or frivolous because U.S. security interests would have been met as exports of highly sensitive commodities for all Group V countries require validated licenses.⁴⁶ The Trade Act, however, fails to eliminate the unwarranted discriminations against the PRC.⁴⁷ Further, Congress did not properly consider U.S.-PRC relations when dealing with PRC export control provisions in the Trade Act. Congress must balance the needs of the United States to protect its national security interests against the needs of the private sector to effectively do business with the PRC.⁴⁸ This is the underlying conflict of export control systems.

Maintenance of some type of export control system is rational policy.⁴⁹ Nevertheless, when imposing a control policy that reflects this balance for a particular country, policy-makers are required by statute to consider the following factors:

- 1) the extent to which the country's policies are adverse to the national security interest of the United States;
- 2) the country's Communist or non-Communist status;
- 3) the present and potential relationship of the country with the United States;
- 4) the present and potential relationships of the country with countries friendly or hostile to the United States; . . .⁵⁰

Applying these factors to the current United States export control policy toward the PRC indicates that many of the present restrictions ought to have been dropped by the Trade Act.

For example, with the fall of the U.S.-backed Nationals in 1949 and later with the Korean conflict, it was obvious that the PRC's early policies were directly at odds with those of the United States. However, with the passage of time, the PRC's

46. See generally 15 C.F.R. §§ 368-99 (1988).

47. See *supra* note 20 with accompanying text.

48. See Levine, *Technology Transfer: Export Controls Versus Free Trade*, 21 TEXAS INT'L. L.J. 373, 375 (1986).

49. See 1976 DEPARTMENT OF DEFENSE, DEFENSE SCIENCE BOARD TASK FORCE ON EXPORT OF U.S. TECHNOLOGY, AN ANALYSIS OF EXPORT CONTROL OF U.S. TECHNOLOGY—A DOD PERSPECTIVE (BUCY REPORT); Levine, *supra* note 48, at 376.

50. 50 U.S.C. app. § 2404(b)(1-4) (Supp. IV 1986).

policies have become less adverse to those of the United States.⁵¹ The PRC's continued open policy and their commitment to international trade deserve greater weight under the first factor than they were apparently afforded by the policy-makers in the Trade Act.

The PRC has declared itself a "communist" country. The second factor therefore, to some degree, weighs against a less restrictive PRC export control policy. However, the current political climate in the PRC lends itself to more favorable relations with the U.S. and, thus, to more favorable consideration by policy-makers.⁵²

The third factor for consideration was also not sufficiently examined. The PRC is still a developing country and like other third world countries, it does not compare with the economic, social or military levels of the United States. In modern times, the PRC has not been recognized for its military strength. This military weakness was a catalyst for the strengthening of ties between the United States and the PRC.⁵³ Accordingly, the PRC's present relationship with the U.S. is stable and the potential for strategic and beneficial U.S.-PRC relations is substantial. Therefore, this consideration should carry greater weight in terms of United States export policy than is manifest by the Trade Act.

The fourth factor is perhaps the most compelling factor for reducing PRC export controls. The PRC with its modernization programs, has expanded its economic relations with the rest of the world, focusing on the Western Bloc Nations.⁵⁴ The United States' interests ought to, be geared toward helping the PRC experience the benefits of capitalism.⁵⁵ The relaxation of U.S. ex-

51. See *supra* note 54.

52. See *supra* note 54 and accompanying text.

53. The PRC's fear of the Soviet's military strength has been a factor in the recent warming of U.S. relations with the PRC. Hinton, *Historical Overview of U.S.-China Relations*, in CHINA & NAT. POLICY SEC. 2 (Chen ed. 1984).

54. Chinese participation in the international sphere includes: Participation in international financial markets through bank loans and bonds; membership in international economic organizations like the World Bank, the International Monetary Fund, the Asian Development Bank, and GATT; and the establishment of so-called special economic zones in south China in which foreign investment (allowed elsewhere in China as well) receives special consideration. Frankenstein, *Understanding Chinese Trade*, 85 CURRENT HIST. 257, 257 (1986).

55. However, the governments of Taiwan, Singapore, Malaysia and Indonesia have expressed concerns over the recent developments between PRC and the United States regarding arms sales. Scully, *Sino-American Relations*, in CHINA POLICY & NAT'L SEC. *supra* note 53, at 43.

port controls would seem to be one of the best ways to allow the PRC to experience those benefits. Although it would be nice to say that the only reason for reducing export controls is to "help" the PRC embrace capitalism, the fact remains that reducing export controls also makes good economic sense for the United States.⁵⁶ Therefore, it also appears that the fourth factor was not sufficiently considered by policy-makers of the Trade Act.

VI. CONCLUSION

The potential for mutually productive U.S.-PRC economic and social relations is great. As the PRC continues to expand its modernization programs, United States exporters are beginning to gain access to the world's largest developing market.⁵⁷ Through economic interdependence, the PRC could continue to become more "friendly" toward the United States.

Changes in the United States export control policy on PRC bound commodities have contributed to improved relations between the U.S. and the PRC. Still, the current United States export control system set forth in the Trade Act discriminates against the PRC. Changes in the Trade Act toward PRC export control policies, though important, do not sufficiently consider the policy factors for implementing export controls. To adequately meet the needs of the PRC and U.S. exporters, all discriminatory provisions which set the PRC apart from other Group V countries should be eliminated.

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56. A National Academy of Science study on the effects of controls on high technology, found that a reasonable estimate of direct short-run economic costs to the U.S. economy in 1985 was around \$9.3 billion. (or a loss of 188,000 domestic jobs due to export controls) Comment, *supra* note 42, at 674.

57. Exports of high technology items jumped from \$144 million in 1982 to \$1 billion in 1986. This trend should continue. BUREAU OF PUBLIC AFFAIRS, U.S. DEP'T OF STATE, CHINA; BACKGROUND NOTES 18 (Oct. 1987).