

Statement of
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Before the
U.S.- CHINA ECONOMIC AND SECURITY REVIEW COMMISSION
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Mr. Chairman and members of the Commission, thank you for inviting me to participate in this hearing to discuss export controls and China. I have worked on export control issues for some 16 years, both as a professional staff member on the House International Relations Committee and in organizing and coordinating an industry working group.

In your letter of invitation, you asked me to comment on three specific issues:

- 1) the impact of U.S. export controls (related to China) on U.S. industry
- 2) the extent to which Chinese entities can obtain U.S.-controlled items from other sources
- 3) the steps needed to improve U.S. export controls.

EXPORT CONTROLS ARE A POLICY TOOL, NOT A POLICY

It is important to keep in mind that export controls are a tool to carry out U.S. foreign policy and security policy, but they are not a policy themselves. While that may seem to be an obvious point, it is often not clearly understood, even within the U.S. government. To be effective, export controls must have a precisely defined role in advancing a coherent U.S. policy goal. This is especially important when U.S. export controls are unilateral, or largely unilateral, as with regard to China.

Therefore, in examining the use of export controls for China, the Commission should focus first and foremost on what such controls are aimed at achieving, as specifically as possible. Only then can the controls be evaluated or recommendations be made for improvement.

MUNITIONS VS. DUAL-USE CONTROLS

As the Commission knows, the U.S. operates two parallel export control systems, one for munitions (items for military use) and a second for dual-use (items with both civilian and military uses and civilian items that are controlled for foreign policy reasons). The fundamental U.S. policy is to deny transfers of U.S. goods or services to China for military end-uses. U.S. industry agrees with that policy.

U.S. controls on dual-use items and technology are more complex. Some are for foreign policy purposes, vestiges of our Tienanmen sanctions. Other are aimed at denying Chinese access to civilian technology that could benefit their military modernization. In addition, some of the “deemed export” controls (i.e. on transfer of technological information to Chinese nationals while in the U.S.) are to counteract industrial and military espionage.

During FY 2004 (the most recent public data), China accounted for 10 percent (1,336 licenses) of all dual-use licenses issued (13,058), the largest amount for any destination. More than a third of those licenses were for deemed exports, again, transfers of technological information to Chinese nationals while in the U.S. The Bureau of Industry and Security FY 2004 annual report indicates that most of the China cases involved: semiconductor and integrated circuit

manufacturing equipment, equipment for manufacturing other electronic components, numerical controllers, chemical manufacturing equipment, toxic monitors and certain toxic chemical precursors, cameras, advanced composite materials and biological handling equipment.

U.S. CONTROLS FOR CHINA ARE LARGELY UNILATERAL

In both the munitions and dual-use areas, U.S. export controls are largely unilateral. For munitions items, the extent of the U.S. embargo is not matched by most other governments. Russia has extensive military exports to China. The European Union maintains a policy of restricting weapons sales, but other military items are transferred to China. Nevertheless, the U.S. embargo is doubtless contributing to the U.S. goal of denying Chinese access to the most advanced U.S. military technologies.

For dual-use items, no other government matches the scope of U.S. controls, and most other governments do not maintain any controls on transfers to China for civilian end-uses. Moreover, only Japan has any significant dual-use restrictions for China, which means that China has virtually unrestricted access to U.S. dual-use technologies through procurement in third countries. The U.S. long ago lost any monopoly on dual-use technologies, so the U.S.-only controls are having no measurable effect in restricting Chinese access.

CONCLUSION: U.S. EXPORT CONTROLS HAVE A VERY LIMITED ROLE IN U.S. POLICY TOWARD CHINA

Since China can obtain basic weapons systems from Russia, and other significant military technologies from Europe, the only effect of U.S. controls is on a very narrow scope of cutting-edge military technologies that are unique to the U.S. That is an important contribution, but very limited.

Since China has virtually unfettered access to dual-use items and technology everywhere in the world except the U.S. and Japan, U.S. controls have virtually no effect in restricting dual-use technology transfer to China, including U.S.-origin items. As a result, dual-use export controls cannot be relied upon as a tool for carrying out U.S. policy goals with respect to China.