

RENEW CHINA'S TRADE STATUS

(Updating Asian Studies Center *Backgrounder* No. 104, "Washington's Agonizing Decision: To Extend or Revoke China's Most-Favored-Nation Status," May 8, 1990; *Backgrounder Update* No. 160, "The Case for Renewing China's Trade Status," May 9, 1991; *Backgrounder Update* No. 179, "Yet Again, China's Trade Status Should Be Renewed," May 12, 1992.)

Once again, America must decide how most effectively to encourage China's recognition of its people's human rights: by engaging the world's most populous nation economically, or by attaching conditions to Sino-American trade that seek to force Beijing to loosen its iron grip. In short, the annual tempest in Washington's teapot over most-favored-nation (MFN) trading status for China is brewing again. MFN trading status grants Chinese exports to the United States the same tariff treatment as is accorded the goods of 181 other nations, including Bosnia, Syria, Iraq, and Libya. Bill Clinton must decide by June 3 whether to recommend to Congress that it renew MFN for China for another year.

As a rule, the U.S. grants MFN status to other nations permanently. The issue recurs annually with China because of provisions in the Jackson-Vanik Amendment to the Trade Act of 1974. According to this provision, named for the late Senator Henry M. Jackson of Washington and former Representative Charles A. Vanik of Ohio, the President can offer MFN status to a "non-market economy" either by certifying that the country in question does not violate the Amendment's human rights criteria or by waiving these criteria because doing so would "substantially promote the objectives" of Jackson-Vanik. After President Clinton makes his recommendation, Congress has ninety days to approve or disapprove of it, and the congressional vote is then subject to presidential veto.

China's MFN status has been renewed every year since it was first granted in 1980. George Bush, although opposed by Senate Majority leader George Mitchell, routinely marshalled enough votes in Congress to support a presidential veto of legislation that would have attached political conditions to MFN that were unrelated to economic relations between Washington and Beijing. This maintained America's flourishing two-way trade with China, which last year amounted to \$33.2 billion.

During the 1992 presidential campaign, Bill Clinton promised to "link China's trading privileges to its human rights record and its conduct on trade and weapon sales."¹ But since defeating Bush on November 3, Clinton has been changing his mind. For example, following a meeting in early May with Governor of Hong Kong Christopher Patten, who had traveled to Washington to press for China's continued MFN status, Clinton acknowledged that he did not want to "isolate China." Using political language that suggests an attempt to separate himself from his original campaign stance, Clinton declared that "we're not in a position to say finally what the condition of our relations [i.e. relations between the U.S. and China] will be

1 Bill Clinton's speech to the Los Angeles World Affairs Council, August 13, 1992.

until next month, when the time runs out, because it's an evolving situation." Clinton, in short, is moderating his position.

There are four excellent reasons why he should.

REASON #1: Clinton should take more seriously his own arguments that favor U.S. support for the Chinese people's human rights. An individual's freedom to dispose of his property as he sees fit is a fundamental human right. This was a major part of what Thomas Jefferson—whom Clinton admires—meant by “the pursuit of happiness.” Indeed, Jefferson's intellectual mentor, the English political philosopher John Locke, described an individual's “life, liberty, and property” as “natural rights.”

The economic reforms which Beijing has granted over the past decade have turned the country's economy—which expanded at a blistering 12.8 percent in 1992—into the fastest growing economy on earth. These reforms have also helped bring the people of China's coastal regions—whose gross domestic product increased by an average of 17.8 percent last year—a significant and unprecedented measure of the economic element of human rights. Establishing conditions for MFN that the Beijing rulers choose not to meet will have a major, harmful effect on the human rights of China's workers who send more than 25 percent of their exports to the U.S. market.

REASON #2: The rights to property enjoyed by a growing portion of the Chinese people will likely lead to greater respect for political rights. In some cases, there is evidence that this progress is already underway. For example, under the old Chinese Communist system, an individual's *dan-wei* or work-unit held iron grip over an urban family's economic, educational, medical, and social decisions. The work-unit, for instance, determined where an individual would be employed, whether he or she could change residence, what ideological and political training a man or woman would have to undergo. Today, however, with the labor market awash in employment fairs and newspaper recruitment advertisements, mobility is rising, which is blunting the ideological and decision-making power of the work-unit.

Other Asian states have charted a similar course, going from authoritarian rule to greater political freedom by developing their economies. The Republic of China (ROC) on Taiwan and the Republic of Korea (ROK) are notable examples. Both the ROC and ROK have greatly increased their national wealth over the past quarter century by allowing and encouraging international competition as well as the accumulation of private property.

The ROC and ROK also share increasingly democratic forms of government which have naturally followed the freedoms of the marketplace. In December 1992, Taiwan held elections for its National Assembly in which the opposition Democratic Progressive Party scored significant gains. The same month South Korea elected its first civilian president, Kim Young-sam.

REASON #3: Americans should be reasonable in their expectations for the progress of human rights in other nations. Even in Great Britain, whose political traditions are the practical foundation of the West's human rights, economic freedoms preceded the assurances of political freedoms contained in the American Bill of Rights by nearly six centuries. The Magna Carta itself, signed in 1215, was the founding contract of English liberties, and it is fundamentally an acknowledgement by the Crown of subjects' property rights.

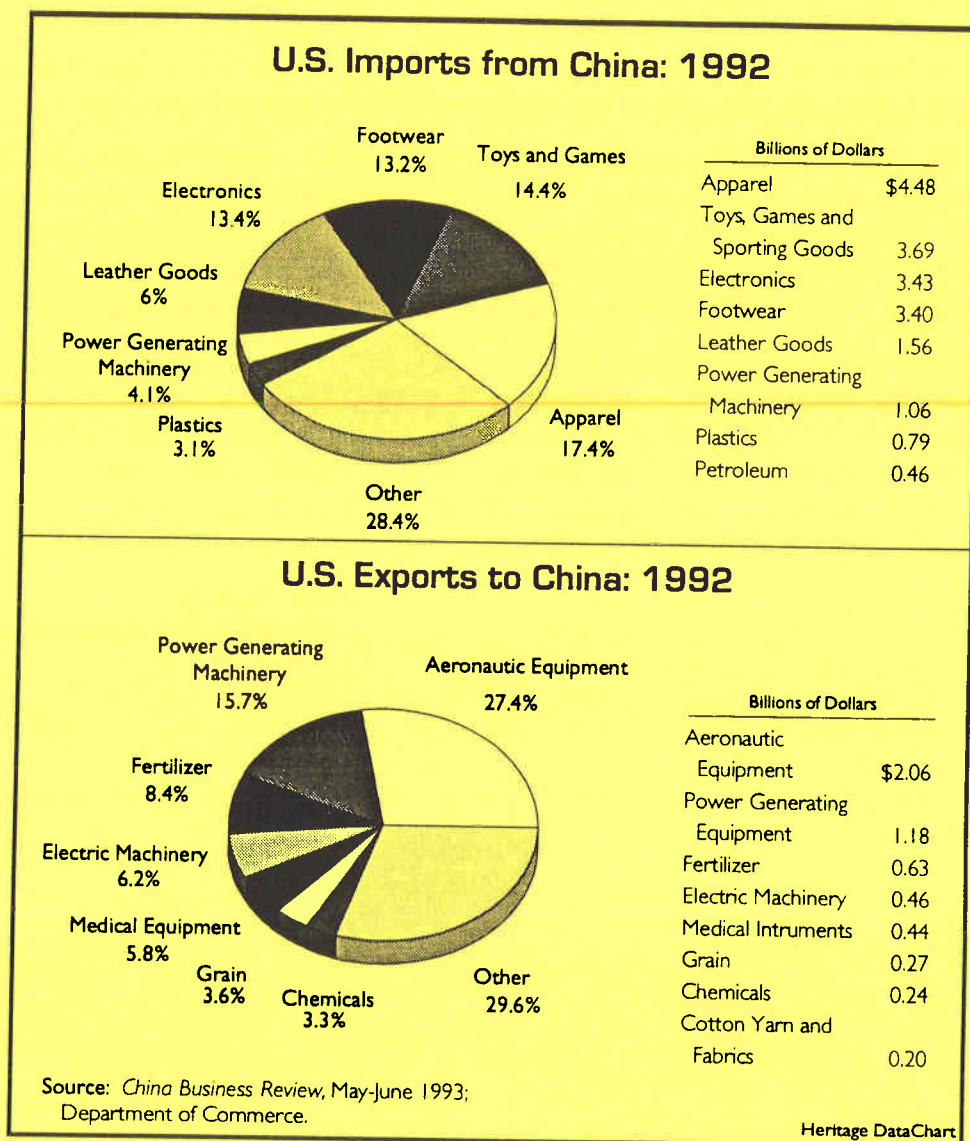
Nearly eight centuries later, the representative of the British Crown in Hong Kong, Governor Chris Patten, recently demonstrated his long political perspective by urging the U.S. to grant China MFN trade status without condition. Noting that Hong Kong will revert to Chinese rule in four years, Patten posed a rhetorical question at a Washington lunch early in May. Is there, he asked, any group outside of China proper today with a greater interest in China's respect for human rights than the citizens of Hong Kong? The audience's silence made further elaboration unnecessary. Those who stand grievously to lose from Chinese political repression think that Beijing can best be moderated by nourishing the commercial links between America and China.

REASON #4: Cutting off MFN will cast a pall over American exports to China, which have been a major source of strength in a feeble domestic recovery. True, America's trade deficit with China in 1992 amounted to \$18.2 billion, the second largest after the U.S. deficit with Japan. But America's exports to the world's most populous nation also totaled \$7.4 billion last year, an increase of 54 percent over 1990. According to the American Chamber of Commerce in Hong Kong, as many as 150,000 U.S. jobs, primarily in agriculture, aviation, and technology would be at risk if exports to China were curtailed.

America's commercial aircraft industry is especially vulnerable. Their sales to China climbed to more than \$2 billion last year, nearly triple the 1990 figure. American exports of such chemical products as fertilizers, plastics, and polymers used in the manufacture of textiles would also be punished if MFN status were effectively revoked. The value of this category of American exports to China increased by nearly one-fifth since 1990, reaching \$1.2 billion last year.

The productive American workers who manufacture these products would suffer as surely as those diligent Chinese workers whose economic freedoms American policy seeks to nourish and cultivate.

Flawed China. This is not to argue that the Chinese are model international citizens whose occasional mischief deserves to be overlooked. Far from it. Noting the rise of religious persecution in China today, the Puebla Institute, a Roman Catholic human rights group in Washington, says that at least four Christians have been tortured to death since 1989. Beijing persists in its methodical abuse of the Tibetan people's human rights. The A.F.L.-C.I.O. charges that China exports goods made with forced labor in its prisons. Western intelligence analysts, military experts, and journalists continue to report that China, despite its agreement to observe the guidelines of an international regimen to limit the spread of nuclear weapons-capable missiles known as the Missile Technology Control Regime (MTCR), is transferring advanced ballistic missile technology to such dangerous Middle Eastern nations as Iran and Syria.



These are all legitimate objects of American concern. And in each case, there is an appropriate instrument to address China's aberrant behavior. President Clinton justly drew attention to Beijing's repression in Tibet by welcoming the spiritual leader of that unfortunate land, the Dalai Lama, to the White House on April 28. If Bill Clinton wants to go a step further and help actively to promote democracy in China, he should also receive President Lee Teng-hui of Taiwan, whose successful efforts to institutionalize popular government in America's sixth largest trading partner have not attracted the attention they deserve.

Violations of the MTCR hasten an unstable world's descent into universal and random nuclear terror. Such breaches need to be dealt with seriously—and the MTCR's lack of teeth to enforce its provisions should warn the civilized international community that the paper tiger of mere agreements is meager defense against the real tiger of hemorrhaging ballistic missile technology.

Natural Allies. But penalizing the entrepreneurs of China's booming provinces for the actions of Beijing's aging rulers makes as little sense for the U.S. today as it made in the 18th century for France to attack England by stirring up Indians against American colonists. Those colonists, as events subsequently proved, were France's natural allies against Great Britain. China's resourceful, private sector workers are America's natural allies in the effort to loosen the grip of Beijing's authoritarian rulers.

Beijing's economic reforms were originally set into place to reverse China's slide into poverty and technological inferiority. But government policy, from one corner of the globe to the other, carries unintended side effects. The freedom to control and amass wealth, which is just as much a human right as freedom of speech, is an unintended worm that eats away at Beijing's central control, its repression, and its claim ultimately to speak for China's industrious millions. Washington should feed this worm, not starve it. Bill Clinton should grant China MFN trade status, without condition, immediately.

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