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## WHY RENEWING MFN FOR CHINA SERVES U.S. INTERESTS

### INTRODUCTION

On May 20, President Bill Clinton announced his intention to extend unconditionally China's most-favored-nation trade status for another year. At the end of this month, Congress will vote on a resolution to revoke MFN trade status for the People's Republic of China. Legislation also may be proposed to make MFN status contingent on improvements in China's human rights conditions or its implementation of international commercial and security agreements.

As Congress considers extending or revoking MFN status for China, it is important to focus on what MFN is and is not. A fundamental principle of the Bretton Woods trading system created at the end of World War II,<sup>1</sup> MFN was intended to protect the U.S. from protectionism. It is not a special privilege for any country, including China. Rather, it is the norm for trade between countries. Thus, revoking MFN for any country is the equivalent of imposing enormous punitive sanctions. But trade sanctions are not an effective tool for achieving such non-trade objectives as ending human rights abuses.

The Administration's decision to extend MFN treatment is the right decision, but it should be only one element of a comprehensive strategy for dealing with China. This strategy should consist of a series of policies that directly protect or promote long-run U.S. interests in Asia, such as free access to markets or peace and stability. As important as having the right strategy is creating a constructive environment within which policies can operate. This environment has not been created by the Clinton Administration. The zig-zags in its China policy have undermined the credibility of its strategy and raised serious questions in the minds of friend and foe alike as to America's future role in Asia.

1 The Bretton Woods agreement was concluded in 1944 at an international conference in Bretton Woods, New Hampshire, and established the post-World War II international monetary system. The system was designed to reduce the risk of international transactions, and thus promote growth in global trade.

To protect its interests in peace and stability, freedom of the seas, and access to markets in Asia, the U.S. must create an environment that encourages China to integrate into the international system as a responsible member. Given its size and rate of growth, China is certain to have an enormous impact on the international system and American interests in Asia. For China to become a full participant in the international system and uphold international rules and norms, Chinese leaders must see that doing so will best serve China's interests. This can be accomplished only if Americans interact with, rather than isolate, China.

To advance American interests in Asia, the President and Congress should:

- ✓ **Renew China's MFN status.** This is the right decision and should be supported by the Congress.
- ✓ **Invite China's President Jiang Zemin to the White House for a full state visit.** This gesture could help avoid future misunderstandings by directly communicating America's fundamental Asian interests and concerns at the highest level.
- ✓ **Follow a more broad-based strategy toward Asia.** Rather than confront China directly, the U.S. should seek to expand investment and trade with India and Indonesia. Knowing that the U.S. has credible alternatives to the China market, China's leaders will no longer be able to take American involvement in China for granted.
- ✓ **Use policy tools better suited to the problem.** When China violates a U.S. law or international agreement, the U.S. should apply the penalty prescribed in that law or agreement. In other words, if China violates the Missile Control Technology Regime, the U.S. should coordinate its response with other MCTR members and apply the sanctions outlined in the law that ratified U.S. membership in that regime. The U.S. should not revoke MFN or impose sanctions that are not relevant to the specific broken law or agreement.
- ✓ **Repeal or amend the Jackson-Vanik Amendment.** This amendment to the 1974 Trade Act is outdated. Its primary target no longer exists, and its freedom of emigration requirements are inappropriate for China.

## AMERICA'S STRATEGIC INTERESTS AND MFN

Over the past two centuries, the U.S. has sought consistently to protect three fundamental interests in Asia: 1) regional peace and stability, 2) freedom of navigation on the high seas, and 3) free access to the region's markets. These interests provide a firm foundation for a healthy and growing American economy. They also help promote a stable and secure world in which political and economic freedom, human rights, and democratic institutions can flourish. These interests allow the U.S. to maintain a system of healthy, cooperative, and politically vigorous relations with allies and friendly nations.<sup>2</sup>

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<sup>2</sup> *United States Security Strategy for the East Asia-Pacific Region*, U.S. Department of Defense, Washington, D.C., 1995.

MFN plays a fundamental role in advancing these enduring American interests in Asia. Most-favored-nation treatment is the normal tariff treatment that the United States provides to all but a handful of its trading partners.<sup>3</sup> It is a principle which undergirds the open international trading system that the U.S. has labored for decades to expand, not merely a bargaining chip in the U.S.-China relationship that holds America's trade and economic interests around the globe hostage to the ups and downs of its political relationship with China. MFN has been, in fact, a key ingredient of America's global strategy since World War II. The purpose of this strategy has been to build a cooperative free-trade environment within which America's businesses and economy can prosper. It also has been to protect the United States and the world from reliving the tragic consequences of the isolationism and protectionism that plagued the 1930s.

## HISTORICAL ROOTS OF MFN STATUS FOR CHINA

The U.S. first introduced the notion of most-favored-nation trade status into the U.S.-China relationship in the 19th century to ensure the survival of American commercial interests in Asia. After the Opium Wars of the mid-19th century, several foreign powers won concessions from China and sought to establish exclusive areas of influence along China's coast. American leaders considered these actions a threat to the U.S. interest in free access to the markets of Asia. In order to keep Britain, Germany, Japan, or China from excluding the U.S. from the Chinese market, the U.S. induced China to agree to an MFN provision in its treaty obligations with the U.S.<sup>4</sup> This provision required that any future concession that the Chinese government granted to a third power would be extended simultaneously and automatically to the U.S. as well. MFN was not considered a tool by which America would realize the full potential of the enormous Chinese market. Rather, it was one means by which the U.S. could guarantee itself equal access to that market.

The United States extended MFN status to all of its trading partners as a matter of statutory policy in 1934. The scope of this policy narrowed as the Cold War intensified. Section 5 of the Trade Agreements Extension Act of 1951 required President Truman to suspend the MFN status of the Soviet Union and all countries under the control of international communism. In accordance with this act, the President suspended China's most-favored-nation status on September 1, 1951, approximately two years after the establishment of the People's Republic of China.

The Trade Act of 1974 set forth new conditions for the restoration of MFN to "nonmarket economy" countries such as China.<sup>5</sup> According to Title IV, in order to grant MFN status to China, the President must satisfy two conditions:

**Condition #1: A trade agreement that includes MFN for the U.S.** Under Section 405 in Title IV of the 1974 Trade Act, in order to conclude a trade agreement with China, the President must first determine that any reductions in U.S. trade barriers are reciprocated by China. In other

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<sup>3</sup> The U.S. currently denies MFN treatment to North Korea, Cuba, Afghanistan, Azerbaijan, Cambodia, Laos, and Vietnam. Efforts are underway, however, to grant MFN to Cambodia and Vietnam.

<sup>4</sup> China granted MFN to the U.S. in the first treaty between the two powers: the Treaty of Wanghai, or Cushing Treaty, signed on July 3, 1844.

<sup>5</sup> *Overview and Compilation of U.S. Trade Statutes*, Committee on Ways and Means, U.S. House of Representatives (Washington, D.C.: U.S. Government Printing Office, 1995). This is the primary source on the statutory history of MFN and the details of its legislative procedures.

words, as the U.S. lowers tariffs on imports from China, China simultaneously will reduce tariffs on U.S. exports to China.

**Condition #2: Freedom of emigration.** This second requirement is much more contentious. Section 402 of the 1974 Trade Act, known as the Jackson-Vanik Amendment, was intended to pressure the Soviet Union to allow Jews to emigrate.<sup>6</sup> Over time, this provision has become, albeit inadvertently, the legal basis for the current annual debate over renewal of China's MFN status. The Amendment calls on the President to deny MFN treatment to any nonmarket economy country which the President determines denies, seriously restricts, or burdens its citizens' right to emigrate. This freedom of emigration requirement can be waived annually, and it is around this annual waiver that the current debate over China's MFN status revolves.

In the process of normalizing relations with the PRC, President Jimmy Carter in 1979 used presidential authority to conclude a three-year bilateral trade agreement with China in which China granted MFN status to the U.S. This satisfied the first requirement for granting MFN to a nonmarket economy country. The U.S. trade agreement with China, which entered into force on February 1, 1980, provides for automatic three-year extensions. Since China is subject to the conditions set forth in Section 405 of the 1974 Trade Act, however, these "automatic" extensions require the President to certify that China reciprocates reductions in U.S.

trade barriers. Thus far, the trade agreement has been renewed five times.<sup>7</sup>

### MFN Procedures, The Basics:

- The President has until June 3 to waive the Jackson-Vanik Amendment to allow MFN to continue.
- Congress has 90 days in which to consider a joint resolution of disapproval of the Presidential waiver. If a resolution of disapproval is considered, the matter is referred immediately and automatically to the House Ways and Means Committee for a maximum of 30 days. Once the resolution is reported out of committee, the House has the remaining portion of the original 90 day period in which to bring the resolution up for a vote. If they choose not to vote or fail to pass a resolution of disapproval, MFN continues. If both the House and Senate pass a resolution of disapproval, however, MFN is discontinued.
- If a resolution of disapproval is passed, the President then has 60 days to veto it. Congress has the remainder of the 60-day period or a minimum of 15 days, whichever is longer, in which to override the President's veto. MFN continues unless both houses vote to override the veto by two-thirds majorities.

6 The Jackson-Vanik Amendment to the Trade Act of 1974 was named after the late Senator Henry M. Jackson (D-WA) and retired Representative Charles A. Vanik (D-OH).

7 David E. Sanger, "Clinton in Delicate Spot After Trade Paperwork Gaffe," *The New York Times*, June 11, 1996. The President has not signed the required certification for the most recent extension, but the Office of the U.S. Trade Representative states that the President has determined to renew the agreement.

## MFN Procedures and China

The problem is that President Carter did not completely resolve the second requirement for extending MFN status to China. To grant MFN to China, the President must determine that China permits free and unrestricted emigration of its citizens or waive for 12 months the requirements for full compliance with Jackson-Vanik. President Carter in 1980 waived the Jackson-Vanik requirements for 12 months rather than certify China's full compliance with its freedom of emigration strictures. This has been done by every President since then. In every June since 1980, the President has had to decide whether or not to waive for another 12 months the freedom of emigration requirements in the Jackson-Vanik Amendment. Moreover, each year after the President's decision has been made, Congress has had an opportunity to review the President's decision and to decide whether to vote on a resolution to discontinue MFN.

According to the procedures outlined in Section 402 of the 1974 Trade Act, once the President has waived the Jackson-Vanik requirements, he must submit to Congress a recommendation for a 12-month extension of the waiver authority. This recommendation, along with the President's reasons for granting it, must be submitted to Congress during the final 30 days of the current waiver. The President's recommendation traditionally has been sent by June 3 of each year. Extension of the waiver authority is automatic unless a joint resolution of disapproval is enacted into law within 60 days after the expiration of the previous waiver authority, which typically is by the end of August. Although resolutions of disapproval have been considered by Congress, MFN treatment for China has continued uninterrupted since 1980 under annual renewal of the waiver.

## ISSUES ENTANGLED IN MFN DEBATE

Automatic extension of the three-year U.S. trade agreement with China and the annual presidential waiver of Jackson-Vanik requirements went smoothly throughout the 1980s, as China embarked on massive and largely successful economic reforms. Market capitalism was introduced incrementally into the Chinese economy to improve efficiency and to hasten modernization. Many in China readily admitted the failures of socialism and looked to the West for new methods to improve living standards. President Ronald Reagan visited China in 1984 and declared the dawning of a new era of freedom for the Chinese people.

But this honeymoon in Sino-American relations came to an abrupt halt on June 4, 1989, when the People's Liberation Army used deadly force against the students and workers who had gathered in protest at Tiananmen Square. In response, President George Bush invoked a series of sanctions against China. These included restrictions on arms and munitions sales, military exchanges, transfer of dual-use technologies, and U.S. government financing for projects in China. The objective was to punish the government of China without unnecessarily injuring the people of China. This same rationale was advanced to explain the continuation of MFN status for China. Revoking MFN would have injured a wide range of people in China that the U.S. wanted to help, including economic reformers and entrepreneurs.

A majority in Congress, however, did not agree with the President's decision. Each year, from 1990-1992, Congress voted to disapprove extension of MFN status to China. President Bush repeatedly used his veto authority to defeat these congressional resolutions. Members of Congress argued that the U.S. should make China's leaders pay for their brutality and that it was immoral for Americans to seek profit under such circumstances. Every year, this "automatic" procedure

has provided a forum for a well-orchestrated recitation of all the ills for which China's government is held responsible.

Four years ago, candidate Bill Clinton scolded President Bush for "coddling tyrants" and vowed to make the "butchers of Beijing" pay by attaching requirements for improved human rights conditions to the continuation of MFN for China. This was his intention when on May 28, 1993, President Clinton issued an executive order which continued China's unconditional MFN status for another year but attached new conditions to China's renewal in subsequent years.<sup>8</sup> The executive order required China to halt exports of prison labor products to the U.S. and mandated that the Secretary of State determine whether China had made "significant progress" on human rights.<sup>9</sup> After a year of strained diplomatic relations, President Clinton, despite his campaign threats, renewed China's MFN status on May 26, 1994. He did so without declaring that China had made significant progress in human rights protection, effectively de-linking human rights from trade issues.

Although human rights has been the most prominent rallying cry for those who wish to discontinue MFN for China, there are a number of other issues that give Americans cause for concern: China's military adventurism, proliferation of missiles and nuclear technology, piracy of intellectual property, and unbalanced trade. These concerns are legitimate and are being addressed in varying degrees through diplomacy. The danger in the political debate over China is that the U.S. will try to use MFN, one of the fundamental principles of international trade, as a policy tool to advance unrelated economic, political, and security interests.

Revoking China's MFN status clearly is not an effective way to advance these interests. Certainly, China's bullying of Taiwan with missile tests interfered with international air and sea lanes and had the potential to draw the U.S. into military conflict with the PRC.<sup>10</sup> It also put at risk peace and stability in Asia as well as freedom of navigation—two of the three historical U.S. interests in Asia. However, revoking MFN would do nothing to stop these provocative acts. Nor would it improve the prospects for peace and stability or freedom of navigation generally. But it would violate the U.S. interest in free access to markets and free trade. Thus, while revoking MFN will affect neither China's position on human rights nor its intimidation of Taiwan, it certainly will violate a vital U.S. economic interest.

## Policy Solutions That Fit Policy Problems

**Human Rights.** Rather than revoke MFN, the U.S. should craft a policy that deals as directly as possible with the source of the problem. On human rights, for example, the U.S. has been following a pattern of publicly demonizing China's leaders and then trying to negotiate quietly with these leaders for release of high-profile political prisoners and changes in PRC law. The problem with this approach is that by threatening and demonizing the PRC government, the U.S. cuts off access to those whom Americans seek to help. This tactic does not leave Chinese leaders in the mood to find consensus on these issues, and by focusing attention on a few high-

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<sup>8</sup> Executive Order 12850, issued May 28, 1993.

<sup>9</sup> Robert G. Sutter, *Shaping China's Future in World Affairs: The Role of the United States* (Boulder, Col.: Westview Press, 1996) p. 86.

<sup>10</sup> See Richard D. Fisher and Stephen J. Yates, "China's Missile Diplomacy: A Test of American Resolve in Asia," Heritage Foundation *Background Update* No. 269, March 12, 1996.

profile dissidents, the U.S. risks being viewed by the Chinese people as caring only for a few superstars while ignoring the interests of the many ordinary people.

There is a more effective way to address human rights concerns in China. The U.S. should create a positive public relationship with China's leaders while vigorously raising these legitimate moral concerns in private. To reach the people Americans seek to help, the U.S. could send more volunteers and supplies to provide direct assistance to China's orphans and poor. The U.S. also should seek to increase as much as possible people-to-people contact between the two countries, whether through business or education, to increase cross-fertilization of cultural values and understanding.

**Weapons Proliferation.** The U.S. intelligence community has reported Chinese sales of nuclear technology to Pakistan and nuclear capable missiles to Pakistan and Iran. The Administration is required to confirm these reports and to determine whether such transactions violate U.S. law and international agreements such as the Missile Technology Control Regime and the Nuclear Non-Proliferation Treaty.<sup>11</sup> If violations of U.S. law and international agreements are confirmed, the U.S. is obliged to invoke sanctions against China. While the Clinton Administration has threatened to impose sanctions, it has yet to determine officially whether actual violations have occurred. In addition, the threatened sanctions would only take funding away from American-run projects and would have little effect on China, as European and Japanese competitors would immediately fill the void.

The more effective approach to curbing China's proliferation problems is to work through the multilateral dispute resolution mechanisms within the Missile Technology Control Regime and the Nuclear Non-Proliferation Treaty. Unilateral enforcement of U.S. law, while justified if violations are confirmed, may not have the intended effect on China's behavior. Non-proliferation is an area in which cooperation with treaty partners and allies is not only critical, but also possible. A security threat is much more likely to produce international cooperation than is an economic or trade issue. Without the support of Europe and Japan, any sanction will quickly be undercut and rendered ineffective. Thus, to maximize the likelihood of success, it is important for the U.S. to have its allies' support in dealing with China, working as much as possible through the mechanisms built into international non-proliferation treaties and regimes.

**Selling Pirated Goods.** With regard to intellectual property rights, officials in the U.S. software, motion picture, and computer industries have accused dozens of factories in China's southern Guangdong Province of illegally copying U.S. products and selling the pirated goods abroad. These officials estimate the damage to their industries in lost sales at \$2.3 billion. In 1992, in 1995, and again in 1996, China signed agreements with the U.S. Trade Representative promising to crack down on these pirates. In May 1996, in an effort to motivate Chinese enforcement of its agreements, the U.S. Trade Representative threatened to impose sanctions totaling \$2 billion on Chinese textile exports from Guangdong Province.

Indirect sanctions on textile manufacturers in Guangdong Province, while consistent with the spirit of enforcing the rule of law, do not address the source of the problem. Many of these illegal compact disk producers are operated solely or jointly by Taiwan and Hong Kong businessmen, and some have ties to organized crime. Thus, the U.S. cannot hope to press China alone to deal ef-

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11 The Missile Technology Control Regime monitors and controls missile components and capabilities, while the Nuclear Non-Proliferation Treaty is a framework for control and reduction of nuclear weapons.

fectively with this problem. Only a carefully planned, well organized cooperative effort by the PRC, ROC, Hong Kong, and U.S. governments can possibly be successful.

There is a more effective way for the U.S. to address the piracy problem. If American companies can locate these illegal manufacturers, they should also be able to identify the shipping container in which the pirated goods are packaged for export. With the consent of PRC and Hong Kong officials, once the container is identified, port authorities in Hong Kong can locate and seize the pirated goods that are targeted for export markets. Seizing the goods would affect the perpetrators but very few others, unlike indirect sanctions which, like a swinging axe, harm many in the hope of punishing the guilty few. In addition, international markets serviced by Hong Kong's exporters are the appropriate target. China's own consumers lack sufficient computer and audio hardware to generate the sustained demand necessary to make these pirates profitable.

## EIGHT REASONS TO CONTINUE MFN FOR CHINA

Since MFN is so fundamental to U.S. global commercial strategy, there are several reasons why the U.S. should continue to extend it to China. Revoking MFN for China would:

- ① **Harm American workers.** In 1995, the U.S. exported over \$12 billion in goods and services to China. American trade with China supports over 200,000 high-wage American jobs, as well as tens of thousands of additional American jobs in U.S. ports, retail establishments, and consumer goods companies. The loss of exports from the inevitable Chinese retaliation against MFN revocation would seriously threaten the employment of these Americans.
- ② **Threaten U.S. business and investment.** The International Monetary Fund estimates that China is now the world's third-largest economy after the United States and Japan, and could emerge as the world's largest economy in the 21st century. The World Bank has calculated China that will require nearly \$750 billion in new industrial infrastructure over the next decade. China needs new aircraft, power generators, telecommunications, computers, and other high-skill, high-wage technologies that must be supplied from overseas. American companies are poised to get the contracts to build these projects. Continued American leadership in these key technology sectors is vital to sustaining long-term U.S. economic growth and creating high-wage, high-skill American jobs. If MFN is revoked, China's needs will be filled by Japanese and European business and investment, with American jobs lost to overseas competitors.
- ③ **Jeopardize economic reform in China.** The last 15 years of economic reform in China have increased economic freedom and improved the livelihood of 25 percent of the world's population. American companies operating in China have contributed to a significant expansion of economic freedom and choice for the Chinese people. The U.S. must build on this foundation to open China's economy and society even more. MFN will not guarantee the rise of democracy in China, but does it keep China open to influences and pressures from the outside world. It fosters the development of a middle class and a civil society that in the future will have the means and the will to demand more responsiveness from its government.
- ④ **Damage the economies of Taiwan and Hong Kong.** The prosperity of both Taiwan and Hong Kong depends to a significant degree on investment and export production in China. The revocation of MFN would cut Hong Kong's economic growth in half. Although this



point is rarely discussed, billions of dollars in Taiwanese investment and labor-intensive industries have moved to the mainland, unabated by the recent tensions. Many of the light industrial goods on which Taiwan's economic miracle depends are now produced on the mainland and exported through Hong Kong to the United States and other markets. Threats of across-the-board tariff increases, MFN revocation, and boycotting of Chinese goods ignore the fact that many of the goods marked "Made in China" actually are produced by companies based in Hong Kong and Taiwan, both friends of the U.S.

- ⑤ **Not improve human rights conditions in China.** History shows that China oppresses its people far more during periods of isolation. This clearly was the case in the Cultural Revolution of the late 1960s. Human rights improvement is a long-term process that requires U.S. attention, but also U.S. patience. It is a process that does not lend itself to annual review. Nevertheless, Taiwan's success in improving the economic and political well-being of its citizens demonstrates that this transition is both possible and desirable in a Chinese society.
- ⑥ **Not encourage China to adhere to international limitations on transfers of nuclear technology or weapons of mass destruction.** China should answer the charges that it is supplying Pakistan with key nuclear and missile components in violation of its commitments to the Missile Technology Control Regime and the Non-Proliferation Treaty. The Administration must investigate these allegations and, if such sales have taken place, apply sanctions as required by U.S. law. The law, however, needs to be changed. These sanctions, if not waived by the President, should be targeted specifically on the responsible Chinese enterprise rather than indiscriminately on all U.S.-financed projects in China as the law requires. Revoking MFN would go even further than the sanctions called for under current law, adversely affecting all U.S. commercial interaction with China. In the past, China has shown its displeasure with America's overtures to Taiwan or criticism of China's human rights record by selling dangerous technology to unstable regimes. Revoking MFN could generate another series of sales. In the area of non-proliferation, MFN is the wrong tool.
- ⑦ **Unnecessarily set the U.S. on the road to prolonged confrontation with China.** Abandoning MFN for China would make it less likely that China would integrate into the international system in a way that is favorable to U.S. interests. For the United States to realize its policy objectives most effectively, Beijing should not be an enemy. If U.S. policymakers wish to see China behave in a way that is consistent with international norms and agreements, they should work for multilateral cooperation with allies rather than engage in ineffective bilateral browbeating. How best to promote China's integration into the international commercial and security system will be among the most important challenges for American foreign policy in the foreseeable future. It warrants more deliberation and care from the President, his administration, and Congress.
- ⑧ **Violate a U.S. interest in free trade and a more open China.** The term "MFN" is misleading and should be changed. "General trading status" (GTS) would be a good alternative. Together with national treatment, MFN is a fundamental principle by which the World Trade Organization operates. It is normal trade status granted to all but a handful of countries—North Korea, Cuba, Afghanistan, Azerbaijan, Cambodia, Laos, and Vietnam—none of which has any substantial global trade. It is the foundation of basic international commercial relations, and in the absence of the Cold War strategic framework, commercial relations are now the foundation of U.S.-China relations. Revoking MFN means seriously undercutting America's relationship with China.

For more than a century, U.S. policy has aimed at free access to the markets of Asia. For over half a century, the U.S. has labored to build and strengthen the current liberal international system of trade. In addition to being consistent with these long-term U.S. interests, MFN trade status for China demonstrates American goodwill to the people of China, if not to the government, by extending the U.S. system of free enterprise to raise their living standards and increase their economic freedoms and choices.

## THE CLINTON RECORD ON CHINA

The President should never have threatened revocation of MFN over human rights concerns when neither he nor the country was prepared to pay the cost of such action. The Secretary of State, ignoring congressional and public interest, should not have assured Foreign Minister Qian Qichen that Taiwan President Lee Teng-hui would not be granted entry into the United States only days before the visa was granted. Similarly, Administration officials should not have equivocated, delayed, and apologized for action taken in support of U.S. interests in Taiwan. Each of these blunders severely damaged U.S. credibility in dealing with China and created a negative bilateral environment that renders the correct policies ineffective.

The Administration says one thing but does another. It has managed the relationship with China badly. The Chinese are told that the Administration is following a policy of engagement. Engagement, however, is not a policy; it is simply another word for diplomacy. The U.S. needs engagement—and diplomacy—with a purpose. The Clinton Administration now lacks such a purpose. The purpose of U.S. policy toward China should be to communicate to Chinese leaders that China's interests will be served best by integrating into the international system, observing its norms and standards, and pursuing peace and stability in Asia in ways that are commensurate with the interests of the U.S. and China's Asian neighbors.

To deliver this message, President Clinton needs to meet personally with Chinese leaders. The President received Gerry Adams and Yasser Arafat in the White House, but forced the PRC head of state to meet instead in New York without the fanfare of a full state visit. This message is not lost on the Chinese leadership, and the mere promise of frequent high-level summits to take place in a second Clinton Administration, as proposed by Secretary of State Warren Christopher this May in New York, is little consolation. Frequent face-to-face interaction between the leaders of the United States and China at the highest levels is critical for the protection of American interests in Asia. This interaction should take place in both capitals and in a formal setting that reflects the importance the U.S. attaches to achieving these American interests through cooperation.

This strategy is the best way to make progress on areas of concern to the United States. Americans frustrated with the lack of progress in China on human rights, missile proliferation, or intellectual property rights, instead of more promises, need a clear, consistent, and predictable China policy to avoid miscalculation in the Taiwan Strait and to make progress on these issues.

## TOWARD A CHINA POLICY THAT WORKS

There is much that can be done to work more effectively toward American goals in Asia. China's cooperation in areas which do not conflict with its own interests will make U.S. efforts easier and less costly. There is little chance of charting a policy course that follows common in-

terests without regular and consistent communication, at the highest levels, of what each country's objectives and vital interests are in bilateral and regional relations. To create an environment more conducive to an effective policy toward China, the U.S. should:

- ✓ **Renew China's MFN status.** This is the right decision and should be supported by the Congress. MFN promotes the U.S. interest in free access to Asian markets and provides Americans with greater opportunity to act as an influence for good within China.
- ✓ **Invite China's President Jiang Zemin to the White House for a full state visit.** There is little reason to think that China is fated to become an enemy of the United States. It could happen, but the chances are reduced by dealing directly with China and by maintaining American strength. This is a gesture that could demonstrate that the U.S. is truly "engaged" with a purpose.
- ✓ **Follow a more broad-based strategy toward Asia.** The U.S. should avoid putting too many eggs in the China market basket. Rather than confronting China directly, the U.S. should seek to expand investment and trade with India and Indonesia. Both countries are very populous, and both are seeking foreign investment to improve their infrastructure and sustain a high rate of economic growth. Knowing that the U.S. has credible alternatives to the China market, China's leaders will no longer be able to take American involvement as a given.
- ✓ **Use policy tools better suited to the problem.** China must obey the rules of the road in international commerce and security. It is right for the U.S. to seek the enforcement of U.S. law and international agreements, but it should use the dispute resolution mechanisms built into the relevant international regime or apply the recourse outlined in the bilateral agreement or U.S. law that has been violated. The remedy should target as specifically as possible the source of the problem and not cut too broadly across the spectrum of competing American interests in China, Asia, or the world.
- ✓ **Repeal or amend the Jackson-Vanik Amendment.** The Jackson-Vanik Amendment to the 1974 Trade Act is outdated. The Soviet Union, Jackson-Vanik's primary target, exists no more, and China is no longer dominated by international communism. It is even becoming difficult to say that China's is a nonmarket economy. In addition, the amendment's freedom of emigration requirements are inappropriate for China. If China were to permit or encourage free emigration, what countries would be prepared or willing to accept tens or hundreds of millions of Chinese migrants? Certainly the U.S. would not be willing to accept them. The already strained U.S. immigration and welfare system would be overwhelmed by the vast numbers of Chinese people seeking greater opportunity in America.

## CONCLUSION

The question of whether to continue China's MFN status is once again before the Congress. As Members take this opportunity to assess U.S.-China relations, they should replace the mixed signals sent by the Clinton Administration with a consistent strategy for promoting America's long-term interests in Asia. Because of its size and rate of growth, China will have an enormous impact for good or for ill on U.S. interests. Therefore, it is prudent to improve the management of this critical relationship and to seek China's cooperation before forcing the American and Chinese people to pay the enormous security and economic costs of revoking MFN.

The MFN debate unfortunately is caught up in two mistaken beliefs: 1) that MFN is privileged treatment and 2) that revoking MFN would be an effective way to force a favorable change in China's behavior. These beliefs have no basis in reality. Conditioning or revoking MFN under current circumstances would eliminate any possibility of cooperation from Beijing, rendering the U.S. less effective in its efforts to limit transfers of nuclear technology and weapons of mass destruction, correct unfair trade practices, and foster development of the rule of law in Asia. Moreover, discontinuing MFN would not improve social and commercial conditions in China but would come at great cost to Americans and their friends in Hong Kong and Taiwan. For the U.S., revoking or conditioning MFN gains too little and risks too much. For these and many other reasons, most-favored-nation trade status for China should be renewed unconditionally.

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