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POINT/COUNTERPOINT

Trade with China: Human Rights and MFN

by Samir Desai

On June 3rd, the Clinton Administration will decide whether China's human rights record merits the renewal of its Most-Favored-Nation (MFN) trading privileges. The resolution of the issue will have important ramifications for the economies of both nations. China is the United States' third-largest trading partner and enjoys a \$22.7 billion trade surplus. Its economy has averaged 9.4% growth per year since 1980, recording 13.7% in the fourth quarter of the last term.

Revoking MFN would raise tariffs on Chinese products five to ten times. The World Bank estimates that this could cut Chinese exports to the U.S. by 42-96%. Retaliation by the Chinese could affect an estimated 200,000 American jobs if \$9 billion in exports to China were reduced.

The U.S. State Department reported on February 1 that "[t]he [Chinese] government's overall human rights record in 1993 fell far short of internationally accepted norms as it continued to repress domestic critics and failed to control abuses by its own security forces." Over a dozen dissidents are known to have been threatened, detained or relocated in the week prior to Secretary of State Warren Christopher's visit to Beijing on March 11 of this year. President Clinton recently met with the Dalai Lama on his next visit to the U.S. to discuss China's conduct in Tibet.

Human Rights Brief joins the debate by offering two perspectives on the issue. Richard Dicker is Associate Counsel for Human Rights Watch. His piece, prepared specially for the *Brief*, is adapted from "Debating China: Human Rights First," which appears in the Spring 1994 issue of *Foreign Policy*. Wendell Willkie was general counsel at the Department of Commerce during the Bush Administration. His article is adapted from "More Bull From the China Shop; Why Talking Tough on Trade Blocks the Path to Social Reform," which appeared on March 13, 1994 in *The Washington Post*.

ushering in the post-Deng era and mounting social dislocation, the Chinese government has continued to arrest and detain political dissidents and has otherwise interfered with freedom of expression, association, assembly and religion. Contrary to the claims of those touting the human rights benefits of U.S. trade ties to China, there has been no indication that the dramatic moves to a "socialist market economy" in China have engendered political liberalization.

Experience shows that China responds to credible economic pressure. In 1992, when commercial trade talks stalled, the Bush administration increased pressure on China by threatening \$3.9 billion in penalties on certain Chinese goods. To avert those sanctions,

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the Chinese leadership quickly signed a wide-ranging market access agreement. While the Chinese leadership has attempted to make it appear that Beijing can do well enough without continued MFN, Beijing is singularly dependent on maintaining trade relations with the U.S., China's largest - and not readily replaceable - export market. 38% of all Chinese exports are shipped here. The importance of Beijing's approximately \$24 billion bilateral trade surplus is all the greater because for the first time, China has a growing foreign trade deficit. As this deficit spirals upwards, the Chinese leadership's incentive to maintain MFN increases.

As of this writing, there has been no significant progress by the Chinese leadership on its human rights practices and there is little chance that Beijing will take the necessary steps between now and June 3. Given this scenario, President Clinton should use his executive powers to hike tariffs on Chinese goods by an incremental amount, roughly 10% at the outset, with further increases to follow if Beijing does not bring its practices into line with universal standards. While this will be the end of China's MFN status, it need not lead to prohibitively high tariffs

Human Rights First

by Richard Dicker

President Clinton's Executive Order basing renewal of the People's Republic of China's (PRC) Most Favored Nation (MFN) trade status on "significant, overall progress" was a measured and sound approach. The threat of linking Beijing's abusive human rights practices to its U.S. export trade has been

an effective means to press for respect for internationally-guaranteed human rights in the PRC.

China's ongoing and extensive human rights violations underscore the urgency of making human rights a key component of U.S. China policy. 1993 was the worst year for political arrests and trials since the immediate aftermath of the Tiananmen Square crackdown. 1994 promises more of the same. Amid the heightened tension of a succession battle