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Human Rights First

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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

that would obliterate U.S.-China bilateral trade. Instead of tariff rates automatically escalating to Smoot-Hawley levels, President Clinton can establish tariff increases of any size. Setting a less-than-punitive rate would squeeze Beijing, but trade would continue.

At the same time, it is crucial for the administration to move quickly on other fronts internationally and domestically. Washington must aggressively solicit the help of the Japanese, Korean and European governments in sending a unified message to Beijing. A multilateral effort including, but not limited to, United Nations human rights mechanisms is necessary.

Washington must also press the corporate community to act on its claim that business can be a positive force for human rights. Foreign investors are players in China's politically crucial drive for economic prosperity and they are often well-positioned to make their concerns felt.

While there are limits to the effectiveness of external human rights pressure, this is the moment for a firm human rights policy. Experience has demonstrated that Beijing does respond to pressure and President Clinton must demonstrate that he is not about to abandon human rights. Given Beijing's total disregard for international norms, ending the linkage between China's MFN status and human rights would not only have serious negative effects in China, it would cripple the administration's ability to speak and act effectively elsewhere. ☉

More Bull From the China Shop

by Wendell L. Willkie II

Almost [a year has] passed since Clinton issued his executive order conditioning normal trade relation upon China's making "overall significant progress" in its human rights practices. With few tangible results, it's time to recognize that the policy is based upon a fundamental misconception as to how America most effectively advances freedom in other countries.

[I]s not systemic change in China far more likely to occur as a result of inex-

orably increasing internal pressures - rising out of an exploding market economy and the growing exposure to Western values? Can the United States most effectively advance economic and political liberalization in China through normalized, indeed, enhanced commercial and cultural engagement?

The Clinton administration appears, confusingly, to come down on both sides of this fundamental issue. On the one hand, Christopher and other State Department officials admonish the Chinese that they are failing to meet the terms of Clinton's executive order. On the other hand, Treasury Secretary Lloyd Bentsen and Chairman of the National Economic Council Robert Rubin have stressed the compelling American interest in normal trade relations with China. They have publicly suggested that if only the Chinese could satisfy the President's relatively modest conditions this one time, then MFN should no longer be linked to America's human rights objectives. Of course, the very existence of the issue can only be considered a historical accident. In the emotional months after Tiananmen Square in 1989, there was no serious debate about withdrawing from normal trade relations.

But beginning in 1990, Congress sought to impose new conditions on MFN in the areas of trade, security, and human rights. In Congress, to vote for conditional MFN was to go on record in support of important American objectives in China. And as China each year took certain palliative measures to address the concerns of its congressional critics, members of Congress believed they were playing "bad cop" to Bush's "good cop."

Clinton, in issuing the executive order, has essentially adopted the congressional position on the conditionality of MFN; U.S. policy now alternates between ritual invocation of the MFN threat and frequent high-level meetings with the Chinese, seeking anxiously to find reasons not to use this weapon. The administration thus finds itself in the untenable position of attempting to play "bad cop" and "good cop" at the same time. Of course, given the implications for American interests of withdrawal of MFN, the Clinton administration now has a tremendous incentive to characterize any Chinese initiatives in

human rights as meaningful.

But in diplomacy as elsewhere, it is generally unwise to engage in threats unless one is prepared to act upon them. Brandishing a mutually destructive and therefore dubious weapon - in pursuit of worthy but very limited objectives - does little to enhance America's standing in the world. This has indeed been a policy that gives every appearance of having been dictated by yesterday's battles in Washington, not today's challenges in China.

It is no wonder that Lloyd Bentsen and Robert Rubin have publicly suggested that America's human rights concerns should be "de-linked" from MFN. They focus, wisely, on U.S. initiatives to expand China's markets. This approach would further both our commercial interests and our political ideals.

There are more credible ways the administration can promote human rights. The United States, for example, should take greater advantage of its leverage in multilateral organizations, such as the U.N. Human Rights Commission and

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international lending institutions. The administration could demonstrate support for Chinese democracy by establishing official contact with the government of Taiwan. And the President can speak out, when circumstances warrant, in support of the cause of freedom.

The most sensible American policy will be one that takes full cognizance of the remarkable changes that have already occurred, moves beyond earlier political debates in Washington and effectively pursues the opportunities that China now presents for the advancement of American ideals and interests. In the final analysis, it should be recognized that the inspiration of American ideals is far more powerful in advancing human rights than the threat of economic sanctions. ☉