4-19-1994

"Debate on MFN (Most Favored Nation) Conditions in China", National Press Club Newsmaker Luncheon (1)

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The argument over MFN status for China is now four years old. Most of us think it began with the massacre at Tiananmen Square. But in fact, it really began later. It opened when Congress became convinced the Bush Administration would do nothing -- not only on China's human rights abuses, but on its trade barriers and sales of dangerous weapons.

Many people felt MFN conditions were the only alternative to the Bush policy. I disagreed. I wrote Mr. Bush, offering more targeted ways to reach our goals. And the policies I suggested work. On trade, our Section 301 case is making China cut tariffs. We are inspecting jails suspected of exporting prison labor goods. We use limited sanctions to stop missile sales. We need no MFN conditions to get results on these issues, and the same is true on human rights.

WAYS TO PROMOTE HUMAN RIGHTS

The question is not whether we want to improve human rights in China. Everybody does. The question is how to do it.

The abuses in China are real. I myself met a man who was tortured with needles in a Chinese prison. I have spoken with families of political prisoners. It makes me angry. It would make anybody angry. But frankly, it is not enough to be angry. We need to get results.

Pressure on the Chinese government helps. I use it myself -- last year to help free a Tibetan political prisoner, this year to help a jailed leader of the Tiananmen Square protests get his first family visit in six months. But pressure also has limits.

Whatever our threat, the regime will make no concession it thinks will weaken its hold on power. Only when ordinary Chinese people can secure their own rights can fundamental change begin. And only by making them more prosperous and better informed -- that is, by promoting trade, not limiting it -- can we help.

COSTS OF REVOKING MFN STATUS

I have here a White Paper that offers a new human rights policy. But first, let me review what it means to condition MFN.

To begin with, "MFN" or "Most Favored Nation" does not mean "best country." MFN is much closer to "Least" than "Most" favored nation. Today, over 120 countries have lower tariff
rates than MFN -- Mexico, Canada, Israel, the Caribbean Basin Initiative members, every country in the Generalized System of Preferences. Only eight countries do not have MFN. It is just a basic status of trade.

And in practical terms, conditioning MFN is like putting a hair trigger on an economic nuclear bomb. When it goes off, it will vaporize not only commerce but our leverage with China on security issues, the environment and human rights themselves.

Last year we exported $9 billion worth of goods to China. Two hundred thousand American jobs depend on those exports, and more every day. If we revoke MFN, China retaliates immediately. Trade disappears. Jobs vanish. So does our future in aircraft, telecommunications, and other critical industries.

We also harm the global environment. China is entering an environmental crisis. If we revoke MFN, we can only watch. We lose a chance to slow global warming; protect our fisheries; and help China prevent millions of birth defects and other tragedies.

On peace and security, we lose China's cooperation on North Korea, probably the most dangerous problem in the world. Our problems on missile sales will get worse if we revoke MFN. China could oppose us on Iraq, the Middle East and at the UN Security Council. Worst of all, we would turn ordinary Chinese and a new generation of Chinese leaders against us as China begins the political succession to Deng Xiaoping.

Finally, revoking MFN devastates China's prospects for human rights and democracy. It would cost over ten million Chinese their jobs. The human suffering would be monumental. As plants close, the government, fearing riots along the coast, will clamp down harder. And it would blame the dissidents for wrecking the lives of millions of workers and their families. A lot of angry people would listen. No wonder Wang Dan, the student leader most wanted after Tiananmen Square, has already called on us to renew MFN status.

**THIS YEAR'S MFN DECISION**

This year, it is up to China. The President's policy is clear. If China does not meet the conditions in his Executive Order, MFN is lost. There is no way to soften the blow. There is no "half-way" or "selective" measure which we could administer, or which would not make China retaliate with everything it's got. MFN will be gone.

But I think it will not come to that. China can satisfy the Order. They are in good shape on its two mandatory conditions and on many of the five "overall, significant progress" conditions -- for example, talks with the Red Cross, accounting for political prisoners and ending radio jamming. More from China is important. But I am optimistic that China will do what it must and MFN will be renewed.
A NEW POLICY NEXT YEAR

And if we can renew MFN, we should renew it for good. If we continue a conditional, year-by-year renewal policy, sooner or later the bomb will go off. It is inevitable. Instead, we should move to a sounder, long-term policy. That is what I propose in my White Paper today, focusing on four areas.

First, diplomacy. If human rights is to be a top priority, we need to give it enough effort to get results. Today, for example, we give our Shanghai consulate only one half-time human rights officer. The United States should meet more publicly and frequently with dissidents from China and Tibet. And we should give human rights a permanent, top-level focus by creating new bilateral and regional Human Rights Commissions.

Second, economic leverage, using both penalties and incentives. One area is prison labor. If China will not fulfill our prison labor agreement we should impose trade sanctions on products we have good reason to believe come from jails.

We should condition support for loans from the World Bank. We are the Bank's second largest contributor, and China is its largest borrower. It is responsible use of taxpayer funds to make sure borrowers meet basic standards of human rights. Governments which do so are stabler, less corrupt, and more likely to pay the money back. Conditions are an incentive as well as a penalty -- we can concentrate our efforts on loans to the most abusive provinces and support loans to the better ones.

Another area is tourism, a huge source of money for China. The travel advisories we give American tourists in China should tell them which provinces have the worst human rights records and which have the best.

Third, nonconfrontational ways to promote human rights. Angry speeches and stormy meetings get headlines. But they are not all that gets results. Working at local levels -- teaching individual Chinese about law, communications, foreign languages, helping them understand the world better -- does much more.

The Chinese Justice Minister told me last summer that he wanted more Americans to come to China on legal exchanges that promote the rule of law. We should give him as much as he'll take. We should expand the Peace Corps, which opened its first program in Sichuan Province last year. We should lose no opportunity to be engaged.

And fourth, voluntary action from American business. This can be human rights advocacy. It can be "codes of conduct," or formal statements of policy like the Sullivan Principles, to make sure our firms meet basic labor standards like the minimum wage, and do not use child labor, slave labor or allow political surveillance. It can be helping reduce pollution and unsafe workplaces, and many other things that make a contribution.
A lot goes on now. Northern Telecom works with its Chinese suppliers to eliminate CFCs in electronics manufacturing. Dow has a policy of doing no business with enterprises that use forced labor or source products from prisons. IBM and Aetna give scholarships. These are real contributions to the life of ordinary people in China. We will stop it all if we revoke MFN.

Altogether, what I propose is constant, broad engagement. If we use diplomacy, citizen exchange, economic levers and all the other tools in the foreign policy and economic toolbox, we will reach our goal. But cutting off contact by revoking MFN is the last thing we should consider.

CONCLUSION

Frederick Douglass once wrote that "to make a contented slave, it is necessary to make a thoughtless slave." He meant that to control people, you must stop them from thinking. You must keep them illiterate, isolated and ignorant.

That is what Mao Zedong did. He shut China away from the world. He closed the borders, burned the books and shut down trade. That let him control the people. But today, because of trade and economic reform -- in part, because we give China MFN -- his system is beginning to crack.

Every day, more Chinese leave government work units to find their own jobs and decide their own futures. Every day, more buy satellite dishes, tune in CNN and find out what's happening in America, Taiwan, and China itself. With MFN in place, the cracks will widen. With MFN in place, China will become the great, respected, democratic nation we all hope to see.