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"MFN (Most Favored Nation) Status and Human Rights"

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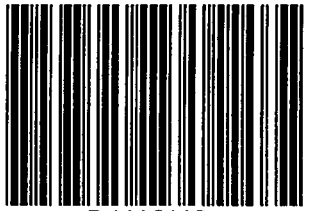

BAUCUS

MFN Status and Human Rights

Senator Max Baucus
Adapted from Remarks to the National Retail Federation
Washington, DC

May 7, 1997

Good morning, everyone. Thank you all for coming today, and special thanks to Mr. Motley for inviting me to speak with you.

THE US AND THE WORLD

As Americans and business leaders, you have concerns about domestic policy. The budget talks and tax reform. Interest rates and all the rest. We'll have some time to go over them in questions later. But I'd like to go a little further afield. In the past six weeks, I have given three in a series of four speeches on our relationship with China. The first covered peace and security; the second trade and economics; and the third environmental protection. That leaves for this occasion the most controversial and difficult of all: human rights and Congress' decision on Most Favored Nation tariff status.

These decisions raise some of the most difficult questions we can face. What is our responsibility in the face of suffering abroad? What policies can relieve it? And where do questions of human rights intersect, conflict with, or complement the other issues on our foreign policy agenda?

But let me begin with a look at where our country stands today. At home our economy is growing; unemployment and inflation are low; the federal deficit promises to vanish in a few years; crime and welfare rates are falling. And we are basically at peace with the world. For the first time since the 1920s, no major country threatens us across the board. Our enemies are weak and isolated. And to simplify things a bit, if we manage six relationships well, we can keep it that way.

What are these relationships? Canada and Mexico, our immediate neighbors. Western Europe and Japan, our strategic allies. Russia and China, the world's other two great powers.

These all raise some complicated issues. But the biggest question, and our most controversial major foreign relationship, is China.

MEANING OF MFN

It is admittedly a difficult foreign policy challenge. But I think we, especially in Congress, could handle much better than we are.

And the prime example is the debate over Most Favored Nation tariff status. Every year around this time, people begin to talk about China, and often in highly critical terms. Sometimes their criticism is justified. And they say we must respond by revoking China's MFN status. Very rarely, however, does anyone talk about what MFN status means, or what is likely to happen afterwards. So let's begin with the facts about MFN.

Revoking MFN, literally, means raising our tariffs from Uruguay Round rates to the levels of the Smoot-Hawley Act of 1930. That is, on average from 4% to 40%. To choose some of China's largest exports, Smoot-Hawley tariffs raise the duty on silk blouses ten-fold, from 6.5% to 65%; on toys from zero to 70%. We could expect millions of Chinese to lose their jobs, and thousands more people here in America.

The political effects would be worse. Virtually all countries in the world have MFN status. In fact, two of the country's on the State Department's list of terrorist nations -- Syria and Sudan -- have MFN status. The countries which do not are Afghanistan, Cuba, Laos, North Korea, Serbia and Vietnam. Iran, Iraq and Libya are under total embargo, so we should probably count them as well. So if we revoke MFN status, we put China in the class of enemies and international outlaws.

No other country would support us. And China would respond. We cannot forecast the ultimate result with precision, but I don't think it exaggerates to say revoking MFN would be a giant step toward a second Cold War.

WHY CONSIDER REVOKING MFN?

So revoking MFN status is very serious. Why do people consider it? Well, they raise five reasons.

First, some still think giving China MFN status means declaring China "best country." Of course, it does not. MFN is simply the tariff rate most of our trade partners already get. And through programs like the Generalized System of Preferences, the Caribbean Basin Initiative, the Andean Trade Preference Act, NAFTA and the US-Israel Free Trade Agreement, about 150 countries get tariff rates even lower than MFN.

Second, our trade balance. We are very generous with China on trade. And they are very stingy with us. As a Montanan, I know very well that they won't buy our wheat, they won't buy our beef, and they add insult to injury by trumping up allegations that our wheat is unhealthy. We are right to be angry about that. But the solution is not to revoke MFN status and balance our trade by exporting and importing nothing. It is to conclude a tough, commercially acceptable WTO deal that opens the market. Until that is done, to keep after China with Section 301 of the trade law, and our other

market-opening laws and policies.

Third, security issues like China's military spending, its military sales to Iran, and reports of missile sales. Again, these are serious, legitimate concerns. But the right approach is not to provoke a hostile relationship by revoking MFN. It is a sound, long-term military strategy. MFN status has nothing to do with it.

Others have questions about Hong Kong. They are right to be concerned. And we, along with Taiwan and others, will see the transition as an index of how well China lives up to its promises. But virtually everybody in Hong Kong would be hurt if we revoke MFN status. And nobody there thinks short-term extensions of six months, or three months, or two weeks will do anything but harm to the territory.

Fifth, human rights. As long as I have taken part in these debates, this has been the crux of our debate on MFN status. Many people are just so angry about these issues that they feel trade with China is immoral.

CASE AGAINST A HUMAN RIGHTS POLICY

That is a serious charge and it deserves a serious response. And we should begin by thinking about why we support human rights and what goals we should achieve.

After all, there is also a serious case against a human rights policy. It involves ugly subjects. Torture. Child labor. Prisoners of conscience. These embarrass and upset the governments involved, when we must work with them on security issues, trade, environmental protection and other issues. It involves national sovereignty. And we always run the risk of double standards.

CASE FOR A HUMAN RIGHTS POLICY

So we must be patient. We must address ourselves to the worst problems rather than every detail of a country's domestic policy. And we must be fair. But with these cautions in mind, I believe we need a human rights policy, for two reasons.

One is simple humanitarian sentiment and moral responsibility. I myself once met a man who had a nail banged through his hand in a Chinese jail after he refused to sign a "self-criticism" for his behavior in Tiananmen Square. That is an outrage. You can't help but be angry about it and want to stop it. And you can't help admiring and sympathizing with people who act on their convictions without violence or threat and are unjustly imprisoned.

And the second is practical. History teaches us that countries run by violent governments can be dangerous. The extreme case was World War II. The internal

policies of Germany, Italy and Japan were inseparable from their aggression against their neighbors. The people who drafted the Universal Declaration on Human Rights after the War -- Roosevelt, Churchill, Marshall and the rest -- were no dreamy idealists but serious people who had just conducted the largest war in human history. They knew that a morally better world would also be a safer world.

Ever since, we have accepted a responsibility to protect people against gross human rights abuses in foreign countries. And the success -- albeit over decades -- of our human rights efforts in Latin America, South Korea, Taiwan and Eastern Europe show that they were right. With human rights and democracy in these regions have come domestic peace and political stability.

To some extent, China itself agrees. It has a tradition dating back to Confucius and Mencius of the responsibility of scholars and citizens to speak out against abuses. And just last March, the state newspaper *People's Daily* ran a reasonably thoughtful article endorsing international action against human rights abuses including:

> "large-scale violation of a country's right to national self-determination, development and relevant individual rights; apartheid, racial discrimination and genocide; creating, deporting and persecuting refugees; engaging in international terrorism; advocating war and fascism; and violation of human rights conventions to which a country is a signatory state."

CHINA'S HUMAN RIGHTS RECORD

The question is, what can we do about these things? With respect to China, what goals should we set and how should we reach them? And to answer that question, we must begin not with anecdote and emotion but with facts.

China admits to holding about 3,000 people in prison for "counterrevolutionary" offenses. We don't know the exact figure, but Amnesty International's estimate is similar. They say there are at least 5,000 prisoners of conscience in all of Asia including "thousands" held in China. Considering religious and labor leaders, along with dissidents we don't know about, the actual number of non-violent political prisoners may be somewhat higher, but probably not by orders of magnitude.

And political repression is in some ways becoming more rather than less severe. The State Department says no dissidents are now active in China. Punishment is growing harsher, as Wang Dan's 9-year sentence, Wei Jingsheng's 14-year sentence and the 18 years given to Ngawang Choephel show. Treatment of religious leaders and labor organizers may be even worse. And repression seems to be at its harshest in some minority areas.

Independent reports show that rates of imprisonment are higher in Tibet and

Xinjiang, and violent response by the authorities is more common. Having visited Lhasa myself, albeit on a highly controlled visit, my personal impression backs up these reports of very severe policies. And while the facts are not entirely clear, reports indicate that provincial authorities in Xinjiang may have executed a large number of protesters this year.

Those things are real. But we must also recognize something very important. That is, most long-term trends in China are good. The number of people tried for political offenses is down from 350 a year in the mid-1980s to about 200 a year now. If you look further back, you see that during the so-called "Anti-Rightist" campaign in 1957, China arrested 500,000 people. The 1960s -- the years of the "Great Leap Forward" and "Cultural Revolution -- were even worse.

Other indices also show an improving situation. The number of citizen lawsuits against the government is up from 4,600 in 1987 to 80,000 last year, showing that more people feel free to challenge the state. Uncensored news is available on the radio, satellite TV or the Internet. Local elections are becoming more democratic. Open trade lets you find your own job and choose your own career. And if you ask ordinary Chinese, most say without any hesitation that life is better and freer than ever before. That has to count for something.

A GOOD HUMAN RIGHTS POLICY

So on the whole, the situation is getting better. And assuming we are to have a human rights policy in China, our task is not to respond to a worsening disaster. It is to help the good trends continue, and address to the extent we can those areas where trends are not encouraging. And I think we can do some good if we follow a few basic rules.

-- Set clear goals that we can measure by results. In the short term, freedom for unjustly imprisoned individuals. Red Cross access to prisons. Talks with the Dalai Lama. Civil liberties in Hong Kong. In the long run, broad adherence to the thirty Articles of the Universal Declaration on Human Rights.

-- Renounce goals that threaten China's political system. A human rights policy which calls for turning China into a democracy will fail for obvious reasons. The Chinese government will see it either as an attempt to overthrow them, or more likely a rhetorical policy with no real content. In either case, they won't go along.

-- Don't use methods that alienate the Chinese public. MFN is the best example. Setting everything else aside, the immediate effect of revoking it would be to put millions of Chinese out of work. Far from improving human rights, it would cause immense human suffering. No rational person can expect anyone in China to thank us for that.

-- Be persistent. These problems are solved in years or decades, not days or months. We must be patient and use long-term tools that do not stake everything on a single throw. The State Department's human rights report is a good example. Discussion and resolutions at the UN Human Rights Commission are another. China cannot give Wang Dan nine years in December and expect the world to be quiet about it in March. The rather thuggish comment of the Foreign Ministry spokesman -- that China would "break Denmark's head with a rock" -- should make us more committed rather than less.

THE ROLE OF BUSINESS

-- Be creative. Diplomatic efforts are important. But other methods can achieve a lot. Broad rule-of-law projects are one example. Business activism is another.

Our discussion of human rights tends to ignore issues about which ordinary Chinese citizens care a great deal. Factory fires. Mine disasters that kill about 10,000 Chinese a year. Pollution and pesticide poisoning of the local air and water. These are areas where you can help.

Codes of conduct are a good example. A few years ago the Asian-Pacific American Chambers of Commerce adopted a joint "Statement of Business Principles" committing their members to a set of responsible business practices including workplace health and safety and pollution control.

Nike, Liz Claiborne, Van Heusen and seven other retailers and footwear companies recently took these efforts a step further by joining in the "Apparel Industry Partnership," for safe workplaces, limited hours, minimum wage, freedom of association and collective bargaining and elimination of child labor and forced labor, along with independent monitoring of performance.

Putting these things on paper is a very good first step. The members of the Partnership truly deserve applause. The more companies join and the more results it can show in practice, the stronger our practical case will be for MFN status.

THE ROLE OF TRADE

-- Finally, stay involved. Trade itself has some benefits in most of the areas we are concerned about. Because if you take trade away, people's choices in life diminish. The state gains power over individual jobs and careers. Human rights and liberty erode.

That has been clear for many years. The world's first totalitarian thinker was Han Fei-tzu, who lived in the 3rd century BC. His most famous work, an essay called "The Five Vermin," calls for exterminating five kinds of people: politicians; scholars; armed

barons; pacifists; and merchants. When they were gone, nobody could challenge the state. The ruler could then turn to his natural duty -- attacking and conquering other countries.

That's more or less right. The more you eliminate not only opposition parties and dissidents but trade and business, the more you will have a totalitarian state which threatens its neighbors.

And that brings us back to the basic relationship between MFN status and human rights. If you take the time to understand the consequences of revoking MFN; the facts, good and bad, about human rights in China; and the role of business and trade, you realize something important. Those who say it is immoral to trade with China are sincere, but they are profoundly wrong. To argue for revoking MFN, in fact, is to argue for more human suffering in China and a more closed, repressive state.

CONCLUSION

One last word. Clearly, revoking MFN status would be bad for China. But we are Americans. And as we make policy we must think of our own people first.

That is the best reason of all to preserve MFN status. Think again about where our country stands. We are truly lucky to be alive in America today. We enjoy the benefits of economic growth, low inflation and low unemployment. We can take advantage of new medicines, new technologies and new consumer products every day. Most important of all, we are at peace.

If we revoke MFN status for China, we risk throwing some of that away. Giving up an unbalanced but still mutually beneficial trade relationship. Threatening jobs in America. And risking a new Cold War with the world's largest country. It would be a truly reckless and foolish decision.

Instead we should renew MFN status. And when China makes a good WTO offer, to make MFN permanent. It may take time. But it is the right thing to do -- for China, and more important to us, for America.

Thank you very much.