Foright Policy: Granting Normal Trade Status To China Essay, Research Paper

Granting Normal Trade Status To China

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Whether to grant China with normal trade status as it enters the WTO (World Trade Organization) thus eliminating congressional review status under the Jackson-Vanik amendments to the 1974 trade statute, is an important issue when considering the validity and repercussions that granting normal trade status would do to US-Chinese relations.

It took three United States Presidents, two Chinese leaders and dozens of negotiators 13 years to clear a path for China to get the chance to join the World Trade Organization, which could occur if legislation sponsored by President Clinton is passed by a skeptic legislative branch, that has relied on the annual review of trade status as a means to police the Chinese government”( Kahn 1). “House Speaker Dennis Hasert, indicated that the GOP will stop playing political games by announcing that he will schedule a floor vote on legislation to grant China permanent normal trade status the week of May 22″(Newman 66).

Before exploring the issue at hand, it is important to discuss and define several different parts of the essay. First normal trade status is a term used to describe the trade status of the United States and its trading partners. Normal trade status means that the United States is on favorable terms with the country that it is trading with. The significance of granting normal trade status is that tariffs and trade agreements are easier to implement and are more favorable to a country with normal trade status opposed to a country that has not been granted normal trade status.

“The WTO, can be defined as the World Trade Organization, which is a 135 member trade organization based in Geneva. To gain membership into the organization one must first reach bilateral trade deals with each major trading partner. Second, it must

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agree to a membership protocol- or ground rules- created by a working party. This working group sets up provisions for the key trade categories in each bilateral deal. Also this group sets up a timetable that a country wishing to gain membership into the WTO

has to implement the provisions. Last the 135 member countries of the WTO, vote on the prospective countries membership to the WTO and if the members vote “yes” by a two-thirds majority then a country gains admittance” (Nitschke 609).

The Jackson-Vanik amendment that allows for the annual renewal of normal trade status to China, was a “limit that was set under a provision in the 1974 Trade Act written by Sen. Henry M. Jackson D-Wash., and Rep. Charles A. Vanik, D-Ohio, that requires the president to certify every year that certain communist nations are allowing unfettered emigration before giving them regular trade standing” (Nitschke 608).

There are three different foreign policies that can be considered and adopted. The three different policy positions are to grant normal trade status to China as it enters the world Trade Organization without concessions or special conditions that have to be met, to uphold the Jackson-Vanik Amendments, thus having the president review the possible annually of granting normal trade status to China, or to grant normal trade status to China based on reaching concessions. The different concessions would range from opening all markets to the United States and its corporations within a year to providing evidence that workers will not be used adversely in the production of Chinese goods and products.

The first policy option that will be analyzed and discussed is one, which would instill normal trade relations with China without allowing for concessions. “The economic case for granting permanent normal trade relations to China, is unassailable.

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Under the able and indefatigable leadership of the United States’ Trade Representative Charlene Barshefsky, the deal the Clinton Administration struck with China to gain our support for its admission to the WTO is manifestly in the United States’ economic interest. Since the deal does not require that the United States open its markets any further, it is unlikely to have much effect on the United States’ imports from China Moreover, the deal contains special protections against surges of imports”(Tyson 34). Considering this information the policy option that is economically the best is one that would allow the instillation of permanent normal trade relations with China. “Failing to give permanent normal trade relations to China amounts to a unilateral giveaway to America’s competitors. Congress cannot decide whether to admit China to the World Trade Organization. It can only decide whether the United States will receive the same benefits as our competitors. If Congress denies permanent normal trade relation status to China, it also denies the United States the benefits of the concessions made by China to win World Trade Organization membership”(Tyson 34). These benefits would then benefit Europe and Japan and would allow these countries to have lower import tariffs to China, and therefore allowing for cheaper products than those made in the United States. This would essentially lower the number of US products bought and increase the amount of European and Japanese products bought in China. This is underlying strength of this policy option.

Support of the first foreign policy option, which would grant normal trade status without concessions, is led by President Clinton and is supported by “Corporate America”. Using this foreign policy option, most likely would be easier to implement,

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because if concessions were allowed then most members of congress would want to have their own input. This can be further explored in the fact that “officially, neither the pro-China business lobby nor its foes among labor and support the proposed amendments or concessions. The White House supports the two-page China trade bill it sent to congress. On the other side those opposed to the current bill, want to add amendments and/or concessions to solidify US interests in China after or when normal trade relations are made official foreign policy.”(Magnussion and Walczak 66). Corporate America is behind the US foreign policy that would grant normal trade status to China, because of the possible economic benefits that will likely befall the companies if the legislation is passed. Corporations are already lobbying employees to urge them to have their congressmen vote for the instillation of normal trade relations, which can be seen in the instance of “The business roundtable, an organization of corporate executives, who purchased 1.5 million worth of air time in 22 states between March 5-12. The ads were of steel doors closing on a Chinese businessman, an effort to show the dire consequences of rejecting a permanent trade relationship with China. This group’s ad was part of a 6 million effort to push for permanent normal trade relations”(Nitschke and Pomper 552).

Also President Clinton has received support from 13 Nobel Prize-winning economists. One such economist Professor Robert, a Nobel laureate from the Massachusetts Institute of Technology, said at the white House “China will compete for some low-wage jobs with Americans, and their market will provide jobs for high-wage, more skilled people,” and concluded that that was a bargain for the United States and our economy. Positive aspects as just mentioned include economic benefits to farmers and corporations that send

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their products to China, and that the entrance into the World Trade Organization would mean a more open Chinese society. President Clinton alluded to this fact in a speech that he gave at Johns Hopkins University, when he said, “China is not simply agreeing to import more of our products. It is agreeing to import one of democracy’s most cherished values, economic freedom”(Nitschke and Pomper 552). Positive economic aspects are that “China is already the eighth largest market for agricultural exports form the United States- it bought 1 billion in United States commodities in fiscal 1999- and the Chinese market should open much further under the trade deal reached last year between Washington and Beijing” (Nitschke 445). Examples of tariff reductions are ” a decrease in beef from 45% to 12%, a decrease in pork from 20% to 12%, a decrease in poultry from 20% to 10%, and also a decrease in citrus from 40% to 12%. All of this will occur by the year 2004 marking a great stride in US-Chinese trade relations (Nitschke 445). Also what could possible be the greatest positive factor is that Agriculture Secretary Dan Glickman “estimates that US farm exports would triple to 3 billion annually, if congress endorsed the permanent normal trade relations with China” (Nitschke 447).

Negative effects of installing normal trade relations with China are that the United States would lose an important bargaining tool, which allows us to influence the Chinese government because they want the Most Favored Nation status annually. Some aspects of world affairs that the US would not be able to influence the Chinese government are, in “Beijing’s recent threats to use military force against Taiwan, and the Chinese governments human right’s violations (Nitschke 552). Also other negative aspects of granting normal trade relations with China, as it enters the World trade Organization, are

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“that the China deal will encourage many American companies to move production operations to China and then export their goods to the United States. Unions said that this happened with the North American Free Trade Agreement, and they fear that’s such an exodus of production would cause a loss of American jobs and increase the trade deficit with China, which is expected to exceed $60 billion this year”(Greenhouse 1). Also along with this, if American jobs are lost then some congressmen could be facing an uphill battle for reelection. This idea has led the House Majority member Representative Gepheardt to oppose granting normal trade status with China as it enters the World Trade Organization.

The second Policy option is to uphold the Jackson-Vanik Amendments, thus having the president review the possible annually of granting normal trade status to China. Support and leadership of this possible foreign policy option is growing, and lies in the hands of “Rep. John P. Murtha, a well-respected senior Democrat form Pennsylvania, Christopher H. Smith R-NJ, chairman of the International Operations and Human Rights Subcommittee, who has even stated that under such deteriorating human rights conditions it makes to grant China permanent normal trade relations” (Nitschke 553). According to the June 4, 1999 issue of the New York Times “support has dramatically shrunk, for the renewal of most favored nation status because of human rights violations and other actions of the Chinese government that include them stealing nuclear secrets from the US government.” This policy option, also is gaining support from House Whip Tom Delay (R-Tex.), who helped to pass the Taiwan security Enhancement Act in the House. “The Taiwan Security Enhancement Act indicates closer

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U.S. military ties with Taiwan”(Magnusson 66). When considering the laws in China, support for this policy option is gained because “both traditional Chinese law and communist law reflect the primacy of collective norms that require that contracts and property rights be subjugated to political factors”(Barfield 29). This essentially means that U.S. companies that are use to doing business in regards to U.S. law, one that allows for openness, will be under Chinese law and subject to their regulations that are not structured and contain no provisions that U.S. companies will be treated fairly. Also support lies in lobbyists in the labor unions. These labor unions led by the AFL-CIO ” a federation of 68 member unions, which has been by far the most powerful voice against the China trade bill, in helping sway scores of Democrats, including Richard Gephardt, the House Democratic leader, to oppose granting permanent normal trade relations to China and has complicated easy passage of the trade bill in the house. The AFL-CIO has stated that its concerns lie not in protective measures in providing that American jobs are not lose, in a stance that would protect workers and their rights. The president of the AFL-CIO, John Sweeney has said “we have really learned from the past that we have to have core labor standards in our trade agreements if they are going to benefit workers in the United States as well as workers in the countries that are our trading partners”(Greenhouse 1).

Negative aspects include the loss of allowing the United States to get a “foot in the door of China. That is that livestock producers in particular now have little access to China; sales there would broaden the horizons for cattle, hog, and poultry, largely because the Chinese eat different parts of those animals than most Americans do”

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(Nitschke 447). Also negative aspects and argumentation for this policy are that “in its drive to achieve membership in the World Trade Organization, China has made substantial astounding-market-access concessions, and that foreign investors including those from the United States will reap the benefits from Chinese admission into the World Trade Organization”(Barfield 29). Also negative impacts surround that fact that ” a “no” vote on permanent normal trade relations should be sobered by the realization that their vote will be interpreted in China, as a signal that we share this preference. A “no” vote will strengthen the hand of the hard-liners who are undermining the United States’ ability to work with China on such areas of mutual interest as stability on the Korean peninsula and nuclear proliferation”(Tyson 34).

The last possible foreign policy option would be to grant normal trade to China but have it based on several concessions, or agreements. “While labor and environmental concerns remain the top impediments to China’s normal trade relations bid, another issue began to develop January 27, with reports that Chinese officials will require all companies and individuals using encryption technology to register with the government” (Nitschke and McCutcheon 197). This is important because it would render software and information that could be used at a later date for military purposes. A concession or agreement could be drawn where as the Chinese government would withdraw this concept in favor of gaining normal trade status as it enters the World Trade Organization. With regard to human rights violations, “even as the president was pushing normal trade relations with China he introduced a resolution condemning China’s human rights record to the United Nations Commission on Human Rights” (Nitschke 89). Also in the March

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11, 2000 issue of Congressional Quarterly President Clinton promised that safeguards would be put in place and could be invoked if China does not keep its promises. “Many of the amendment ideas come from an unexpected source: Representative Sander M. Levin, a suburban Detroit Democrat who usually sides with the United Auto Workers on trade. His ideas include a U.S. commission on China’s human rights violations, to have the World Trade Organization annually review Beijing’s record on open-market promises, and an environmental impact study of China’s pollution potential”(Magnussion 66). Many believe that these amendments or concessions are a needed factor in granting Permanent Normal Trade Status to China. This is because after the United States grants Permanent Normal Trade Status, to China it will be all but impossible to revoke Permanent Normal Trade Status while China is in the World Trade Organization. This is because the United States could face repercussions and sanctions from the World Trade Organization, because member nations in the World Trade Organization are not allowed to revote trade status or increase tariffs on imports to member nations in the World Trade Organization after admittance, which would happen if Permanent Normal Trade Status were revoked.

Negative aspects are that with concessions the support will lower and the length of the time that the bill is debated will be longer. This is extremely important because President Clinton and the Speaker of the House Dennis Hasert have stated that the longer that the bill is delayed the harder it will be to pass it, because of “election politics”. Also an issue at hand that surfaces when considering this foreign policy option is that “burdening the trade bill with partisan baggage could destabilize the entire effort. Added

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requirements for the U.S. investors in China to hew to stringent labor and environmental standards, and businesses and the GOP could rebel. Also if conservative provisions for weapons sales to Taiwan, and Democrats might desert the coalition, along with Beijing. To further complicate matters, some add-ons may even run afoul of World Trade Organization rules if they link trade privileges to performance on such matters as human rights or the environment”(Magnussion 66). This problem just means that as concessions and amendments are tacked onto the provision that would grant Permanent Normal Trade Status to China the likelihood that the bill will not pass congress increases.

After taking into consideration all of the facts from the three different foreign policy options, both positive and negative, I recommend that that the foreign policy that should be enacted is to allow normal trade status to be instilled on China, providing that certain concessions be met. This I feel is the best policy option because it allows for great economic gain and it does not

surrender the bargaining ground the United States has in reviewing the trade status of China annually. Also another important reason for my recommendation is that the United

States will not be able to reap the full benefits of China’s entrance into the World Trade Organization, unless normal trade relations are put into effect. Possible concessions are run along the same lines and are in some part derived from many of the same options that Representative Sander M. Levin has proposed. These include a U.S. commission on China’s human rights violations, annual WTO review of Beijing’s record on market-opening promises, and promises that nuclear weapon technology will not be sold to terrorists or rogue states such as Iran and North Korea. In short I feel that the positive

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benefits of allowing the Chinese government permanent normal trade relations, out way the negative impacts that not allowing the Chinese government permanent normal trade relations brings. The United States would not benefit from the Chinese entrance into the World Trade Organization, where as the rest of the members of the World Trade Organization including European nations such as England, France, and Germany and other countries such as Japan.