

# Why Does MFN Dominate America's China Policy?

By Wendell L. Willkie, II

The most important issue today in the U.S.-China relationship, as everyone knows, is the linkage of MFN to specific human rights conditions. But what is MFN? And how did it come to dominate America's policy toward the world's most populous country?

The answer to this latter question lies specifically in the requirements of a 1974 statute, the Jackson-Vanik Amendment—enacted under very different circumstances during the Cold War—to address the tyranny and global ambitions of the Soviet empire. More broadly, the issue of MFN demonstrates that U.S. foreign policy—even a sophisticated and accomplished foreign policy—may encounter serious political difficulties at home when it fails to give adequate voice to American ideals.

But first, what is MFN? MFN, misleadingly, literally stands for “most favored nation” trading status. In fact, in today's world it simply represents the existence of normal trade relations between two countries. Most important, in practical terms, MFN means that products from one country can be imported into another country at relatively low tariff rates, the same low tariff rates set for goods from other countries also receiving MFN.

Today, nearly every country (182, to be exact), no matter how repressive, whether friend or foe, routinely receives MFN status from the United States. When sanctions against South Africa were most comprehensive—even involving states and municipalities—withdrawal of MFN from that apartheid regime was never seriously considered. Over the years, numerous repugnant regimes have received MFN without substantial public debate. Therefore, while proponents of conditioning or withdrawing MFN from China argue they are seeking to advance universal human rights, they are in fact uniquely applying these universal standards to one country. It is clear that MFN for China would not be debated today but for the requirements of Jackson-Vanik, which requires annual renewal of MFN for any present or former Communist country.

Withdrawal of MFN from China, a major U.S. trading partner, would constitute an unprecedented and radical departure from what are now viewed as fundamental, universally accepted principles of international commerce. It would also be viewed as an unjustified and counterproductive act by the governments of every other major nation in the world.

This is a very different question, however, from the unwillingness of the United States during the Cold War to extend normal trading privileges to our global adversary, the Soviet Union, and its client states. In the years after World War II, free trade was a fundamental goal of our international economic policy. But there was always a significant, well-recognized exception in the case of the Soviet empire. This was the context for the Jackson-Vanik legislation.

How did this legislation come about? In 1972, President Richard Nixon entered into an unprecedented trade agreement with the USSR. Nixon and his National Security Adviser Henry Kissinger believed that America's foreign policy should be guided less by its traditional lofty moralism and

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more by a sophisticated cold-blooded assessment of the nation's interests as a great power. This policy, known as *Realpolitik*, was designed largely to restrain the global ambitions of the Soviet Union through a complex linkage of incentives and deterrents, or "carrots and sticks."

The 1972 trade agreement was an essential component of this strategy to achieve detente between the superpowers. It promised to extend to the USSR not only MFN but also Export-Import Bank credits, a concession of enormous interest to the cash-strapped Soviets.

The Nixon Administration thus sought to provide a major incentive for the Soviets to cooperate in areas such as arms control and regional conflict—especially Vietnam. Although American critics argued that the agreement, taken alone, benefitted the Soviet Union disproportionately, that was in fact Nixon's intent: in the 1970s—an era of American retreat—the one-sided economic benefits conferred by the agreement were designed to encourage Soviet military restraint.

In simultaneously pursuing rapprochement with the Soviets and collaborating closely with authoritarian anti-Communist regimes in the developing world, the Nixon Administration deliberately deemphasized human rights concerns. "What is important is not a nation's internal political philosophy," Nixon told Mao at their first meeting in 1972. "What is important is its policy toward the rest of the world and toward us."

But this Old World balance of power approach to foreign affairs encountered grave political problems at home. In spite of the dramatic success of President Nixon in his diplomatic forays to Moscow and Beijing, a panoply of opposition emerged to *Realpolitik* and its perceived amoral assumptions. These critics, including many conservatives, liberals, and trade unions, have been described as strange bedfellows, but they evoked deep and diverse chords within the American memory: anticommunism, internationalist idealism, and sympathy for underdogs and victims of persecution. One man was to unite these disparate elements into a powerful engine that shook the foundations of detente and the entire Nixon-Kissinger geopolitical strategy—the Democratic senator from Washington State, Henry "Scoop" Jackson.

Beginning in 1972, the focus of Jackson's efforts and the hinge on which the public critique of detente turned was emigration, specifically Jewish emigration, from the Soviet Union. He sponsored the bill that eventually became known as the Jackson-Vanik Amendment. It blocked the granting of most-favored-nation status to any "nonmarket economy" (that is, Communist country) which did not permit freedom of emigration. And it elicited overwhelming, bipartisan support in both houses of Congress.

Like Ronald Reagan, in whose Administration several Jackson staffers were later to serve, Jackson believed the Soviet Union to be an evil empire. He viewed the trade agreement—with its hard currency credits for a hostile superpower—as a one-sided giveaway. And how, he asked, could tariff concessions truly be reciprocal with a command economy? Furthermore, in Jackson's view, the Soviets simply could not be trusted to make the accommodations Kissinger claimed in other areas. No, such a major reward to our global adversary called for a more fundamental concession in return.

In December 1974, Congress enacted major trade legislation, including the U.S.-USSR trade agreement, limitations on credit for the Soviets, and the Jackson-Vanik amendment.

Shortly thereafter, in January 1975, the Soviets informed the United States that they were rejecting the entire trade package negotiated and agreed to in 1972. They would no longer seek MFN status. Emigration from the Soviet Union was curtailed and Kissinger's vision of detente was seriously jeopardized—all the more so when major Communist military offensives that spring resulted in the collapse of American-supported governments in Cambodia, Laos, and South Vietnam.

Public disillusionment with *Realpolitik* grew and was much in evidence in the following year's presidential campaign. Ronald Reagan nearly denied President Ford the Republican nomination by

attacking detente and the entire Kissinger model of diplomacy. And the Democratic nominee, Jimmy Carter, pledged to restore the emphasis on human rights in U.S. foreign policy. Interestingly, Senator Jackson had enlisted the support of both Carter and Reagan for the provisions of the Jackson-Vanik legislation.

When Reagan succeeded Carter as President, he appointed Jackson staffers to significant foreign policy positions. After Jackson's death in 1983, President Reagan bestowed on him the nation's highest award, the Presidential Medal of Freedom, describing him as "the great bipartisan patriot of our time." In challenging intellectually fashionable notions of moral equivalence between the super-powers Reagan evoked the anti-Communist idealism of Henry Jackson.

With the Gorbachev era, of course, came extraordinary reform to the Soviet Union. The world was changed forever. In June 1990, the Gorbachev government, desperate for credits and Western investment, signed a new trade agreement with the United States that finally granted MFN. In the later Gorbachev years, freedom of emigration from the USSR was realized as hundreds of thousands of Jews, Christians, dissidents, and others were at last permitted to leave. This was truly a hallmark development in the dismantling of the Soviet regime.

On June 4, 1989, the violent suppression of Chinese pro-democracy demonstrators in Tiananmen Square shocked the world and brought immediate American sanctions. There was broad congressional and public support for these initial sanctions, but there was also widespread consternation across the American political spectrum about President Bush's public unwillingness to condemn the Chinese leadership more forcefully.

As months passed, congressional frustration mounted toward the President, whose limited rhetoric, existing sanctions, and more conciliatory posture toward the Chinese were blamed for failing to prevent a widespread crackdown on dissent in China. To strengthen congressional authority in U.S.-China policy, calls grew for legislation supplementing Jackson-Vanik, to condition or withdraw China's MFN status. President Bush strongly resisted, and thus began the heated and emotional debate over MFN for China that lasts to this day.

Ironically, Senator Jackson, staunch anti-Communist and leading proponent of human rights though he was, had also been a strong proponent of normalized relations with China. In particular, he was instrumental in the passage of the Carter Administration's trade agreement with China in late 1979, providing for extension of MFN.

While Jackson believed that closer ties between the United States and China could be helpful in containing Soviet imperialism, geopolitical considerations were by no means his sole motivation. Jackson's communications with four Presidents repeatedly indicated his fear of America's using China for short-term tactical maneuvers against Moscow. He had a longer-term vision. China was a huge, developing, potentially powerful nation, with whom America had a compelling interest in establishing a "constructive, enduring... relationship."

Granting China MFN did not stir up much controversy in 1979. Nor was there any congressional debate about MFN for China for the next ten years, during which time relations with the United States grew closer, China's economy boomed, and political controls under Deng Xiaoping were substantially relaxed. Indeed, from the time of Nixon's opening to China in 1972, through Carter's extension of diplomatic recognition in 1979, through periodic crackdowns on dissent in the 1980s, human rights in China never became a significant political issue in the United States. This changed forever in the spring of 1989, when American television viewers looked on in horror as the tanks of the People's Liberation Army rolled into Tiananmen Square.

As the repression intensified in China, the Soviet Union and Eastern Europe were undergoing the most extraordinary evolution in modern times toward the civilized norms of liberal democracy.

These dramatic developments in the crumbling Soviet empire greatly reinforced the negative reactions in the United States to China's bloody imposition of martial law.

At a time when quintessentially American ideals were acquiring unprecedented recognition across the globe, the brutal suppression of dissent in China appeared in contrast especially heinous. In the years since normalization of relations with the United States, China had seemed to be the most reform-minded and progressive of the Communist countries. Now, however, as a consequence of Tiananmen Square, it was suddenly transformed in the American imagination into the world's most despotic regime.

The rapid advance of Western concepts of liberal democracy into previously authoritarian societies also persuaded Americans that the United States had both the capacity and the moral authority to transform the world in its own image. 1989, a year that saw free elections ousting Communist officials in Moscow, the display of a Chinese version of the Statue of Liberty in Tiananmen Square, and the destruction of the Berlin Wall, was a year in which all things seemed possible. Thus many Americans came to believe that if only the government imposed the proper sanctions, it could compel the Chinese government to lift martial law, reverse course, and permit wholesale political liberalization.

China, however, is governed by tough Communist Party autocrats. This regime had just experienced a serious challenge to its legitimacy and had drawn lessons of its own from the global collapse of Communism. Indeed, China's old-guard leadership now believed that a tough crackdown on dissent was the only way to resist the ideological advances of the West, to retain power, and to prevent chaos, which the Chinese most fear, from once again engulfing their country.

President Bush consistently avoided idealistic or emotional rhetoric and relied largely on his personal relationships with foreign heads of state to advance America's interests in the world. He had served as America's envoy to China under President Ford, and he believed that personal criticism of the Chinese leadership would only strengthen reactionary elements in Beijing. Bush was tough with the Chinese in private, but his publicly conciliatory posture was out of step with much of America's opinion elite.

In the fall of 1989, Democratic Representative Nancy Pelosi of California sponsored legislation with overwhelming bipartisan congressional support, granting the tens of thousands of Chinese students in the United States extended terms to stay, with permission to work in the interim. The Chinese government threatened to curtail educational exchanges if the legislation passed. President Bush vetoed the legislation in November as counterproductive and also an unwarranted legislative intrusion on the President's authority in foreign affairs. While he simultaneously issued an order with provisions similar to the Pelosi bill, his veto strained his relations with Congress over China policy.

The following month, December 1989, President Bush dispatched National Security Adviser Brent Scowcroft and Deputy Secretary of State Larry Eagleburger to Beijing to explore steps by each country to improve the relationship. China specialists generally endorsed Bush's initiative, but most public commentary was extremely critical of the Scowcroft mission. The *Washington Post*, for example, characterized it as a "placatory concession to a repressive and bloodstained Chinese government," and the *New York Times* as "hailing the butchers of Beijing."

In the spring of 1990, congressional critics thus seized on the annual Jackson-Vanik review of MFN for China as a convenient legislative vehicle for repudiation of the President. It is important to note that withdrawal of MFN had *not* been seriously considered by Congress in 1989 in the especially emotional months after Tiananmen. It was not, for example, included in the comprehensive sanctions legislation of 1989. But in May 1990, when Bush announced that he would renew MFN for China for another year, his decision was roundly denounced on Capitol Hill. This criticism came

even though the simple requirements of Jackson-Vanik provided no basis for denying MFN. Legislation was immediately introduced to overturn Bush's decision.

Proponents of MFN argued that withdrawal of MFN would seriously harm American exporters, investors, and consumers; devastate Hong Kong; and do the gravest damage in China itself, not to the reactionary old guard but rather to the rapidly developing private economy, which many Americans otherwise wished to encourage as the greatest internal force for the progressive evolution of Chinese society.

These arguments impelled many members of Congress to support annual legislation requiring not revocation but rather conditional extension of MFN. The Chinese would have until the following year to meet the new terms required by legislation. Members also supported this legislation, identifying themselves with worthy objectives, knowing of a certain presidential veto. Absolved of responsibility for ever actually compelling withdrawal of MFN, they could ignore with impunity the President's arguments against the legislation.

The conditions Congress proposed were vastly more comprehensive than the original, simple requirement of Jackson-Vanik, that MFN be certified annually by the President as advancing freedom of emigration. From 1990 through the end of the Bush Administration in 1992, the House and the Senate easily passed legislation to require the President to certify in the following year that "overall significant progress" had generally been made in human rights, trade practices, and weapons proliferation, in addition to a host of specific conditions in these areas.

President Bush vetoed the legislation on the two occasions it reached his desk, in March and September of 1992. While expressing full support for its goals, Bush argued that comprehensive engagement was the best method for promoting political reform in China over the long term. The ultimatum mandated by Congress, Bush argued, would in fact weaken ties with the United States and lead to further repression.

The struggle between the executive and the legislative branches over China policy occurred in the context of a larger debate about America's foreign policy objectives. As with Jackson-Vanik in the early 1970s, broad bipartisan support had emerged for legislation to limit the prerogatives of a President whose foreign policy was widely perceived, fairly or otherwise, to lack an adequate moral foundation. Liberals and conservatives alike had supported Jackson-Vanik because of a fundamental discomfort in the American body politic with the assumption that a foreign regime's treatment of its own people should not be a factor in calculating the national security interests of the United States.

George Bush's policy toward China became so politically controversial because he allowed the perception to take hold, incorrect though it was, that he was indifferent to the suppression of thousands of individuals who aspired to American ideals of freedom. As Jeane Kirkpatrick has observed:

No significant number of people in the United States in our history has ever argued that our foreign policy should be oriented toward anything except moral ends....The notion that foreign policy should be oriented toward balance of power politics, or Realpolitik, is totally foreign to the American tradition and, in fact, to the American scene today.

Like President Nixon and Henry Kissinger twenty years earlier, President Bush and Secretary of State James Baker approached foreign policy with considerable sophistication and pragmatism. They relied substantially on the development of confidential relationships with the leaders of both authoritarian and democratic governments. While pursuing human rights they deliberately avoided the use of idealistic rhetoric. For all these reasons, the Bush and Nixon Administrations, notwith-

standing their extraordinary success in the conduct of foreign affairs, encountered serious domestic opposition across the political spectrum.

The image of Bush's foreign policy as unduly pragmatic was strongly reinforced by the contrast with his predecessor, Ronald Reagan. President Reagan had argued with great conviction and eloquence that America should aggressively promote the cause of freedom and democracy abroad, even or especially when it unsettled existing Communist regimes. Reagan had shocked the Soviet leadership, not to mention polite society at home, when he condemned the Soviet Union as the "Evil Empire." Bush, in contrast, who did not wish unnecessarily to offend the Gorbachev regime, consistently avoided suggesting that the disintegration of the Soviet empire constituted a great triumph for Western democratic ideals.

Reagan had deeply influenced public opinion about America's role in the world when he argued that American foreign policy should be based explicitly on the moral superiority of liberal democracy. Bush's obvious skepticism about the role of ideology in foreign affairs, on the other hand, made him vulnerable politically to the bipartisan allegation that his policies lacked what he himself described as "the vision thing."

This contrast between the bold, soaring idealism of Reagan and the prudent, studied pragmatism of Bush may help to explain why Bush, like Nixon, sustained legislative defeat and political embarrassment in supporting MFN for a major Communist power whose abuse of human rights, it was argued, he had overlooked.

But there are also important distinctions. The 1972 trade agreement was a Cold War concession to America's global adversary. The benefits to the American economy of trade with the Soviets would have been extremely limited.

The same cannot be said of trade with China today. American companies, workers, and consumers would suffer substantially if MFN were withdrawn. Furthermore, extraordinary economic possibilities in the world's third largest and fastest-growing economy of considerable future benefit to Americans would be seriously jeopardized, if not lost. In purely economic terms, therefore, MFN for China, quite unlike MFN for the Soviet Union in the 1970s, is on its own terms, indisputably in America's interests.

Second, the Soviet agreement provided for trade with a command economy, with Soviet state enterprises. It was never seriously contended that such trade would help establish the preconditions of a market economy or otherwise substantially contribute to the opening of Soviet society.

The same cannot be said about China, which over the past fifteen years has undertaken a series of radical, market-oriented reforms simply inconceivable under the traditional Soviet model. Trade with the United States, the market for over 30 percent of China's exports, has certainly furthered the development of Chinese private enterprise, resulting not only in greater prosperity but also in greater personal liberty for millions of Chinese.

There is, therefore, a very strong moral argument for normal trade relations with China that could not be made regarding trade with the Soviet Union twenty years ago. Trade with the Soviet Union a generation ago might well have strengthened Communism, whereas trade with China today clearly undermines Communism.

Of course, some argue that a market economy can go hand in hand with authoritarianism. This is true in China today. Obviously, much of China's leadership hopes this remains true in the future. But the emergence of an exploding market in China has given individuals personal liberty, prosperity, and independence that were unimaginable a mere decade and a half ago. Free market forces in China today are unquestionably eroding the historical and theoretical underpinnings of Communist oppression. The emergence of freely negotiated contracts and the development of property rights are

laying the foundations of a civil society and creating irreversible pressures for the establishment of a rule of law.

Finally, the Chinese, unlike the Soviets in the 1970s, did, after all, accede to the U.S. requirement that freedom of emigration be recognized. This is more than a legalistic point. For it is not unrelated that the Chinese government has permitted tens of thousands of Chinese scholars and students to study, to work, and to travel in the United States, a remarkable phenomenon that itself has radically increased the understanding of Western values and advanced the opening of Chinese society. Just as elements of the Chinese leadership believe repressive Communist Party rule can survive extensive economic engagement with the West, so Deng Xiaoping believed, incorrectly, that Chinese students coming to the United States would not be "corrupted" by American political values.

But Henry Jackson knew better. He well understood the powerful corrosive effect on totalitarian regimes when their citizens are free to develop relationships with Americans. His reasons for questioning the Soviet trade agreement in 1973 are relevant today:

We will have moved from the appearance to the reality of detente when East Europeans can freely visit the West, when Soviet students in significant numbers can come to American universities, and when American students in significant numbers can study in Russia. When reading the Western press and listening to Western broadcasts is no longer an act of treason, when families can be reunited across borders, when emigration is free—then we shall have a genuine detente between peoples.

Chinese practice today, though hardly perfect, largely satisfies these conditions. And because of China's opening to the outside world, as Jackson predicted in supporting normalized relations, millions of Chinese understand the United States and its ideals today in ways they never did before. This understanding of Western ideals is still very crude. But the glimpse of a better life they now have, in large measure as a result of American economic engagement, is clearly a subversive force in a politically repressive environment.

The American idea has proved far more powerful than the Chinese leadership had assumed. Today, owing largely to U.S.-China trade, the American idea is conveyed to the people of China, like others around the world, in countless ways—from a satellite dish or a securities transaction to a pair of sneakers—communications increasingly beyond the reach of Mao's heirs.

Our foreign policy should, for idealistic as well as for pragmatic considerations, take full cognizance of the extraordinary fascination with America of the Chinese people. We need to consider how we can advance their hopes and aspirations for a better life in a manner that also serves our own interests. No other American policy is sustainable.

As the history of Jackson-Vanik and the debate over MFN for China reveal, the American people understand the power of the American idea abroad, and they expect their government to give it voice. As Henry Jackson taught us, America's leaders in foreign affairs most effectively pursue the national interest through a tough-minded realism—one that includes the power of American ideals.

