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# Most Favored Nation Status: China

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Aaron Ward

Most Favored Nation Status: China

Professor Barbara Brown

December 8, 2000

Aaron Ward  
Professor Brown  
December 8, 2000  
POLS 494b

### **Most Favored Nation Status: China**

The Most Favored Nation Status is one of the great things that America gives to other countries of the world. It allows other countries to trade with the United States in ways that some countries are not allowed to. Those countries that receive Most Favored Nation status should feel sort of privileged. This paper is about MFN status (as I will refer to it throughout the paper), the way it works and that relationship in terms of trade and application of MFN to China, and the involvement of the legislative and executive branches of the government in this process. I will also argue that MFN status is necessary for continuing prosperity with China and especially if we are to convince them that democracy is the right choice.

#### **History of Most Favored Nation status**

The MFN status was started by the United States in 1934. Originally MFN was extended to all trading partners. This lasted for only approximately seventeen years until 1951 when Congress passed legislation requiring the President to suspend MFN to all of the Soviet-Sino bloc countries. This was in a response to the rising of the iron curtain over Eastern Europe, as well as the actions taken by the Chinese at this time. MFN to China was suspended in 1952, when the Chinese invaded Tibet and forced the Dalai Lama into exile ([www.fas.org/man/crs/92-094.htm](http://www.fas.org/man/crs/92-094.htm), 1996).

MFN status could only be restored under specific law until the 1970's. The Congress passed the Trade Act of 1974 that allowed MFN to be restored in other ways. There are two main ways that MFN can be restored:

1. There will be a bilateral trade agreement with effectively a two way grant of MFN status and this must be approved by the enactment of a joint resolution.
2. The country in question must meet the freedom of emigration requirements as listed in the Jackson-Vanik amendment to the Trade Act of 1974.

The second element of these requirements can be decided by “Presidential determination” or with a “Presidential waiver of full compliance”. Essentially status may be restored with respect to the second revision if the President feels that the country in question can and will meet the requirements necessary for restoration of MFN status ([www.fas.org/man/crs/92-094](http://www.fas.org/man/crs/92-094), 1996).

On October 23, 1979, President Carter sent to Congress a signed trade agreement that had been made with China along with an executive order giving China the Jackson-Vanik waiver. Congress approved this soon after, in January 1980, and MFN status was restored to China.

With regards to the waiver, it must be extended by:

1. The President’s recommendation made by June 3 of the current session requesting that the waiver be extended for another year and,
2. The extension is automatic unless Congress passes a joint resolution disapproving of the action.

After the time limit for MFN has expired, there are two steps that must gone through in order for MFN to be renewed. These are:

1. Triannual renewal of the trade agreement automatically if the trade has been “satisfactorily balanced” and the President sees

- that the reduction of trade barriers are equal on both sides and,
2. The renewal annually of waivers, and this is automatic with Presidential recommendation unless a joint resolution disapproving of this is passed.

Most Favored Nation status must be reported within thirty days of the current legislative session. It is not amendable, and debate in both chambers is limited to ten hours for each side, supporting and opposing. MFN must be approved by August 31st. If MFN is approved, the waiver ceases to be active sixty one days after the approval. In the case of a Presidential veto, there are specific steps in the law as to how to deal with that situation ([www.fas.org/man/crs/92-094.htm](http://www.fas.org/man/crs/92-094.htm), 1996).

#### **Current MFN status for China**

For most of the period since 1980 when MFN was restored to China, there have been protestations against it. None more so vehemently than in the late 1990's when MFN was up for review once more. In 1997, we saw some of the most interesting debates about MFN and China. There were many supporters and many opponents of renewing this favored trading status with The People's Republic.

In 1997 The House voted to keep giving MFN status to China. President Clinton put in his opinion, as was stated earlier in the paper, and the House voted to approve it. Those opposing the renewal argued on the basis of China's dismal human rights record, bad trade practices, and sales of weapons to suspicious countries. The Vote was very close, 259 aye and 173 nay. This was one of the closest votes ever on a situation such as this one. Specifically, this was the highest number of House members voting against the renewal since 1990. The reason the vote was so close in 1990 is the backlash of the Tiananmen Square incident. In 1997, once again China was worrying some legislators. Some were concerned about what China would do to

Hong Kong when it took it over. China had made certain pledges, but there were those untrusting of its practices. Fortunately, as we have seen, it was good that we did not block the passage of MFN to China because of this reason, as China has for the most part held up on its pledge (House Vote Backs..., 1997, A16).

Interestingly enough, 79 Republicans, 93 Democrats, and 1 Independent eventually voted to not approve the President's decision. Another interesting point to look at is that there is now a law barring trading privileges to countries that restrict immigration to the country and that do not have a free-market system comparable to the United States. Thus, under this law, China's MFN status now comes up for review every year. Essentially MFN allows imports from China into the United States at extremely low tariffs (House Vote Backs..., 1997, A16).

Had the House voted to not extend MFN status to China, an additional fifty billion dollars worth of Chinese imports every year would bear high tariffs. To the average consumer this means that we would be paying more for items that we want that are imported from China. There are those that believe that Most Favored Nation status is not helping to promote democracy in China. Most of these people either lobbied for or voted for the resolution that would have ended MFN status for China. Support in the House of Representatives for MFN to China continues to erode, yet the measure passes every year. Perhaps we are doing the right thing by continuing MFN to China (House easily extends..., 1997, 4A).

Of course, the Senate also definitely has a say in whether or not MFN is extended to China every year or not. The difference is that the Senate is not so deeply divided on the issue. A sense of the Senate resolution however was filed in the Senate in the 1997 session but was defeated. The sense included such things as China's human rights abuses (which are not getting any better), exporting weapons to

questionable countries, accusations that the Chinese helped fund the Democratic campaign for the White House, and the trade imbalance between China and the United States. The sense expressed the dismay that causes most legislators to oppose MFN to China. However, the Senate did approve extending MFN status to China by a 91 - 8 vote. In 1993, President Clinton took the regards of human rights violations in China out of consideration for the extension of MFN status. Those legislators that want to extend MFN status to China argue that as China's economy grows larger and expands that they will inevitably be pulled towards democracy (Senate Approves "Favored...", 1997, A3).

To sum it up, the last time there was extremely fervent debate about this issue was in 1997 when Congress was wrestling and struggling to decide what to do. Since then MFN has been approved without problem, although the abuses by China continue to remain.

### **What the 1997 MFN Approval Means**

Some think that MFN is just words on paper, that what it amounts to is just normal trade with some kind of special privilege. It is much more than that however. Most countries appreciate MFN greatly. It allows for freer trade and the reduction of tariffs and quotas on imports and exports to and from the United States and the country in question, in this case China.

The 1997 debate over MFN to China also brought out a lot of supporters for and against it. More businesses than ever came out in favor of maintaining MFN to China. A good result of this was that the American public, even if not fully understanding what MFN stands for and really means, got a good earful of what exactly was going on. More people than ever before became involved in the debate, and whether you support MFN or not to China, it sparked interest in a lot of people who otherwise

would have ignored the issue as usual. Opponents of MFN did a lot of work as well. They got together, pulled ideas together and launched an almost effective campaign to stop the approval of MFN to China. The campaign did set Congress back again and also dealt it a blow as there were many Congresspeople this time that were prepared to vote against renewal. This attack is one of the reasons that the business community came out in full force, afraid that the campaign would be effective enough to stop the renewal of MFN to China, which the business community desperately needs and depends upon (Kapp, Pg. 6-7, Vol. 24).

For the first time also the religious right was out in full force on this issue. They claimed and were upset that there is not religious freedom in China and the persecution of Islamic, Buddhist, and Christian leaders by the Chinese. They were joined with an unlikely ally, the labor community, which was also appalled that MFN was up for renewal again, and who also worked hard to try to convince Congress to defeat the measure. It was an aggressive campaign and for awhile it looked as if the measure may not pass (Kapp, Pg. 6-7, Vol. 24).

In essence, continuing MFN status to China means that trade will continue to be promoted. The economies of both the United States and China will continue to grow and prosper. Hopefully the growth of the economy will some day convince the hard-line leaders of China that they need to change the way their government works. Hopefully continuing MFN status to China will continue to improve relations with that country thus lessening the hostility that we once held for each other. And if we are lucky, China may just see the error of its ways in exporting and selling its weapons to countries that would turn around and use them against its allies.

### **The Proponents of Most Favored Nation Status for China**

There are many people who support the idea of MFN for China. They come



from a variety of backgrounds, but are composed mainly of businesses and business people. In the political parties, the Republicans form a majority of those who wish to continue MFN to China, but there are a fair amount of Democrats as well. All those who have business interests, especially with those businesses that deal overseas, have an interest in seeing that MFN be continued and that it is not discontinued.

One of the biggest supporters of MFN status for China is President Clinton. He has been the bulwark of support for MFN to China since he took office. He has shown remarkable courage in standing up to a lot of those in his own party who would do away with MFN status. I also think that the President realizes that continuing MFN is also a link to keeping communication with Beijing open and limiting the amount of hostility between our two countries. The President gave a speech in 1997 shortly after the House of Representatives approved his recommendation that MFN be renewed. He talked about how pleased he was that the House approved renewal and that they wanted to keep normal trade open with China. President Clinton also said, "I'm especially pleased to see this vote had strong bipartisan support. It sends a clear signal to our friends and foes alike that when it comes to America's security and prosperity, our Nation speaks with one voice" (Clinton, pg. 958, vol. 33). President Clinton does have a point, that it is good that we send a signal to other countries on our feelings about this particularly sensitive issue. However, looking at the votes and reasoning as to why certain legislators did and did not support MFN for China, I would not use the word bipartisan to express what happened. He goes on to explain how it is good that we renew MFN because it helps draw China into our world community, not keep them out or let them just handle things on their own. He explains how all of this is good for the American economy as well as the many jobs that are available as a result of this agreement (Clinton, pg. 958, vol. 33).

The President also talks about, which I agree with, that just because we renew MFN to China does not mean that we have to agree with all that China does. Differences can and do still persist. He points out, and rightly so, that we make our points clear when it comes to human rights and other violations that the Chinese commit. The Chinese know that we are not pleased with a lot of things that they do and a lot of their practices. Revoking MFN status to China would only hinder the situation, it definitely would not hurt it. The President also talked about how what we do now in regards to China will have a great effect on what happens there in the future and how the Chinese will react to us in the future. He recognizes that China will choose its own path and direction, but with MFN status we can at least attempt to persuade them to take other avenues and routes which would benefit them, us, and the whole world community (Clinton, pg. 958, vol. 33).

The President was not the only one to come out and speak after the house vote was taken. Representative Jim Kolbe of Arizona also had a few words for those who would discontinue MFN status for China as well as his own reasons for supporting the legislation.

The main thing that Representative Kolbe points out is the amount of American jobs that could be affected by not renewing MFN to China. MFN in a nutshell is basically a normal trade relationship with China with a few special additives to both of the countries that I have mentioned earlier in this paper. Mr. Kolbe argues that people in his district and in the whole state of Arizona would be harmed if MFN status to China was not renewed. Almost 514 million dollars worth of exports were sent from Arizona to China. This is a staggering number for such a small population such as Arizona. He is not pleased with the fact, along with some other people from Arizona quoted in this article, that Congress is fiddling with people's jobs. However, this

happens every day with almost every piece of legislation that is put into effect or debated on. People's lives and jobs are always talked about. However, Representative Kolbe believes, along with others, that if MFN is not renewed, then everyone loses, there are no winners (Everyone loses without..., 1997, 19A).

Although human rights has always been a reason for opponents of MFN to reject it to China, other reasons had come up in 1997. Some of these being labor rights violations, allegations of money being funneled from Beijing or other Chinese to the Democrats, among others. However the big issue that hung over the whole process was the return of Hong Kong to Chinese control. As mentioned earlier, all of these factors together served to almost defeat MFN status renewal for China. MFN to China means so many things. Industry in China is growing at a rapid rate and younger Chinese, who will one day lead the country, are becoming "thirsty" for knowledge and new technologies. China's infrastructure will continue to grow and they will need help in setting it up and getting the materials necessary to keep it running. With these types of changes come new jobs, and these jobs could include many American workers. Today we have companies that are global, spreading across the globe. Chinese companies will soon expand across the globe, and I am sure that some of them have already. The expanding Chinese economy, as mentioned before, will also give an opportunity for United States companies to sell their goods in China to a bigger market. Trade always benefits America and it usually cannot hurt it (Mullin, pg. 32, vol. 73).

MFN status also means good things for the Chinese people. The more they trade and have an easier time doing it, the more economic prosperity and wellness the Chinese people will endure. The more we trade the more open China's economy must become, thus not only benefiting both country's economies but also

the world and the people of China. The people in China are also getting new advances in technology. More and more people these days are able to afford such things as televisions and telephones that previously they could not afford. A good point is made by Tracy Mullin, the author of this article. She says, "Unilateral action on the part of the United States will do nothing to advance the cause of human rights in China. It will only take away our ability to make a difference. Shutting ourselves off from the largest market in the world and giving up any opportunity to have a positive influence on Chinese human rights politics is a lose/lose situation" (Mullin, pg. 32, vol. 73). She goes on to state that the United States can gain nothing from not renewing MFN status to China and that we lose opportunity for our economy to grow and that we lose valuable influence in China. The Chinese also lose an ally in becoming more democratic and their economy gets a blast as well (Mullin, pg. 32, vol. 73).

Those who support MFN status renewal for China have very good points. We do not gain anything from blocking China off from our economy. We distance them even more than they were during the Cold War years. The last thing I think that we want to do is to snub and turn our noses up at the Chinese and tell them to find their own way and to help themselves. This will do nothing but encourage them to keep on doing what they've been doing, and that is to sell weapons to other countries, continue to have a dismal human rights record, and continue to oppress others.

### **Opponents of MFN Status for China**

As has been stated previously, there are quite a few people and organizations that oppose extending MFN status to the People's Republic of China. They come from all backgrounds, and some of the "alliances" are odd ones indeed. Opponents of MFN for China come from the ranks of human rights activists, Christian conservatives,

labor unions, legislators, and many others. They all unite on this issue as China has violated many of the standards and morals that each of these groups supports or believes in.

One of the most fervent opponents of MFN status comes from the Democratic Party ranks from the House of Representatives. Representative Nancy Pelosi from San Francisco, California has long opposed MFN status to China until they have a better human rights record and get their problems cleaned up. She parts with the President on this issue and does not like that the President warmly welcomes the Chinese President, Jiang Zemin, to America and has lavish dinners with him. When the President, among many other legislators and other important people, went to have dinner with the Chinese President in October 1997, Pelosi was not too far away attending a dinner where pro-Tibet activist Richard Gere was speaking and they were opposing the visit (Pelosi joins protests..., 1997, A18).

interestingly enough Senators Dianne Feinstein and Barbara Boxer, both from California, were attending the state dinner. The President, Senators, and Representative Pelosi are all from the same party, but they all take different standpoints and views on this issue. Pelosi has fought for years trying to deny MFN status to China, arguing the human rights issue. Senator Feinstein takes the approach that most do, and that is that giving MFN status to China helps support and “spur” democratic change in the hard-line country. Representative Pelosi also started the campaign to adopt Chinese and Tibetan refugees, political dissidents, and political prisoners. Representative Pelosi also harbors much resentment about the Tiananmen Square incident. And of course, she argues the point about the weapons sales by China to other countries who might try to use those weapons in inappropriate ways. She has been to China before, protesting their government there.

In 1991, she went with other lawmakers and held a banner that read "To those who died for democracy in China". There is no doubt that Representative Pelosi will continue her fight to deny MFN to China until China has straightened up its act (Pelosi joins protests..., 1997, A18).

There are also those who think that MFN is right for China, but want to also give added pressure to the Chinese to attempt to force them to make the changes that everyone wants to see. I have grouped these people in this section because although they support MFN, they also would like to see other measures adopted and put into place to keep pressure on the Chinese.

These people realize that China would continue to ignore human rights, repress freedoms, and sell nuclear technology to other countries even if we did not give them MFN status. The Chinese would still continue their old ways of doing things because the old "hard-line" communist party members are still in control. These people agree with those such as Representative Pelosi and think that it is possible that China looked at the 259 to 173 vote in favor of MFN as an assurance that they can continue to repress their people. China really could not lose this battle. If the United States did revoke MFN status to China, other countries in the world would just come in and take our place. Just because the United States would not trade or would impose sanctions on China does not mean that other countries would not trade with them. The people that want MFN to China, but also want to keep pressure on, believe that because there really is no way that China could lose this battle, we might as well take advantage of the situation and help our businesses and increase our work force. The more businesses that we send over or expand to China, the more exposure the Chinese will have to our business practices and our political ideology. Change could be spurred and probably is spurred much faster when we have open trade and our

businesses are able to move into new territory. These people who support MFN but want pressure to be put on China also have another good point. Revocation of MFN status does not and would not affect China's behavior when it comes to all of the violations and problems that they have. Revocation of MFN status would only serve to hurt businesses on both sides. This group says that it would do nothing to the government, except further alienate the Chinese from us. Representative Spencer Abraham, a Republican from Michigan, introduced a bill that would deny visas to those government officials who were involved in the Tiananmen Square incident and that promote and are directly involved in the persecution and human rights violations. This bill was voted down however. These people believe the Chinese need a harsh reminder that we have not forgotten what they have done and are doing and that they are not free to continue it (MFN right for..., 1997, A20:1).

Along with people on both sides of this debate, there are also those with a bit of apathy for the issue. They find it amusing, for lack of a better word, that we debate and argue over whether MFN status should be revoked because of the violations committed by the Chinese, but yet the Congress always grants MFN status anyway. They argue that if MFN status should be reserved for those countries with acceptable human rights records then China should not be approved. However, since they are, they ask the question, "what is the point of denying it [MFN status] to other countries?" (Delusional thinking about..., 1997, 2.k).

It is interesting that Thomas Sowell, the person writing the article about this point of view of the issue, says that there are some misconceptions about our understanding of economics and politics. He argues that free trade is, ". . .nothing more than allowing American consumers to seek what they want to buy wherever they can find it" (Delusional thinking about. . ., 1997, 2.k). He also says that international

trade is not a favor that the United States gives to other countries. He argues that this decision coming from Washington is comparable to the collectivization that went on in the Soviet Union. He says that it makes no sense to have all of the economic decisions and control of these decisions made from Washington (Delusional thinking about. . . , 1997, 2.k).

Sowell says that international trade is like a contest. Nations “bid” for trade almost anymore. Instead they should see it as something that they are better off having than if they did not have it at all. Sowell says, “. . .the political temptation is always to present international trade as a contest in which one side gains when it has a trade surplus and loses when it has a trade deficit” (Delusional thinking about. . . , 1997, 2.k). We do hear a lot of this rhetoric coming out of Washington these days. Legislators love to tout treaties and trade agreements when it means that we are the country that profits solely from the transactions and when it means we might have a surplus. Sowell also talks about how our leaders go to other countries and almost “demand” that a country do this or that or else. When we do things like this we are only blocking free trade and in the end we usually end up hurting ourselves. Sowell’s big argument is that, just as we cannot play global police, neither can we go around telling other countries that they need to do certain things or else face the consequences. We cannot, as Sowell states, “. . .micro-manage other countries’ internal politics” (Delusional thinking about. . . , 1997, 2.k). He agrees with the people I mentioned before this that no one should believe that Beijing is going to change their attitude or their practices out of fear that the United States may place sanctions or some other form of “punishment” on them.

### **China's Human Rights Record and Hong Kong**

This is arguably the biggest reason that Most Favored Nation status is



constantly being contested in Congress. Everyone realizes that China has a dismal human rights record and they can provide no excuses or reasons as to the atrocities that they have committed during the last century. The opponents of MFN to China cite their human rights record as the main reason why they fervently want to discontinue normal trade with the People's Republic. However, MFN has helped and there are some reasons why we should continue to support MFN for China.

We all know that the Chinese have done things to their citizens that horrify us and make us ill. They do not allow freedom of speech, freedom of religion (especially in Tibet, after they forced the Dalai Lama into exile), or freedom of assembly. They also continually arrest and detain those people who speak out against the regime or those who attempt to protest the against the government. Some of the more vocal people in the past have been executed or tortured severely. Probably the worst crime that China has committed in recent memory is the Tiananmen Square incident where hundreds of students and other protesters were killed by soldiers of the People's Republic by order of the Communist government ([www.state.gov/www/regions/eap/fs-china\\_hr\\_record\\_970620.html](http://www.state.gov/www/regions/eap/fs-china_hr_record_970620.html), 1997).

Despite what some opponents might say there are some things that MFN has done in China that we could not have accomplished without opening up channels of communication and trade. Programs such as MFN have introduced western ideas into China supporting better human rights. Because of increased interaction with China changes such as village elections, the 1994 State Compensation Law (which allows normal citizens to take political or government officials to court and collect money), and amendments to the Criminal Procedure Law in 1997 restricting the formerly lax police powers have taken place. The police now cannot detain a person they have taken into custody after a certain amount of time. Changes such as these

can only continue if we, the United States along with other countries of the world, continue to keep free trade and communication open and do not back China into a corner and attempt to block her off from the rest of the international world. The opponents of MFN do not like the fact that the government has not placed more sanctions on the Chinese. However, sanctions that were put in place after the Tiananmen Square incident are still in effect ([www.state.gov/www/regions/eap/fs-china\\_hr\\_record\\_970629.html](http://www.state.gov/www/regions/eap/fs-china_hr_record_970629.html), 1997).

Despite the continuance of MFN to China, the United States attacks and brings up China's human rights record at every opportunity. The United States has not stopped pressing China to make further changes, but we cannot continue to press China to make those changes if we do not have some kind of leverage over them. MFN has become that leverage. China has only benefited from MFN status granted by us and I am sure that they do not want to see that continued. Until China improves its human rights record, the United States will not back down, but we also cannot close China off from trade or the rest of the world.

The other problem that opponents of MFN for China see is the transition of Hong Kong to China from the United Kingdom. China has made certain promises to the United States and the world community about Hong Kong, and many were anxious to see if China would hold up on its commitments. However, some had so much doubt that they wanted to stop giving China MFN status because they believed that China would force its government and policies on the former United Kingdom colony.

The first transition step was in 1984 when the United Kingdom and China signed an agreement as to the conditions of handing Hong Kong over to China. China made specific pledges about what would happen when Hong Kong was transferred

over to them. The Joint Declaration and the Basic Law (1990) gave us the statement “one country, two systems”. All the freedoms Hong Kong enjoyed under the colonization of the United Kingdom will stay effect for at least fifty years. There are four main points included (and pledged by the Chinese to be upheld) in the Joint Declaration and Basic Law. They are:

1. Hong Kong will have its own independent courts with the ability to appeal to the appellate court in China. All Hong Kong laws will be used both in Hong Kong and during the appellate process.
2. Hong kong will not pay taxes to Beijing and will be able to keep and write its own tax laws. They will also be able to keep their own monetary system in place. The people of Hong Kong have tied their currency to the dollar and they will be able to continue doing so.
3. Hong Kong will be able to elect its own government, including the legislature and its own executive. The police in Hong Kong will also be responsible for keeping the peace there.
4. China will not interfere in all of Hong Kong's international agreements with other countries.

China has kept most of these promises. There has only been a problem with one, the legislative provision, and the Chinese have stated that their own legislative body will only last for one year. China has kept its promise on most of these provisions and the others that China has made. Surely MFN to China has made an impact on their decision not to clamp down on Hong Kong ([www.state.gov/www/regions/eap/fs-china\\_commit\\_hk\\_970620.html](http://www.state.gov/www/regions/eap/fs-china_commit_hk_970620.html), 1997). This issue as with the human rights one can only be maintained if we keep MFN and the lines of communication open.

**China' problems: A reason why they could not get MFN renewed**

There are many ways that China could not get MFN renewed. One main way is if they keep having the surplus that they do. According to Mr. Daley, United States Commerce Secretary, China could hinder its efforts to get MFN renewed if it does not start purchasing more American products. In 1997, it was predicted that China's trade surplus with the United States would be around forty four billion dollars, up from forty billion in 1996. China was exporting more to this country than they were importing from us, causing them to have a high surplus and us to be hurt in various ways by this. Their surplus was second only to Japan's. At the beginning of the paper I mentioned that trade must be balanced in order for MFN to be renewed and continued. This surplus for China would not be considered to be a "balanced trade". At about the same time that Mr. Daley was making his speech a buying delegation from China was coming over to discuss the purchasing of some aviation technology, insurance, and power generation. These purchases would help lower the surplus that China was having in its trade with us and would allow for MFN status to be much more easily renewed. The main purchase that was going to be made was about thirty Boeing jets estimated at a cost of about two billion dollars. This is not anywhere near the amount of their surplus, but it would help (Daley warns trade. . . , 1997, Pg. 3).

#### **The Business Industry and its reaction to MFN status for China**

If not the biggest group of people who could profit from MFN status continuing to China, they are definitely a winner. The business industry has more interest with normal trading relations with China than any other group short of those politicians who think that extending MFN would help democracy flow to China. To some extent they are right. When businesses go to China, they take their American way of thinking and operating with them and the Chinese get a first hand look at what our businesses do and how they work.

Had MFN been revoked, the business industry would have been hit hard. The example I have chosen to use here is the sporting goods industry. A country that has MFN extended to them gets their imports into the country at a reduced tariff rate. For example, as Tom Cove, writing for the Sporting Goods Business says, "For example, baseballs coming into the United States face a 1.8 percent duty if imported from an MFN country but a 30 percent duty if imported from a non-MFN country" (Cove, pg. 10, vol. 30). Apparently the same types of duties and percentages apply to footwear and apparel.

The SGMA, or Sporting Goods Manufacturing Association, lobbied hard for Congress to approve MFN status once more for the People's Democratic Republic of China. They were dismayed and upset by the opponents attempt to stop renewal by arguing the point about China taking over Hong Kong. However, the SGMA was relieved and overjoyed that Congress overwhelmingly, despite the large number of those who voted against it, to renew China's MFN status for another year. The SGMA, like so many other businesses and supporters of MFN, argued that it would not be in America's best interest to stop trade with China, and I concur (Cove, pg. 10, vol. 30).

Many sporting goods that are produced in China are not produced or made in America. This is a major reason why the SGMA was so supportive of the renewal of MFN to China. The SGMA argued that jobs would be at risk and that consumers would be hurt by not being able to purchase the sporting goods that can only be made in China. According to the United States Commerce Department, 26.6 percent of all sporting goods come from China. More sporting goods come to America from the People's Republic than from any other country in the world. The amount of shoes for athletes that come from China is an even more staggering number. Approximately half of all the imports of athletic shoes comes from China. Since 1994, that number

has increased about 39.4 percent. Looking at these facts it is no wonder that the SGMA is so interested in keeping trade with China (Cove, pg. 10, vol. 30).

Another important reason why the business industry is so fervent for the renewal of MFN status to China is that there is competition from competing companies. The competition for jobs and Chinese capital projects is very high. American firms must compete with European and Japanese firms for these jobs and without MFN status for China we would not be able to. Revocation of MFN would mean that our businesses would not be allowed in China thus the loss of jobs and not being able to take advantage of the opportunities there would be staggering to American businesses. In 1997 it was estimate that about twelve billion dollars worth of goods were exported to China and this allowed for about two hundred thousand American jobs to be retained (Cove, pg. 10, vol.30).

Looking at MFN from this standpoint there is no question as to why businesses lobby Congress so fervently to keep MFN status going to China. Without it our businesses that do business there would be majorly hurt. Jobs would be in jeopardy and many people would be without jobs or would lose their jobs. Exports to China would cease and America would lose billions of dollars a year in exports. In summation, businesses have and always will be big supporters of MFN to China.

### **Congress: The ultimate decision**

Of course in the end, it all comes down to what our legislators in Washington decide that they want to do. There are many more supporters of MFN in Congress than those who oppose it, and the Senate is much more willing to keep MFN going than the House. There are many more House members that oppose giving MFN to China than there are Senators. The House subcommittee on trade of the Ways and Means committee has had many hearings on whether or not renewal of MFN to China

should be kept going. There have been people who have testified before the committee to keep MFN going and statements by those who would like to see it put to a stop. The committee has passed the legislation onto the full House of Representatives every time, however, because there are more supporters than dissenters (United States-China Trade Relations and Renewal of China's MFN status, 1997, serial 104-87).

Likewise, the Senate has hearings of its own out of the Committee on Finance. The Senate, even though it has more supporters and less numbers of those who do not support MFN, has always questioned very carefully what revocation and renewal of MFN would mean. It seems that the Senators have less questions to ask than the members of the House, most of the testimonials in the Senate seem to be statements made by the Senators either supporting or opposing MFN and then the statements by those who are testifying for either side. They do not have the fervent heated debates over the issue like the House of Representatives, but they take the issue no less seriously (China MFN Status, 1997).

### **Conclusion**

There is not much more I can say to conclude this paper that has not already been mentioned. I attempted to point out each side and what they have to say on the issue as well as those who do not wish to become directly involved in the issue but have an opinion on it nevertheless. My own opinion is one that takes the side of those who wish to see MFN continued to China, but would also like to see increased pressure on the Chinese to open up and end their oppression. I believe that the best way to do this would be to send them a strong message that America still wants to remain trading partners with the Chinese but that we will not stand by and watch them keep selling nuclear weapons to questionable countries such as Iran or Iraq and we

will not watch them continue their human rights abuses. We must make our point and stance clear but at the same time keep an open dialogue with the Chinese and other countries that would like to have MFN without alienating or making them hostile. Discontinuing MFN, as I have stated throughout the paper, is not the proper way to convince the Chinese that they need to make more changes. We can put all the pressure on the Chinese that we want but they will not listen to us if we discontinue trade with them and block them off from the rest of the world. This will only make them angry and these abuses that we have fought so hard to stop will surely continue.



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