

Clinton weighs renewal of China's 'most-favored nation' trade status

by Cho Wen-pin

Each year since 1990, June 3 has marked the deadline for U.S. renewal of most-favored nation (MFN) trade status with the communist regime in Beijing, which is now trying to establish its legitimacy abroad on the basis of cheap goods, assembled in the coastal zones, which then flood the markets of the United States. Each year, the White House comes under congressional pressure to attach conditions on renewing the trade status, demanding that Beijing assure the international community that it will improve its human rights record. Many U.S. congressmen point to massive continuing human rights violations, including the incarceration of many political prisoners arrested after the June 4, 1989 crackdown on the pro-democracy demonstrators at Tiananmen Square, as well as others arrested in the 1979 Democracy Wall movement.

This year, Washington observers are wondering whether MFN will be redesignated "most-failed nation," in recognition of the failed economic policies in both communist China and the United States.

Every April and May, lobbyists representing the Chinese "red capitalists" and American "green capitalists" come to Washington for the annual renewal of the MFN. For the past three years, George Bush, Deng Xiaoping's old buddy, granted their wish, despite overwhelming opposition in the Congress. Now the deal confronts the new President, who campaigned against Bush's coddling of the butchers of Beijing. This will be the first significant decision affecting China to come out of this new administration.

The White House has recently received visits from the Dalai Lama, the exiled Tibetan leader, and Chris Patten, British governor general in Hong Kong. While the Dalai Lama asked Clinton to place human rights conditionalities on the renewal of MFN, Patten, despite the ongoing row between Hong Kong and Beijing over Patten's proposals for more "democracy" in Hong Kong, warned the United States that cutting off China's trade status will deal a heavy blow to the economy of Hong Kong.

China-U.S. trade for the last year generated an \$18 billion Chinese surplus, although China disputes the actual amount. For those who don't admit that the U.S. economy is in a depression, this might be called a Chinese economic miracle. But it is actually a reflection of the American debacle which confuses incompetent economists.

Had not the United States lost its own productive power in industry, China would not be able to increase its trade surplus with the U.S. so rapidly in this way. The effect of losing America's productive capability in this way is twofold:

1) The collapse of U.S. productivity has made the United States less competitive in Asian markets, compared with Japan and Taiwan.

2) As the result of the depression in the United States, the living standard of American middle-class households has dropped. More and more working families must shop in the discount stores like K-Mart, which are full of Chinese exports.

Therefore, the Chinese trade surplus with the United States demonstrates, not a Chinese miracle, but the demise of American industry.

Free trade zones fail

China has the world's largest population, and after more than four decades of communist rule, it has an enormous number of unemployed and often illiterate workers. Now the Special Economic Zones along the coastline, catering to "runaway shops" from the West, are recycling these desperate unemployed through their low-technology export industry.

Under the banner of Deng's slogan, "It is glorious to be rich," Beijing declares that making money is more important than paying workers a minimum wage and maintaining safety standards. No minimum wage requirement is imposed on the local manufacturers. As a matter of fact, there is no national minimum wage guaranteed by law.

While many inland farmers are getting IOUs instead of cash from the government, many have left for the coastal zones to get jobs paying only a dime an hour. A few weeks after the Spring Festival at the beginning of the year, a half-million job-seekers gathered in the Shanghai railway station daily, waiting to find jobs. The abundance of unemployed peasants throughout China, estimated at 200 million, assures the lower wages in the coastal zone plants, where toys, electronics, shoes, and other consumer goods are shipped overseas. With millions of jobless (or "waiting to be employed" as the Chinese government terms them) to replace them if they make trouble, workers are likely to put up with the grimmest of conditions.

Last year, according to *China Daily*, more than 15,146 workers died in industrial accidents. Among them, 7,152 were from township enterprises, up 4.7% over the previous year. These who worked and died for township enterprises, which emerged with Deng's reform, have never received proper training in labor safety.

But are western institutions showing sympathy toward such working conditions in China?

The World Bank has warned against raising workers' salaries in Asia—even in Bangladesh, where the Bank considers that the current minimum of \$14.35 a month is too high, compared with the rate of labor productivity. In the coastal zones of China, the situation is no better. Hundreds of Chinese workers in one of the highest paid Japanese plants are on strike as this article is being written, asking for a raise from \$65 to \$80 a month just to keep up with inflation, now close to 20% in the coastal cities.

In 1992, about 2.84 million people found jobs, a 2% increase in the 147.92 million employed workers across the country. This slow rate of employment growth contrasts with the advertised 12.8% economic growth of 1992.

Efforts to maintain trade with the U.S.

The human rights situation in China is among the least important issues, from the standpoint of pragmatic Washington policymakers. Of greater concern to them are the trade deficit and arms proliferation.

The U.S. government has stated that it has seen "very little progress" in China's implementation of a "market access" agreement reached last year, in which China promised to open its market to U.S.-made products. Also, U.S. officials cited China's failure to abide by pledges on arms proliferation, including recent allegations that Beijing had sold missile parts to Pakistan. Deng reportedly instructed the leadership in China that Beijing would take both "soft" and "hard" measures to offset those charges, which could block the renewal of MFN status.

The May issue of the Hong Kong magazine *Mirror Monthly* reports that Li Lanqing, State Council vice premier, adopted the tactic of "trade against trade" to counter the U.S. threat to attach conditions for renewing China's MFN status. The tactic leads to lucrative deals made with American business groups to lobby for the mainland's interests. U.S. farm groups have also been very nervous about the debate, worrying that Beijing might buy less wheat from them if human rights conditions were imposed on the MFN renewal.

In April, a trade delegation sent by Beijing to the United States signed deals for the purchase of American cars and more than 20 Boeing aircraft worth billions of dollars. China is also threatening to sell weapons to Mideast and other Third World countries.

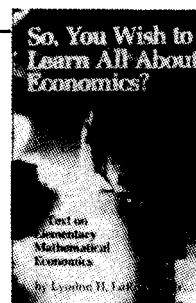
Prime Minister Goh Chok Tong of Singapore, who, together with Singapore's senior statesman Lee Kuan Yew, has been sounding like an agent of China, made it clear to

the United States and its allies on May 13 at a conference in Tokyo that pressure on China over human rights and other issues could backfire. "We should understand that Chinese leaders suspect that the West wants to use human rights as a tool to pressure them and change their political system," he said. "The Chinese leaders could react in many ways that would make life extremely uncomfortable for all of us." He added that Asian countries were concerned about China's potential to become a "military threat."

To the aging communist leadership, the primary concern in "reform" is to maintain the party's control. For that very reason, Beijing has adopted pragmatic foreign policies to ensure its continued rule.

For instance, when North Korea decided to withdraw from the Nuclear Non-Proliferation Treaty, the United States introduced a resolution in the U.N. Security Council to demand that North Korea allow inspection or face sanctions. According to former U.S. Rep. Stephen Solarz (D-N.Y.) on May 6, the U.S. and its allies "hope when it comes to that, China would at least abstain, as it did at the time of the Gulf war, in order to permit the resolution to be adopted." On May 12, as Solarz wished, China did abstain, along with Pakistan, when the 13 other Security Council members voted in favor of the resolution.

China is clearly playing "balance of power," the only game that can ensure continued communist power in Beijing.



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