

Thursday, May 29, 1997

Trade Sanctions Aren't an All-Purpose Weapon

By Jeffrey E. Garten

NEW HAVEN, Connecticut — The struggle between the Clinton administration and Congress over renewing China's most-favored-nation trading status is a symptom of a much larger problem with American trade policy.

That is the growing tendency of Congress to use trade sanctions to pursue noneconomic goals, including protecting human rights, improving conditions for foreign workers, safeguarding the environment, stopping illegal drug trafficking and curtailing nuclear weapons sales. Those are worthy goals, but using trade sanctions to try to achieve them will only backfire.

Trade has never been more crucial to America's well-being. Exports have accounted for nearly a third of U.S. economic growth in the 1990s, and about 12 million people owe their jobs to sales of American products abroad.

Yet the administration's legal authority to conclude major trade negotiations has expired, and Congress will not renew it. The reason: The House and Senate cannot resolve whether the president's trade negotiators should be obligated to tie environmental and labor standards to all commercial accords. Thus the administration cannot, for example, pursue the creation of free trade areas in Latin America and Asia, two of the president's highest priorities.

Congress, pursuing other foreign policy goals, has broadened its use of unilateral sanctions, including embargoes on Cuba (to try to force collapse of the Castro government) and Iran (to express outrage against terrorism).

In the case of the most-favored-nation fight over China, it is no longer just the usual human rights concerns that critics are bringing up, but also complaints (fueled largely by the religious right) over Beijing's policies on birth control and its crackdown on unregistered evangelical churches.

Why won't trade sanctions help? First, Europe and Japan steadfastly refuse to use trade as a lever. Instead they merrily conclude their own commercial deals, such as ongoing French investments in Iran's oil production. By imposing sanctions unilaterally, America only incurs resentment among the countries it wants to influence, and undercuts its own companies, which are increasingly standard-bearers of American values and influence.

If Congress continues to use trade sanctions as a weapon, the United States will forfeit its leadership in the cause for open global markets.

Just look at South America, where

Brazil is now trying to build a gigantic trade bloc along with Argentina, Chile and others, without U.S. participation. Or watch how Japan is spinning a commercial web from Seoul to Jakarta while Washington ties itself in knots over whether to let the president negotiate more trade agreements.

As billions of new consumers enter the world economy, trade will be ever more important to American living standards. The big emerging markets — China, India, Indonesia, Turkey, Mexico and Brazil — are growing two to three times faster than Europe and Japan. Already the United States exports more to the top 10 emerging markets than to Europe and Japan combined.

America's fastest-growing trading partners are the very countries that present the biggest human rights and security concerns. Why cut off American influence with them now?

In most cases, commercial diplomacy should be the leading edge of foreign policy, because free trade creates private wealth and opens ties between American and foreign businessmen. Those ties can create pressure for more democracy and encourage governments to loosen controls on their societies. It has happened in South Korea.

To relieve the pressure to link trade to other objectives, credible global

policies on human rights, labor standards, weapons sales and environmental protection are needed. One approach is for Washington to help put teeth into UN agencies such as the International Labor Organization, which monitors treatment of workers worldwide but lacks the power to condemn countries with egregious labor practices.

If America substituted diplomatic pressure for economic sanctions to punish countries whose policies it most strongly opposes, it might find Europe and Japan more willing to do the same.

Washington should enlist American businesses, and powerful industry associations such as the Business Roundtable and the National Association of Manufacturers. Companies have so far been too hesitant to adopt higher standards for treatment of employees overseas and to invest in schools, hospitals and other community projects where they do business. They have the most to lose if Congress continues its heavy-handed ways.

The writer, dean of the Yale School of Management and a former undersecretary of commerce, is author of "The Big Ten: The Big Emerging Markets and How They Will Change Our Lives." He contributed this comment to The New York Times.

On China Trade, Congress Can Play the Tough-Cop Role

By William Safire

WASHINGTON — Mike Mansfield, the great Senate majority leader after Lyndon Johnson, offered an amendment every year to draw down American forces in Europe. President Richard Nixon and the foreign policy establishment regularly denounced it as isolationist.

Once, after a meeting with legislative leaders in the Cabinet Room, Mr. Nixon drew Mr. Mansfield aside to say: "Stick with that amendment of yours. I use it all the time to keep the Europeans in line."

The threat of congressional action redirecting foreign policy has been used by presidents skilled in quiet diplomacy. Their message to foreign leaders: If you don't make some concessions to American opinion, I won't be able to restrain my irresponsible legislators. Now here's how we can stop them ...

Bill Clinton doesn't seem to get the hang of that in dealing with China.

On the advice of business executives, and after the personal urging of Indonesia's James Riady, he threw away his economic leverage. Ever since he flip-flopped — not only betraying human rights supporters but ignoring Chi-

na's arming of Iran — he has been all give and no take.

His preemptive concession in 1994 on low tariffs was based on the new China lobby's assurances that free trade would lead toward free enterprise and freedom of expression. But the result of three years' appeasement was dreadfully expressed in the State Department's latest report:

"All public dissent ... was effectively silenced by intimidation, exile, the imposition of prison terms ... No dissidents were known to be active at year's end."

Mr. Clinton's open-door policy is a failure. China rings up sales in the American market, strengthening its army's grip at home, while the White House wrings its hands.

Now the House of Representatives is considering the resumption of leverage. Last year it voted 2-to-1 to approve an extension of most-favored status. This year the vote will be much closer.

China's assault on U.S. interests has created a remarkable coalition. On the left, unions resisting free trade join liberals defending human rights and the integrity of Tibet

to demand pressure on China. On the right, anti-Communist hard-liners find themselves linked with the Christian Coalition and Catholic bishops who oppose religious persecution and forced abortion.

So the heat is on Congress to act as "tough cop" to Mr. Clinton's "nice cop." The House's Democratic leader, Dick Gephardt, denounces "free market Stalinism," while the Republican leader, Dick Armey, publicly agonizes at switching from his support for most-favored status last year. Lawmakers have a free shot at voting their consciences and their constituencies because they know that the Senate will not override a Clinton veto.

Let the House send Beijing a message. A vote against most-favored trading status would strengthen the president's wet noodle of a hand and would not, this year at least, impose higher tariffs or harm the economy of Hong Kong.

Congress can strengthen Mr. Clinton's hand in this paradoxical way as well: by pursuing investigations into Chinese penetration of the White House and influence on American elections.

Asians set great store by "face." We are constantly reminded how any attempt to impose the value of freedom, or to restrain the arming of rogue states, would be taken as a terrible insult to the pride of China's new leaders. But what about American face?

While warning America loudly not to interfere in its internal affairs, China was secretly interfering in America's internal affairs.

Chinese spokesmen deny everything, but Zhou Enlai's heirs are highly sophisticated diplomats and intelligence agents. They know that Wash-

ington has tapes of taps on their Los Angeles consulate that show unlawful political fundraising activity. They know that these could be declassified and played at a Senate hearing.

Prepare to take diplomatic offense, Mr. President. Let Beijing know that you will accept a "rogue operation" excuse, but only if it is accompanied by cooperation with the FBI, human rights gestures and restraint on arms sales. Otherwise, the nice-cop president will not be able to control that tough-cop Congress on low tariffs next time around.

The New York Times.

Nothing Special About 'Most Favored' Rates

THE term "most favored nation" is, regrettably, a misnomer, a relic of the 17th century. In fact, it designates the most ordinary, most normal trading relationship among countries.

Since the founding of our republic, the principle of nondiscrimination embodied in MFN has served as the cornerstone of U.S. international trade policy. In its most basic application, this principle requires a country to apply the same tariff rate to a particular product from one country that it applies to imports of the same product from all other countries.

And "most favored nation" tariff rates are not the lowest tariff rates that the United States applies. We have free trade arrangements with Canada, Israel and Mexico. We grant additional tariff preferences to developing countries.

In all, we grant tariffs lower than MFN rates to certain products from more than 130 nations.

—Senators William V. Roth Jr. and Daniel Patrick Moynihan, commenting in *The Washington Post*.