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U.S. ECONOMIC SANCTIONS AGAINST CHINA AS A REACTION TO HUMAN RIGHTS ABUSES DURING THE TIANANMEN CRISIS

The article focuses on foreign policy conducted by Bush's administration in the aftermath of Tiananmen massacre. In June 1989 governmental forces brutally intervened in the Tiananmen Square in Beijing where a student-led movement developed into an anti-government demonstration. The crackdown resulted in the death of hundreds of army soldiers, students and other demonstrators. The incident drew immediate and dramatic international reactions. The U.S. imposed very broad sanctions which included a suspension of official and military exchanges between the two governments, a prohibition on U.S. trade financing and many others. But the most severe U.S. sanction against China was a linkage of China's MFN (Most Favored Nation) status to human rights that was the subject of a long-lasting debate between the legislative and executive branches of the U.S. government. The author tries to prove that U.S. economic sanctions did not improve (as usual) the humanitarian situation and the concessions made by Chinese government were just "cosmetic" and had a clear political motive.

During his term in office, President Reagan conducted a policy of normalization and cooperation with the People's Republic of China. The administration believed that if it could win the confidence of Communist China, then a wide array of areas for cooperation would open up. Moreover, the Reagan administration recognized that an emphasis on human rights could serve to strengthen its overall foreign policy.¹ By highlighting the deficiencies in the human rights record of other nations, the administration was able to provide an ideological coherence to its policies and so gain domestic and international public support² (Garson 1994: 177). This approach to U.S.–China relations revealed the duality of Reagan's policy that was seemed almost impossible to reconcile.

China objected to the U.S. accusations of human rights abuses, but simultaneously hoped that they could be contained as essentially cosmetic devices. If they could justify their liberalization process as consistent with U.S. policy objectives, they could be beneficiaries of a change of heart in the United States. They needed American aid and investment and recognized that U.S. involvement in the modernization program was determined by Washington's approval (Trucker 1988/89: 19–22).

Both countries derived benefit from closer ties between their nations. In 1987, 300,000 Americans traveled to China and 20,000 Chinese students were studying in

¹ Despite this fact, that Reagan had previously criticized humanitarian foreign policy of President Carter.

² The Reagan administration perceived that promotion of human rights, in places like the Philippines, Haiti and Chile, concurred with American strategic interests.

American universities. The U.S. was second, only to Hong Kong, in its level of direct investment in China. Trade between the two countries increased 28% from 1987 to 1988. China was the thirteenth largest trading partner of the United States, and was the leading overseas market for wheat (Garson 1994: 184).

Despite the economic growth in the late 1980s, the discontent among Chinese people was spreading. The students systematically organized anti-government demonstrations. The protest movement in May and June 1989 had its root in the politics and economic problems of China. A new five-year plan for price reform resulted in the anticipation of massive inflation that prompted a run on the banks, as people wanted to buy consumer goods before the price increased. Additionally, the greater discretionary authority given to individual enterprises and local governments brought about a diminution in state revenues. In the process of reform a new class emerged, consisting of people who were in a better position to exploit the new rules, especially high level officials and their children. The government encouraged a segment of the population to enrich itself³ (Garson 1994: 187). In January 1987, the General Secretary of the Chinese Communist Party launched a new campaign against "bourgeois liberalization" to regain political power. Many intellectuals found themselves marginalized,⁴ so they began to challenge the supremacy of their rulers.

The economic reforms had also encouraged cultural diversity and had deliberately exposed China to a variety of Western cultural products (Garson 1994: 188), from literature, through overseas radio broadcasts and films, to American food. Exposure to the ideas and models of the Western world provided a new awareness of political and cultural alternatives to Chinese students who had studied in the United States. Moreover, the political changes in Eastern Europe and the Philippines (the overthrow the Marcos regime), and the dawn of political pluralism in Taiwan, induced a great sense of autonomy and independence within China. Because of the "open doors" policy, it was believed that China was no longer immune to international public opinion and that pressure for further reform was likely to be applauded, and thus fruitful (Garson 1994: 189).

Another issue that reinforced the protest movement in China was the death of Hu Yaobang, a Party Chairman, on 15th April 1989. He was the greatest Chinese reformer who pushed China towards a market economy and a more open political system. The demonstrators rapidly hailed him as a champion of democracy and started a crusade that called for a reappraisal of Hu's disgrace, an apology for the anti "spiritual pollution" campaign, democratic elections to the National People's Congress, and freedom of the press. Secretary-General Zhao Ziyang supported the demonstrators saying that their "reasonable demands" should be met by democratic means. Zhao went to Tiananmen Square on 19th May and encouraged the crowds, after that he was immediately ousted from the top party position and attacked publicly (Fincher Fall 1989: 3–25). The way to military crackdown had been opened.

Martial law was declared, tanks and water cannons were brought into the city, and troops arrived in droves at the railway station. In the early morning of 4 June 1989, a convoy of trucks accompanied by armed infantry stormed the crowd gathered the Tiananmen Square and randomly shot people. Tanks moved across the city, firing rapidly. Blood was shed indiscriminately. The bodies were laid out for the

³ For example, a teacher at university earned only 122 yuan a month, 20% less than the average construction worker.

⁴ Although technicians and intellectuals had expected to play a large role in the planning of the reform program.

relatives to identify. The government's intention was clear: to frighten the opposition and guarantee the Party's authority (Garson 1994: 189–190).

The news of the Tiananmen massacre flashed around the world. China's domestic politics could be found on the agendas of the countries that had been China's closest partners. Western Europe's political leaders condemned the crackdown. In the United States, President George Bush, Reagan's successor compelled the world to call a temporary halt to the favorable treatment given to Chinese trade (suspending the Most Favored Nations status – MFN). The situation on the international, political arena deteriorated by the official reaction of the Chinese government, which blamed Western involvement in its modernization policies (Garson 1994: 190). In summary, China reaffirmed its ties with the West and at the same time it condemned the consequences of those ties.

Primarily, the steps taken by the Bush administration towards the communist regime were minimal; banning military exports and exchanges but refusing non-defense related sanctions⁵ (Hurst 1999: 39–40). However, the Chinese government's repression continued, with pro-democracy activists being rounded up, jailed and, in some cases, executed. Faced with this, the Bush administration was forced to take further steps, and on 20th June boarder sanctions were imposed, consisting of the suspension of high-level contracts, Export-Import bank loans, postponement of loans from multilateral development banks,⁶ and an arms embargo⁷ (Hurst 1999: 40). The U.S. also put pressure on the World Bank to suspend \$780 million in loans. President Bush immediately granted humanitarian aid to the Red Cross and met with a small group of dissident students in the White House. However, economic sanctions imposed by the Bush's administration intentionally missed the target. Bush tried to react to the humanitarian tragedy in China without deteriorating mutual economic relations. That is why, certain types of sanctions that were components of sanctions regime could not (and they did not) generate sufficient pressure on Chinese economy.

China's international trade did not suffer much from the Tiananmen crisis. From 1989 to 1994, China's total imports and exports, measured in constant dollars, maintained a positive growth rate. U.S.-China trade also rose from less than \$20 billion in 1989 to more than \$50 billion in 1994, although U.S. exports decreased by 17% in 1990. U.S. investment in China increased from a mere \$284 million in 1989 to about \$2.5 billion in 1994 (Askari, Forrer, Teegen, Yang 2003, 22). U.S. export controls (export licensing) have impeded U.S. exports to China and resulted in a large U.S. trade deficit that caused job losses in the United States. The House of Representatives unanimously adopted new sanctions against China, but President Bush was given discretion over their implementation⁸ (Garson 1994: 191).

⁵ The administration's first concern was to avoid damage to the U.S.-China bilateral relations.

⁶ Such as the Asian Development Bank (ADB), Global Environmental Facility, International Development Association, International Finance Corporation, Asian Development Foundation, and the Japanese Special Fund of the ADB.

⁷ China took a few retaliatory measures against the U.S. but they were rather symbolic; such as the jamming of some frequencies used by the Voice of America and suspending the scholar exchange programs.

⁸ "I know the Chinese," Bush told his aids. "I know how to deal with them, and it's not through pressure and sanctions."

Table 1. Selected China's economic indicators 1987–1995⁹

Year	Growth rate (%)	CPI (annual %)	Trade balance (\$ millions)	Current account balance (\$ millions)	International reserves (\$ millions)	Growth rate of China's total trade (%)
1987	11,6	7,22	-1661,0	300,0	16304,9	24,69
1988	11,3	18,74	-5315,0	-3802,0	18541,3	37,19
1989	4,1	18,33	-5620,0	-4317,0	17959,9	31,03
1990	3,8	3,06	9165,0	11997,0	29586,2	12,80
1991	9,2	3,54	8743,0	13272,0	43674,3	26,01
1992	14,2	6,34	5183,0	6401,0	20620,4	31,17
1993	13,5	14,58	-10654,0	-11609,0	22386,9	21,21
1994	12,6	24,24	7290,0	6908,0	52914,1	19,80
1995	10,5	16,90	18050,1	1618,4	75376,7	18,99

Sources: China National Bureau of Statistic, China Statistics Yearbook (various issues), International Monetary Fund, International Financial Statistics (various issues).

The political turmoil did not impede the process of economic reform in China. Realizing that political instability was due partly to rising inflation, the Chinese government readjusted its monetary policy by reducing money supply. Inflation, measured by the consumer price index (CPI), declined from more than 18% in 1988 and 1989 to roughly 3% in 1990 and 1991 (see Table 1). This trend was accompanied by slower economic growth, at rates of 4.1% and 3.8% in 1989 and 1990, respectively (Askari, Forrer, Teegen, Yang 2003: 20).

President Bush was convinced that the Tiananmen massacre was a blip and secretly worked to limit the damage to Sino-American relations¹⁰ (Hurst 1999: 39). He believed that memories were short and that China could be kept on the course of reform (Garson 1994: 198). The U.S. Congress demanded tougher actions, but it soon became clear that the Bush administration would not take any further steps to punish China. Congress began to introduce its own measures, i.e., a comprehensive sanctions amendment to the Foreign Relations Authorization Act, which stipulated that sanctions would not be lifted until the President proved that China was in the process of reforming. Congress expected the Chinese government to lift martial law, to end the reprisals against the demonstrators and to move towards wider protection

⁹ The author decided on the time interval between 1987 and 1995 to compare the Chinese economic situation before the Tiananmen crisis and a few years later. This analysis assumes neither estimating deeply the influence of U.S. sanctions on China's macroeconomic indicators nor testing the sanctions' effectiveness but outlining the international political environment which resulted in the U.S. economic sanctions imposition. For further research: H.G. Askari, J. Forrer, H. Teegen, and J. Yang, *Economic Sanctions. Examining Their Philosophy and Efficacy*, Westport, Connecticut, London: Praeger, 2003.

¹⁰ Asked why he had failed to take a stronger line on the human rights issue, Bush said that he believed that 'quiet discussion' was better than 'beating [one's] breasts' publicly in such affairs'.

of human rights.¹¹ Executive orders can be rescinded as quickly as they are imposed so Congress wanted the sanctions to have the force of law¹² (Hurst 1999: 207). China had to realize that it would not be sufficient to persuade the President or the Secretary of State in the comfortable haven of private discussion that relations would revert to a normal footing as soon as possible.¹³

Sanctions would include the revocation of MFN status and a 4-year extension for Chinese students living in the U.S. to their stay and permission to apply for immigrant visas during that period. President Bush vetoed the bill accusing it of depriving him of necessary flexibility in conducting foreign policy¹⁴ (Hurst 1999: 41). The MFN status was a crucial matter for China because trade had become an economic lifeline. By 1990, China was the U.S.'s tenth largest trading partner; Chinese imports were estimated at \$12 billion in 1989. In May 1991, the Bush administration renewed MFN status for China, justifying their decision by saying that withdrawal of MFN status would hurt the very groups the U.S. sought to protect¹⁵ (Hurst 1999: 208). Western-oriented sectors of the economy would suffer the most. The Bush administration still believed that the continuance of trade under normal conditions would promote human rights in China and make the Chinese leaders yielding. Simultaneously, it would champion the economic interests of the United States. President Bush discussed at length China's liberalization progress, rather than its human rights record, stressing that China had lifted martial law in Beijing and Lhasa and released 573 people from prisons. Human Rights Watch pointed out that the human rights improvements in early 1990 only reflected an effort to influence U.S. policy. Human rights groups voiced skepticism that the lifting of martial law was anything more than cosmetic change. Moreover, they said that the President had exaggerated¹⁶ the number of 570 political prisoners released and by not announcing their names and not allowing international inspectors to visit jails and prisons, granted "a kind of amnesty"¹⁷ (Human Rights Watch Report 1990).

Despite the economic sanctions imposed, the Chinese government carried out numerous human rights abuses in 1990. In the spring, it launched a massive national "anti-crime" campaign. Between May and September public security authorities arrested at least 986,000 people, a large number of them were executed – estimates vary

¹¹ In Congress's opinion, China was expected to realize that if it did not reform itself further sanctions would be imposed.

¹² This legislation would required Bush to certify that China had "fully realized" its "mistakes" in terms of human right protection and made "significant progress" to renew MFN status in 1991.

¹³ Making economical contracts conditional on improvement of human rights was not a new idea in the U.S. foreign policy. In 1988 the U.S. Senate attempted to link up the technologies transfer with the improvement of human rights in Tibet.

¹⁴ The House overturned Bush's veto by 390 votes to 25.

¹⁵ President Bush claimed that the reason for renewing MFN status was "not economic. It's not strategic. It's moral. It is right to expand the ideals of freedom and democracy to China... It is wrong to isolate China if we hope to influence China."

¹⁶ Human Rights Watch noted that the first 573 releases were announced in January, days before a key vote in Congress on legislation to protect the more than 40,000 Chinese students in the U.S. against involuntary return to China. Another release of 211 was announced in May, on the eve of President's Bush decision not to withhold MFN trading status from China.

¹⁷ Vice President Quayle went so far as to proclaim that the lifting of martial law was a 'dividend' of the President's policy towards China.

from 500 to several thousand. During 1990, the wretched prison conditions and frequently brutal treatment of the Tiananmen detainees showed no signals of improvement. Furthermore, the right of free expression was severely limited by the government in its effort to whip journalists back into their role as a loyal “tongue and throat” of the Party. The government laid down nationwide control and restrictions on the right of assembly and public demonstration and reasserted tight control over publishing and the news media, reducing the ranks of journalists, publishers and distributors (Human Rights Watch Report 1990). The foreign journalists and Chinese academics and intellectuals who avoided being imprisoned during the 4 June crackdown experienced serious harassment and intimidation, greater than any they had experienced since the Cultural Revolution.¹⁸ Government repression of ethnic and religious groups also showed no sign of easing in 1990.

In August 1990 Iraq invaded Kuwait which was met with an immediate ultimatum from the United States and other members of the UN. President Bush realized the necessity of cooperation with China on that issue. China could veto the UN resolution imposing sanctions against Iraq. Moreover, China had extensive political and military ties in the region, therefore it would likely oppose U.S. military presence there. Bush perceived the Gulf crisis as a opportunity for China to rehabilitate on the international arena. Thus, he strongly encouraged China’s government to cooperate. On the other hand, China hoped that the necessity of solidarity among the UN Security Council members¹⁹ would let it demonstrate its commitment to peace, and thus the Western powers would blank out the Tiananmen massacre (Garson 1994: 202). This pragmatic approach to UN action in the Persian Gulf was based on the expectation that China would be rewarded for its support with the creation of an external environment that would favor its domestic reforms.

In May 1992, Bush notified Congress that he had the intention of renewing China’s MFN status. Congress did not affirm that China deserved preferential trade conditions not only because of continued human rights abuses but also, because of China’s supply of advanced military technologies to unstable regions²⁰ (Garson 1994: 209). Congress would grant China MFN status in 1992, if it fulfilled a number of rigorous requirements. China was pressured to release political prisoners who had taken part in the Tiananmen demonstrations, to stop exporting goods produced by forced prison labor, to halt transfers of M-9 and M-11 missiles to Iran and Syria, and to comply with multilateral non-proliferation agreements, including the Missile Technology Control Regime²¹ and the Non-Proliferation Treaty (Hurst 1999: 208–209).

¹⁸ For example, several foreign journalists were beaten and detained around the first anniversary of the June 4 massacre. Access to the PRC was tightly restricted for journalists from Hong Kong and Macau under regulations banning telephone interviews and requiring them to apply for permission to enter China 15 days in advance.

¹⁹ China voted for the first eleven UN resolutions condemning Iraqis attack on Kuwait, although it abstained on the twelfth – Resolution 678 (1990) of 29 November 1990 – which authorized the UN to take all necessary measures to force Iraq to withdraw.

²⁰ China was the fourth largest arms trader, taking 10% of the world market share. Arms were sold to the Khmer Rouge, Syria and Iran. China was also helping Algeria build a nuclear reactor.

²¹ The Missile Technology Control Regime (MTCR) was introduced in 1987 by Canada, France, Germany, Italy, Japan, the United Kingdom and the United States. The aim of the MTCR is to limit the proliferation of missiles capable of delivering weapons of mass destruc-

Bush tried to defeat the measure but did not stop the resolution from being passed by the House of Representative by 409 votes to 21 (Garson 1994: 210). Thus, he vetoed it and justified it by saying that the result of lost MFN status by China would weaken ties to the West and further repression. The Senate could not override the presidential veto and China maintained MFN status for the another year.

By the end 1992, China tried to revive a positive image of itself intent on playing a more important international role. It secured membership in GATT by limiting restrictive trade practices and established diplomatic relations with South Korea. Even though China criticized U.S. support of democratic reform in Hong Kong and the selling of F-16 fighter planes to Taiwan, it kept its economy open to foreign investments, especially from Hong Kong and Taiwan. The Hong Kong matter was crucial to China because it facilitated the reform process, opened up the economy in southern China, and conveyed Chinese intentions in the New World Order. The economic sanctions created an enormous opportunity for Hong Kong to bridge the chasm between China and Western powers. Hong Kong also was the intermediary between the mainland and Taiwan because then the two countries did not maintain political and economical relations²² (Askari, Forrer, Teegen, Yang 2003: 42). If Hong Kong's economy was hampered by the transition from British to Chinese rule than China's plans for reforms and prosperity under a centralized, authoritarian governance would seem futile. Hong Kong would be either the source of China's strength or its collapse. The U.S. also protected their interests in Hong Kong. By 1990 Hong Kong was the U.S.'s fourth largest export market in Asia. The Hong Kong economy was open to foreign trade transactions, and the Hong Kong dollar was tied to the U.S. dollar, therefore the \$6 billion of U.S. investment was not surprising (Garson 1994: 212). The Americans realized that a failure to grant MFN status to China would have had a disastrous effect on Hong Kong. Bush also claimed that lifting sanctions would facilitate economic integration in East Asia and keep the region more likely to welcome a continuing American military presence in the area. But when the presidential election was coming Bush realized that, in trade terms, China was the main beneficiary of MFN, and thus he insisted on a tougher approach to it during his presidential campaign in 1992 than his Democratic challenger Bill Clinton did. Bush demanded China to cease the restrictive regulations and quantitative barriers to U.S. imports. Clinton promised to review Bush's resistance to the imposition of conditions for MFN status and proclaimed to make it conditional on human rights improvements.

After his electoral victory in November 1992, Clinton decided that China's offending policy should be dealt with the MFN framework (Garson 1994: 214). He still believed that increased trade and liberalization of China's regulations would assimilate the PRC into the world community. However, the issue of China's huge trade surplus with the U.S. and its record on human rights and arms sales would still be a hurdle to overcome before full trade normalization could be achieved. President Clinton postponed the day of judgment on MNF and it did not put forth any solutions in terms of human right abuses or arms sales. The Clinton administration was

tion. Although China was not a member of the MTCR and moreover, it was subject to periodic sanctions, it agreed in 1992 to abide by the original MTCR guidelines.

²² However, such a position of Hong Kong has its challenges. The intermediary position depends on relations between China and the U.S. If the U.S. imposed a total trade embargo against China, Hong Kong would have no role to play. On the other hand, in the case of full integration with China and the global economy, Hong Kong's role would be undermined.

under pressure from big business and the Treasury and Commerce Departments not to squander the chance of American business in the world's largest market and inadvertently providing trade opportunities to America's competitors. The U.S. government could not pretend that the threat of trade sanctions would cause the Chinese government to change track (Garson 1994: 217).

That is why, on 26th May 1993, Clinton renewed MFN status for China which met with strong protests from human rights groups and supporters of trade sanctions. They accused Clinton of turning his back on millions of oppressed Chinese and of ignoring recent reports of a string of political imprisonments throughout the country. Clinton justified his decision as a necessity to gain Chinese support in the confrontation with North Korea over its refusal to admit international inspectors to its nuclear installations.

CONCLUSION

Both the Bush and Clinton administration failed in improving human rights in China despite their repeated promises that their policies would. Furthermore, the situation deteriorated seriously, but statements by each administration did not reflect this trend. Although China objected to almost all the rationales that had motivated U.S. sanctions against it, China cooperated with the United States in the resolution of issues and in preventing a trade war. Since the beginning of China's economic reforms, China has established many trade-related laws and regulations, provide trade transparency, liberalized its domestic market, and generally establish harmonization with international commercial practices. But the expectations of post-Reagan administrations have not been met. The economic growth did not see progress in the protection of human rights in China. Considering that the effectiveness of sanctions should be measured not by the volume of business activity generated, but rather by the degree of change in desired behavior of the target regime, the U.S. sanctions imposed on China were unsuccessful. The role of the U.S. economic sanctions was limited to express condemnation for human rights violations committing by Chinese regime. In case of humanitarian conditions in China, the following administrations have pursued a long-term strategy based on conviction that cooperation with China's government in transformation of economic system towards free-market economy would result in improvement of human rights protection. The short-term strategy were implemented on the ground of USA-China economic relations oriented towards mutual profits.

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