What They Didn't Tell Us Before The China Vote

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Only after the House voted 237-197 to pass Permanent Normal Trade Relations (PNTR) with Communist China did the major news media tell their readers the real purpose behind the bill. The multinationals, who spent tens of millions of dollars lobbying for PNTR, gloated in their victory.

Remember how we were told that PNTR would be such a good deal for America because it would "open up China's vast billion-person market to U.S. exports"? Well, cry your heart out, exporters and farmers; it turns out that all those promises were just soft-soap for the gullible.

The morning after the vote, the pro-PNTR newspapers and the spokesmen for the multinationals couldn't resist admitting what the game plan really was. "This deal is about investment, not exports" and "investment in China is the prize," proclaimed a front-page news story in the Wall Street Journal.

Investment is the very opposite of exports. Investment means U.S. multinationals build plants in China, hire cheap labor and then import the products back into the United States to undersell goods manufactured in America.

Exports, on the other hand, mean that U.S. companies and farmers produce products to sell abroad. It doesn't take a rocket scientist to figure out that investment = jobs in China, and exports = jobs in America.

Joseph Quinlan, an economist with Morgan Stanley Dean Witter & Co. said after the vote, "U.S. foreign investment is about to overtake U.S. exports as the primary means by which U.S. companies deliver goods to China." The "goods" he is talking about are NOT made-in-U.S.A. goods, but U.S. capital investments (probably subsidized by the International Monetary Fund and guaranteed by the Overseas Private Investment Corporation).

Michael T. Byrnes, chief representative of Rockwell International Corp.'s China division, seconded Quinlan's admission: "In China, that's the direction we're going."

The multinationals played a crafty game when they lobbied Congress this spring. As the Wall Street Journal revealed afterwards, "Business lobbyists emphasized the beneficial effect the agreement would have on U.S. exports to China. They played down its likely impact on investment."

Greg Mastel, director of global economic policy at the New America Foundation, explained, "U.S. exports will increase over time, but not at the rate of investment, and the corporate community has been quiet about that. They've been able to avoid telling that story." The Wall Street Journal added, "U.S. exports aren't the big trade story here."

On the day after the vote, the Washington Post likewise revealed much that it didn't tell us beforehand. "China experts warn that [PNTR] does not guarantee U.S. companies immediate access to China's market, or even ensure that China will comply fully with the spirit of the deal it struck with the Clinton administration last November."

The Post admitted that "U.S. goods and services will face resistance from regulators within China's central government, who have broad discretionary authority."

Farmers, who were among the biggest supporters of PNTR, should not be "under the illusion that now they can pop the champagne corks and watch the money roll in," admitted Richard Margolis, senior economist with Merrill Lynch in Hong Kong. Dong Tao, senior Asia economist at Credit Suisse First Boston, warned, "American companies have to be realistic. Genuine market access in China will take years probably decades."

All those pre-vote predictions from pompous economists suddenly evaporated. The Post reported: "Even if China adheres strictly to provisions of the November agreement, few economists expect a significant reduction in China's trade deficit with the United States which last year reached $70 billion."

What about the lobbyists' promises that the World Trade Organization will force China to live by the rules? Another Wall Street Journal news story on the International page after the vote cautioned that "few expect [China to implement the agreement to the letter] without vigilant monitoring, and more than a little hectoring."

Newsweek joined the cascade of post-vote revelations saying that, after Clinton leaves office, "the really

hard part begins: implementation."

Newsweek revealed some of the ways that China avoids buying U.S. goods. U.S. firms must sell to Chinese government agencies or companies, which take their cut before permitting goods to be sold retail. Communist China also restricts the Chinese market for U.S. goods by producing illegal knockoffs.

What about all those promises that giving China PNTR will encourage China to reduce its abuses of human rights? After the vote, that oracle of internationalism, former Ambassador to China Winston Lord, admitted, "It's going to set people up for disappointment down the road. Beijing is gambling it can hang onto repression as it opens up the economy."