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5. The United States proposes the establishment of a Washington-Peking "hotline" similar to that connecting Moscow and Washington.

Although China presently does not have the capacity to pose a direct nuclear threat to the continental United States, the existence of the "hotline" could serve much the same stabilizing role as fulfilled by the Washington-Moscow "hotline." It would give China immediate unimpeded access to Washington, and this fact alone might help to forestall major power crises.

6. The United States proposed that the New China News Agency be permitted to open an office in New York City.

Hopefully, such a move would help to improve understanding between our two countries and eventually would be reciprocated by permission being granted to a U.S. news agency to open an office in Peking.

Concurrently with the above, the United States should take the following steps:

Rescind the embargo on direct trade with Mainland China, permitting commerce on all items within the same limits as presently govern trade with the Soviet Union. This could be done in two stages: first rescinding the embargo only as it applies to agricultural commodities, then later the rest.

Although recent Administration moves have been wise and progressive, the present prohibition, which is relieved by only minor exceptions, works no hardship on China, only upon our own citizens who are denied a valuable foreign market. Each year millions of bushels of grain are sold to Communist China, yet the United States gets none of this business. China has no difficulty securing what it needs elsewhere. Our trade embargo hurts only us, especially the American farmers.

Taken together, these steps would show convincingly our desire to end the double standard which we have applied to relations with Peking and Moscow.

The promulgation of a single standard would add substantially to our own security, as well as to our stature in the eyes of the world.

It would strengthen our position relative to the Soviet Union as Moscow carries on its own cold and hot war with China. Tensions in Europe and the Middle East might take on a new cost to the Soviets as Chinese-American hostilities are lessened.

It would also strengthen our position relative to Mainland China by recognizing its new status of world power and subjecting it to hard Yankee bargaining.

In recommending this new evenhanded approach toward China and an end to the double standard which has heretofore governed our relations between these two Communist capitals, I do not wish to leave the impression that an era of good relations with China is about to begin, or that vigilance is no longer needed. Like the Soviet Union, China is ruled by a dictatorial, conspiratorial system that is characterized by hostility and suspicion toward the outside world.

As China continues to grow in power, it may seek to extend its influence widely in Asia. Every small country in Indo-China must constantly be alert to China's changing foreign policy. So must India, where there is ever-present the danger of renewed fighting and war over still unsettled boundaries.

The Philippines and even Japan may one day be subject to either direct or covert challenge from Mainland China. Whether, and to what degree, China may attempt to export revolution and "wars of national liberation" remains to be seen.

The United States will not be better able to cope with such unfavorable developments by burying its head in the sands of ignorance like the proverbial ostrich and pretending that Communist China does not exist. Our own national security interests require that we accord to China the same consideration

we have long extended to the Soviet Union. They also require that we keep our guard up.

U.S.—CHINA TRADE

(By Senator WALTER F. MONDALE, April 15, 1970)

Last year after much study and discussion, the Congress enacted a most significant piece of legislation regarding East-West trade—the Export Administration Act of 1969. I had the pleasure of helping to draft that act and served as floor manager during its Senate passage. In commenting at that time on the statute that had been in effect for 20 years, I said, "All of the evidence the Subcommittee received indicates that the present Export Control Act hurts no one but ourselves. The communist countries of Eastern Europe are not hurt; they can obtain what they need from other free world countries. Western Europe and Japan are not hurt; indeed their businessmen have received a windfall by virtue of U.S. default. Only the American businessman and the U.S. balance of payments are substantially hurt. Basically we deny ourselves the right to compete."

This is true not only with respect to the greatly restricted trade between the United States and Eastern Europe and the Soviet Union, but also with respect to the nearly total embargo upon trade between the United States and the Peoples Republic of China.

Not only has U.S. policy virtually prohibited direct U.S.—Chinese trade (which in 1968 totalled only \$200,000—largely publications, and works of art, which the U.S. imported from China), but it has, until the Administration changed policy last December, severely affected trade between foreign subsidiaries of American firms and mainland China. This essentially has been a United States policy of extraterritoriality—a hold-over from the days of colonial trade.

In spite of these restrictions, much progress has been made in the last year in liberalizing East-West trade. The Export Administration Act of 1969, passed at the end of the last session of Congress and representing the culmination of two years of work, declared that it was the policy of the United States "to encourage trade with all countries with which we have diplomatic or trading relations, except those countries with which such trade has been determined by the President to be against the national interest . . ."

In spite of a decidedly lukewarm acceptance of the new East-West trade legislation, the Administration has moved on its own to begin a relaxation of the total prohibition against exports to China. On December 19, 1969, the Department of State announced changes in the restrictions on trade with China. It announced that "for foreign subsidiaries of U.S. firms, most Foreign Assets Control restrictions on transactions with China regarded as non-strategic by COCOM are removed." It went on to state that "This is intended to permit American subsidiaries, insofar as FAC restrictions are concerned, to engage in trade with Communist China under regulations applicable to other firms in countries in which they operate and to remove restrictions which those countries view as interference in their domestic affairs" (emphasis added). While, this provision is still far from even a limited endorsement of trade with China, it is an encouraging recognition of a new policy of noninterference in domestic affairs of other nations.

Two other changes, announced at the same time, also signify a thaw in administration policy, although the immediate practical effects are likely to be negligible. American financial, shipping, and trading agencies abroad may now finance, ship, and insure China trade.

Also, private citizens traveling abroad will be able to bring back for their own use an unlimited amount of goods of Chinese origin. Before last summer, such purchases had

been illegal, and until the most recent change there was a \$100 limit upon them.

There has also been speculation that the United States was interested in approaching the Chinese with offers to sell wheat and other feed grains. Secretary of Agriculture Hardin last month testified before the Senate Agriculture Committee and mentioned the desirability of removing prohibitions which restrict trade with China. In a latter "clarification," he indicated that his words were directed at the Soviet Union and Eastern Europe. However, speculation persists, encouraged by United States business organizations, that the Administration is considering further moves to restore some economic relations with China.

Yet, while Congress has passed legislation to greatly liberalize trade with Eastern Europe; while the Administration relaxes some of the more obvious injustices encountered in trade between China and American subsidiaries abroad, and while speculation of further liberalization persists, *no basic change has occurred in U.S.—Chinese trade.* If relation with the most populous and potentially dangerous nation on Earth are ever to be normalized, we must begin with a normalization of social and economic relations.

For 20 years we have imposed virtually a total embargo on trade with mainland China. Acting upon the statutory authority of the Export Control Act of 1949 and the Trading with the Enemy Act of 1917, the President, within 6 months of the establishment of the Peoples Republic of China, declared a national emergency and placed controls on all exports to China, paralleling at that time controls then placed on shipments to Eastern Europe and the Soviet Union.

Three days after the commencement of hostilities in Korea in June, 1950, a total embargo on all goods to North Korea was instituted. Several weeks later the United States Government revoked all outstanding licenses to export to China.

In early December, 1950, the Commerce Department issued instructions requiring written permission for the direct or indirect export of any goods to China. Before Christmas of the same year, after Chinese entrance into the Korean War, assets of residents of China and North Korea were frozen by the Treasury Department. In addition, the Commerce Department issued a transportation order barring U.S. ships from stopping at Chinese ports or transporting any Chinese cargo. Consequently, as 1959 ended, a total U.S. embargo on trade with China had been instituted.

From imposition of a bilateral trade embargo, the U.S. then attempted to institute a total free world embargo on trade with Communist China. Several methods were used: First, the Coordinating Committee (COCOM) agreed in July of 1950, within a month of the start of the Korean War, to extend their control over trade with the Soviet Union to trade with China. During the height of the Korean War, COCOM, at the instigation of the United States, adopted a much larger list of control items which became known as the "China differential." Trade between China and our allies, however, did continue, including British trade with China through Hong Kong.

Second, at the urging of the United States, the General Assembly of the United Nations adopted on May 18, 1951, a resolution recommending that every member-state apply an embargo on shipments to China of "arms, ammunition, and implements of war, atomic energy materials, petroleum, transportation materials of strategic values, and items used in the production of arms, ammunition, and implements of war." Since the United Nations was one of the belligerents in the Korean War, the resolution further recommended that "every state determine which commodities exported from its territory fall

within the embargo and apply controls to give effect to the embargo and prevent by all means within its jurisdiction the circumvention of controls on shipments by other states pursuant to the present resolution."

The third means of forcing our own embargo with China upon the rest of the Free World was through our military and economic aid legislation. During the early 50's, the Korean War was at its height. Some of the Western allies continued to trade with China. At the same time, the U.S. had instituted the giant Marshall Plan to rehabilitate much of Western Europe. Strong feeling was aroused on the floor of the Senate by Senator Kem of Missouri in his repeated attacks on the Marshall Plan and its possible effect against American troops fighting in Korea. Senator Kem reminded his colleagues: "All too fresh in our minds is the fact that during World War II our ships and planes were blasted with scrap iron furnished by us to the Japs. . . . It is entirely possible, even probable that many of the shipments of iron and steel from Marshall Plan countries to Russia went into building those very same guns and tanks now killing our boys."

The battle raged between those forces calling for a complete and mandatory aid ban on those countries trading with the communists, and those favoring Presidential discretion in determining which countries were and were not complying with U.S. regulations on trading with the communist nations. During August, 1951, the Battle Act formalized Congressional action and applied an embargo on arms traffic between the United States and the communist countries, and extended this embargo to all countries receiving aid from the United States. The bill stated that "No military, economic, or financial assistance" could be supplied by the United States to any nation which did not in turn apply the same embargo on shipments to communist nations.

It would seem particularly wise in 1970—in light of changing "Cold War policies," in light of the consolidation of Communist power on the Chinese mainland, and in light of the questionable political and/or economic effect of this embargo—to review these old restrictions of the 1950's.

The noted American economist, Alexander Eckstein, analyzed the political and economic effectiveness of our policies in this definitive work on *Communist China's Economic Growth and Foreign Trade*. The basic objective of United States policy toward China, according to Eckstein, is designed to isolate and contain it within its present boundaries, and trade controls are intended to support both these objectives. If adhered to by all major trading countries, such controls would, of course, limit intercourse with China and therefore isolate here not only commercially, but politically as well." Eckstein then claimed that: "while the United States trade policy was formerly ineffective because China could obtain controlled and embargoed goods from communist countries, it is now ineffective because these same goods (except for military material) can be obtained from practically every country which exports them except the United States and, to a certain extent, the Soviet Union." Consequently, he concluded, "In her relations with the West, therefore, China probably cannot be expected to give up or modify seriously any of her important foreign policy objectives even though such decisions might benefit her economy."

It is vital to note, therefore, that leading economists who specialize in Chinese trade have concluded after exhaustive study that the United States embargo is "practically of no economic significance." China, according to Alexander Eckstein, "has been and is currently able to obtain virtually all the good she needs from other countries at no significant additional cost. Therefore, the embargo has only a symbolic meaning. It stands as a symbol of our determination to isolate China,

to treat her as an outlaw, and to refuse to have any dealings with her. . . . The embargo also serves, however, to maintain the illusion at home that we are somehow inflicting serious damage upon the Communist Chinese through it. Moreover, the embargo and our general policy on our trade with China have three other consequences. 1) They separate us from our allies who do not see the point of our policy on either theoretical or practical grounds. 2) They contribute to frictions between ourselves and our allies whenever we attempt to press our allies to bring their policies into line with ours. 3) Finally, they deprive our businessmen of their potential share, however modest, of the China trade now carried on by other countries."

While United States has been maintaining this embargo on trade with mainland China, it is interesting to note what our European and Asia allies have been doing in this regard. In 1968, for instance, our neighbor and good friend Canada sold a total of \$150 million in manufactured goods to mainland China; France sold \$87.7 million; Italy sold \$61.1 million; Great Britain sold \$69.8 million; and West Germany sold a total of \$171.4 million. We can see another instance, then, in which unrealistic trade policies of the United States have resulted in our abandonment of a substantial market to our allies.

On this point Najeeb Halaby, President of Pan American World Airways, speaking in February, 1970, to a world trade convention in Chicago said that many of the participants in that conference would be richer if the United States had permitted the exportation of Minnesota, Kansas, and Nebraska wheat to China, instead of letting Canada obtain the large orders she had during this last decade. During the first 8 years of the 1960's, for example, Canada exported one billion dollars worth of goods to China.

Our policy, then, has been to block China's economic development—and, indeed, her development as a nation. This policy has been totally unsuccessful. This broader policy of containment, isolation, and military encirclement of China as a basis of our Asian policy has been based on the fundamental assumption that the Communist government which took over China in 1949 was temporary, and could be brought down by a policy of pressure from the outside.

Such a policy, however, is more likely to be counterproductive—even assuming the wisdom of the basic objective. It can easily be demonstrated that political and economic pressures from the outside are far more likely to consolidate the power of a government than weaken it. While China might be somewhat inhibited economically by an inability to engage in normal foreign trade, she is perfectly capable of meeting her basic economic needs from her own resources. What we are promoting, then, is a wholly self-sufficient China—uninhibited by the fear of economic loss due to her actions or attitudes.

The other response to a policy of isolation might be to become totally reliant upon trade with a single other nation or bloc of nations. Our restrictions on trade with Eastern Europe have had this effect—adding to, rather than weakening, Soviet economic and political hegemony in this area. Originally, our boycott of China had the same effect, with Soviet trade accounting for nearly half of all Chinese trade before their break in 1959. Currently, the Sino-Soviet split has dropped the Soviet share of Chinese trade to, in 1967, about \$107 million or less than 3% of total Chinese trade.

Thus, in spite of our best intentions, China has become primarily a free world trader, doing about 75% of her trade with non-Communist nations.

Her major trading partners, for example—Japan, Hong Kong, West Germany, and Singapore—are all non-Communist.

Thus, it would appear that our policy of

isolating China from the rest of the Free World has been less than successful. But we still maintain a posture toward China which is based on the old assumption of economic and political isolation and containment.

If we can accept what I believe to be the obvious—that the United States has little or no influence over internal events on the Chinese Mainland—and if we can assume that the interest of world and Asian stability are best served by a China dependent upon normal international intercourse, then it would seem that new trade policies with respect to China are in order.

We should not, of course, expect too much from changes on our part. China's total trade is still small—about \$2 billion each of imports and exports. By comparison, 1968 figures show the Soviet Union importing about \$9.4 billion and exporting \$10.6 billion; Germany importing \$20.1 billion and exporting \$24.8 billion; and the United States importing \$33.3 billion and exporting \$34.7 billion.

At present, then, there is no "vast, untapped market" in China, although the potential is surely there. More significant in the short run may be the willingness of the Chinese to respond to any moves we might make in behalf of opening up trade. So far, they have not responded to the minor liberalizations which we have unilaterally taken. But, as China attempts to recover from economic chaos of recent years; as the ideologists of the Long March give way to Communists of the more bureaucratized variety; as China seeks to build up her independence from the Soviet Union; and as the disastrous war in Southeast Asia comes to a close, there should be a potential for considerable expansion of our current \$200,000 worth of trade with China. Mr. William E. Roberts, President of Ampex Corporation and Chairman of the California Industry and World Trade Commission recently suggested that U.S.-China trade could reach \$250 million within a decade. Any such estimate is, of course, an educated guess, but there should be little doubt of the trade potential if tempered with patience on our part.

In the meantime, such changes would have a beneficial effect upon our trade relations with all nations, especially our allies. Writing in the December, 1968, issue of the *Columbia Journal of World Business*, the University of Michigan's economist Robert F. Dernberger argues cogently that "Sino-United States relations must be improved before there is any possibility of significant trade between the two countries. Direct trade between the United States and China would not respond immediately to a unilateral removal of the many restrictions on that trade. However, the removal of those restrictions and the political pressures that accompany them would greatly benefit those of our allies who desire to trade with China and would greatly facilitate an increase in exports to our allies, i.e. the export of parts and imports used in the foreign production of and products for export to China. In other words, the existing restrictions on trade with China impinge on U.S. businessmen and on our allies in Europe much more than they impinge on China. The unilateral removal of these restrictions would be an important first step in improving Sino-American relations, although the initial reaction would probably be minimal."

In summary, I would make several policy recommendations:

First, we must operate on the assumption that China, whatever political upheavals the future may bring will remain governed by basically the same forces which govern her today, and that no internal or external pressure is likely to create an abandonment of or radical departure from, her current political and economic ideology.

Second, we must abandon the explicit or implicit assumption that our trade—or non-trade—with China can have any significant effect either upon her foreign policy or upon her domestic ideology.

Third, we must abandon our attempts to impose our economic and foreign policy toward China upon our allies and upon other nations of the West.

Fourth, we should seek now to begin what will be a long and slow process of normalization by applying controls upon China trade no more stringent than those controls placed upon trade with the Soviet Union. This would mean a continuation of prohibitions upon trade with military or strategic value but a relaxation of control and even an encouragement of other forms of peaceful, non-strategic trade.

COMMUNICATIONS AND TRAVEL WITH CHINA
(By Representative CHARLES W. WHALEN, JR.,
April 29, 1970)

I. Brief History of U.S.-China Communications

On April 15, our distinguished Senate trade expert stated that "if relations with the most populous and potentially dangerous nation on Earth are ever to be normalized, we must begin with a normalization of social and economic relations." Senator Mondale then perceptively reviewed the economic aspects of this normalization. Today, I will discuss the social side.

I do not wish to repeat here the history of U.S.-China relations which others already have more than adequately reviewed. However, I believe that some restatement of history is necessary if we are to perceive the conditions which make social changes between these two nations unlikely in the immediate and near future.

Besides traders and diplomats, our missionaries, doctors, educators, and technical experts had innumerable contacts with the Chinese from the late eighteenth century until 1947. As Professor James Thomson of Harvard phrased it: "An 'Open Door' to China came to mean 400 million potential customers, 400 million potential Christians, our special receptacle for the outflow of our altruism, and our special protectorate against the obvious greed of the European and Japanese predators."

Indeed, the efforts of other nations did seem predatory. The British traders, who arrived in China during the early part of the nineteenth century, demanded exclusive trade franchise. In order to further their economic ends, European powers waged numerous wars against the Chinese. The Westerners, with their superior military technology usually were victorious. Consequently, the Chinese were forced into signing unequal treaties which ceded part of their territory to Westerners. Also, extraterritoriality was frequently practiced in China during those days. The Chinese customs service was controlled by the British, and much of their finance and foreign trade was completely dominated by non-Chinese.

China was exploited economically, and the centuries-old traditions of her culture were attacked. The international settlement in Shanghai had foreign police and foreign courts. Clubs bore signs warning that dogs and Chinese were not allowed. As depicted in a cartoon around the turn of the century, the Chinese dragon was being dismembered by the Western powers, all of which had concessions in China. Thus, the Chinese people, who considered themselves superior to all others, were second class citizens in their own land.

As Professor Thomson summarized: "What to the West was the century of China's 'opening'—China's exposure to the benefits of Western civilization—was something rather different to China. It was a century of national trauma: of the collapse of a 2,000-year system of values, social structure, and political authority—the collapse of one of mankind's most durable creations, the Confucian state—a collapse induced by Western guns, ideas, and institutions. Out with the state went its all-encompassing ideology. In its place, came

the prolonged agony of a search for something new to fill the vacuum, to regenerate the nation, and to repel the foreign intruders."

Thus, while the U.S. could legitimately claim not to have insulted the Chinese to the extent the Europeans had, it could do nothing to prevent being included in the expulsion of the foreign intruders and their influence from the China mainland. We simply failed to understand the facet of Chinese character which resents the influence of any nation, not only those which forced themselves into her national life. In fact, because of our continuing strong ties to the faction defeated in China's civil war, the U.S. actually has become one of her two great enemies.

II. Efforts to communicate in the 1950's and 1960's

A. Chinese Overtures in the 1950's and U.S. Reaction Thereto

For two centuries, the United States and other Western nations sought to expand contacts with China. During this period, China tried, unsuccessfully, to isolate herself. In the middle 1950's, this cycle was reversed. The United States sought to isolate China while China attempted to reopen her doors to Americans.

For instance, in August, 1956, the Chinese government offered visas to 15 U.S. newsmen who had requested them. The State Department, however, announced that it would continue to bar travel to Communist China as long as Americans were held there as "political hostages". Gradually during the next year, under pressure from the American journalistic community, Secretary Dulles grudgingly relented, first to permit a "pool" of American newsmen to visit China and then to authorize 24 news organizations to send correspondents to mainland China for a seven-month period. The State Department, nevertheless, said the U.S. would not accord reciprocal visas to newsmen from China. By this time, the Chinese began to draw back from their proposal.

B. Kennedy and Johnson Administrations Policies

As the 60's began, China watchers had great expectations that the Kennedy Administration would institute a fresh approach to U.S.-China relations. However, it is believed that President Kennedy soon after taking office decided for political reasons that he would not move in a new direction on the U.S.-China situation until his second term.

Under President Johnson, the tenor of official U.S. pronouncements became less hostile to Peking and efforts to reopen communications were renewed. In March, 1966, restrictions on travel to China by scholars were eased. The following month, it was disclosed that for the first time scientists and scholars from China would be permitted to visit the United States. By July, the State Department relaxed restrictions on tourist travel to Communist China. The only condition imposed by the new regulations was that the traveler's position or professional stature be such that his trip would benefit the U.S.

In May, 1968, the Director of the U.S.I.A. extended an invitation to certain Chinese journalists to come to the United States to cover the Presidential election campaign. As it has since 1958, Peking rejected all the aforementioned overtures.

III. Position of Nixon Administration

The Nixon Administration has manifested a renewed willingness to establish contacts with China. Perhaps this is most appropriate, for as Professor Thomson noted: "That the healers are the man and the party that organized the 1950's headhunt for those who 'lost China' is ironic but perhaps necessary. Republican anticommunists are less vulnerable to charges of 'softness' on communism, and therefore, best equipped to risk accommodation".

Last July, the Nixon Administration broad-

ened passport rules for China when it authorized automatic validation for six specific categories of travelers, including congressmen and teachers. In March of this year, State Department officials announced that passports have been validated for China travel for certain other Americans who did not fall within the July, 1969, categories. Included in this extension are businessmen and tourists with specific interests. More than 700 Americans now hold passports valid for travel to China, but only three have received entry visas from Peking in the past five years. The easing of passport restrictions, coupled with revisions in our China trade policy, is encouraging evidence of the executive branch's interest in dismantling the barriers separating the Chinese and American peoples. This observation is bolstered by our willingness last January and February to resume meetings in Warsaw with representatives of the Peoples Republic of China.

IV. Peking's Reactions

Yet Peking, even since the Warsaw meetings, has continued to reject American visitation overtures. Why? Two answers are advanced by China watchers. First, the Chinese feel that for 21 years the U.S. has been trying to destroy them by following a policy of containment, isolation, trade embargo, and military encirclement. Second, the Chinese believe that since the U.S. has not been able to bring down their government by these methods, now maybe we want to subvert them by sending American travelers and traders. Considering what happened to their country during the last century, these assessments of Chinese attitudes are persuasive.

In addition to their nineteenth century experience, several other factors may influence China's position: first, our continuing armed presence in Asia; second, our strong support of Taiwan; and third, internal pressures on the Chinese government. These three situations give a pessimistic tint to proposals to renew communications with China. Only one factor, the Russia-China split, is cause for optimism. In view of this development, it might be considered to China's advantage to relate to the U.S. to prevent us from siding with Russia. Our government already has stated its neutrality in the dispute. Thus, this also might encourage China to pursue a course which will lead to more open relations with the U.S.

V. Congressional positions

The House of Representatives has not helped the Administration in its efforts to achieve a thaw in Chinese-American relations. Rather, in the past six months, it has assumed a posture which can only appear as militant to the Chinese. In the FY 1970 Foreign Assistance Act, the House provided an authorization of \$54.5 million for jet aircraft for Taiwan. Fortunately, the Senate deleted this provision. Last month, the House approved legislation which would give Taiwan three submarines. As so often happens, the House seems insensitive to the advantages that could be gained by refraining from such actions.

The Senate has pursued a more reasoned approach to the question of U.S.-China relations. In 1966, for example, the Foreign Relations Committee held seven days of hearings on U.S.-Mainland China policy. Although no significant policy changes resulted, the Senate's interest could have only encouraged the Johnson Administration to reappraise the U.S.'s position.

Nevertheless, it is quite clear that, for the time being, the leadership required to improve U.S.-China relations will have to continue to come from the White House.

VI. Private interests in U.S.-China communications

There is a great deal of interest among private American citizens in opening communications with China. As noted earlier,