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SINO-AMERICAN RELATIONS:
A NEW TURN

A
TRIP REPORT
TO THE
COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

JANUARY 1979

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LETTER OF TRANSMITTAL

HON. FRANK CHURCH,
Chairman, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: During the period of January 3 to 14, 1979, I undertook a study mission to East Asia to analyze the consequences of Sino-American normalization of relations. As the Chairman of the Subcommittee on East Asian and Pacific Affairs, it seemed clear to me that this shift after thirty years of varying degrees of hostility, was of utmost significance. Although interpreting events in China is limited by what the Chinese are willing to show or tell us, it is nevertheless possible to achieve some degree of understanding about China. This report relies upon discussions held with senior Chinese officials and generally available information.

I had known the Old China as a U.S. Marine stationed in Peking for six months in 1946. Through the courtesy of Senate Majority Leader Mike Mansfield (now Ambassador to Japan) I had the opportunity to become reacquainted with China during a three week visit in September and October of 1976.

On this trip just completed I was part of a delegation led by Senator Sam Nunn and including Senators Gary Hart and William Cohen. Their efforts primarily represented the Armed Services Committee in an ongoing study of regional military balances. Their perceptive questions, gracious company and diligent approach to the many policy issues discussed were beneficial to me. Obviously on certain issues the interests of the Armed Services Committee and the Committee on Foreign Relations Committee overlap and I profitted from their perspective.

My primary inquiry focused on the foreign relations aspects of the new relationship, as will be evident in the report, which will provide the Committee on Foreign Relations and the Congress with a current, although personal, impression of China. During our short visit, meetings were held with Vice Premier Teng Hsiao-p'ing; with Ambassador Wang Ping-man of the Peoples Association for Friendship; with Tsai Cheng-wen, Director, Foreign Affairs, of the Ministry of National Defense; and with Acting Managing Director of the Bank of China, Feng Tien-shun.

In addition, we met with senior Chinese military officials including the Deputy Chief of the General Staff of the Peoples Liberation Army (PLA), the Deputy Chief of the General Staff for Science and Technology, and the Deputy Chief of the General Staff for the Navy. I also want to express my appreciation to the Chinese Peoples Institute of Foreign Affairs for their assistance in arranging my schedule.

I should like to acknowledge the superb assistance of the Department of the Navy in providing administrative and support services.

through the services of Capt. John McCain USN, and Lt. Col. Albert Berry, USMC. The Department of State assigned Herbert Horowitz and David Kenney to assist the delegation and they were most helpful. The Department of the Air Force provided excellent transportation service. From the Senate, Roy Werner of the Committee on Foreign Relations staff, did an outstanding job both in preparation of background material for the trip, and this report. Mr. Carl Ford, of my office, made excellent contributions in the analysis of Chinese Defense Policies. Finally, I want to recognize the aid of Robert Sutter, Congressional Research Service, who prepared the analysis of earlier Congressional delegation trip reports.

Sincerely,

JOHN GLENN,
Chairman, Subcommittee on
East Asian and Pacific Affairs.

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RECOMMENDATIONS

Taiwan

1. Our insistence on a peaceful resolution of Taiwan should remain an essential element in our new relationship with China and the people of Taiwan. Recognition of the communist regime in China does not, of course, imply approval of that Government's policies, as many Americans seem to think. It does indicate a recognition that the PRC is the government actually in charge. Reunification is an issue that the Chinese themselves must decide, since they both insist there is but "One China and that Taiwan is a part of that China." The United States, however, has a moral obligation to insure that the Taiwanese people are able to freely choose their future without intimidation.

Trade

2. Although there is a danger that false euphoria regarding trade with China will exist, greater Sino-American trade can help to marginally reduce the U.S. trade deficit. Increases in mutual trade will be gradual. However, to maximize trade potential, early actions to resolve frozen claims and assets (assuming a satisfactory Chinese offer) and the signing of a Trade Agreement are desirable. These are partially symbollic actions, but they are also important to insure that American firms have equally competitive opportunities in China.

Korea

3. In light of our altered relationship with China, the Department of State should pursue the reduction of tensions on the Korean peninsula with the Chinese. Korea remains the most heavily armed, tense flash point in Asia and it is in the interest of all parties to reduce the danger of war.

U.S. Diplomacy

4. Having established a triangular diplomatic balance between China, the Soviet Union and the United States, we must be careful not to "tilt" toward either communist power.

Arms Sales

5. It is not in our national interest to sell military arms or technology to China. However, the United States should help aid in the modernization of the Chinese economy and help to maintain their sense of security indirectly by our continued military presence in the Western Pacific.

Exchange Programs

6. Public and private organizations should explore new areas of common interests between the Chinese and American people. For example, Chinese performing artists indicated to me their eagerness for resumption of cultural exchanges, increased educational exchanges and further enlargement of scientific exchanges are all desirable.

INTRODUCTION AND SUMMARY

Although China is the world's oldest society, the People's Republic of China is the youngest state among the major international actors. Thus, it is still evolving and recent changes inside the PRC are significant. These changes and the establishment of diplomatic relations between the United States and China mark a new turn in Sino-American relations.

China is important, but America's principal foreign policy focus in Asia must remain Japan. Vice Premier Teng Hsiao-p'ing agrees and said the Japanese-American relations are more important than Sino-American relations. He has, of course, told the Japanese the same thing. Yet, China remains a major regional actor with an influence on the global scene.

It is also important that we not expect that "better" relations with China will eliminate all sources of friction. Adversarial relations wax and wane and a prudent foreign policy recognizes this fact.

Just as in the past, Chinese concerns center over security, economic modernization, territorial integrity, and her degree of dependency on foreign nations. These concerns naturally reflect China's greatest asset and simultaneously the greatest liability—one billion people in a backward economic state. This report reviews the threats perceived to Chinese security and the gradual diminution of fears of an immenent attack. China's prospects for economic modernization are discussed and potential bottlenecks to the achievement of that goal are spelled out.

With U.S. recognition of the end of the Chinese civil war and agreement on a *de jure* definition of territorial integrity regarding Taiwan, only the unsettled question of Chinese claims on Soviet territory and the all important U.S. emphasis that force not be used to resolve the Taiwan issue remain as major territorial issues.

Traditional xenophobia is evident as the Chinese leadership debates the specific terms in the acquisition of foreign technology and the opening of China to foreign influences. But, the violent, chauvinistic impulses of the Cultural Revolution have given way to a rational examination of Chinese problems and pragmatic attempts to cope with these long standing problems.

With respect to Taiwan, it is obvious that Chinese sovereignty is important to the PRC. However, in Chinese history, autonomy has often been the practice. For example, after the Ming dynasty fell in 1644, Taiwan was autonomous for four decades.

Vice Premier Teng told us directly that *after PRC legal sovereignty was recognized* Taiwan could (1) maintain its own separate economic and social system; (2) maintain its own armed forces despite the status of being a province of China; and (3) that force would

only be used to "re-unite Taiwan in two circumstances—any movement by the Soviet Union into Taiwan or a Taiwanese refusal to negotiate over a prolonged period. Teng concluded by saying a future Taiwan could be compared to Hong Kong or Macao.

Other major statements by Vice Premier Teng were:

American military presence in the western Pacific is a stabilizing force for peace, with the exception of South Korea;

China will continue to support a guerrilla war in Cambodia against Vietnamese occupiers and their Cambodian allies;

Human rights practices are an internal matter and should not be a topic of bilateral discussion.

In extensive meetings with senior Chinese military officials, the first such discussions with Members of Congress, the Chinese said:

They would welcome, but did not expect, American military technology and armaments;

The Chinese are extending the range of their ICBM's to reach the European portion of the U.S.S.R.;

A vice chief of staff for the PLA agreed with my recommendation that military maneuvers opposite Taiwan and the offshore islands be curtailed, if not halted;

One senior military officer, expressing a personal opinion, would welcome U.S. naval ship visits to Chinese ports.

My discussions with the Acting Manager of the Bank of China revealed:

The Bank has recommended to the Government that China "rejoin" the International Monetary Fund;

That following settlement of the frozen claims and assets problem, branch banking would be possible in both countries;

The Chinese are interested in using the Commodity Credit Corporation to finance U.S. agricultural imports.

These conditions and the changes sweeping across Chinese policies suggest a new flux during which both Chinese and Americans have an opportunity to clarify earlier misperceptions and to seek more cordial relations. Such moment is positive and does not imply approval of the communist regime in China. Rather, it represents a realistic foreign policy emphasizing American interests. With this in mind, I am submitting the following report.

Chapter 1

CHINESE FOREIGN POLICY

Introduction

When Yankee clipper ships sailed the seas, Cathay was the gem of the Orient. Internationally it was an imperial epoch, during which China was "up for grabs." America belatedly joined this game with our "Open Door Policy" supporting equal commercial opportunity and China's territorial and internal integrity to avoid exclusion and the loss of trading opportunities. Now we again are opening that door.

The Chinese, in part because of their isolation and perceived cultural superiority (the Middle Kingdom), have a deep sense of history. The humiliations imposed in China by foreign powers from 1840 through World War II are still vivid. Indeed, upon declaring the formation of the PRC, Mao said "Our nation will never again be an insulted nation. The Chinese have stood up." That century of defeat followed centuries of political and cultural preeminence in East Asia. Chinese nationalism thus combines with this sense of separateness to create a foreign policy that seeks to match its greatness as a culture with the sinews of power.

Nationalism and communist ideology are the principal determinants of Chinese foreign policy. Indeed, this powerful combination gives impetus to the drive for economic and military modernization and the objective of transforming China into a powerful modern state by the year 2000.

Civil War

For two-thirds of this century, the instability and violence of Asia has been intertwined with China's inability to rule itself. Since the end of World War II, the central issue in U.S. policy toward East Asia has been how to deal with China. That policy issue has confronted six Presidents prior to the current Administration.

It must be recalled that President Truman specifically indicated that U.S. forces would not involve themselves in a Chinese civil war in the Formosa Straits. Yet, with the outbreak of the Korean War—the watershed of American policy in Asia—that decision was reversed. The United States began to base Asian policy solely upon the "containment" and non-recognition of China. Twenty-five years later this policy had led to a permanent series of East Asian crises because of *ad hoc* compromises founded on fear and misperception. This legacy of a quarter century of violence, alongside emerging nationalism and the struggle to achieve economic growth in East Asia, has since then bedeviled U.S. policy.

The obvious, but often ignored point is that the nationalist movement of Sun Yat Sen had two elements: communist and nationalist (Kuomintang) factions. The essential fact is that until open battles with the Soviets in 1969, internal affairs were always more important than foreign affairs. Only Taiwan regularly intruded upon Chinese thinking in the years between Korea and Vietnam. The ending of the American intervention in this civil war ends an era of Asian history and ushers in a new basic relationship between China and the United States.

Asian Politics

In Asia's international politics, China is the most prominent actor. A population in excess of one billion—more than a quarter of the human race—is bound to affect other Asian countries. Chinese territory stretches from the Pacific in the east to the Pamirs in the west, from the Sino-Soviet border in the north to southeast Asia. Like ourselves, China is a continental nation with differing nationalities.

Too few realize how widely East Asian politics have changed in this decade. China has acquired a self-reliant foreign policy, establishing relations with Japan and the United States, broadening its diplomatic ties in Asia (Malaysia, 1974; Bangladesh, Philippines and Thailand in 1975) and Europe. In 1977, China quarreled and broke with Albania over the formulation of the Three Worlds policy and Yugoslavia President Tito visited Peking. In 1978, Chairman Hua visited Korea, Yugoslavia, Romania, and Iran—all points of tension to the U.S.S.R.—in an activist, anti-Soviet diplomacy in the Soviets' back yard.

The Soviet Union, apparently emphasizing a containment policy against China, is expanding and modernizing Soviet forces on the Sino-Soviet border, and has increased its diplomatic activity in the region. Most significant, the Soviets recently concluded an alliance-type treaty with Vietnam. Thus, China's nearest, militarily strong "ally" has turned hostile and united with the "menacing and dangerous barbarians to the north," with the "Polar Bear."

Meanwhile, the United States is removing American military presence on the mainland of Asia, and because of Vietnam, the Korean troop withdrawals and other fears, allied ccnfidence has eroded. Although that confidence is slowly rebuilding, U.S. relations with Taiwan will have an impact upon future assessments of U.S. policies by Asians. Japan continues to exert enormous economic power and is seeking to develop more cordial political ties. The Sino-Japanese Friendship Treaty is in marked contrast to China's 1950 treaty with the Soviet Union that identifies Japan as the common enemy. Thus, a relatively peaceful East Asia has created a new regional balance that reflects Chinese presence in a fragile equilibrium that necessitates an interacting diplomacy. No nation is, or can be, dominant.

Chinese Strategy

China's "Three Worlds" foreign policy atempts to exploit the basic contradictions which Peking sees between the so-called First World, consisting of the two super-powers, the United States and the

U.S.S.R.; the Second World, consisting of the industrialized countries of Western Europe, plus Japan and Canada; and the so-called Third World, which includes the developing countries of Asia, Africa, and Latin America. China places itself in the Third World category and argues that these countries should unite in opposing the hegemonism of the two super-powers. There is also a dualism in Chinese policy toward some of these countries: China pursues normal state-to-state relations with most of them while maintaining party ties with local communist movements. For example, communist insurgent radio stations, believed to be inside China, broadcast regularly to Malaysia and Thailand. This dichotomy is quite troubling to Southeast Asian neighbors.

According to Teng Hsiao-p'ing, "The socialist camp which existed for a time after World War II is no longer in existence", because of the "emergence of social-imperialism"— the Soviet Union. Teng told his United Nations General Assembly audience on April 10, 1974, that "Since the two super-powers are contending for world hegemony, the contradiction between them is irreconcilable. . . . Their compromise and collusion can only be partial, temporary and relative, while their contention is all-embracing, permanent and absolute". Thus, the Third World nation can exploit differences between the super-powers to maximize their own goals.

Chinese strategy also adheres to traditional Chinese political thinking. For example, Mao's 1940 directive, "On Policy", which explains and justifies the efforts of the Chinese Communists to deal with Japan—then the main threat to China through the use of a balance of power strategy and united front concepts—is again the operational guideline. At that time, Mao called for the adoption of a "revolutionary dual policy" combining elements of both alliance and struggle. The object was to combine with any potential allies, regardless of their political coloration, as long as they were in favor of resisting the main enemy—Japan. In accordance with this strategy, the Chinese Communists were prepared to cooperate temporarily with the Chinese Nationalists, and even with such "imperialist" powers as England and the United States against Japan. This directive was again published in the Chinese press in August 1971, after Dr. Kissinger's secret visit to Peking and the Chinese invitation to President Nixon to visit China. The directive was accompanied by a commentary which made explicit certain points that had only been implied in the directive itself. According to this commentary, Mao's 1940 directive was said to have drawn a distinction between the "primary enemy and the secondary enemy and between the temporary allies and the indirect allies". The commentary noted that Mao's tactical principles involved a "dialectical unity of firm principles and great flexibility" and explicated the "art of waging all kinds of struggles in a flexible way" so as to "isolate the primary enemy".

The United States was not mentioned in this commentary, but the republication of Mao's directive and comments were presumably intended to justify China's new opening to the United States. It implied that the United States was no longer the primary enemy of China and had, therefore, become a country with whom cooperation was possible against the principal threat.

This switch has meant that in less than a decade, the "social imperialist" power, the U.S.S.R. has become China's greatest threat; Japan, once a "reactionary" and "aggressive" capitalist state, is urged to continue expanding its defense forces; a formerly friendly socialist state, Vietnam, is daily attacked despite the maintenance of a PRC Embassy in Hanoi. The Chinese strongly support NATO and want closer political and economic ties with Europe. The United States, once the major enemy, is now a secondary threat and a "temporary ally" and the Chinese have parallel policies of opposing Soviet-Cuban intervention in Africa and elsewhere.

In essence, Mao's doctrine of Three Worlds permits great flexibility in Chinese foreign policy. It organizes a "united front" against the Soviet Union—especially in light of recent Japanese and American policies, while preserving autonomy.

Sino-Soviet Split

The Sino-Soviet dispute reflects both open disagreements between the two nations extending back into the 1950s and national antagonisms bred over centuries. Indeed it is this dispute which partly drives China's modernization goals.

As John Fairbank, the dean of China scholars, said in 1946:

> The trick of balancing one foreign power against another goes far back in Chinese history and is part of the manipulative genius of the Chinese middleman in politics and diplomacy. . . . Unless we force the Chinese Communists to depend upon Russia for their very survival, which they do not do at present, we might expect them to remain in the future as relatively independent of Russia. . . .[1]

The Sino-Soviet Treaty, in retrospect, even hints at these difficulties. This treaty preserved Soviet territorial status in Manchuria, provided minimal economic assistance, allowed joint extraction of mineral resources in Sinkiang province, and was directed at the last common enemy—Japan—and not the United States. Later, in 1962 at the Eighth Party Congress, Mao revealed Stalin favored a coalition government with Chiang Kai-shek in 1945 and that in 1949 Stalin had not wanted to sign a Sino-Soviet pact (this fact was later confirmed by Nikita Khrushchev).

Both countries here a 4,150-mile (7,000 km.) border whose legal status is in dispute. The Chinese assert the territory is theirs (Amur River basin, western Sinkiang province and Vladivostok) and was "unjustly" ceded to Russia in 1860. Although the Chinese have not demanded the return of these territories, they do insist upon Soviet recognition of Tsarist "aggression" as a preliminary to negotiations to amend the present borders. The Soviets resist, given the precedent that would be created by their undermining other Russian border agreements. Periodic border talks have been held with little apparent progress.

Chairman Hua Kuo-feng told the Fifth National Peoples Congress in February 1978, that China would agree to boundary negotiations only after Moscow agreed to mutual troop withdrawals along the

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[1] "Our Chances in China", *Atlantic*, September 1946.

border. The Soviet response to China's condition is predictable. Acceptance of this precondition would require a major Soviet repositioning of forces away from the border while the bulk of China's troops are well back from the border in the first good defensible terrain. For instance, during an April 1978, visit by Soviet President Leonid Brezhnev and Marshall Ustinov to the border areas, an upgrade in Soviet defenses against China was urged. China's concern is that the U.S.S.R.'s forward deployments allow the Soviets to launch quickly a "blitzkrieg"-type offensive.

A second cause of the rupture is the abrupt withdrawal of Soviet economic and technical assistance, including a nuclear program, between 1959 and 1961. According to informed sources, the Soviets even took blueprints with them so the projects could not be completed. Indeed, the Soviets insisted upon repayment for all past aid ($6 billion), including gasoline and ammunition for the Korean War. These actions stifled economic development and embittered the Chinese.

Third, ideological differences existed and consequently differing interpretations on how to deal with "capitalist countries." Mao advocated confronting the United States which he described as a "paper tiger" throughout the world. The Soviets, aware of the United States' strategic power, were more cautious. Chinese misgivings increased when the Soviets refused to back Peking's 1958 attack on Quemoy and Matsu—nationalist held islands off the coast. Mao's doubts were realized when the U.S.S.R. took India's side in the 1962 Sino-Indian border war and, in addition, began a buildup of its forces on China's northern border.

Fourth, this apprehension intensified after the clashes on the Ussuri River in March 1969, and reports to the Ninth Party Congress the same year. Chinese troops were redeployed toward the northern borders and production of military weapons and equipment increased dramatically.

Peking now works at every opportunity to check Soviet diplomatic gains or penetration of national Communist parties.. Indeed, this rift is often reflected in other nations with their differing brands of communist parties. Equally important, as the recent visits of Chairman Hua signify, is the encouragement of anti-Soviet attitudes in east European states.

The intractable problems cited earlier seem likely to continue. Further, Soviet attempts to create an Asian security network, the strengthening of Sino-Japanese ties (especially economically), and the triangular relationship among Moscow, Peking and Washington seems likely to intensify Sino-Soviet differences. From Moscow's perspective, an emergent China, strengthened by an infusion of foreign trade and enjoying diplomatic relations with Japan and the United States, is a formidable adversary. Although improbable a second option is armed conflict. The risks to both sides, however, are high. In a nuclear exchange, China could lose the industrial base. On the other hand, the Soviet Union would find it difficult if not impossible to hold Chinese territory, could never be certain of non-intervention by outside powers, and is exposed in Central Asia and a portion of European Russia to Chinese nuclear retaliation. Further, large quantities of Soviet natural resources are located in areas claimed by China despite being in Soviet possession for nearly a century. A third option, poli-

tical accommodation, is also possible, yet resolution of myriad problems without mutual trust is difficult to conceive. Moreover, which side would make territorial and ideological concessions?

A broad rapprochement seems unlikely. The street the Soviet Embassy is located on in Peking remains the "Street of Anti- Revisionism". But the summer of 1977 did witness a limited agreement granting Chinese vessels access to a northern navigation channel on the Usuri River previously closed to them. It seems likely this was a token gesture by Moscow. Likewise in August 1977, the PRC Ambassador returned to Moscow after a year's absence and the Chinese foreign minister attended the reception given by the Soviet Ambassador in Peking to celebrate the anniversary of the Bolshevik Revolution. Nevertheless, the question remains whether a sudden power shift in Peking could lead to a realignment with Moscow.

These are only minor signs, and it appears the Sino-Soviet split remains. Teng has stated there is no thaw in sight. He told the Japanese that he does not expect friendly relations with Moscow during his lifetime or during the lifetime of "the next generation". Teng has called the 1950 PRC-U.S.S.R. alliance treaty "a dead letter", saying it will be allowed to lapse in 1980. In addition, the Chinese continue to denounce what they term as Soviet hegemonical designs on Asia and Africa. Because world peace would be threatened by any Sino-Soviet military conflict, probably the current status of nonbelligerent adversaries is the best situation.

Analysis of Chinese Foreign Policy Outreach in 1978

Chinese foreign policy in 1978 continued the outward trend begun in 1969 when China found itself faced with a serious Soviet military threat. Mao and Chou En-lai apparently made the decision to strengthen China's ties with the West and this policy was pursued more vigorously after the fall of Lin Piao in 1971.

With the death of Mao Tse-tung in September 1976, and the fall of the "Gang of Four" shortly thereafter, the process of reconciliation with the West accelerated. There were three reasons for this:

- With the "radicals" removed from power in Peking, there was less need to keep PRC foreign policy in ideological fetters.
- There was mounting concern about a world-wide withdrawal of American power following the fall of Vietnam and the Watergate affair. This feeling was reinforced by what was perceived as a weak U.S. response to Soviet moves in Africa, especially Angola.
- The decision (for internal reasons) to turn to foreign countries for modern technology added another motive for closer relations with the Western industrialized nations.

China's new active and pragmatic policies in 1978 included a variety of diplomatic coups. Premier Hua Kuo-feng's successful and highly publicized trip to the Balkans in August, demonstrated China's influence in the Soviets' backyard and Peking's interest in studying new forms of economic management. A public break in friendly relations with Albania and Vietnam and support for President Sadat's peace initiative in the Middle East—even at the risk of alienating the radical Arab states—signalled new ideological alignments.

The signing of the Peace and Friendship Treaty with Japan solidified a relationship made more necessary by China's increasing interest in Japanese technical assistance and capital investment. Broad hints to India of the PRC interest in an improvement of bilateral relations were made in an obvious effort to draw New Delhi away from Moscow. Finally, the completion of a normalization agreement with the United States, capped a year of intense diplomatic activity.

Although this pragmatic approach to foreign policy has resulted in a 180 degree about-face, the PRC still supports insurgent Communist parties in Southeast Asia on a party-to-party basis.

At present, PRC foreign policy is characterized by a heavy dose of anti-Sovietism combined with an economically motivated effort to forge closer relations with the developed world and retention of some standing in the nonaligned movement. This has resulted in the following regional policies:

EUROPE

Verbal support for NATO and the EC as counterweights to Soviet power and a quest for modern technology, including military items;

MIDDLE EAST

Efforts to promote Arab unity, as a means of excluding Soviet influence and at the same time, support for anti-Soviet states such as Egypt (which conflicts with the goal of Arab unity);

AFRICA

Greater attention to moderate, pro-Western states, coupled with support for Africa's ties to Western Europe (e.g., French intervention in Zaire). PRC support for liberation movements in Southern Africa has posed the dilemma of supporting organizations which are becoming increasingly dependent on Moscow.

SOUTH ASIA

Efforts to woo India away from its close ties to Moscow, while trying to prop up the regime in Pakistan.

KOREA

Economic and political support for Kim Il-sung's North Korean regime in order to keep him away from the Russians. Vice Premier Teng emphasizes that "the independent and peaceful reunification of Korea" can only be achieved after American troops are withdrawn from Korea. Because of this need for a friendly state on its border, the PRC has been unwilling so far to risk a compromise on its hard-line position toward South Korea. In a meeting in the Great Hall, Vice Premier Teng urged that opposition political parties in the Republic of Korea be included in any North-South talks. Although I have consistentlv supported resumption of such a dialogue, this Chinese and North Korean posture is unrealistic and may be simply a propaganda device. Teng was also discouraging of China assuming any role in reducing tensions on the Korean peninsula, saying that China had no

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direct responsibility in Korea. Whether those statements are candid or reflect only public posturing is debatable. The one glimmer of hope was Teng's comment that China will convey North Korea's position to the United States and his "hope" that U.S. officials would convey North Korean ideas to South Korean authorities.

JAPAN

China's increasingly close ties to Tokyo are based on two factors: (1) reliance on Japanese technology and capital to carry out modernization plans, and (2) a desire to prevent close cooperation between Japan and the U.S.S.R. Thus, Peking has approved the U.S.-Japan Mutual Security Treaty and has played down remaining territorial disputes with Japan (Senkakus). Teng told our delegation that Japanese-American relations are more important than Sino-Japanese relations. Further, their economic compatibility and shared cultural history provide additional basis for closer bilateral relations.

SOUTHEAST ASIA

The PRC supports ASEAN and attempts to turn it against the Soviets and Vietnam. China's policies here are complicated by the problem of the overseas Chinese which Peking wishes to draw on for its modernization program and in its efforts to reunify Taiwan with the mainland. This creates the suspicion among Southeast Asia governments that the Chinese are creating a fifth column.

In the near term, it is likely that China will continue to develop relations with the West, while continuing hostility to the Soviet Union. Peking possibly will also demonstrate a greater willingness to cooperate with the West on issues such as disarmament and the Middle East. In addition, the Chinese probably will make efforts to organize anti-Soviet "united fronts" around the world. Most significantly, China will continue to identify with the Third World, and to take relatively hard-line positions on North-South issues.

Soviet Asian Policy

Containment of Chinese ideological and diplomatic initiatives and defense against China's potential military threat form the basic tenets of Soviet policy toward Asia. In 1978, Moscow was disturbed by a new assertiveness in Peking's foreign policy. This concern was dramatically highlighted by an August 26 Politburo statement which charged that China was trying to gain access to NATO arsenals and implied that arms sales to China would destroy chances for a new Strategic Arms Limitation Agreement.

Despite a virulent propaganda campaign, the Soviets have been unable to prevent Chairman Hua's warm reception in Eastern Europe, North Korea's present "tilt" toward Peking, the signing of the Peace and Friendship Treaty with Japan, or normalization of relations with the United States. In the face of this diplomatic offensive, the Soviets have been ineffectual, except for the friendship treaty with Vietnam, Afganistan and Ethiopia.

The Soviets apparently see little prospect for improving Sino-Soviet relations. Thus, they will try to maintain the present level in

state-to-state relations and work to counter Chinese anti-Soviet activities. Militarily, the Soviets will maintain superior forces on the Chinese border in order to deal with any challenge.

JAPAN

Soviet reaction to the conclusion of the Sino-Japanese Peace and Friendship Treaty, which includes an anti-hegemony clause aimed by Peking at Moscow, has been critical but restrained. In his first meeting with a Japanese delegation after the signing, Premier Kosygin strongly criticized the Treaty, but indicated that Moscow wanted to maintain good relations with Japan, especially in the economic sphere. Kosygin's remarks coupled with earlier Soviet statements that Japanese intentions would be judged by actions not words indicate the Soviets will limit their reaction to the Treaty.

The Soviets have traditionally relied on a combination of political toughness, military superiority, and economic incentives in dealing with the Japanese. They can now be expected to renew their insistence that Japan balance the Chinese treaty by signing a "Good Neighbor Treaty" with Moscow. They will also push for an increase in trade and encourage expanded Japanese participation in Siberian development projects. Any real improvement in Soviet-Japanese political relations will, however, be prevented by the Soviets' continued refusal to discuss the return of the northern territories—part of the Kurile Islands chain—occupied since the end of World War II.

KOREA

The Soviet Union's once warm relationship with North Korea has cooled significantly. Kim Il-Song has not visited Moscow since 1961 and the Soviets have not delivered major items of military equipment for several years. Following Chairman Hua's highly successful visit to Pyongyang, North Korea has rebroadcast Chinese statements criticizing the U.S.S.R. and now appears on the verge of openly supporting Peking's position in the Sino-Soviet dispute. During my trip, Pyongyang launched a fierce verbal attack on Vietnam for its invasion of Cambodia.

Possibly in response to this North Korean "tilt" toward China, Moscow has permitted some low-level contacts with South Koreans and has taken the unusual step of permitting the ROK Health Minister to attend a U.N. conference in the Soviet Union. This has touched off press speculation in Seoul about the possibility of further contacts between the ROK and the Soviet Union.

SOUTHEAST ASIA

In Southeast Asia, Moscow is equally frustrated. Soviet policy toward Southeast Asia is largely determined by its relationship with Vietnam, the only state with which it enjoys close relations in the region. Yet, internecine communist warfare between Vietnam and Cambodia has made even less likely any accommodations by Japan or the United States with Vietnam. There may have been some increase in Soviet presence and assistance to Vietnam, but Moscow has been careful not to provoke Peking into taking military action against Hanoi.

On November 3, 1978, the U.S.S.R. and Vietnam signed a 25-year peace and cooperation treaty petitioned earlier that pledges "appropriate and effective measures" if either country is attacked. The treaty, the first between the U.S.S.R. and a Southeast Asian nation, provides also for economic aid to Vietnam and cooperation in other fields.

While providing propaganda support against China, the Soviets have endorsed Vietnamese efforts to improve relations with the ASEAN states, supported a Vietnamese zone of peace initiative, and encouraged Hanoi to seek better relations with the United States. The Soviets appear to be sensitive to Vietnamese desires to preserve their independence. They probably do not expect the Vietnamese to permit a Soviet naval presence in Cam Ranh Bay and have not pushed for a closer relationship than Hanoi is willing to accept. The Soviets may see improved Vietnamese-ASEAN relations as providing opportunities for greater Soviet contact with ASEAN states. Yet, despite Moscow's more positive view of ASEAN, the non-communist countries in Southeast Asia remain highly suspicious of Soviet intentions. Soviet options are severely limited by such fears and the area's traditional pro-Western orientation.

SOUTH ASIA

Since the April, 1978, Afghanistan coup which brought Nur Mohammed Taraki's leftist government to power, Soviet interest in the Asian sub-continent has focused there. The Soviets moved swiftly to recognize the new regime and to provide political, economic, and military support. Large numbers of Soviet "advisors" have assumed positions in Kabul's ministries and armed forces. A number of new economic agreements have been signed, and Soviet military assistance has increased.

Afghanistan's leaders have denied they are communists and have announced their intention to maintain the country's traditional nonaligned policy. However, Taraki and his principal associate, Foreign Minister Amin, have adopted Marxist rhetoric and are pursuing policies that can only increase reliance on Soviet support. Increase Afghan identity with the "socialist camp" and its revival of the Pushtunistan and Baluchistan issues has unsettled relations with Pakistan and Iran and raised questions about the stability of the entire region.

Improvement of Soviet relations with Pakistan will continue to be restrained by Moscow's interest in maintaining its traditionally positive ties with India. Although Soviet-Indian relations have cooled since the balmy days of Indira Gandhi's administration, the Soviets remain India's principal arms supplier and enjoy the benefits of a stable relationship with the major state in the sub-continent. However, Indian Prime Minister Desai has refused to endorse the concept of a "special relationship" between India and the U.S.S.R. Recently, New Delhi has shown, in pursuit of "genuine non-alignment," an interest in diversifying its source of weapons, particularly aircraft, and in improving its relations with Peking. However, it is doubtful the Indians will want to risk seriously undermining what has been a mutually beneficial association with the Soviets.

Indochina Developments

A matter of deep concern is Vietnamese ambitions to dominate the region as evidenced by recent aggression against Cambodia. Chinese policy toward Indochina is characterized by its hostility toward Vietnam and its fear of increased Soviet influence in the region.

Sino-Vietnamese relations, historically poor, have gradually worsened through the 1970's. The reasons for this deterioration are numerous. The Chinese capture of the Paracels and Hanoi's occupation of the Spratlys in the closing months of the Vietnam War (both countries claim both sets of islands) and increasing border incidents since 1973 reveal low-level conflict. Peking's reduction of aid to Vietnam following Hanoi's 1975 victory obviously angered the Vietnamese. Government-inspired actions in Vietnam—forced naturalization of Chinese in the North, expropriation of Chinese capital in the South, and the emigration of over 170,000 ethnic Chinese to the PRC angered China. Peking's termination of aid in June 1978; and, of course, Vietnam's November 3 signature of a treaty with the Soviet Union, were other significant signals. In the judgment of Peking's leaders these recent actions put Vietnam completely in the Soviet camp.

The Chinese support for Cambodia has been strong ever since Prince Sihanouk set up his exile government in Peking. Unlike Vietnam, Cambodia represented a country where Peking faced no real competition from Moscow. Since the Khmer Rouge takeover in 1975, Chinese leaders have swallowed whatever distaste they had for Phnom Penh's human rights violations. Peking has provided major economic support, including renovation of factories and restoration of the transportation network, military suport, including artillery and aircraft, and political support in international meetings and through the Chinese propaganda machine. Chinese leaders uniformly assert their commitment to the defense of Kampuchea (Cambodia) and profess confidence that a protracted guerilla war will begin. Vice Premier Teng told us that China will continue to render assistance to Kampuchea. This would require the ability to supply the Kampucheans through an alternative route, probably requiring cooperation with the Thais.

Chinese relations with Laos are distant, given virtually complete Laotian dependence on Vietnam. Nevertheless, China maintains its road-building program and one or two other aid projects, and has encouraged such states as Thailand to improve their relations with Vientiane. Discussions with the Prime Minister of Thailand, immediately after his return from a trip to Laos, made clear the Thai desire for better relations with Laos. China obviously hopes that Laos' leaders will eventually tire of their satellite status.

China's View of the United States

The Chinese government thinks Washington fears the Soviet Union to an extent that Peking cannot rationally understand. China sees a tendency toward appeasement in the United States under the label

of détente. Détente, they assert, has blinded the West to the danger of growing Soviet armament, and will allow the U.S.S.R. to divert more resources to the Sino-Soviet border. Thus, the Chinese argue the Soviets are feinting east, to attack in the West. The Chinese think was is inevitable, and that détente is a facade for the Soviet pursuit of military superiority.

China's opportunistic view of its U.S. relations was described in a revealing way to the 11th National Party Congress in 1977 by Chairman Hua Kuo-feng. He quoted Lenin as saying that "the more powerful enemy can be vanquished only by . . . making use without fail of every, even the smallest, rift among the enemies . . . and also by taking advantage of every, even the smallest, opportunity of gaining a mass ally, even though this ally be temporary, vacillating, unstable, unreliable and conditional."

Regionally, the Chinese do not seek a total U.S. military withdrawal because of the Soviet Union's expanded presence in the Pacific. The Chinese, as Teng emphasized, favor a withdrawal from the Republic of Korea and are presently unwilling to cooperate in the easing of tensions in Korea. However, these apparent contradictions are explained by citing communist dogma. Pragmatism has not—and will not—completely replace ideology in Peking. In essense, China wants the United States as a bulwark against the Soviet Union while China modernizes its industry and armed forces and attempts in the next decades to reach military parity with the superpowers.

One China

The Chinese perception of a unified state has existed despite frequent divisions, since unification under the Ch'in in 221 B.C. Since then the political, cultural and ideological worlds have always coincided to make a monolithic whole. The tradition of a "one China" doctrine is so strong that even when Chiang Kai-shek arrived in the old province of Taiwan, he insisted that his regime ruled all of China. The old orthodoxy is the permanence from which succeeding dynasties drew thier legitimacy. Taiwan might have become an independent nation years ago under the United Nations, but the Kuomintang (KMT) refused to accede to either self-determination on the island (15 million Taiwanese and 2 million of 1949 "Mainlander" descent) or independent statehood. Thus, both sides in this prolonged civil war insist there is but one China and that Taiwan is part of China. Indeed Taiwan has sentenced individuals to jail for even obliquely hinting at a "Republic of Taiwan."

The crucial issue for Taiwan's future is whether integration with the mainland will be imposed by force. Recent Chinese signals suggest this is not their preferred option. It is unlikely that Peking would attempt to conquer Taiwan given the military risks imposed by Taiwanese defense capabilities, the extreme reaction that would occur in Japan and the United States with consequences for their relations with Peking, the diverting of forces from the Sino-Soviet border, and adverse world opinion.

Unlike the 1960's, however, there is no possibility of a "two Chinas" policy. To choose that option is to renounce ties with the PRC. Moreover, as is evident in the representation now existing on Taiwan, there

is no international support for such a policy. Such a decision is directly contrary to the expansion of Sino-American relations with U.S. strategic and regional policies necessitate.

Ideally, as the political generations alter on both sides of the Taiwan Straits, a peaceful resolution will be possible. The Shanghai Communique affirms the U.S. interest "in a peaceful settlement of the Taiwan question by the Chinese themselves." Anything less would be an evasion of our moral responsibility.

Asian Reaction to Normalization

According to intelligence sources, the private reactions of Asian political leaders varies little from public statements. This is not surprising since many governments have been anticipating formal Sino-American diplomatic relations since the events of 1972. Although only 47 states recognized Peking in 1975, 115 states recognize the PRC now.

The general worries mentioned by Asian leaders center on three factors:

- trade competition in China from the United States
- how the United States deals with the security of Taiwan
- reassurance on the United States remaining a Western Pacific power

These concerns are to be expected given the weight of cumulative concerns regarding Vietnam, Korean troop withdrawals, Indian Ocean talks, Philippine base negotiations and what Asians perceive as the specter of protectionism.

JAPAN

Because the previous Sino-American-Japanese situation provided the underpinning for Sino-Japanese trade and security without American economic competition, the Japanese are now apprehensive that the economic results of Sino-American normalization may reduce Japanese economic gain. On a military note, the use of U.S. bases in Japan to deal with a Taiwan contingency is uncertain. Such a situation would have serious repercussions and should be explored.

REPUBLIC OF KOREA

The ROK views China's emerging relations with the West as a positive step that is likely to add further incentive for the PRC to counsel restraint on Pyongyang. The precedent of the U.S. terminating a security treaty with an ally is troubling despite the uniqueness of the Chinese situation. However, it is likely that the ROK will use this action as leverage for greater U.S. assistance in their drive for military self-reliance.

Any North Korean hopes that demoralization would occur in South Korea appear faulty. Indeed, one wonders to what extent Pyongyang worries that Peking might sacrifice North Korean interests.

ASSOCIATION OF SOUTHEAST ASIAN NATIONS (ASEAN)

Most leaders in Indonesia, Malaysia, the Philippines, Singapore, and Thailand are surprised at the timing of U.S. recognition of the PRC. More importantly, they fear the United States may neglect ASEAN interests in a rush to invest in China.

Indonesia, with its historical problems of dealing with Communist insurgents (including ethnic Chinese), and Singapore, with a population that is 73 percent Chinese, are especially concerned at the suddenness of the action. Moreover, some ASEAN leaders have strong personal ties with Taiwanese leaders and are therefore naturally concerned about Taiwan's transition into a new relationship with the United States.

Aside from economic concerns, ASEAN's greatest fears center on the possibility of increasingly tense relations with the Soviet Union and the prospect that normalization will further drive Vietnam closer to the U.S.S.R. A pivotal question is whether Vietnamese aggression will halt and consolidate old French Indochina or continue aggression and subversion against ASEAN states. These apprehensions have prompted some leaders to ask for an ASEAN Summit in 1979 to discuss the regional problems and the impact of Sino-American recognition.

ANZUS

The Australian Prime Minister said that normalization would "be of paramount importance in maintaining the international strategic balance" and would enable the United States to play a "more effective role in Asia and the Pacific." He went on to note, however, that "this would require the maintenance of appropriate American power and influence—political, economic, and military—in the region." New Zealand Prime Minister Muldoon welcomed the "historical step" and said it would help to stabilize relations in Asia.

Arguments Favoring Normalization

In my judgment, the case for recognition rests upon the reality of a division between PRC legal sovereignty over Taiwan and the autonomy of Taiwan's economic and social systems. The PRC concessions, allowing the defense treaty to lapse normally, realization—even if disagreeable—of a continued American arms supply relationship with Taiwan, and allowing the ROC "security forces" to remain on the island after reunification are crucial to my support of normalization. Without these provisions, the United States could be accused of sacrificing Taiwan by ignoring the defense needs of a past ally and terminating a defense treaty which could exacerbate regional fears about the reliability of the United States as an ally. Since these objectives have been met, the arguments supporting normalization, or the establishment of ambassadorial level relations, are positive. Thus, the continuation of strong U.S.-Taiwan economic ties and the security made possible by Taiwanese strength and continued U.S. arms supplies, will, I believe, ensure the continued autonomy and prosperity of Taiwan.

STRATEGIC RATIONALE

Normalization represents a consolidation of Sino-American relations that is essential to American strategic policy. Normalization

itself, as the Soviets told me in Moscow in November 1978, is not alarming to them. The selling of arms, such as the British Spey engine deal in 1975 or reported negotiations to sell French anti-tank weapons in 1978, does, however, alarm Moscow.

Recognition is far from an alliance and China is only potentially a great power, yet it does further compound the strategic problems faced by the Soviet Union. Our triangular relationship with the Communist giants is advantageous to us since we enjoy better bilateral relations with each nation than they enjoy with one another. So long as each communist power must weigh American aid to the other, both will be forced to court—in varying degrees—the United States. This balancing act is crucial to preserving peace and the strategic equilibrium. In 1949, U.S. rigidity forced China into a lopsided dependence on Moscow and helped to create—not hinder—the Sino-Soviet monolith so feared. Later, after the split between these Communist allies, the Soviet invasion of Czechoslovakia in 1968 and the border conflict with the Soviets in 1969 led Mao to seek a rapprochement with the United States. Likewise, Soviet fears of Sino-American rapprochement were a powerful incentive for Soviet actions on détente. Although détente was enhanced by the Shanghai communique, it required the careful nurturing of Soviet-American relations. Nevertheless, the Soviets maintain détente does not apply to regional problems and struggles for liberation. Hence, recent Soviet actions, alongside of Cuban and East German proxies in Africa and the Middle East, are deeply disturbing. If the Soviets proceed in such fashion, a closer U.S.–PRC relationship may help to deter Soviet expansion or, if necessary, allow for the reallocation of U.S. assets to cope with Soviet pressure. A strong China, unfriendly to Moscow, is as vital to our global interests as is NATO. Soviet power is on the ascendency, its military build-up continues independent of SALT, MBFR or détente, and will be a major diplomatic and strategic issue for decades.

I do not favor a Sino-American military alliance with its grave consequences for an intractable and aggressive U.S.S.R. for Soviet-American relations, nor am I advocating manipulation of the Sino-Soviet rift. Indeed, such manipulation could even have the effect of aiding rapprochement between the two rivals and is therefore a dangerous policy. Conversely, although U.S. policy can do little to prevent a Sino-Soviet rapprochement if the Chinese decide upon such a policy, normalization of relations with China probably does limit the danger to U.S. interests in such a situation. U.S. national interest dictates the maintenance or relations with each nation, with actual policy issues to be weighed against this triangular arrangement. Indeed, the appearance of a "tilt" towards either Moscow or Peking could have more destabilizing effects than continuation of the former situation. However, in order to reap the benefits of this triangular balance, normalization with China is necessary.

If there is any change in this seemingly irreconciliable antagonism between Moscow and Peking, it is likely to be some form of limited détente induced by tactical considerations. Both nations would thus gain greater leverage against the United States (unless American bilateral relations with each were quite good), each could either scale down its defense burdens or redeploy some of its forces committed to the Sino-Soviet border and perhaps over time even resolve some

of their disagreements. However, I do not anticipate even such a mild accommodation in the near term. The two nations are unable to even agree on the most minimal form of concessions and the Chinese are truly fearful of Soviet expansion. To counter that threat, the weight of the United States as a diplomatic balancer and the importation of foreign technology to modernize China so that it might gain real self-sufficiency is essential. Conversely, if the Chinese perceived an erosion of American will or collusion with the U.S.S.R., China might move to seek better relations with the Soviet Union. Finally, Chinese approaches to the Soviets would necessarily compel Western suppliers of technology to reconsider their Chinese ties.

This strategic equation, however, must not appear to be directed against the Soviet Union. The nature of strategic arms and our global political rivalry with the U.S.S.R. makes clear the significant importance of Soviet-American relations in U.S. foreign policy. As senior Soviet foreign policy specialists told me in Moscow during my recent visit, normalization during a period of declining Soviet-American relations would create greater tension. This is natural given the traditional Soviet fears of a two-front defense problem. As I predicted in a press interview on December 15, 1978, the recent "stall" in SALT reflects this concern. Thus, it is important that the United States makes clear that although normalization is not a maneuver against the U.S.S.R., future Sino-American relation will inevitably be affected by Soviet behavior.

Whether the Sino-Soviet rift will lessen is a question of great policy significance. At one level the relationship could continue in its present form, sharp verbal disagreements, occasional accommodation, and, sometimes, low-level conflict. Sino-Soviet enmity therefore forces each nation to commit massive resources to their mutual border that otherwise could be deployed elsewhere with grave consequences for the United States—greater global tensions, larger defense budgets and increased domestic debate over U.S. foreign policy that is only now starting to regain consensus following Vietnam. Moreover, the Soviet threat (which the Chinese believe includes Vietnam to the south) I am convinced, bears a casual relationship to the PRC's concessions regarding Taiwan. Admittedly, China is playing an "American card", but in this situation both the United States and China have reaped direct strategic advantages.

CHINA'S IMPACT IN EAST ASIA

A second reason favoring normalization is China's status in Asian politics. As Richard Nixon wrote in 1967, "Any American policy toward Asia must urgently come to grips with the reality of China" (*Foreign Affairs*, October, 1967). The resolution of major issues such as the division of the Korean peninsula, or the Association of Southeast Asian Nations (ASEAN) concept of a zone of peace, freedom and neutrality, or the disputed potential oil reserves of the South China Sea, demands Chinese participation. Further, because China's policies will be a factor in the future shape of Southeast Asia, greater communications and perhaps influence on Chinese policies is desirable.

The development of Sino-Japanese ties may be the most significant event in Asia since the Korean war. A manpower labor-intensive China and Japanese technological and managerial skills, if more closely

merged for any reason, will have awesome consequences for the world.

China's participation in the United Nations has been far more orderly than many would have predicted a decade ago. Likewise, better communications with China can enable us to help shape a more peaceful and prosperous Asia that is more compatible with our long-term interests. Conversely, a deterioration in relations will lead to trouble in Southeast Asia, Korea and perhaps over disputed offshore oil resources in the South China Sea.

NATIONAL MISPERCEPTIONS

Third, the geographical, political and cultural gap between ourselves and the Chinese is enormous. Despite ideological differences, Soviet and American leaders understand one another far better than Chinese and American leaders. Efforts to bridge this gap must begin soon because it will take years to breach our differences. Already miscalculations by both sides have led to two wars in Asia since 1945. Our general ignorance of Asia contributes to these miscalculations and China's growing nuclear arsenal makes this ignorance ever more dangerous. To begin to conquer these differences, to negotiate with the Chinese, requires the establishment of full diplomatic relations.

ECONOMIC BENEFITS

A fourth argument, which I believe is overrated, is that trade opportunities are sufficient to justify normalization. Although Sino-Japanese trade tripled shortly after their 1972 normalization and has since expanded, U.S. technology and machinery sales face tough competition from Japan and Western Europe. Sino-Japanese trade is complementary with China supplying natural resources and Japan supplying technology and management. Western European countries can contribute, among other things, advanced weapons technology which Japan is unwilling to provide. Obviously, larger U.S. grain sales are likely. But the other area of obvious potential—high technology—faces numerous policy questions. Moreover, China is obviously using its limited trade as an economic tool against the Soviet Union. The recent Sino-Japanese treaty, while mutually beneficial to both economies, also limits possible Japanese assistance in the development of resource-rich Siberia.

Succinctly stated, arguments of economic gain are small ($1 billion in 1978 with the PRC, compared to $7.5 billion with Taiwan) and ignore fundamental questions of how readily China can absorb or pay for foreign technology.

TREATY COMMITMENT

A fifth reason is that given the "one China" positions of both the PRC and Taiwan, the prospect of the United States being eventually forced to choose between truly abandoning Taiwan by reneging on a defense treaty commitment or fighting is high. It is my judgment that the current international climate offers maximum leverage against the PRC for a peaceful resolution of this civil war. I believe that Taiwan and the United States received the "best deal" possible and avoided a disastrous future choice. By continuing to supply armaments to Taiwan, we provide for their defense without committing the United States to possible involvement in a 30-year civil war. By insisting

upon a one-year notification of our intent to allow the defense treaty with Taiwan to lapse, as provided in the treaty, we preserve the integrity of our defense commitments. Most importantly, we maintain the welfare of Taiwan.

Thus, just as in the 1933 debate over recognition of the Soviet Union, "normalization" does not represent endorsement of a totalitarian regime. Rather, it represents an affirmation of the priority of United States national interests and the need to have realistic channels of dialogue.

CONCLUDING OBSERVATION

The important issue is not whether there is an American Embassy or a Liaison Office in Peking. Most Americans agree mutual diplomatic relations are desirable. The real issue is the China that will exist at the turn of the century. China today is not a military or economic super-power. This is why China wants and needs help from the United States. China is a potentially powerful state and only recently an adversary. The events in Cambodia sharply reveal the limits of Chinese power. It is important, however, to develop Chinese-American collaboration on matters of common interest. We in the United States must strive to consolidate Sino-American relations while seeking to achieve the constructive participation of China in the international arena.

Our ability to exert influence in Asia and internationally in the future depends, to a degree, upon our association with Asian goals in the international arena. The era of colonialism has ended and the opportunities for great powers to dabble in domestic affairs in prenationalist Asia is over. New forms of international cooperation, regional management schemes, and wider non-governmental involvement in foreign affairs are the hallmark of our era.

China is a poor, developing country—a regional power—and at the moment nothing more. But as China grows economically and militarily stronger, its influence increasingly will be felt not only in Asia and the Western Pacific, but globally on selected issues.

If the United States hopes to play a role in East Asia, we will need a working relationship with Peking. An absence of such a relationship could well prove dangerous. In the Korean War, and in the Vietnam War, each country miscalculated the other's possible course of action. And it should go without saying that in the event—unforeseen at this moment—of some sort of détente between China and Russia, it would be essential for this country to have good relations with both. Even if some future Chinese leadership only moderated slightly the hostility toward the Soviets, the strategic balance could shift against the United States. To counter such a shift, the United States needs better relations with each communist state than they possess with one another. Normalization is therefore a crucial step in U.S. foreign policy.

Chapter 2

THE CHINESE ECONOMY

The Chinese economy expanded rapidly after 1949. Economist Dwight Perkins, of Harvard, has estimated that between 1952 and 1976, the GNP grew at an annual rate of 6 percent, industrial production at 10 percent, and agricultural production at 2 percent. Its social structure remains predominantly rural and urban migration is controlled. This urban-rural imbalance, despite increased state support of the agricultural sector since the 1962 recession following the collapse of the "Great Leap Forward," remains a pivotal problem. Since 1949 growth in the agricultural sector has apparently barely matched population growth—a comparative statistic that aptly illustrates the need for economic modernization since agricultural growth in successful developing countries outpaces population growth. Per capita agricultural consumption has been stagnant since the late 1950's. China has conquered recurring famines, but does not enjoy true self-sufficiency.

A major difficulty with analyzing the Chinese economy is the absence of official statistics published on an annual basis (except for a brief period in the late 1950's). Today selective statistics are casually released. Poor performance is either not reported or is compared with a year that makes them look good. The year 1949 is a favorite. Statistical reliance therefore has to be placed on various estimates which are used alongside of available Chinese figures to form the basis for most judgments.

China's future policies are clearest in economics and foreign trade. Chinese leaders have decided to renew emphasis on modernization and increased production. The "Four Modernization," objectives for attaining the "comprehensive modernization of agriculture, industry, national defense, science and technology before the end of the century," first articulated by Chou En-lai in his report to the Fourth National People's Congress (January 1975), have been reinstated. A series of planning conferences in a variety of fields have been held to discuss the achievement of these objectives.

Background

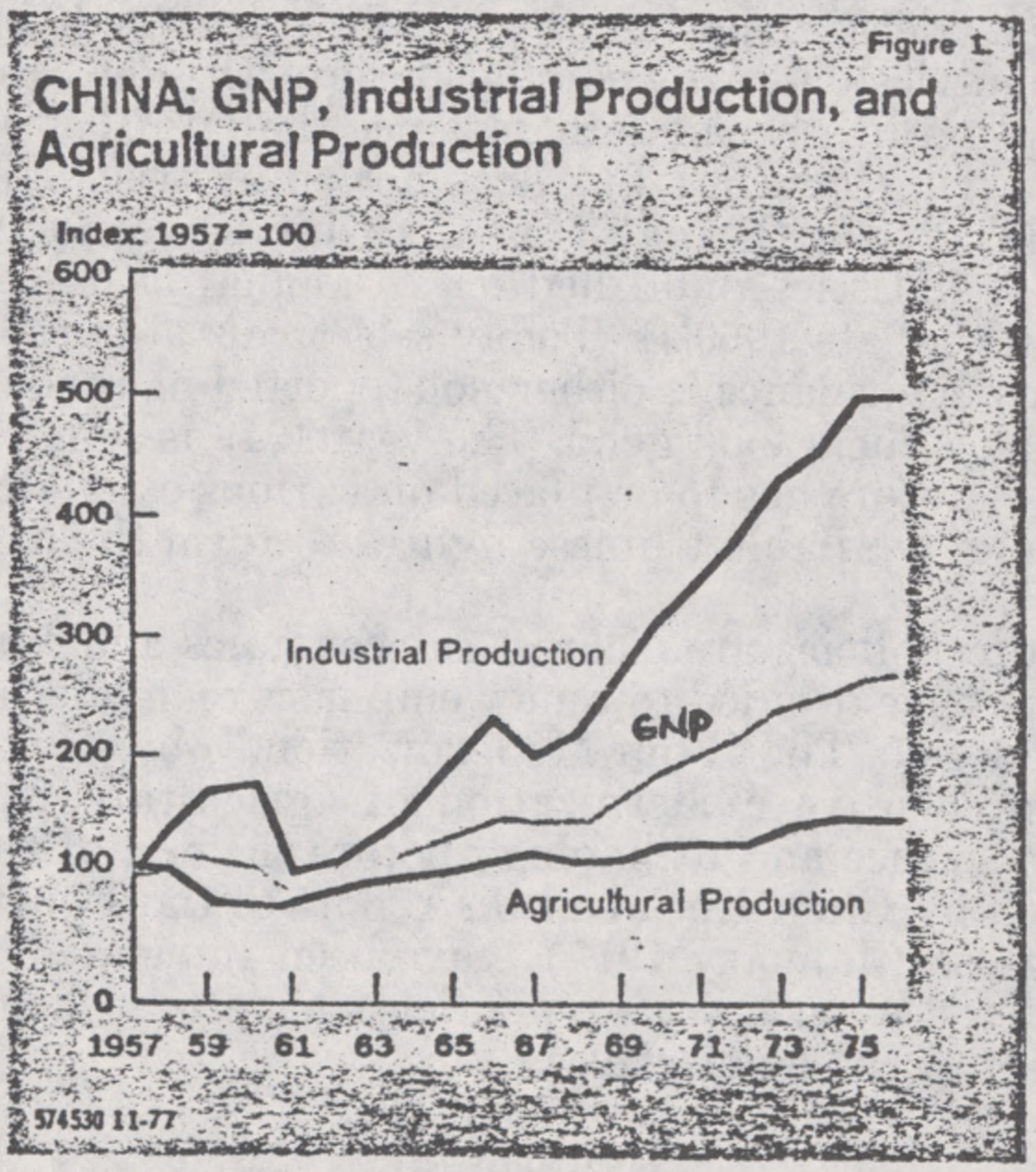
The People's Republic of China faced the difficult tasks of consolidating power, restoring order and economic functioning, and dealing with unemployment and starvation. With these tasks underway, the first five-year plan (1953–1957) was formulated. China's First Five-Year Plan emphasized the rapid buildup of heavy industry imported from the Soviet Union and installed with the aid of Soviet technicians. Agriculture, which produced the greater share of national product, received little state investment.

Since 1957 the interaction between resource scarcity and ideological politics have been responsible for erratic economic development. Mass mobilization ideological efforts have been disruptive of manpower planning and the supply of raw materials. Food shortages have exacerbated rural-urban tensions and disrupted industrial production. To avoid such difficulties in the future, a stable political leadership capable of retaining a consensus in support of economic growth must be present. Despite these periodic problems, the economy has attained substantial growth (see figure 1).

The Great Leap Forward (1958–60) experiments, which featured backyard steel plants and greater local initiative, plunged China into a depression in the early 1960s. Because of that experience and difficulties experienced in the first plan, Peking realized that a much larger share of state investment had to be allocated to agriculture. After a brief period of uninterrupted growth, the Cultural Revolution (1966–69) again began to interfere with the operation of the economy. Further, the deaths of Mao and Chou En-Lai, the earthquakes, and the arrest of the "Gang of Four—all in 1976—again disrupted economic performance. Hence, the current modernization drive is a significant turnabout in economic policies.

Figure 1.

CHINA: GNP, Industrial Production, and Agricultural Production



Nevertheless, by 1976, when the Fifth Five-Year Plan (1976–80) started, China's GNP was some 2.7 times that of 1957 (and more than six times that of 1949). But, with population growing at an average rate of over two percent a year, the annual per capita GNP growth is just over three percent from 1957. The majority of this growth has come from industry, where output has expanded at an average of about nine percent yearly. In contrast, agriculture has grown much more slowly: two percent annually, or approximately the same rate as population growth. The net result for consumers is, as any visitor

can attest, a spartan lifestyle (most items are rationed) but with appreciable gains in basic areas, such as food, health and clothing.

As China's new leadership examined economic problems, a series of national conferences by sectors were held. These meetings identified certain core problems:

—The erosion of central planning and management controls.
—Political and ideological disputes which have disrupted productivity.
—Low morale and poor manpower utilization.
—Chronic imbalances in the iron and steel industries.
—Capacity shortages in the coal, electric power, and railroad industries.

The emergence of Teng Hsiao-p'ing may reflect the need for efficient administration and economic stability. In 1975 under Teng's supervision, Peking began to take a serious look at the economic problems. As senior deputy to Chou En-lai, Teng was instrumental in the preparation of a major report entitled, "Some Problems in Accelerating Industrial Development." The report is a sober, realistic appraisal of China's economic shortcomings. Its recommendations—which included greater central control, pay increase for workers, and larger imports of advancd technology—reflect Teng Hsiao-p'ing's well-known pragmatic inclinations and are apparent in the current modernization campaign. In essence, Teng is trying to graft advanced technology and managerial practices onto a traditionally rigid, ineffective economic system. The problem is to create an expanding and dynamic economy by rewarding initiative and innovation, to lessen paralysis induced by fears of shifting political whims.

China's Modernization Drive

In March 1978, Chairman Hua Kuo-feng announced a new Ten Year Plan (1976–1985) designed to provide the basis for a modernization of agriculture, industry, national defense, and science and technology in a manner that would propel China into the front ranks of the industrialized nations of the world by the year 2000. The goals of the Ten Year Plan are extremely ambitious; clearly they may not be attainable in every category.

Hua has said that investment over the next eight years must equal investment laid down in the twenty-eight years since the Revolution of 1949. There is some indication that this investment would exceed $600 billion. Agricultural growth through 1985 must average 4–5 percent annually to reach production goals, or about double the rate achieved 1952–1977. Grain output is to rise to 400 million metric tons from an estimated 1978 harvest of 295 million tons. Industrial output is to grow at more than 10 percent annually with steel production reaching 60 million tons in 1985, up from about 31 million tons in 1978.

The backbone of the Plan is to be 120 key projects, including: 10 new steel plants, 9 non-ferrous metal complexes, 10 new oil and gas fields, 8 coal bases, 30 electric power stations, 5 harbors, and 6 trunk railroads. Other major projects will include truck and diesel engine plants, color television and integrated circuit plants, and a domestic satellite communications system. For many of these projects, Peking

has decided to turn for assistance to the industrialized countries, including the United States. A tentative estimate of $70–85 billion is placed on the amount of capital equipment (i.e., complete plant, equipment, and technology) that the PRC will likely import over the period 1978–85.

Procurement of the capital equipment for the Plan has already started. During 1978, the PRC reached agreements or contracts totaling about $27 billion (Japan $10 billion, France $7 billion, West Germany $4.6 billion, the U.S. well over $2 billion, and the U.K. and the Netherlands about $1 billion apiece).

Paying for Modernization

To pay this bill the Chinese are attempting to increase the output of their traditional exports and to develop new sources of earnings, especially crude oil, coal, and non-ferrous metals. Another incentive, disclosed to me by Bank of China officials, is the policy of allowing state enterprises to retain a portion of their foreign exchange earnings for export promotion. They are beginning to engage in tourism which is the reason behind the recent major hotel purchases. American firms account for $1.3 billion in hotel construction, Japan has sold 670 airconditioned buses, and the number of tourist areas has been increased from 50 to 110, including Peking, Shanghai, and Inner Mongolia. It appears, however, that hard currency earnings from expanded trade, from tourism and from overseas remittances will not cover the gap between earnings and expenditures. It seems likely that between $15 to $25 billion will need to be financed. The Chinese have dropped their ideological opposition to borrowing on the international money markets according to Bank of China officials and are currently negotiating with various lending institutions in Japan and Western Europe. The first major financial transaction appears to be a multibank, United Kingdom, $1.2 billion loan at 7¼ percent over 5 years. Further, in response to my question during a discussion at the Bank of China, I was told the staff had recommended that the Chinese government rejoin the International Monetary Fund, but no official decision has been made.

The concept of autarky (self-sufficiency) has been abandoned, contrary to Mao's basic dictums. Both the private Sino-Japanese trade pact and the European Community trade agreement of last year emphasize the transfer of technology. The Japanese package reportedly includes waterside integrated steel facilities near Shanghai and expanded steel works at Wuhan. Other contemplated projects include plants to manufacture color television tubes, synthetic leather, computers, a copper smelter, a petrochemical complex, concrete plants, communications equipment, an integrated circuit plant, a bulldozer factory, a container truck factory, an insecticide plant, and an aluminum plant. European projects include plastic plants, coal mining, transportation, and petrochemical facilities. The iron and steel sector is crucial. China's goal is to double annual steel production to 60 million tons by 1985. In 1977 two steel refining plants were purchased from Sweden and the Chinese are eager to acquire production knowledge relating to specialty steels. Moreover, Chinese crude oil exports will pay for some of these overseas purchases and therefore newer petroleum technology and drilling equipment is necessary.

A critical question remains regarding scientists and technicians. The country that once led the world in inventiveness (cast iron, gun-

powder, magnetic compass, paper, movable type) is now a backward giant. However, science in China did not develop in a cohesive pattern of research and development and has in the recent past been subject to ideological overtures. In 1967 Western estimates were that of the 2.4 million personnel in these categories, 1.73 million were either trained before 1949 or had been promoted into technical positions without the benefit of full-time training. Naturally, technical education suffered during the "Cultural Revolution." However, in an interview with the Japanese newspaper *Asahi Shimbun* (September 21, 1978), Chou Pei-yuan, vice-president of the Academy of Sciences, said there were "between 300,000 and 400,000" scientists and technicians. More significantly, "We are planning to train an additional 800,000 personnel."

The Future of Economic Modernization

Even under the best foreseeable conditions, it is unlikely that China can simultaneously attain their goals for agriculture, industry, national defense, and science and technology by the year 2000. Nevertheless, through concerted efforts and sacrifice, more rational planning and management, and if political stability is maintained, it should be possible for China to achieve substantial progress.

Since the Cultural Revolution, economic progress has been severely constrained by politically-colored policies toward education, foreign trade, travel abroad by Chinese, and information exchange; many of these policies were manifestations of the Maoist policy of "self-reliance" in the most restrictive sense. The Hua-Teng government has not only proclaimed its intention to pursue the "Four Modernizations," but has begun dismantling the Maoist legacy and substituting in its place the kinds of policies which are the *sine qua non* for achieving rapid economic development. These policies include importing foreign technology in the form of whole plants and equipment, engineering and other services, foreign training of Chinese personnel, soliciting long term capital flow in the form of private and governmental loans from foreign countries; sending students abroad and reforming the internal educational system; and emphasizing scientific research.

The likely situation in the year 2000 is advanced industrialized enclaves concentrated around major cities, with a large rural sector which is partially modernized, but which still contains extensive areas of backwardness. Even within the industrialized sector, there will continue to exist large amounts of plant and equipment which are obsolete by world standards. In its evolution towards a dualistic economy, China will be following a basic pattern which is similar to the experience of many other developing countries. Thus, although some migration out of the Chinese agricultural sector in the next 21 years is likely, by 2000 the percentage of the population in the rural sector will still be much greater than in most developing societies. Further, more light industry may be concentrated in rural sectors in China than is the case in other developing countries, to absorb surplus labor as agriculture is modernized.

Agricultural development is the key to continued economic progress and improvement in living standards. Much attention has been devoted to chemical fertilizer production and to agricultural mechanization. By 2000, there could be some increases in yields because of higher fertilizer application rates. Assuming continuing progress on birth control programs, higher per-capita food consumption will also be possible.

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Chairman Mao said "Agriculture is the base," and that statement accurately reflects the need to expand agricultural production which also accounts for about half of China's recent exports. There is little likelihood that substantial oil exports or industrial products will replace agriculture as the means to pay for modernization in the next three to five years. Thus, the most important variable in near-term economic development will be increases in agricultural output. At the Fifth National People's Congress, Chairman Hua called for a 4.3 percent growth rate in agriculture—double the rate of recent years. Yet, the prospects for achieving such growth—increasing arable land or productivity per acre—are minimal. The objectives of raising production levels in lagging regions and simultaneously embarking on technological change pose major challenges to Chinese agriculture. This issue will remain one of the continuing problems in Chinese policies through the year 2000. The agricultural sector remains the biggest handicap and the success of China's modernization effort will hinge on the Chinese ability to expand agricultural output faster than population growth.

Industrially by the year 2000, China will still not have caught up with the most advanced countries. But the basic infrastructure (steel, extractive industries, transportation, electric power) should be in place. The stage will be set for the next phase of industrial growth. Improving standards of living for the broad majority of the Chinese people should have occurred and the raised expectations could be a significant factor in political evolution.

The new economic policies suggest a greater economic rationality, hence stability and greater commercial interaction with other nations. More concrete evidence of this approach is the announced intention to invest twenty five percent of the GNP to rapidly up industrial capacity, to bolster educational resources, the potential evident for rapid modernization through liberalized foreign trade, and the restraint evident in military procurement (indeed diverting from industrial modernization in the immediate time-frame would be counterproductive).

Military Modernization

In the military area, the next 21 years will be devoted primarily to modernizing ground forces with up-to-date but non-sophisticated equipment, and building somewhat more credible sea and air forces. Vice Premier Teng told us during a meeting in the Great Hall that defense modernization has a lower priority than the other three modernizations.

China will not have the industrial or technical capability by 2000 to mass produce a broad range of advanced or sophisticated weapons systems. This is partly due to the present low technological base and the primitive level of existing equipment, and partly to the urgent requirements for scarce capital and skilled labor resources elsewhere. By concentrating efforts in a few areas, however, the PRC should have the capability to produce limited range of high-priority, advanced weapons including ICBMs. Senior Chinese officials made clear that longer range ICBMS are a priority. Moreover, if China does have a basic modern industrial infrastructure in place by 2000, it should be possible to achieve much more rapid military force modernization in the subsequent 25 to 50 years, pointing to the day when China becomes a major military power.

In science and technology, efforts will be concentrated primarily in (a) adapting current western technologies to meet the most pressing

development needs of China, (b) attention to developing a scientific "infrastructure," to serve as the basis for long-term progress in this area, and (c) special emphasis in a very limited number of sophisticated areas to bolster the international prestige of Chinese science. By 2000, mixed results are likely. In some areas, technological adaptation will have been successfully accomplished; in a few areas, China may begin to make original contributions which are of value to other countries; but in most fields, Chinese efforts will probably continue to lag ten or more years behind advanced world levels. It is in the scientific area where the problems of absorption of foreign techniques will be most difficult.

Impact of Modernization

The industrial development strategy is premised on substantially increased productivity. These gains are to be achieved through various incentives (pay raises, bonuses, etc.) in the near term and through the utilization of foreign technology and improvement of human resources (education reforms, less ideological constraints on scientists, overseas training) in the long term. In particular, these educational innovations challenge the ideological influence of the so-called "radicals," and their themes of egalitarianism and self-reliance. Hence, some elements will be the victims of modernization while other gain. For example, peasants and the millions of students who received relatively poor educations during the Cultural Revolution period are losers who will generally be unable to successfully compete for admission to universities and training programs. Likewise, industrialization may well exacerbate urban-rural tensions as the quality of life improves in towns. The most important Chinese revolution since 1949 is just beginning.

Foreign Trade

The People's Republic of China is not a major trading nation. China's exports accounted for less than one percent of the world's total. Although the PRC plays a minor role in international trade, such trade is helpful in stabilizing and developing China's domestic economy. Exports are dispersed over a wide range of commodities, while imports are concentrated in a narrow range of essential goods. China depends on agricultural imports—grain, sugar, and cotton—to help feed and clothe its huge population: it relies on imports of metals, machinery and equipment, and advanced technology to support the growth and modernization of its industrial sector. More than 80 percent of China's trade is with the West, a larger share than that of any other Communist country.

The foreign trade policy of China emphasizes "self reliance" with an increasing degree of "flexibility," and "trade on the basis of equality and mutual benefit." China's financial policy is therefore conservative, financing imports with export earnings. The Acting Manager of the Bank of China, Feng Tien-shun, confirmed this policy and told me that China will continue to utilize short-term commercial credits to finance agricultural imports and that U.S. banks could participate in such credit arrangements. Although foreign credits and deferred payments are being utilized, these cases are carefully screened.

Following a decade in which China's trade stagnated around the $4 billion level, Peking in the early 1970's adopted a more outward looking economic policy in order to spur modernization. By 1975 the value

of trade had more than tripled (see following table), as China received large deliveries of complete plants for the petrochemical and steel industries, a variety of industrial machinery, aircraft, ships, steel, aluminum, and fertilizer. Peking made some purchases on deferred payment, but pushed exports as well. A mixture of skyrocketing prices for imports, softening demand for Chinese exports, and need for larger quantities of grain and cotton imports brought a larger-than-anticipated trade deficit in 1974. The Chinese reacted by trimming purchases and reducing the trade deficit sharply in 1975.

TRADE BALANCE

[In billions of U.S. dollars]

	Balance	Exports	Imports
1970	—0.2	2.1	2.2
1971	.2	2.5	2.3
1972	.3	3.2	2.8
1973	—.2	5.1	5.2
1974	—.8	6.7	7.4
1975	—.2	7.2	7.4
1976	1.3	7.3	6.0
1977	.9	8.0	7.1

Like other Communist countries, the PRC insulates its economy from the fluctuations of foreign prices and currencies by funneling its foreign trade through state-owned trading corporations, which handle particular categories of products. Chinese international financial practices are compatible with the international banking system. The Bank of China, with branches in Hong Kong, Singapore and London, manages the PRC's foreign currency portfolio, sets daily exchange rates for the national currency—the *ren min bi* (the "people's currency")—and performs other operations connected with foreign trade.

In 1977 China's two-way trade grew to $15.1 billion with noticeable second half year gains in both exports and imports. This surge reflects recovery from the adverse effect of political turmoil in 1976. Petroleum, textiles and clothing show the largest export increases. A sharp upturn in agricultural products lead the imports category. This shift boosts U.S. trade at the expense of Western European countries. China's trade surplus was $850 million. Non-communist countries account for 83 percent of China's total trade. Tthe largest communist trade partner, Romania, exchanges fertilizer for Chinese crude oil. Deliveries of petroleum to Japan (6.7 million tons), the Philippines and Hong Kong rose in 1978.

Since the ouster of the Gang of Four last fall, the new leadership has stressed the importance of foreign trade in advancing China's economic development. China is now willing to engage in long-term borrowing, product payback schemes for imports, barter arrangement, and even joint ventures. Depending upon how far China is willing to liberalize past policies, reconciling "self-reliance" with the need for "flexibility," foreign trade could show substantial gains in the future. A major concern for Peking is to avoid a repetition of the balance-of-payments problems that hit in 1974; therefore, the pace of plant purchases will be tied to China's success in expanding exports, its need for agricultural imports, and its willingness to increase the use of credits.

PRC-U.S. TRADE

United States-Chinese trade has been characterized by erratic U.S. exports and a slow, steady growth in U.S. imports from China. The U.S. embargo was lifted in 1971 and the Shanghai Communique agreed "to facilitate the progressive development of trade between the two countries." Uniquely in 1974, because of fortuitous grain sales, the United States was China's second leading trade partner but that pattern has not been repeated. The PRC needed cotton, grain and soybeans in 1973–74 and the United States was the only possible source. The PRC registered trade surpluses with the United States in 1976 and 1977. The decline in imports from the United States is attributable to (1) an absence of heavy agricultural imports, (2) the completion of deliveries for eight ammonia plants by mid-1976, and (3) probably political motivations. Hong Kong remains the PRC's largest export market and the source of $1.5 billion in annual foreign exchange earnings. Recent country rankings are:

Country	1976 rank	1977 rank
Japan	1	1
Hong Kong [1]	2	2
West Germany	3	3
France	4	
Romania	5	5
U.S.S.R	6	8
Australia	7	4
United States	8	7
Canada	9	6
Singapore	10	9
United Kingdom		10

[1] Includes both re-exports of People's Republic of China goods and other nations to the People's Republic of China. Basically, the figures represent massive imports from China.

However, future U.S. trade can be expected to rise.

Speaking of the prospects for Sino-American trade, the Minister of Foreign Trade, Li Chiang said in Hong Kong on December 18, 1978 that, "There are trade relations between China and the United States. When similar conditions are offered, our policy in reaching trade agreements is to give priority to countries having diplomatic relations with China. Now that China and the United States have agreed to establish diplomatic relations, it will make a difference in trade between the two countries."

The 1977 PRC imports emphasize industrial development (iron and steel, 22 percent; non-electric machinery, 6 percent; transport equipment, 9 percent and chemicals, 12 percent). Her exports are primarily agricultural (36 percent), clothing, footwear and textile fabric (24 percent), other light manufactures (12 percent) and extractive minerals (13 percent). Thus, in a global trade sense, the United States is not a natural partner.

Until normalization the Chinese perceived the United States as only a residual supplier of basic commodities (grain, cotton, aluminum) and a source of high technology when there was no comparable supplier. But in 1978, Chinese-U.S. trade more than doubled from 1977. Moreover, these figures exclude more than $100 million of American oil drilling equipment that is assembled in Singapore and then shipped. Further, three consecutive bad harvests have resulted in the purchase of 3 million metric tons of grain from the United States in 1978,

worth about $600 million. Chinese now say they expect to purchase 5 to 6 million metric tons of grain from the U.S. in 1979.

China's efforts to modernize however will enhance import potential in machinery and capital goods. PRC interest in high-technology goods from the U.S. is strong. Likewise, agricultural imports will rise in the foreseeable future. Although the U.S. share of PRC plant contracts has been small, U.S. firms will continue to benefit from sales of U.S. technical processes embodied in plants sold to China by third countries. Lack of direct banking relations due to "impounded" claims and assets means that U.S. firms cannot provide competitive credit terms for plant sales. At the start of 1978, claims (not including interest) were $196.8 million, and frozen assets (including interest) were approximately $81 million. When I asked Bank of China officials about the claims and assets problems, I was told that this was a matter to be resolved between governments at a high level. The Acting Manager repeated recent comments by Vice Premier Teng that this was "not a big problem" and said the matter was in the hands of the Foreign Ministry.

Secretary of the Treasury Blumenthal is to visit China in February to discuss frozen assets and claims. Currently China has contacts with eight U.S. banks: American Security and Trust; Bank of America; Chase Manhattan; Citibank; First National Bank of Chicago; Manufacturers Hanover; Morgan Guaranty; and United California. Letters of credit and other trade related activities are conducted, but because of legal problems there are no dollar accounts maintained in U.S. banks and all settlements are through third country banks. However, I was told that after settlements of the claims and assets question, the Bank of China will establish branch offices in the United States to help promote trade. When I asked if U.S. banks would then be allowed to establish offices in China, Acting Manager Feng said this was a possibility once housing problems and office space difficulties were resolved.

Peking has made efforts to develop the U.S. markets. PRC exports to the United States consist largely of traditional Chinese products such as cotton textiles and apparel, silk, handicrafts, antiques, feathers and down, bristles, fireworks, tin, tungsten, and antimony. The first shipment of Chinese oil to the United States will occur in 1979. In some cases large shipments of Chinese products such as textiles, cotton work gloves, and clothespins have caused protests of market disruption to be raised by domestic manufacturers. For example, the last quarter of 1975 saw a surge of cotton imports which created anxiety, and claims were filed before the International Trade Commission in 1977 on some textile products. Although China has become more vocal to U.S. businessmen about the lack of most-favored-nation (MFN) status, non-MFN tariffs are a serious barrier only to some PRC goods. More important is the limited U.S. demand for many of China's relatively simple traditional exports. In addition, nontariff restrictions (such as the regulations involving product safety or the Food and Drug Administration) restrict the entry of other PRC exports.

PROSPECTS FOR U.S.-CHINA TRADE AND ECONOMIC RELATIONS

United States-PRC trade probably topped one billion dollars in 1978 or about triple the $375 million registered in 1977. Compared with 1977, we sold more than twice as much to the PRC as we bought last year. Two way trade should grow substantially in 1979. Just before my arrival in China, U.S. Steel signed a $1 billion agreement to help develop an iron ore mine at Chi-Ta-shan, that will include technical consultation and the purchase of mining equipment. Earlier, Bethlehem Steel had signed a similar agreement, valued well over $100 million. Future plans also include a communications satellite. Thus, Sino-American trade can be an important element in reducing our $30 billion trade deficit.

In 1978 the United States ceased to be only a "residual supplier" of China's large agricultural import needs. Our agricultural exports—mainly grain and cotton—totaled some $600 million last year and should increase in 1979. Continued large sales of agricultural products to China in the 1980's can be expected given the establishment of diplomatic relations.

Principal American agricultural exports include wheat, corn, cotton, soybeans, soybean oil, tallow, hides and skins, and breeding stock. Non-agricultural exports of significance are aluminum, pulp and paper, chemicals, polyester staple, fertilizers, petroleum exploration, drilling and production equipment, mining and construction machinery, agricultural equipment, and machine tools.Although the export of technology does not show up in the trade statistics, the sales of U.S. technical licenses since 1973 (mainly petrochemical), is estimated at $150–$200 million.

The United States remains China's preferred supplier of advanced petroleum development technology and equipment. Sales in this area were brisk in 1979 and prospects for further sales are excellent. Last year the PRC began discussions with a number of U.S. petroleum firms concerning joint development of China's off-shore reserves. The talks are still exploratory, but eventual agreement is expected.

One of the most significant commercial developments in 1978 was the PRC's belated introduction to U.S. technology in the mining and metallurgical industries. After dispatching coal and iron ore mining delegations to the United States, the Chinese began commercial discussions with a number of firms, including Kaiser Engineers and Bethlehem Steel, that have resulted in contracts for the mine development. More metals and minerals development contracts are expected this year.

In 1978, substantially more American firms went to China to sell than in earlier years. Significant transactions included are Intercontinental Hotel Corporation (PanAm) and the Hyatt Corporation agreements for about fifteen 1,000 room hotels, value $1.3 billion; the Fluor Corporation, copper mine development, $800 million; Bethlehem Steel; iron ore mine development, over $100 million; Kaiser Engineers, $5 million on a transaction that will ultimately parallel the Bethlehem contract; and Boeing, three 747 SP jet transports with an option for two more. Contracts were signed with American firms based in Singapore for three offshore oil well drilling platforms, value $75 million.

TABLE 1.—UNITED STATES–CHINA TRADE, 1977–79

[In millions of dollars]

	1977	1978	1979 [1]
U.S. exports	171.5	[2] 950	1,225
Agricultural	(63.8)	(625)	(875)
Nonagricultural	(107.7)	(325)	(350)
U.S. imports	203.0	350	400
Total trade	374.5	1,300	1,625
Balance of trade	−31.5	+600	+800

[1] The estimate of U.S. exports is based on the Chinese statement to Secretary Bergland that the People's Republic of China will procure 5,000,000 to 6,000,000 tons of grain from the United States in 1979, on known or expected contracts calling for delivery of manufactured goods and nonagricultural commodities in 1979, and on an estimate of Canton Fair business by the Department of Commerce.

[2] Exports of $950,000,000 by the United States in 1978 depend heavily on large deliveries of wheat and corn scheduled for November and December; slippage will increase U.S. agricultural exports in 1979.

US-China Trade [1]

Million US $

1. Data are from US Department of Commerce and show both exports and imports on an f.o.b. basis.

[Black lines are U.S. imports; gray lines are U.S. exports.]

U.S. COMPETITIVENESS

Although United States-PRC commercial and economic relations are still burdened by problems stemming from lack of settlement of the claims assets issue and the lack of most favored nation (MFN) tariff treatment for Chinese exports to the United States, economic relations are certain to grow and expand in the years ahead. For example, the Director of the Bank of China told me that joint ventures (foreign shares under 50 percent), and the opening of branch banking facilities in the United States were quite likely after settlement of frozen assets. The Chinese are also interested in exploring use of the

Commodity Credit Corporation in financing their purchase of U.S. agricultural products. There is no question, however, that without recourse to U.S. Government loan and loan guarantee programs, American firms will be at a competitive disadvantage.

Yet, the Trade Act of 1974 precludes the use by China of Export-Import Bank loans unless a Presidential waiver is made concerning Chinese emigration practices and unless a Sino-American trade agreement is negotiated. The President's recent decision to recognize the PRC brings closer to reality the possibility of removing this barrier to enhanced commercial relations. Resolution could also result in the extension of most-favored-nation (MFN) tariff treatment to Chinese products by the United States. Unresolved claims and assets questions (see p. 32) currently preclude direct banking, shipping and airline connections and the exchange of trade exhibitions. All of these commercial barriers will have to be removed if the United States is to maximize its trade with China.

The best prospects for American industrial exports to China are in iron ore technology, non-ferrous minerals technology, agricultural machinery, petrochemical and subsidiary industries, cargo trucks and components, hydroelectric generating equipment, and medical equipment. U.S. products enjoy a good reputation and this fact coupled with the Chinese desire for the highest technology available should enable U.S. business to penetrate the market. Further, the dollar devaluation has helped U.S. firms, especially chemical industries, to compete with the Japanese.

The brightness of U.S. export prospects carries with it the possibility, or perhaps inevitability, of Chinese complaints about the imbalance of the trade. China is acutely aware of its need to increase exports, including exports to the United States, in order to finance its ambitious modernization goals. Basically, it is in our common interest to have the Chinese increase their presently small volume of sales to the U.S. market. The Chinese could probably improve their position significantly if they took serious steps to alleviate some of the problems faced by U.S. importers (late delivery, unsuitable packing, etc.). Also the Chinese must increase the supply of products for export, notably non-ferrous metals and certain animal by-products that are in demand in the United States. Although one sale of PRC petroleum has been made to the United States, it is likely that most PRC oil exports will be to her Asian neighbors for the foreseeable future.

PETROLEUM RESERVES

China's relatively unexplored mineral rich areas represent a potentially rich export earner and an important source of mineral supplies. Hydrocarbons abound but estimates of Chinese crude oil reserves vary widely. The most likely correct sources are:

A. A. Meyerhoff & Williams (1976 revisions of an earlier analysis of Soviet geological appraisals).	9.5 billion metric tons total reserves (5.4 onshore, 4.1 offshore).
Oil & Gas Journal (December 1977)---	2.7 billion metric tons, estimated proven reserves (economically recoverable).
M. J. Terman (U.S. Geological Survey)-	5.5 to 6.9 billion metric tons total reserves (4.1 to 4.8 onshore, 1.4 to 2.1 offshore).

Of course, shale oil resources are unknown and natural gas reserves are vast but uncertain.

Geological evidence has been mounting that offshore Chinese waters contain plentiful oil reserve. But political disputes over the rights to those waters and the ready accessibility of existing oil supplies stood in the way of active development.

Apparently, the pragmatists now governing China are ready (on certain conditions) to let western oil companies help them tap these crude oil fields.

Discovering and developing oil in the East and South China Seas may offer the best present hope for stabilizing the world's energy costs—and also for moderating Southeast Asia's cycle of poverty. The West needs independence from Middle Eastern oil. Moreover, if the opportunity to cooperate with China and its neighbors in petroleum exploration helps break down the geographical and cultural barriers that have so long bedeviled relations between Asia and the West, the cause of international tranquility will be well served.

Chinese crude oil production continues to rise, and in 1977 reached 84 million tons, with 1978 production expected to be 100 million tons. Offshore exploration continues, primarily in the Pohai Gulf. Further, new onshore deposits have been discovered in the country's far west—southern Sinkiang and Chinghai's Tsaidim basin. A new high-yielding north China field, with potential to rival Taching, China's largest, is located in Jenchiu, about 120 miles south of Peking. Refinery expansion continues at Canton, Chinshan (near Shanghai), Liaoning, Peking, and Tientsin. Construction of new deepwater wharves continues and two deepwater terminals, capable of berthing 100,000 deadweight tons (dwt) tankers (Talien) and 50,000 dwt tankers (Huangtao) have recently been completed. Of course, much of Chinese crude oil will be needed to fuel industrial modernization and the level of exports is therefore uncertain.

China may experience limited export opportunities, however, given potential domestic demand and refining capacity problems. If substantial portions of Pohai Gulf oil is consumed domestically and the refining capacity is not increased drastically, these limitations are probable.

But Chinese officials, according to Japanese reports, predict oil exports to Japan of 50 million tons by 1990 and 100 million tons by 1995. Most immediate exports will come from Pohai Gulf and other areas of the continental shelf where Japan can assist China in joint development. Japan now draws crude from Taching in northeastern China.

The major U.S. involvement will probably therefore be in advanced technology for deep offshore oil drilling. Representatives of Exxon, Pennzoil, Phillips Petroleum, Standard Oil, and Union Oil of California, have joined Energy Secretary Schlesinger in visiting Peking. Already American suppliers are selling rigs to China.

Oil exports will become increasingly important in paying for the economic modernization of China. Japan has already agreed to pay $13.20 a barrel for 7.2 million tons in 1978. Yet, because many of the potential offshore oil fields are in the East and South China Sea where China, Vietnam, Japan, the Republic of Korea, Malaysia, and the Philippines all have conflicting claims. Linked to this territorial prob-

lem are international issues such as the law of the sea and maritime economic zones.

One unresolved issue between Tokyo and Peking is the question of sovereignty over the Senkaku Islands and the Japan-Korea joint development zone in the East China Sea. The Japanese have officially accepted the Chinese explanation that the 1977 incursion of PRC fishing boats in the Senkakus was "accidental". Further, aside from the Senkaku Islands, China has no specific claims beyond its territorial sea. Rather, the PRC notes that jurisdictional boundaries in the Yellow and East China Seas have "not yet been delimited." Thus, although China has asserted claims to other islands (Paracels, Pratas, and Spratly) given the petroleum potential of the underlying seabed, these disputes are unresolved. Peking, however, has never recognized the right of Japan and Korea to establish a joint development zone without consulting the PRC. Despite the potential for trouble, however, it is unlikely that either side is interested in forcing the issue.

The Chinese positions on law of the seas issues closely reflect the positions expressed by less developed countries. Thus China supports complete coastal state sovereignty, coastal state ownership of economic zones with a possibility of some sharing of management with adjacent landlocked states, and an international regime control beyond territorial seas.

Concluding Comments

Normalization has only opened the doors of Sino-American economic relations. The different tasks of institutionalizing economic cooperation is ahead. The rapid rise of United States-Chinese trade since 1971 is probably the most visible symbol of improved relations. Although China is unlikely to be a major commodities supplier to the United States, exports of petroleum and non-ferrous minerals could be valuable. As a market, China is a major purchaser of agricultural products and of high technology. This growth nevertheless will probably be gradual given current Chinese policies of repayment of debts in the short-term and the avoidance of economic dependence on any one nation.

It would therefore be a mistake to exaggerate the size and pace of United States-China trade. However, there will be good opportunities for selected industries and trade relations will remain an important indicator of the development of mutual relations. Ideally the expansion of economic intercourse will add durability and strength to the political relationship. China's immediate goal is to satisfy the material aspirations of its own people. In doing so, it will be of some economic consequence in Asia, but will not immediately be a significant factor in the U.S. economy. However, by laying the groundwork for longer term trade relationships, the opportunities for expanded trade will be enlarged.

Chapter 3

CHINESE DEFENSE POLICY: THE PEOPLES LIBERATION ARMY

Overview of Roles, Composition and Doctrine

The Peoples Liberation Army (PLA) which encompasses the army, the navy, and the air force, is the world's largest military force, with a total strength of about 4 million men. The ground forces total some 3.5 million men or about 85 percent of the PLA's total manpower. The navy and air force, though significantly smaller, are the largest in Asia and the third largest in the world (see Table I). In addition, China maintains about 100 million parmilitary troops in its militia.

Table 1.—*Order of battle*

Ground Forces (Divisions)	
Infantry (12,000 personnel and 30 tanks each)	121
Armor (10,000 personnel and 270 tanks each)	11
Airborne (9,000 personnel each)	3
Artillery	40
Border defense, garrison and internal defense	70
Air Force	
Bombers:	
TU–16 BADGER	65
IL–28 BEAGLE	400
Air defense fighters:	
MIG–17 Fresco, MIG–19 Farmer (and a few MIG Fishbed)	4,100
Tactical fighter bombers:	
MIG–15 Fagot and F–9 Fantan	400
Navy	
Attack submarines (conventionally powered)	73
Attack submarines (nuclear)	1
Ballistic missile submarine	1
Guided missile destroyers	11
Guided missile frigates	5
Frigates	4
Naval infantry (personnel)	38,000

Source: International Institute for Strategic Studies, *The Military Balance, 1978–1979.*

Roles

The deployment, composition and size of the PLA are dictated by its assigned roles. First priority is given to defending PRC territory. Ideally the PLA serves to deter direct aggression, but should deterrence fail, to defeat or stalemate any invasion. In addition, the PLA is an important element in maintaining internal security and engages,

part time, in national development work such as harvesting crops and construction.

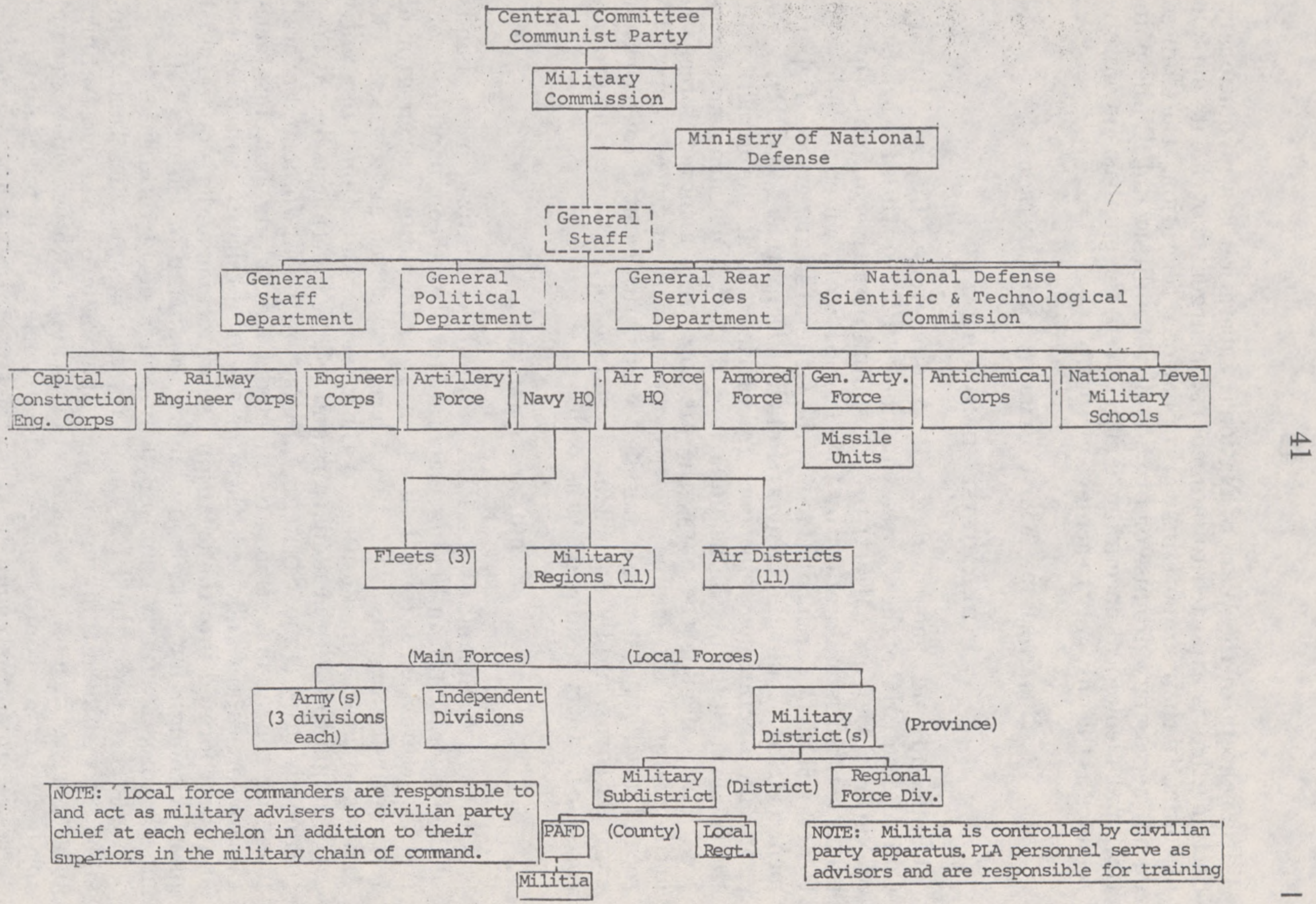
Doctrine

China's current official military doctrine, largely based on the military writings of Mao Tse-tung, are the product of nearly 50 years of military experience under the most varied conditions. It incorporates the concepts of numerous military strategists—from Sun Tsu (*The Art of War*, circa 350 B.C.) through Napoleon and Clausewitz to those of modern times. At various stages, Japanese, German and Soviet military advisers have all been influential. The PLA's experience in the Korean War has also left its mark on Chinese military thinking. In addition, Mao's military doctrine has assimilated some innovations derived from the conventional and nuclear technology of the present era. However unlike my 1976 visit, the Chinese did not endlessly repeat Mao's dictum, which paraphrased is: when the enemy attacks, we retreat; when the enemy stops, we harass; when the enemy retreats, we attack.

With the current status of military forces China has available, that policy still remains as the most likely option.

The concepts of Peoples War and Wars of National Liberation are China's two major military doctrines. The concept of Peoples War is the doctrine for the defense of China in the event of either a conventional or nuclear attack. In Peoples War—i.e., total war—the PLA and paramilitary forces, supported by a mobilized populace would conduct a protracted war against an invader. This concept is often mistakenly referred to as a guerrilla warfare strategy. Although circumstances in China's war with Japan dictated heavy reliance on guerrilla tactics, the theoretical underpinnings of Peoples War has always been decidedly conventional. According to Mao, there are three types of warfare: mobile, positional and guerrilla. The most important, mobile warfare, is characterized by ". . . regular armies, superiority of forces in campaigns and battles, the offense and fluidity." Positional warfare, similar in many respects to the U.S. conception of positional defense, supplements mobile operations when necessary. Mao recognized, however, that this type of warfare, particularly when attacking prepared positions, requires massive firepower and well equipped forces—scarce resources in the PLA, even today. Guerilla warfare makes its contribution by adding the dimension of war behind the enemy's lines coordinated with the PLA's regular ongoing battles and campaigns.

Using elements of all three types of warfare, the PLA's objective is to defend China's borders as far forward as terrain and circumstances permit. Today, along the east coast and in the south, the PLA appears poised to contest vigorously any enemy attempt to establish even a foothold on Chinese soil. In the north, particularly in Manchuria, terrain and the numerous possible avenues of approach dictate a more cautious strategy. Positional defense has been established in the first defensible terrain back from the border (about 200 miles) along major entry corridors. Behind this defensive belt, the PLA's best equipped and most mobile forces are positioned in depth to contain any penetrations or if necessary fight a mobile war on the Manchurian plain.


Central Committee Communist Party
Military Commission
Ministry of National Defense
General Staff
General Staff Department
General Political Department
General Rear Services Department
National Defense Scientific & Technological Commission
Capital Construction Eng. Corps
Railway Engineer Corps
Engineer Corps
Artillery Force
Navy HQ
Air Force HQ
Armored Force
Gen. Arty. Force
Missile Units
Antichemical Corps
National Level Military Schools
Fleets (3)
Military Regions (11)
Air Districts (11)
(Main Forces)
(Local Forces)
Army(s) (3 divisions each)
Independent Divisions
Military District(s)
(Province)
Military Subdistrict
(District)
Regional Force Div.
PAFD
(County)
Local Regt.
Militia
NOTE: Local force commanders are responsible to and act as military advisers to civilian party chief at each echelon in addition to their superiors in the military chain of command.
NOTE: Militia is controlled by civilian party apparatus. PLA personnel serve as advisors and are responsible for training

The concept of the Wars of National Liberation is a revolutionary doctrine that is exported to indigenous, insurgent movements outside of China. In their support of "wars of national liberation," the Chinese do not necessarily promise or provide direct military aid. While political and ideological encouragement is given, the emphasis is on self-reliance as the only way to achieve victory.

Organization and Command and Control

THE CHINESE HIGH COMMAND

Command and control of the PLA is exercised by the Military Commission (MC of the Chinese Communist Party) while the Ministry of National Defense (MND) provides administrative support. Operational control is maintained by the General Staff, which includes the General Staff Department (GSD), the General Rear Services Department (GRSD), and the General Political Department (GPD).

Specific operational functions are carried out at the direction of the General Staff, by the headquarters of the various arms and services. These include the navy, the air force, the armored force, the artillery force, the engineer corps, the railway engineer corps, the second artillery (strategic missile) corps, the capital construction engineer corps, and the antichemical warfare corps. There is no ground force or infantry headquarters as such.

REGIONAL COMMANDS

Although command of the PLA is highly centralized in the hands of the General Staff in Peking, elaborate territorial command and control structures exist for all three services, including eleven ground force military regions (MR, three fleets and eleven air districts. The MR's and Fleets, in addition to their service affiliation, apparently serve as joint service headquarters and would function as operational commands in wartime. Strategic missions of the air force and overall planning for air operations are directed from Peking, but once tactical air sorties are allocated, these assets are probably controlled by, and incorporated into the local joint service commander's operational plan. Although few details are known, command of China's ballistic missile force is clearly maintained by central-level authorities.

The structure of the PLA's military regions provides further insight into Chinese thinking on what they believe is the most appropriate organization for combat. For example, the regular ground forces are divided into two general categories: main forces and local forces. Main forces, commanded by the General Staff, are assigned to, and controlled by, MR's based on GSD's threat perceptions at any given time, and are available whenever necessary to redeploy for operations anywhere in China. Main force units include infantry, armored, artillery and airborne divisions and separate regiments. Local forces, also known as regional forces or local defense forces, are those regular troops stationed in and assigned the task of defending a particular locale or geographic area of China. They are responsible for the immediate defense of China's coastal areas and land frontiers and, in additional, share responsibility for the internal defense and

security of the PRC. Although these forces are commanded by the region, control is delegated to military district and subdistrict headquarters. These latter commands are also responsible to local civilian party officials, and provide the military expertise necessary to administer and train the militia.

Peoples Republic of China: Military Regions



THE STRATEGIC ENVIRONMENT

The Chinese currently perceive the Soviet Union as their greatest military threat, and have positioned a large portion of the PLA's most capable forces in the four northern military regions. The potential for an attack from the sea along their east coast has not, however, been neglected. Ground and air forces stationed in the coastal regions are almost equal numerically to those on the northern border. Forces in the south are adequate for a determined resistance against any encroachment by Vietnam, but would require a substantial diversion of forces from other areas before the PLA could contemplate initiating a major offensive. Along the Sino-Indian border, PLA forces are sufficient to

thwart an Indian incursion and launch limited border forays. A major invasion would require a massive logisical buildup and additional forces, particularly air power. In addition, the rugged terrain severely restricts large-scale operations by either side and would make sustained combat difficult.

SINO-SOVIET BORDER WAR

The threat of war between China and the U.S.S.R. has diminished since the border clashes and Soviet hints of a preemptive nuclear strike in 1969. Although a gradual Soviet military buildup in the Far East had been ongoing since the early 1960's, it apparently was not viewed in Peking by many as a serious threat or a significant alteration of the forces balance. Peking appeared content to continue the ideological war of words, not fearing that things might deteriorate into a military confrontation. They genuinely seemed to have been caught off guard when the border skirmishes escalated, and the threat of a major war with the Soviet Union loomed large. Once the seriousness of the threat was recognized, however, Peking moved quickly to ameliorate the situation and reduce tensions. The first step was to agree to face-to-face talks with the Soviets at the Peking airport in September 1969.

Almost immediately thereafter a reorientation of the PLA commenced greatly strengthening the northern border. These moves shifted the focus of the PLA's defenses from seaward approaches to the concept of all-around defense. In the process a large number of forces were repositioned, new units established, and the production of military weapons and equipment increased dramatically.

In 1971 Peking's perception of the imminence of hostilities appears to have been sharply reduced, however. The frantic pace of developments of the earlier period was replaced by programs designed for the long haul—albeit in a new threat environment—and continued improvement on its military preparations begun in 1969. In a related development the beginnings of a new era in Sino-United States relations dawned that eventually would lead to the dramatic breakthrough in 1972 at Shanghai.

The PLA is much better prepared to deal with a Soviet conventional attack today than it was in 1969, but would suffer from distinct disadvantages on a nuclear or chemical battlefield. China does, however, possess a small ballistic missile force that provides a modest deterrent to the Soviet use of strategic or tactical nuclear weapons. The PLA probably could inflict catastrophic damage on populated areas of the Soviet Far East and severely disrupt Soviet ground operations in China even after a Soviet first strike. But, the U.S.S.R.'s larger and more diversified arsenal of nuclear weapons gives Soviet forces a distinct advantage in any such conflict. Moreover, Chinese forces are ill prepared to sustain large-scale conventional combat in a nuclear or chemical environment. Even so the nuclear balance is a virtual standoff unless Soviet national interests became so threatened that high risks seemed more bearable.

In a conventional war the Chinese probably could stop a Soviet offensive before all of Manchuria was lost. On the other hand, a PLA counteroffensive to dislodge the U.S.S.R. from Chinese territory probably would also fail. Such a stalemate leading to a war of attrition would favor the Chinese. Any Soviet attempt to occupy and pacify a hostile territory virtually the size of Western Europe would surely

pose almost insurmountable difficulties and lead to a massive drain on Soviet manpower and resources.

The Soviet posture along the border suggests that there are many similarities between contingency planning for a war in Europe and the Far East. That is, a first campaign—lasting approximately 60 days—would concentrate on rapidly overrunning the northern half of Manchuria while a lesser force marched into China's northwestern province, Sinkiang. Forces pushing south from Manchuria would linkup with a force from Mongolia speeding toward Peking in a second 60-day campaign capturing all of North China in a strategic pincers movement.

To blunt such a Soviet offensive, the PLA has countered with a defense in depth. Along major avenues of approach on the first defensible terrain, local force units would likely engage in positional or trench warfare. Once these obstacles were overcome, Soviet forces would encounter ever increasing numbers of China's best main force divisions. Although the Soviets probably would overrun the divisions they met on the Manchurian plain, the bulk of the PLA would remain uncommitted in terrain more favorable to the less mobile Chinese units in southern Manchuria. It is necessary to dislodge these units before the necessary linkup of forces is achieved in the all important second campaign. Moreover, the time elapsed would give the Chinese time to draw down forces from other areas and move them to staging and reserve positions farther north.

The outcome of the air war in such a conflict is of course a crucial variable. In an all out contest for air superiority, the Soviets sophisticated aircraft and comparatively better trained pilots would offset China's numerical advantage. Peking appears to realize this, and thus, if possible, would avoid confronting directly Soviet airpower. Instead, the Chinese apparently plan to husband their resources as long as possible and attack only when they believe the odds are favorable or when dictated by a requirement to support ground operations. The Chinese cannot expect great success with such tactics, but they may believe, and I tend to agree, that a number of small local victories will give the ground forces just enough air support to sustain combat until the Soviet offensive is stalled.

THE MILITARY THREAT TO TAIWAN

There is little likelihood that the PRC can seriously threaten taiwan's security during the next 5–10 years. The international political-military situation and the 90-mile wide Taiwan Strait will pose formidable obstacles to any aggressive action for the foreseeable future.

An amphibious invasion, the most serious potential danger is improbable. Sufficient ground forces are readily available, and with time and high losses the PRC could gain air superiority. However, numerous deficiencies exist within the PRC Navy, including insufficient naval gunfire to support an amphibious landing and too few LST's. Even a crash program to remedy these shortcomings would probably require 5 years or more to complete and divert vast amounts of scarce resources from the ongoing Chinese drive for economic modernization. In any event, there is a high probability that the United States would detect such a program long before Peking was prepared to attack.

Moreover, an invasion could potentially weaken defenses on both China's northern and southern borders inviting Soviet and, or, Vietnamese forces to take advantage of these vulnerable flanks. Most importantly, China would destroy its growing strategically valuable relationship with the United States. This latter consideration also probably is an important factor in deterring lesser forms of PRC military intimidation such as air and naval skirmishes in the strait area, pressure on the offshore islands and a blockade of Taiwan.

Having said this, it is important to note that Taiwan has little or no control over its own fate. Its defenses are not likely to increase substantially and may atrophy somewhat as the restrictions on arms sales imposed by the normalization agreements take affect. The PRC's self imposed restraint is the only bar to a gradual increase in amphibious capability.

MODERNIZATION

Modernization of the PLA by the end of the century is an important goal of the Chinese leadership. To achieve its objectives, however, Peking must make major purchases of western military weapons and technology. The Chinese would also like contacts between themselves and western military officials, including those in the United States and Japan, to increase. Otherwise, the PLA's technical level—currently 10–20 years behind the United States and the U.S.S.R.—will not keep pace and China will fall farther behind. Although Peking has successfully exploited Soviet military technology acquired during the 1950's, this process has reached a point of diminishing returns and the Chinese now desperately need an infusion of new information and industrial methods from the West.

Peking appears content to rely on Western European arms suppliers for its technology aware that the United States and Japan are unlikely sources of supply. Ministry of National Defense and General Staff Department officials asked our delegation if the United States would consider selling China arms and weapons technology, but did not seem surprised when they were told that such an arrangement was unlikely for the foreseeable future. They likened our response to one received earlier from the Japanese, who as a matter of policy refuse to export weapons or weapons technology to any country including the United States. The Chinese are interested in U.S. purchases because much of the best advanced technology is available in our country.

China apparently has foresaken a quick-fix option and will modernize the PLA slowly with purchases from the west spread out over the next 10–15 years. Teng Hsa io-p'ing himself stated that he would give the greatest priority in allocating funds to modernizing agriculture, civilian industry and science and technology. Only by achieving progress in these three areas can the PLA experience a real long-term growth in its capability. Therefore, over the next few years we can expect small selective purchases of critical weapons technologies including enough complete weapons systems to insure that China obtains the production rights. Recent examples of this policy are the Rolls Royce Spey jet aircraft engine technology obtained from Great Britain in 1975 and ongoing negotiations with France and Great Britain for the rights to produce the HOT antitank guided missile and the Harrier V–STOL aircraft.

Chapter 4

CHINESE POLITICS

Since 1949 various Chinese social experiments have been tried with mixed results. A temporary period of stability and unity appears to be at hand, supported by a consensus of differing factions. Teng Hsiao-p'ing, rehabilitated in 1977, is increasingly at the helm and leads the modernization effort. China is engaged in economic modernization with the most stable leadership situation in a decade. As Chairman Hua Kuo-feng declared at the Eleventh Party Congress in August 1977, "the Cultural Revolution is over after eleven years."

Following the death of Mao Tse-tung on September 9, 1976, many questions regarding the future policies of the Peking Government arose. The struggle for power in China after Mao's death had long been a concern of China analysts.

In December 1976, Chairman Hua Kuo-feng retrospectively called the year "a most extraordinary year in the history of the proletariat in China." That year included the death of Chou En-lai in January, riots in April, the dismissal of Teng Hsiao-p'ing from his official positions, earthquakes in North China in June, the death of Mao Tse-tung on Septemper 9, and then on October 7, the elevation of Hua Kuo-feng to Chairman of the Central Committee and the Military Affairs Committee, following the arrest of the "Gang of Four" a day earlier.

Immediately after Mao's death, a struggle for power took place between the radicals (the ideological heir apparents of Mao) and the moderates, who claimed Mao had designated the leadership to Hua when he said, "With you in charge, I am at ease." The culmination of the struggle was the October coup of 1976, which resulted in the arrest of Mao's widow, Chang Ch'ing, and three other party radicals, who are known as the "Gang of Four." These arrests signaled a dramatic shift in Chinese domestic policy. This shift, however, had its roots in ideological and leadership struggles that can be traced back at least ten years. Because those struggles have yet to be resolved with any degree of finality, this policy shift must be seen as a somewhat precarious one.

General Domestic Directions

In speeches at the Congress and on other occasions, Hua and Teng have laid out the basic policy directions for post-Mao China:

Economic development is the main priority of the new regime. Hua's Congress speech called for "a new leap forward" with modernization of agriculture, industry, national defense, science and technology. This is to be accomplished by "material encouragement," essentially a bonus system recognizing that some work harder than others and thus con-

tribute more to production. The objective is to build enthusiasm in the workers and strengthen China's faltering economy.

Party and leadership consolidation is designed to try and revive unity in the country and resolve sharp disputes within the party, while avoiding the division and disruptive effects of periodic political mobilization campaigns.

Rebuilding education and research to enable economic development to proceed. This development reflects Teng Hsiao-p'ing's beliefs that to achieve national development, there is a need for scientists who are both experts and ideologically committed, and the necessity for debate in scientific circles. In effect, institutions weakened by past ideological campaigns are being rebuilt.

Defense modernization is being pursued to upgrade Chinese weapons. This policy, includes a Chinese effort to buy limited weapons from the West, such as low cost anti-tank systems, in direct contrast with the former policies of Mao.

All of these policies are, of course, buttressed by selective references to Mao's thought. The permanence and motivations of these policies are vital factors in the evolution of Chinese politics.

Political Stability

The critical question is the stability of the Hua-Teng regime as the effective powerholder in China. After all, other totalitarian governments have trouble consolidating their power bases. Radical cadres could simply outwait Vice-Premier Teng. The shifting winds of Chinese politics, however, have given Teng and his supporters within the party the opportunity to remove radicals as well as others who benefitted from the Cultural Revolution from key party and government positions. Another essential element of the successful coup in 1976 and subsequent developments was that Hau and Teng have had the support of the military establishment. The present leadership's chance of retaining its position remains a question of how effectively it can coordinate the factionalism within the CCP and, thus, continue promoting a moderate philosophy in Chinese domestic and foreign policy.

The Party Plenum, meeting in July 1977, stripped the "Gang of Four" of their party membership and reinstated Teng Hsiao-p'ing as Party Vice-Chairman, Chief of Staff, Vice-Chairman of the Military Commission and Deputy Premier. This accomplished, the Party Congress, meeting in August 1977, announcd a full, new leadership "team," demoting some and promoting others. Only 56 percent of the Tenth Central Committee members were carried over into the Eleventh by the Party Congress. This infusion of new membership continued the purge of so-called "radicals" associated with the "Gang of Four." The Congress also adopted a new party constitution which deletes any mention of the Red Guards. The Congress also officially endorsed policies of orderly politics, party consolidation and economic modernization.

But maneuvering at the top for political advantage has apparently continued beneath the surface signs of unity. For example, disagreement over the final Politburo lineup contributed to a delay in convening the National People's Congress in 1978. The Congress com-

pleted the legitimatization process by filling important government positions.

Although Hua apparently enjoys support as Mao's successor, little is known concerning the strength of his power base. Teng's role and the return to power of many of his supporters serve to vindicate both the man and his program, and it is clear that his presence is strongly felt in Peking's policy formulations. Indeed, like Chou, he now appears to be in charge of day-to-day activities. Nevertheless, he probably does not dominate the party leadership. The group at the top is now too broad to be tied to Teng alone, with a number of new appointments over the last two years apparently linked to Hua or Vice Chairmen Yeh Chien-ying or Li Hsien-nien. Although the top leaders apparently share similar general concerns about where China should go, it does not appear to be a unified core.

Leadership Unity

The unity of the Chinese leadership derives in good part from a fear of the Soviet Union that leads to the conclusion that only an economically and politically cohesive China can deter the Soviets and a belief that China must modernize rapidly if it is to resolve its domestic economic problems and become a strong state. Despite past differences (Hua led the criticism of Teng in 1976), the leadership has agreed on a format for economic modernization. However, as modernization proceeds in the 1980's, inherent points of tension and disagreements will arise.

One such issue is whether China should modernize at great cost to the values of egalitarianism, self-reliance and preservation of revolutionary values. A related issue is the age-old conflict between preservation of isolationism and incorporation of foreign products and ideas. These issues will become sharper in the next decade as difficult decisions on resource allocation questions are made. Continuing to defer massive military modernization, coping with the need to simultaneously import millions of tons of grain annually while perhaps having to slow industrialization to help achieve agricultural goals, honoring commitments to increase investment in rural areas, meeting growing demands for consumption increases—all these will provoke demands by various constituencies in China that will be difficult to resolve without the prestige of Mao.

Such social issues must also be seen in the perspective of uncoming generational changes in the Politburo whose membership presently spans one group of cohorts in their seventies and eighties and another who are in their late fifties and early sixties.

Further, the Chinese media reveals philosophical disagreements between Hua and Teng such as whether to rapidly purge "followers of the Gang of Four" (Teng) or to rehabilitate the radicals while letting them retain their positions (Hua). Another example of leadership differences is the approach taken by Hua and Teng to science and technology. Hua told the National Science Conference (March 1978) that "ideological work should be strengthened," while Teng urged the upgrading of professional skills at the expense of political and ideological activities. In an important June 2, 1978, speech at the All-Army Political Work Conference, Teng called for "seeking

truth from facts," testing theory against reality, and castigated cadres for blind reliance on the Thoughts of Chairman Mao. Thus, on several key questions. Teng and Hua differed publicly. In brief, Teng advocates modernization at a greater cost to revolutionary values than HUA, who argues that Mao's teachings provide "correct" guidelines for the future.

Of course, there have been purges. Wu Teh, Chief of Peking Municipal Party was removed in October 1978, and the anti-Teng verdict of the Tienanmen riots in 1976 was reversed. Others remain, such as Wang Tung-hsing, who was active in originally purging Teng in 1966. However, Wang was demoted in December 1978 from fifth to sixth in the party hierarchy and lost his position as head of the general office of the party. Thus, Teng continues to make gains.

Earlier in March 1978, the Fifth National People's Congress endorsed Teng's policies and appointed many of his associates as State Council Ministers. Then in the summer of 1978, provincial appointments further strengthened Teng. With the dismissal of the Tientsin mayor in June, only three secretaries in Hunan (Mao's province), Shantung and Tibet loom as possible Teng adversaries.

Vice Premier Teng appears to have strengthened his role as the policy chief with a recent series of political appointments. The powerful post of Secretary General of the Chinese Communist Party has been awarded to Hu Yao-pang. He will also serve as Director of the party's Propaganda Department, thereby putting a Teng loyalist in control of key party departments. The same Central Committee Plenum in December 1978 also appointed economist Chen Yun as a party Vice-Chairman (ranking fifth in the hierarchy), Teng Ying-Chao (Madame Chou En-lai) and military hero Wang Chen as Politburo members. All are probably Teng supporters.

Although all these appointments reflects support for Teng's policies, Teng has yet to emplace younger and post-Teng transitional personnel in the Politburo. The absence of this crucial development, the lack of Politburo members under age 70 with any extensive international experience and the continued balancing between the victims and victors of the Cultural Revolution, suggest key divisions in the Chinese leadership which make modernization still a temporary policy. Teng obviously hopes to institutionalize modernization through the installation of his loyalists in the party structure, by the consumation of long-term trade agreements and the inclusion of rapid modernization in the new constitution adopted in March 1978. This strategy is designed to force continuation of modernization as Teng and his allies depart the political arena.

In essence, tough economic decisions and the festering wounds of political competition during the Cultural Revolution threaten political stability and make modernization a hostage to future political developments. As the social repercussions of modernization emerge, the conflict over revolutionary values will intensify.

Ideology

Since Mao died in September 1976, the pendulum has swung from ideological dogmatism to flexible pragmatism, characterized by the

reemergence of Teng Hsiao-p'ing. Today the PRC's emphasis is on economic modernization, not revolutionary ideology.

The new leadership's goals for 1985 were announced at the 1978 China's National People's Congress. The targets set are quite ambitious: annual growth rates of 10 percent in industry and 4 to 5 percent in agriculture; triple steel output to 60 million tons and increase grain output by about 40 percent to 400 million tons.

In addition to urging more efficient management and improved planning, China's leaders now endorse greater use of material incentives, stress on profits as a standard for economic performance, and emphasis on professional skills rather than ideological orthodoxy. They have promised rapid development of science and technology, higher standards in education, a limited cultural thaw, greater attention to legal procedures, and a rise in living standards for workers.

This policy of de-Maoization with only limited public criticism of Mao is actually a selective utilization of Mao's writings to help establish the legitimacy of new rulers. Mao Tse-tung has been openly criticized in wall posters. An official CCP party meeting, the December 18–22 Third Plenum of the Eleventh Central Committee, has stated that Mao was not perfect. Mao's historical role and the validity of the Cultural Revolution are likely to remain as issues. The "modernization" and limited liberalization policies of the new leadership are marketed through a glorification of Mao, selective citings of Mao's many and sometimes contradictory writings, and the continuation of the revolution. Thus, a vast mausoleum to Mao has been built and his theory of three worlds is hailed as Mao's great strategic contribution. However, the four modernizations—industry, agriculture, national defense, science and technology—run directly counter to Mao's prescriptions and his Cultural Revolution. Moreover, these efforts will demand expanded foreign trade and technology—always under Chinese control—but increasing China's exposure and links with the West. Although it is difficult to judge whether this pragmatic change represents a beginning of a new era in China or simply a reformulation of Maoist doctrine, the change is evident. These reforms, including restoring examinations, and curtailing extensive indoctrination instead of skill training, admit Mao's "revolutionary concepts" are failures.

Present Chinese Politics

The Peking political situation is, of course, difficult to evaluate. Recently the Western press reported a split between Chairman Hua Kuo-feng and Vice Chairman Teng Hsiao-p'ing. However, Teng himself has denied these reports. More importantly, such an outward struggle is not in the interest of China or her leaders. There have been periodic leadership struggles in China since 1949. Indeed, Chinese history is a lengthy lesson in how to maintain national unity despite regional loyalties, complex administrative problems and ambitious leaders.

With the conclusion of recent party conferences in December 1978, it appears that Teng Hsiao-p'ing's politics of modernization—on Chinese terms—have been endorsed. Nevertheless, if these policies fail because of economic difficulties (as did the 1958 "Great Leap Forward"), mismanagement or idealogical disputes, a new and unknown situation will arise. Historically, these periods of Western influence have been

either preceded or followed by ideological struggles. Teng's emphasis on science and technology and deemphasis on political indoctrination contains the seeds of such a clash. The close relationship of the modernization scheme and twice-rehabilitated Teng indicates the tenuous nature of the current program.

The relationship of Hua and Teng to the military is unclear. Hua evidently controlled the crucial internal political security element, the 8341st Unit, which seized the "Gang of Four." But it no longer is clear that this unit retains the same power. Teng apparently has great support among the regular armed forces that presumably are pleased with his strong support for modernization of the military forces. The most likely course of action is that one faction will accept an inferior role. While there is broad support among the Chinese leadership for normalization of relations with the United States, Teng was apparently in charge of the negotiations and pushed for the pragmatic compromises in the Chinese side that made normalization possible. However, any use of military coercion to alter the present leadership pattern would be destabilizing to China, Western trade and the Asian regional balance. A regime focused on internal disorder has no foreign policy—as was evident in China during the Cultural Revolution. Whether the Soviet Union would be tempted to intervene, either overtly or covertly, is conjecture, but must not be ignored.

Totalitarian governments are not immune to power struggles. Such struggles must be carefully monitored because of the impact of sudden leadership changes in the international arena.

Human Rights

The starting point for discussing human rights in China is the statement by a Chinese official that five or six percent of the population is undergoing "re-education." [1] With a population at that time of more than 900 million, this meant 45 to 54 million people were, by Chinese standards, deprived of basic liberties. In December 1978, Amnesty International issued a report, "Political Imprisonment in the People's Republic of China," detailing the suppression of basic liberties, the imprisonment and execution of millions of people. Indeed, earlier reports of the Chinese methods for dealing with dissidents resulted in the expulsion of Canadian journalist Ross Munro in 1977. Politics, not the legal process, determine justice in China.

Some argue that the collective nature of the Chinese people and the absence of Western morality negate the expectation that China will observe basic decency in dealing with its people. Apparently, the need to acquire legitimacy and build morale has led the new leadership to blame the "Gang of Four" with terrorizing the people. This charge has led to constitutional reforms, including restoring the right of the accused to a public trial, approval of the procuracy (traditionally both a prosecutor and guardian of the legal process) prior to formal arrest, election of the People's Congress by secret ballot, and regulations governing the conduct of the police. In essence, even though outside observers cannot monitor Chinese justice, it appears a wave of "socialist legality" is in motion.

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[1] *New York Times*, March 25, 1977, p. A–9.

Of course, personal and political freedoms are unknown. For example, Chinese must have permission to change jobs or residences. Further, a wall of courteous control encourages foreigners to use special shops and avoid mingling with the public. In effect, politics are closed, free speech and due process by Western standards do not exist. It is futile to expect these freedoms in a communist state, but a positive trend is evident. It is more important to judge human rights practices by the trend, not by absolutes. Few countries enjoy the liberties we have in the United States.

Unlike some critics, I do not believe these violations of human rights are sufficient reason to oppose diplomatic relations between the United States and China. The minimal formalities of recognition do not condone abusive practices. Indeed, where there is a long-standing allied relationship, the United States is morally obligated to seek improvements in human rights, if necessary. Ideally such improvement can be accomplished quietly. I therefore do not share the belief of senior Chinese officials that human rights in China should not be the subject of mutual dialogue. Critics of mere recognition, while not suspending moral concern, are overstating a valid moral point for their own political desires—continued recognition of the Republic of China. Yet, that authoritarian, basically single-party regime on Taiwan is repressive in a political sense because two million "mainlanders" maintain effective control over 15 million Taiwanese people. Martial law continues in force, as does censorship, secret arrests, and travel restrictions. Admittedly, these offenses are not as severe or widespread as China's totalitarian regime. However, these corresponding faults should not blind our foreign policy to our own national interests which do justify normalization. Thus, recognition does not violate human rights principles and may even enable us to facilitate greater acceptance of these legal and political rights in China.

Recent reports of a secret communist party internal degree, Administrative Order No. 11, removing "rightists" from the category of citizens considered enemies of the state, has had the effect of rehabilitating millions of earlier purge victims. Yet, landlords, rich peasants, bad elements and counter-revolutionaries are still condemned. But, it does seem that important changes suggesting slightly greater liberalization are taking place. The recent display of wall posters in Peking, Shanghai, Tientsin and Canton arguing for such rights suggests we can influence internal events. Although limitations were rapidly placed on the Tienanmen Square demonstrations supporting democracy, poster discussion on a broad range of previously forbidden topics continues. Certainly a quarter of the human race demands our best efforts to influence human rights in China.

Future Chinese Politics

Mao's death removed the dominant political figure and created a new political environment. Currently, two groups clustered loosely around Chairman Hua (both of the Party and of its Military Affairs Committee) and twice-purged Teng Hsiao-p'ing, cooperate and perhaps compete in governing China. Neither man can purge opponents at will. There is admittedly a potential for conflict when Marshall Yeh Chine-ying, senior Vice Chairman of the Party and the Military Affairs Committee, the current balancer, dies. Despite his advancing age, however, stability seems likely in the immediate future since

neither group is anxious to return China to the political disruption of another "Cultural Revolution" or divisive in-fighting. In recent months, the *outward* signs of differences between Hua and Teng have decreased markedly. Possibly Hua has now, if grudgingly, endorsed Teng's pragmatic modernization program and his attempt to recast the Chinese political system. Leadership agreement, however, is tenuous. The official communique marking the December 1978 CCP Central Committee plenum indicated that the party could not reach agreement on how to assess political developments in China since the start of the Cultural Revolution (1966) and noted that the session had decided to "shelve" this sensitive issue for the present time. Presumably there is strong continuing disagreement between officials who were criticized during the Cultural Revolution and later rehabilitated and others whose careers benefited from their close association with the Maoist policies. At the same time, recent *People's Daily's* commentaries continue to reflect disagreements between leaders who favor a continuing emphasis on Maoist ideology and those who believe that Maoist ideology is an impediment to material progress. For the short term, these two men will probably be able to work together, with Teng setting the pace.

In the longer terms, however, the very ambitions expressed in the "four modernizations" and the probable impact upon Chinese society, may lead to political divisions. For example, the urban areas—especially the coastal cities—seem destined to profit greatly from economic modernization. Meanwhile, the peasants on rural communes will probably suffer even greater gaps in income and create alienation that will be seen in under-production, higher prices, black marketeering, hoarding and other forms of pressure. As allocation decisions intensify national divisions, cries of revisionism will be heard. Such an ideological dispute coupled with lethargic production will lead to new difficulties. Added to these possbilities must be the unknown impact of exposure to Western trade and tourism, the education of Chinese students abroad, and the effect of technological exchange upon the society.

Future demographic pressures will also create sociological problems. More than 400 million Chinese have been born since the Revolution and lack any memory of war-ravaged China. Cutting issues such as admissions to universities or membership in the party—the precursors of better jobs in a new China—will inevitably lead to social pressures since such people may be less likely to docilely follow orders. Such people, over time, will be another factor in the evolution of Chinese politics.

The ease with which attitudinal shifts occur must be cause for concern. From the "Great Leap Forward" of 1958 through the Cultural Revolution, from the up-and-down political games, from the anti-American propaganda of 1950–1972, followed by a sort of friendship, serious but unanswerable questions about political stability arise. No one knows how broad and deep the potential political instability of China is or when it may erupt. Might not everything that is policy this year be damned in 1990?

CONCLUDING COMMENTS

China and the United States are vastly different countries. Our cultures, languages, economic and political systems are quite different. The emergence of the United States as a dominant power in East Asia coincides with the Chinese Communist Party's rising strength during WWII and control since 1949. Early postwar crises: the Chinese civil war; Korea; Taiwan Straits; found the nations on opposite sides. Now that diplomatic relations have been established, it is important that we not over-estimate the benefits that can flow from this new relationship.

Since coming into contact with China more than one hundred years ago, the American image of China has been quite volatile. Our linguistic and cultural barriers, the geographical distance and general ignorance of a closed society have led to cycles of interest and romanticism alternating with disenchantment and hostility.

We share common interests: concern about peace and stability in Asia, a prosperous but non-militarized Japan, a concern about the Soviet Union's intentions, and the need to avoid future misunderstandings—two wars in one generation—through better understanding of one another. Both the Chinese and Americans earlier failed to recognize that their vital interests in East Asia are compatible. Rather than emphasizing military confrontations and ideological differences, we should seek to maximize peace.

APPENDIX

TEXT OF PRESIDENT'S STATEMENT ON TIES WITH CHINA

Following is the text of President Carter's speech in Washington, as made public by the White House, on normalizing relations with China.

Good evening, I would like to read a joint communique which is being issued simultaneously in Peking at this moment by the leaders of the People's Republic of China.

"Joint Communique on the Establishment of Diplomatic Relations Between the United States of America and the People's Republic of China, Jan. 1, 1979.

"The United States of America and the People's Republic of China have agreed to recognize each other and to establish diplomatic relations as of Jan. 1, 1979.

"The United States of America recognizes the Government of the People's Republic of China as the sole legal Government of China. Within this context, the people of the United States will maintain cultural, commercial and other unofficial relations with the people of Taiwan.

"The United States of America and the People's Republic of China reaffirm the principles agreed on by the two sides in the Shanghai Communique and emphasize once again that:

" 'Both wish to reduce the danger of international military conflict.

" 'Neither should seek hegomony in the Asia-Pacific region or in any other region of the world and each is opposed to efforts by any other country or group of countries to establish hegemony.

" 'Neither is prepared to negotiate on behalf of any third party or to enter into agreements or understandings with the other directed at other states'.

"The United States of America acknowledges the Chinese position that there is but one China and Taiwan is part of China.

" 'Both believe that normalization of Sino-American relations is not only in the interest of the Chinese and American peoples but also contributes to the cause of peace in Asia and the world'.

"The United States of America and the People's Republic of China will exchange ambassadors and establish embassies on March 1, 1979."

Historic Agreement

Yesterday, the United States of America and the People's Republic of China reached this final historic agreement.

On Jan. 1, 1979, our two Governments will implement full normalization of diplomatic relations.

As a nation of gifted people who comprise one-fourth of the population of the earth, China plays an important role in world affairs—a role that can only grow more important in the years ahead.

We do not undertake this important step for transient tactical or expedient reasons. In recognizing that the Government of the People's Republic is the single Government of China, we are recognizing simple reality. But far more is involved in this decision than a recognition of reality.

Long History of Friendship

Before the estangement of recent decades, the American and Chinese people had a long history of friendship. We have already begun to rebuild some of those previous ties. Now, our rapidly expanding relationship requires the kind of structures that diplomatic relations will make possible.

The change I am announcing tonight will be of long-term benefit to the peoples of both the United States and China—and, I believe, to all the peoples of the world.

Normalization—and the expanded commercial and cultural relations it will bring with it—will contribute to the well-being of our own nation, and will enhance stability in Asia.

Relations Will Benefit the World

These more positive relations with China can beneficially affect the world in which we and our children will live.

We have already begun to inform our allies and the Congress of the details of our intended action. But I wish also to convey a special message to the people of Taiwan, with whom the American people have had and will have extensive close and friendly relations.

As the United States asserted in the Shanghai Communique in 1972, we will continue to have an interest in the peaceful resolution of the Taiwan issue.

I have paid special attention to insuring that normalization of relations between the United States and the People's Republic will not jeopardize the well-being of the people of Taiwan.

Broad Ties With Taiwan Pledged

The people of the United States will maintain our current commercial, cultural and other relations with Taiwan through nongovernmental means. Many other countries are already successfully doing so.

These decisions and actions open a new and important chapter in world affairs.

To strengthen and to expedite the benefits of this new relationship between the People's Republic of China and the United States, I am pleased to announce that Vice Premier Teng has accepted my invitation to visit Washington at the end of January. His visit will give our Governments the opportunity to consult with each other on global issues and to begin working together to enhance the cause of world peace.

These events are the result of long and serious negotiations begun by President Nixon in 1972, and continued by President Ford. The results bear witness to the steady, determined bipartisan effort of our own

country to build a world in which peace will be the goal and the responsibility of all countries.

The normalization of relations between the United States and China has no other purpose than this—the advancement of peace.

It is in this spirit, at this season of peace, that I take special pride in sharing this news with you tonight.

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STATEMENT OF THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA

JANUARY 1, 1979

As of January 1, 1979, the People's Republic of China and the United States of America recognize each other and establish diplomatic relations, thereby ending the prolonged abnormal relationship between them. This is a historic event in Sino-U.S. relations.

As is known to all, the Government of the People's Republic of China is the sole legal government of China and Taiwan is a part of China. The question of Taiwan was the crucial issue obstructing the normalization of relations between China and the United States. It has now been resolved between the two countries in the spirit of the Shanghai Communique and through their joint efforts, thus enabling the normalization of relations so ardently desired by the people of the two countries. As for the way of bringing Taiwan back to the embrace of the motherland and reunifying the country, it is entirely China's internal affair.

At the invitation of the U.S. Government, Teng Hsiao-p'ing, Vice Premier of the State Council of the People's Republic of China, will pay an official visit to the United States in January 1979, with a view to further promoting the friendship between the two peoples and good relations between the two countries.

THE WHITE HOUSE,
Washington, December 30, 1978.

MEMORANDUM FOR ALL DEPARTMENTS AND AGENCIES

Subject: Relations with the People of Taiwan.

As President of the United States, I have constitutional responsibility for the conduct of the foreign relations of the nation. The United States has announced that on January 1, 1979, it is recognizing the government of the People's Republic of China as the sole legal government of China and is terminating diplomatic relations with the Republic of China. The United States has also stated that, in the future, the American people will maintain commercial, cultural and other relations with the people of Taiwan without official government representation and without diplomatic relations. I am issuing this memorandum to facilitate maintaining those relations pending the enactment of legislation on the subject.

I therefore declare and direct that:

(A) Departments and agencies currently having authority to conduct or carry out programs, transactions, or other relations with or relating to Taiwan are directed to conduct and carry out those programs, transactions, and relations beginning January 1, 1979, in accordance with such authority and, as appropriate, through the instrumentality referred to in paragraph D below.

(B) Existing international agreements and arrangements in force between the United States and Taiwan shall continue in force and shall be performed and enforced by departments and agencies beginning January 1, 1979, in accordance with their terms and, as appropriate, through that instrumentality.

(C) In order to effectuate all of the provisions of this memorandum, whenever any law, regulation, or order of the United States refers to a foreign country, nation, state, government, or similar entity, departments and agencies shall construe those terms and apply those laws, regulations, or orders to include Taiwan.

(D) In conducting and carrying out programs, transactions, and other relations with the people on Taiwan, interests of the people of the United States will be represented as appropriate by an unofficial instrumentality in corporate form, to be identified shortly.

(E) The above directives shall apply to and be carried out by all departments and agencies, except as I may otherwise determine.

I shall submit to the Congress a request for legislation relative to non-governmental relationships between the American people and the people on Taiwan.

This memorandum shall be published in the *Federal Register*.

JIMMY CARTER.

[The following speech by Secretary of State Vance is "a major statement of the Administration's China policy," according to the Department of State, January 15, 1979.]

STABILITY IN EAST ASIA: THE U.S. ROLE

I am delighted that so many of you have joined us today. I particularly want to thank the two main business organizations represented here, and especially their leadership, for their efforts in advancing public understanding of a major foreign policy issue. Both Councils have played—and will continue to play—important roles in strengthening our economic relations.

It is now one month since the President announced that the United States and the People's Republic of China had reached agreement on the establishment of full and normal diplomatic relations. Today I would like to share with you some of the background leading up to the President's historic decision, and outline what we believe it means for the United States and for the world.

Few other foreign policy issues have so long divided Americans as The China Question. In the 1930's, Americans became deeply aware and often passionately concerned with the tragedy and suffering of China. In the early 1940's, our two nations fought together against the Axis powers. In the late 1940's we tried, ultimately without success, to help the two sides in the Chinese civil war find a peaceful settlement to their conflict.

Relations between the People's Republic of China and the United States reached a nadir in the 1950's. Our armies clashed in Korea, and at home the China issue left a deep mark on the domestic political landscape. One of the tragedies of that period was the destruction of the careers of some outstanding Foreign Service officers because they reported events in Asia as they saw them.

The impasse in our relations with Peking persisted despite the emergence during the 1960's of incontestable evidence of serious rivalry between the Soviet Union and China. The United States, enmeshed in military involvement in Southeast Asia, and China, preoccupied with the Cultural Revolution, were unable to make progress towards overcoming our differences.

1971 marked the beginning of a new phase. Across a vast gulf of misunderstanding and mutual distrust, the governments of Peking and the United States began a dialogue, starting with Henry Kissinger's dramatic trip to Peking in 1971 and President Nixon's visit in 1972. The Shanghai Communique of that year set a framework for our new relationship.

But that dialogue was incomplete. The United States still formally recognized the Republic of China—whose de facto control encompassed only Taiwan and a few adjacent islands—as the legal government of China. Despite this, we were able to begin contacts and ultimately, in 1973, even establish Liaison Offices in Washington and Peking. But the nature of the relationship with Peking remained

limited in scope and depth by the political, legal, and economic implications of our lack of mutual recognition.

Non-recognition—the delicate state in which we dealt with Peking in the six years after the Shanghai Communique—presented daily practical problems. Although both sides made major efforts to minimize these limitations, they became increasingly inhibiting. Discussions with the Chinese often foundered on the fact that in the absence of recognition, many activities either could not proceed at all or had to be conducted at a low level. Contacts were constrained, including those that might have produced greater understanding on global issues. Trade was limited, and opportunities often would go elsewhere. Legal problems hung over commercial transactions because of American claims and frozen PRC assets dating back to 1950. More importantly, not to try to move forward would have been to risk moving backward—and backward movement in U.S.-Chinese relations would have caused serious damage to our global position.

So even before he was inaugurated, President Carter made his first China decision. In an act of continuity with two previous Presidents, he reaffirmed the Shanghai Communique as the basis for our relationship, and specifically reaffirmed its commitment to work towards normal relations.

We were not at all certain at that time that we could indeed reach that ultimate goal. But we felt it essential to try, and we were prepared to take as much time as was necessary to achieve it on an acceptable basis.

With this in mind, we began discussions within the Administration, as well as an intensive series of consultations both with Members of Congress and with a wide cross-section of American businessmen, scholars, and others. From our consultations and review, two central thrusts, and several specific concerns, emerged.

These basic thrusts could not have been clearer: on the one hand, a substantial majority of Americans wished to see the United States and the People's Republic of China establish diplomatic relations; but at the same time, an equally large majority had deep concerns about Taiwan's future prosperity, security, and stability. We shared these concerns. The President decided that we would only establish diplomatic relations with Peking if such an action could be accomplished in a way that did not damage the well-being of the people on Taiwan or reduce the chances for a peaceful settlement of the Taiwan question by the Chinese themselves.

Beyond these basic considerations, several specific concerns emerged. First, there was widespread and legitimate concern over Peking's insistence that prior to normalization the United States must unilaterally abrogate the Mutual Defense Treaty with Taiwan, rather than terminate it in accordance with its own provisions, to which the United States and Taiwan had agreed in 1954. Furthermore, we wished to establish that after normalization, even in the absence of diplomatic relations with Taiwan, all other agreements and treaties would remain in effect.

Second, we shared with Congress and the American public a deep concern over the strong assertions by Chinese officials concerning their right to "liberate" Taiwan in anyway they saw fit. From an American point of view, the peaceful settlement of the Taiwan issue by the

Chinese themselves was of critical importance; we could not move forward if Peking continued to talk and think about the Taiwan issue in such inflammatory terms.

Third, a consensus rapidly emerged, inside and outside the government, that it was essential that we continue a wide range of relations with the people on Taiwan on a nongovernmental basis after normalization. In particular, these post-normalization relations would have to include continued sale of defensive weapons to Taiwan.

With these priorities emerging, I visited Peking in August of 1977, and Dr. Brzezinski went there in May of 1978. We found a newly confident leadership emerging in Peking as a period of intense internal turmoil subsided. We found many points of common interest on global matters, although on some important issues we continued to have differences. Our discussions on normalization were of an exploratory nature. These overall discussions reinforced our view that a strong, secure and peaceful China was in the interest of world peace.

In the early summer, President Carter instructed Ambassador Leonard Woodcock, Chief of the Liaison Office in Peking, to begin a series of presentations outlining our views on normalization. In five meetings, Ambassador Woodcock laid out the American position.

On September 19, President Carter met with the new head of the Chinese Liaison Office in Washington, Ambassador Chai Zemin. Involving himself directly in the discussions for the first time, the President told the Chinese that we were ready to normalize relations if our concerns about the future well-being of the people on Taiwan were met.

In completing his presentations on November 4, Ambassador Woodcock indicated to the Chinese that we would be willing to work toward a January 1, 1979, target date for normalization if our concerns were met. The Chinese began their response in early December. In mid-December, negotiations intensified with Vice Premier Deng Xiaoping becoming agreement that met our fundamental concerns and the announcement of our decision to establish diplomatic relations was made on December 15.

We have been able to establish full diplomatic relations with the People's Republic of China in a way that protects the well-being of the people on Taiwan. The importance of this is fully reflected in the arrangements that we have been and will be establishing.

First, the United States will not abrogate the Mutual Defense Treaty. Rather, we have given notice that we will exercise our right to terminate the Treaty with Taiwan in accordance with its provisions, which permits termination by either party after one year's notice. All other treaties and agreements will remain in effect.

Second, is the critical question of the peaceful settlement of the Taiwan question by the Chinese themselves. It is clear from the actions and statements of the PRC in the last month that normalization has, in fact, enhanced the possibilities that whatever the ultimate resolution of the issue may be, it will be pursued by peaceful means.

Since the normalization of relations, the PRC has adopted a markedly more moderate tone on the Taiwan issue:

—On January 9 of this year, Vice Premier Deng told Senators Nunn, Glenn, Hart and Cohen, that, "The social system on Taiwan will be decided by the people of Taiwan. Changes might take 100 years

or 1,000 years. By which I mean a long time. We will not change the society by force."

—On New Year's Day, after 25 years, the PRC ceased firing propaganda artillery shells at the offshore islands of Quemoy and Matsu.

Third and finally, after the termination of the Mutual Defense Treaty on December 31, 1979, we will continue our previous policy of selling carefully selected defensive weapons to Taiwan. While the PRC said they disapproved of this, they nevertheless moved forward with normalization with full knowledge of our intentions.

In constructing a new relationship with the people on Taiwan, we are taking practical steps to ensure continuity of trade, cultural, and other unofficial relations. The President has taken steps to assure the uninterrupted continuation of such relations from January 1, 1979. In the future these relations will be conducted through a nonprofit nongovernmental corporation called the American Institute in Taiwan. This corporation will facilitate ongoing, and we are confident, expanding ties between the American people and the people on Taiwan. Taipei will handle its unofficial relations with this country in similar fashion.

Let me say a word or two about the American Institute in Taiwan, the legislation it requires, and its operations. Congress will be asked to approve an omnibus bill that will authorize the funding of the American Institute in Taiwan and confirm its authority to act in a wide range of areas. I hope we will have your active support for expeditious passage of the bill.

The Institute will have its headquarters in Washington with field offices in Taiwan. It will provide the full range of commercial and other services that have been previously provided through official channels to businessmen, both from the United States and from Taiwan. In your private business dealings on Taiwan, you may freely contact the Institute's staff for advice or can deal directly with local firms and the authorities there. In short, we see no change necessary in the way private American business has been conducted on Taiwan up to now. EXIM loans, OPIC guarantees and other important arrangements will continue.

With these new arrangements in place, we expect Taiwan to continue to prosper. Taiwan's dynamic economic growth is one of the most impressive stories of the last decade; it is now our eighth largest trading partner, and per capita income is among the highest in Asia.

As anyone who has studied the issue can attest, normalization of relations with Peking was not an easy step to take. The difficulties always argued for themselves, and further delay was always an inviting option for any President. But we all recognized that sooner or later we would have to move. As I have already said, failure to try to move forward would have left us in danger of moving backwards—at great cost to our global position. By the time we took the decisive step every other member of NATO, our two treaty partners in ANZUS, and Japan had long since recognized the PRC, as had most other nations of the world. They were ready for our action—and most of them, including all the members of the Association of Southeast Asian Nations, applauded it.

When we acted, we did so in a way that enhances significantly the prospects for stability and peace in Asia and the Pacific. We acted in a way that will move us toward our objective of a stable system of

independent nations in Asia, and that will also increase the chances of maintaining a stable equilibrium among the United States, Japan, China, and the Soviet Union.

The United States will continue to play an active role in order to maintain that stable equilibrium. For reasons of geography, history and economics, we are as much a Pacific nation as an Atlantic nation, with deep and abiding national interests in the region. We will maintain balanced and flexible military forces in the region, as the recent, successful conclusion of the base agreements with the Philippines so clearly demonstrates. And we will not hesitate to act, as required, to protect our vital national interests.

The rapidly expanding relations between our two nations in science, trade and exchanges require the kind of structure that diplomatic relations can provide. It will allow a much freer exchange between our cultures. And with full relations, we are in a far better position to encourage China's role as a constructive member of the world community. We will be discussing all of these matters with Vice Premier Deng when he visits us in two weeks.

It is particularly useful on this occasion to note some of the economic benefits we expect to flow from the establishment of diplomatic relations with the PRC. These include our participation as a regular supplier of agricultural commodities to China, the ability of U.S. exporters to compete on an equal basis with other suppliers, and the resumption of shipping, air, banking, and other normal economic relations with China.

Let me emphasize that in normalizing relations we acted in a way that does not threaten any other nation, but can increase the sense of community of nations that we seek to encourage.

We believe that China has an important role to play in the search for global peace and stability. The same is true for the Soviet Union. Our national interests are best served when we seek to improve relations with both nations while protecting our vital strategic interests. This was the case during the late winter and spring of 1972, a period during which both the Shanghai Communique and SALT I were achieved. Equilibrium and stability, not isolation, are our strategic objectives. For this reason, we also look forward to the early conclusion of the SALT agreement with the Soviet Union and to improvement of our trade relations with the Soviets as well as the Chinese.

In conclusion, let me urge you to support the President's decision and the legislation to continue relations with the people on Taiwan. We seek your support in explaining the strategic and historic necessity of this action. And we encourage you to develop greater trade and contact with both the people on the mainland and Taiwan.

It was just short of seven years from the Shanghai Communique to normalization of relations. Through a difficult period, two great nations began to restore contact and shape a new relationship. We all recognize that a new era is upon us. Opportunities previously denied to us have now begun to take shape.

The nations grouped in and around the world's largest ocean, the Pacific, contain close to half the world's population. These nations must decide whether to choose the path of greater cooperation and growth or to enter into a period of unresolved struggles for influence.

For our part, the United States will enter the closing decades of the 20th century ready to play a leading role in the search for peace and economic well-being. The lack of diplomatic relations between the United States and China was an obstacle to progress for many years. Having now surmounted it, we face the tremendous challenge ahead with a sense of excitement and hope.

[Text of a speech by Ambassador Leonard Woodcock at a Reception given by the Chinese People's Friendship Association with Foreign Countries to mark the establishment of diplomatic relations between the U.S.A. and the P.R.C., Jan. 9, 1979.]

Madame Deng, Minister Huang, Minister Huang, Ambassador Wang, and Chinese and American friends

I am sure that I speak on behalf of all Americans here tonight when I say that it is a great pleasure to have this opportunity to mark the normalization of relations between the United States and the People's Republic of China in company with our Chinese friends. We are most grateful to Ambassador Wang and the Chinese People's Association for Friendship with Foreign Countries for making this occasion possible.

The establishment of diplomatic relations between our two countries represents what President Carter has called "a historic act of reconciliation." Our gathering here tonight would not have been possible if leaders in both our countries had not had the courage and vision to seek to mold the future to serve the cause of peace rather than simply letting events take their own course. We are confident that the normalization of Sino-American relations will indeed help to forge new bonds of friendship between the two countries and peoples.

We are particularly fortunate tonight in having with us four distinguished Senators from the United States Congress and accompanying staff members who are in China on a short visit. They represent both the Senate Armed Services Committee and the Senate Foreign Relations Committee, and their presence symbolizes the deep interest of Members of Congress in the relationship between our two countries—a relationship which is not only of strategic significance but is also central to the foreign policy of the United States.

Friendship and cooperation between the American and Chinese peoples can be an enormous force for good. We look forward to expanded cooperation between us in many fields including exchanges of students, visits by tourist groups, increased exchanges in the performing arts, and an expansion in trade and economic cooperation. Cooperation in these fields will enrich the lives of citizens in both our countries and will contribute to our mutual prosperity.

In addition, such cooperation will help create a climate of mutual understanding between our two countries which can only be beneficial to the peace and prosperity of the entire Asia-Pacific region. Thus normalization of relations should be only the beginning of a process which will benefit not only our own peoples, but the peoples of the region and of the entire world.

Now may I propose a toast:

To the health of Premier Hua,
To the health of Vice Chairman Deng Ying-zhao,
To the health of Foreign Minister Huang Hua,
To the health of Minister of Culture Huang Zhen,
To the health of Ambassador Wang Bingnan,
To the health of all those present here tonight.

[From the Peking Review, No. 7, Feb. 17, 1978]

Korea Is Bound To Achieve Its Independent and Peaceful Reunification

The Government of the Democratic People's Republic of Korea issued a memorandum on February 1 exposing the sinister activities of the domestic and foreign splittists to create "two Koreas." This fully demonstrates the entire Korean people's strong desire for the independent and peaceful reunification of their country. It is also an indignant denunciation of the United States and the Pak Jung Hi clique of south Korea for their intrigues to perpetuate the division of Korea.

The division of Korea resulted completely from U.S. imperialist aggression and intervention. The United States which has occupied south Korea since World War II flagrantly launched a war of aggression against Korea in 1950. It has to this day refused to withdraw its troops which have stayed on in south Korea since the Korean armistice. Instead it has since 1970 stepped up its scheming activities to create "two Koreas."

In pushing forward these activities, the United States and the Pak clique have repeatedly advocated the fallacy of a so-called "cross recognition" of north and south Korea in an attempt to stir up world public opinion favouring their "two Koreas" scheme and to make the permanent division of Korea a fair accompli. They have also agitated for "simultaneous admission" of north and South Korea to the United Nations, or "south Korea's unilateral entry into the United Nations," in a move to legalize the division of Korea through this international organization. Moreover, with a view to maintaining the division of Korea forever by dint of a scrap of paper, they have advocated that north and south Korea "coexist" and conclude a "mutual non-aggression treaty." All these absurd proposals of the United States and the Pak clique are not worth refuting. Their one aim is to perpetuate the division of Korea and the Pak clique's fascist rule.

As grounds for creating "two Koreas," the Pak clique recently came up with the fallacy that "reunification is impossible." Facts, however, speak louder than words. The Democratic People's Republic of Korea today has become the beacon of hope for the south Korean people, a bulwark for inspiring the entire Korean people and a solid base for realizing the independent and peaceful reunification of the country. The three principles of independence, peaceful reunification and great national unity put forward by President Kim II Sung, his five-point programme to prevent a national split and to reunify the country, and the four-point national salvation programme advanced by the various Korean political parties and public organizations (see *Peking Review* No. 5, 1978, page 27) have received warm support from the entire Korean people and charted the correct road to the independent and peaceful reunification of the country. The ultimate

realization of Korea's national reunification will be certainly achieved since it conforms to the general course of development and popular feeling. The reunification of the country is not impossible but an inevitable result as determined by history, and no force whatsoever can stop it.

To realize the reunification is the lofty national aspiration of the entire Korean people and the common desire of the people of the world. The activties of the United States and the south Korean Pak clique to create "two Koreas" and their fallacies have been resolutely rebutted and opposed by the entire Korean people and repudiated by the people of other countries. However, it must be noted that the superpower with a fraudulent "socialist" signboard has in recent years been flirting with the Pak clique and is now actually a supporter of the scheme of the United States and the Pak clique to create "two Koreas."

The current international situation is becoming more and more favourable to the people of the world and unfavourable to imperialism, hegemonism and the reactionaries. The struggle of the world's people against imperialism and hegemonism is gaining momentum and the Korean people's fight for the independent and peaceful reunification of their country is a component part of that struggle. The Korean people's just struggle for national reunification which is surging forward has widespread sympathy and support from the people of all countries, especially from the people of the third world countries. Korea belongs to the Korean people and no force from outside has the right to interfere in its internal affairs. The U.S. Government must face the reality squarely, stop its intervention in Korea, give up its "two Koreas" policy, withdraw all its armed forces from south Korea in accordance with the resolution of the 30th Session of the U.N. General Assembly and let the Korean people themselves settle the question of Korean reunification.

The Chinese and Korean people have forged with their blood a great revolutionary friendship through protracted struggle. This friendship is based on Marxism-Leninism and proletarian internationalism. Under the leadership of the wise leader Chairman Hua Kuo-feng and following Chairman Mao's revolutionary line in foreign affairs, the Chinese Government and people resolutely support the Korean people's just struggle for the independent and peaceful reunification of their fatherland and the solemn stand of the Government of the Democratic People's Republic of Korea as expounded in the memorandum and strongly oppose the scheming activities of the United States and the Pak clique to create "two Koreas." We are firmly convinced that under the leadership of their great leader President Kim Il Sung, the Korean people will certainly frustrate the intrigues of the domestic and foreign splittists to create "two Koreas" and win complete victory in the great cause of the independent and peaceful reunification of their fatherland.

(*"Renmin Ribao" editorial, February 6.*)

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U.S. Department of Commerce
Domestic and International Business Administration
Bureau of East-West Trade

OBR

Introduction

U.S. Policy

The Shanghai communique, issued on February 28, 1972, at the conclusion of President Nixon's historic visit to the People's Republic of China (PRC) signified a dramatic shift in U.S.-China relations. It has had a significant impact on trade policy and potential. The joint U.S.-PRC announcement of February 22, 1973, creating Liaison Offices in the respective capitals and calling for expanded trade, was an additional step ensuring a major role for commerce in improving relations. The creation of a private organization, the National Council for U.S.-China Trade, in May 1973, was yet another positive event furthering commercial relations between the two nations. It is the policy of the U.S. Government to promote trade in non-strategic goods with the PRC.

In a series of steps reflecting changes in policy, U.S. controls over American exports to and imports from the PRC have been substantially reduced during the past few years. The first important step, taken in December 1969, permitted U.S. subsidiaries and affiliates abroad to sell non-strategic goods to China and buy Chinese products for resale in foreign markets. In April 1970, the President authorized shipment of American-made components in non-strategic, foreign-manufactured goods. In June 1971, a significant list of commodities was removed from validated license control and placed under general license so they could be freely traded. Treasury's foreign assets control regulations on the PRC were removed at the same time allowing Chinese commodities (with the exception of seven embargoed furs) entry into the United States.

At the time of the President's visit to China, the PRC was placed on the same level as the Soviet Union for export control purposes. The number of commodities requiring validated licenses for export to China and other destinations was sharply reduced. Other barriers to expanded trade have been removed or reduced.

These changes in policy resulted in an expansion of total trade from $5 million in 1971 and $96 million in 1972, to $804 million in 1973 and $934 million in 1974. Major direct purchases of American equipment and agricultural products have been made by the PRC, although a sharp drop in agricultural purchases resulted in total trade dropping to $462.1 million in 1975 and an estimated $350 million in 1976. Increasing numbers of Americans are attending the Spring and Fall Kwangchow (Canton) Fairs. Existing U.S. policy should lead to further normalization of commerce with the PRC, but problems remain such as the linked issues of claims for U.S. private property taken in China and Chinese assets frozen by the U.S. Government at the time of the Korean War. Also, China does not receive Most Favorable Nation tariff treatment in the United States.

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China
International boundary
International boundary in dispute
Railroad
Road
500 Miles
500 Kilometers
Mongolia
China
U. S. S. R.
Pakistan
India
Nepal
Bhutan
Burma
Thailand
Laos
North Vietnam
Philippines
Taiwan
Japan
Hong Kong (U.K.)
Macao (Port.)
South China Sea
East China Sea
Yellow Sea
North Korea
South Korea
Sea of Japan
Lake Baikal
Lake Balkhash
Tarim
Yangtze
Huang Ho
Mekong
Salween
Brahmaputra
Ganges
Irrawaddy
Red River
Amur
Ussuri
Sungari
Liao
Taiwan Strait
Semipalatinsk
Biysk
Irkutsk
Chita
Khabarovsk
Hovd
Darhan
Choybalsan
Ulaanbaatar
Alma-Ata
I-ning (Kuldja)
K'o-la-ma-i
Wu-lu-mu-ch'i
Osh
K'o-shih
Yü-men
Pao-t'ou
Hu-ho-hao-t'e
Pei-ching (Peking)
T'ien-chin
Lu-ta (Dairen)
Shen-yang
P'yongyang
Seoul
Pusan
Ch'i-ch'i-ha-erh
Ha-erh-pin
Ch'ang-ch'un
Yin-ch'uan
T'ai-yüan
Shih-chia-chuang
Ko-erh-mu
Hsi-ning
Lan-chou
Chi-nan
Ch'ing-tao
Ka-erh
Hsi-an
Lo-yang
Cheng-chou
Han Chiang
Ho-fei
Nan-ching
Shang-hai
Wu-han
Hang-chou
Ch'ang-tu
La-sa
Ch'eng-tu
Ch'ung-ch'ing
Chiang (Yangtze)
Nan-ch'ang
Ch'ang-sha
Heng-yang
Fu-chou
Kuei-yang
Kun-ming
Hsia-men (Amoy)
Kuang-chou (Canton)
Nan-ning
Chan-chiang
Hai-nan Tao
Taipei
Okinawa
New Delhi
Kathmandu
Bangladesh
Myitkyina
Lashio
Mandalay
Hanoi
Vientiane
Vinh
Indian claim
Chinese line of control
72
84
96
108
120
132
48
36
24
NAMES AND BOUNDARY REPRESENTATION ARE NOT NECESSARILY AUTHORITATIVE

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PRC Foreign Trade Policy

International trade is viewed as an important factor in transforming China into a modern industrial state as well as an instrument to foster the overall political and economic goals of making China a strong unified nation, capable of exercising leadership in Asia and the world. Import policy is directed at the acquisition of capital goods which embody modern technology for developing China's industry. Trade also is used to overcome serious shortcomings and bottlenecks in domestic production.

A prevailing theme in PRC foreign trade policy is economic independence. China has avoided long-term foreign credit, preferring to scale imports to the amount of foreign exchange available from export earnings. Industrialization has reached the stage, however, where some reliance on financing has become necessary. The PRC attempts to become self-sufficient through development of its own production capabilities and through adoption of foreign technology. It seeks to avoid becoming dependent on one country as a source of imports or as a market for its exports.

Development of foreign trade and economic relations with most nations of the world is an important part of China's present policy to maximize the potential contribution of foreign trade to economic development. China now has trading relations with over 150 countries.

A desire to finance its imports with export earnings has resulted in an effort to balance trade with the rest of the world. However, China trades on a multilateral basis and does not insist on balancing its trade with individual countries.

The international financial policy of China is conservative. The balance of payments has been favorable in most years with imports, foreign aid expenditures, and debt repayments compensated for by export earnings, overseas remittances, and receipts of foreign credits. The PRC has at no time incurred large financial obligations, and since the break with the U.S.S.R. has avoided long-term commercial credits. Short and medium-term commercial credits have been extended by non-Communist countries for purchases of grain, fertilizer, and complete plants. China liquidated its debt to the Soviet Union in 1965. Its commercial indebtedness to non-Communist countries has been very low, but is now rising with the purchase of complete plants using medium-term credit (deferred payments) and in mid-1976 totalled $800-900 million. Reserves of gold and foreign exchange have been built up since the early 1960's so that at the end of 1975, they probably exceeded $1-2 billion (depending on the price of gold); foreign exchange holdings alone amounted to $300- 400 million. In view of the current volume of China's trade, these holdings are probably adequate.

Details of the economy, foreign trade, financial practices, and other basic data on the PRC are in the companion Overseas Business Reports, OBR 74-21, June 1974, *Basic Data on the Economy of the People's Republic of China* and OBR 74-64, December 1974, *Financial Practices in U.S.- China Trade.* Details of U.S.-China trade for 1975 may be found in Appendix 1.

Approaching the Market

Researching the Market

Prior to approaching the Chinese foreign trade corporations, many firms may want to assess the potential PRC market for their goods and services. This is a difficult process. The Chinese publish little or nothing of their Five Year Plans or otherwise provide information on equipment and technology of particular interest to them. It is somewhat presumptuous to project future demand in a centrally-planned economy with its arbitrary decision-making apparatus.

For the potential exporter, it is important to understand that the Five Year Plan sets out general goals while the annual plan provides more specific targets, production levels, and the allocation of resources needed to achieve plan objectives. Chinese production goals are meshed with the availability of raw and semi-finished materials and projected new plant capacity. Great emphasis is placed on the supply of materials and equipment from domestic resources. The concept of "self-reliance" is a fact of life in China that no market survey or potential exporter can afford to ignore.

When the requirement can not be met from domestic resources, however, the Chinese foreign trade corporations are commissioned to turn to foreign sources of supply. In 1975, for example, the eight trade corporations probably bought nearly $7 billion in supplies abroad.

Various groups in the United States attempt to survey Chinese industries to assess the potential for American goods and services. Some of these may be found as sectoral reports in the *U.S.-China Business Review* published by the National Council for U.S.-China Trade. The Commerce Department also has published several studies (see Bibliography) and has an ongoing effort to develop further market information. Having researched the market, it is then time to approach the Chinese foreign trade corporations.

Foreign Trade Corporations

Foreign trade is a state monopoly controlled by the Ministry of Foreign Trade. It is conducted exclusively through a network of corporations in accordance with priorities established by the country's economic plan. The trade corporations are organized according to the commodities or services for which they are responsible. They have main offices in Peking with branch offices in various industrial centers. The following is a listing of Chinese Foreign Trade Corporations (FTC), commodities handled by each, with their street, cable, and telex addresses.

China National Cereals, Oils and Foodstuffs Import and Export Corporation
82 Tung An Men Street
Peking, People's Republic of China
Cable: CEROILFOOD PEKING
Telex: 22081 CEROF CN PEKING

Cereals, edible vegetable and animal oils and fats, vegetable and animal oils and fats for industrial use, oil seeds, seeds, oil cakes, feedingstuffs, salt, edible livestock and poultry, meat and meat products, eggs and egg products, fresh fruit and fruit products, aquatic and marine products, canned goods of various kinds, sugar and sweets, wines, liquors and spirits of various kinds, dairy products, vegetables and condiments, bean flour noodles, grain products, nuts and dried vegetables (some nuts, dried fruits, and vegetables also carried by Native Produce).

China National Chemicals Import and Export Corporation
Erh Li Kou, Hsi Chiao
Peking, People's Republic of China
Cable: SINOCHEM PEKING
Telex: 22043 CHEMICN PEKING

Organic and inorganic chemicals, chemical raw materials, rubber, rubber tires, and other rubber products, crude petroleum and petroleum and petrochemical products (except aromatics), chemical fertilizers, insecticides, fungicides, antibiotics and pharmaceuticals, medical instruments, apparatus and supplies, dyestuffs, pigments, and paints.

China National Light Industrial Products Import and Export Corporation
82 Tung An Men Street
Peking, People's Republic of China
Cable: INDUSTRY PEKING
Telex: 22082 Light CN PEKING

General merchandise of all kinds, paper, stationery, musical instruments, typewriters, cameras, film, radios, refrigerators, sporting goods, toys, building materials (plywood, insulation board, p.v.c. fittings and pipe, tiles, glass, sanitary ware, etc.) and electrical appliances, clocks and wristwatches, fishnets, net yarns, leather shoes, leather products, pottery and porcelain, human hair, pearls, precious stones and jewelry, ivory and jade carvings, lacquer ware, straw and other plaited articles, furniture, artistic handicrafts, and other handicrafts for daily use.

China National Machinery Import and Export Corporation
Erh Li Kou, Hsi Chiao
Peking, People's Republic of China
Cable: MACHIMPEX PEKING
Telex: 22042 CMTEC PEKING

Machine tools, presses, hammers, shears, forging machines, diesel engines, gasoline engines, steam turbines, boilers, industrial and institutional refrigeration and air conditioning equipment, mining machinery, metallurgical machinery, compressors and pumps, hoists, winches and cranes, transport equipment (aircraft, railroad, automotive, ships and parts thereof), power and hand tools, agricultural machinery and implements, printing machines, knitting and other textile machines, building machinery, machinery for the chemical, rubber, plastics and other industries, ball and roller bearings, tungsten carbide, electric machinery and equipment, telecommunication equipment, electric and electronic measuring instruments, and scientific instruments (except medical instruments).

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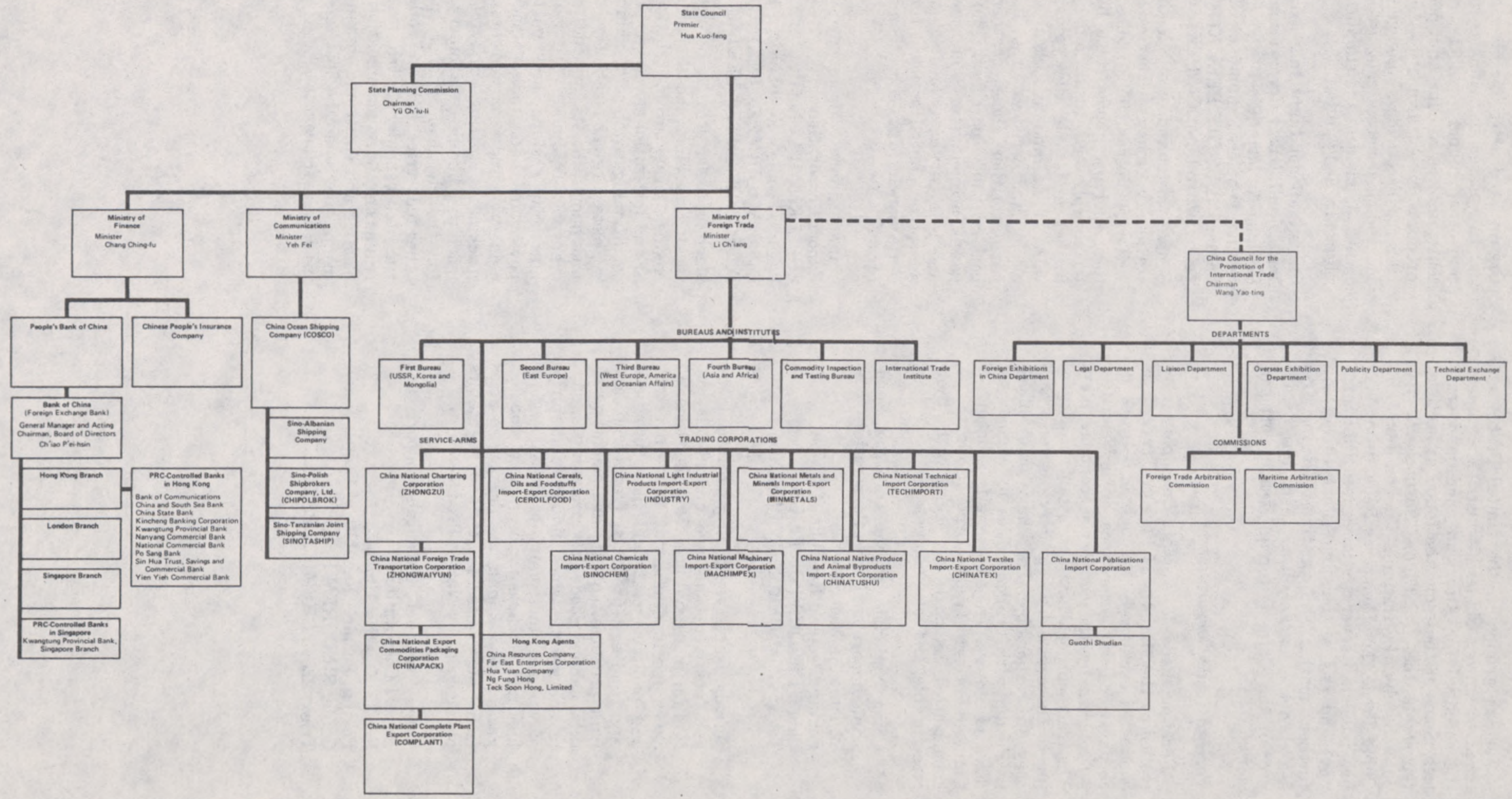
Foreign Trade Organizations of the People's Republic of China [1]



[1] The dashed lines indicate some directional responsibilities.

China National Metals and Minerals Import and Export Corporation
Erh Li Kou, Hsi Chiao
Peking, People's Republic of China
Cable: MINMETALS PEKING
Telex: 22041 MIMET CN PEKING

Steel plates, sheets and strip, steel sections, steel pipe and tube, railway materials, cast iron products, pig iron, ferroalloys, fluorspar, limestone, nonferrous metals, precious rare metals, ferrous ores, nonferrous ores, rare earths, nonmetallic minerals, refractories, coal and coke, cement, granite, marble, bricks and other construction materials, and hardware.

China National Native Produce and Animal By-Products Import and Export Corporation
82 Tung An Men Street
Peking, People's Republic of China
Cable: CHINATU HSU PEKING
Telex: 22083 TUHSU CN PEKING

Tea, coffee, cocoa, tobacco and cigarettes, fibers (hemp, ramie, jute, sisal, flax, etc.), rosin, manioc, starches, and seeds, cotton linters and waste, timber, certain papers and forest products, waxes, spices, essential oils, aromatic chemicals, nuts, dried fruits and vegetables (see also CEROILFOOD), patent medicines and medicinal herbs, fireworks, nursery stock as well as other native produce, including bristles and brushes, horsetails, feathers, down and down products, feathers for decorative use, rabbit hair, goat hair, wool, cashmere, camel hair, casings, hides, leathers, fur mattress, fur products, carpets, living animals.

China National Technical Import Corporation
Erh Li Kou, Hsi Chiao
Peking, People's Republic of China
Cable: TECHIMPORT PEKING
Telex: 22044 CNTIC CN PEKING

Importation of complete plants and technology.

China National Textiles Import and Export Corporation
82 Tung An Men Street
Peking, People's Republic of China
Cable: CHINATEX PEKING
Telex: 22080 CNTEX CN PEKING

Cotton, cotton yarns, raw silk, steam filature, wool tops, rayon fibers, synthetic and manmade fibers, cotton piecegoods, woolen piecegoods, linen, garments and wearing apparel, knitted goods, cotton and woolen manufactured goods, readymade silk articles, drawn works.

Establishing Contact

It takes time and patience to successfully enter the China market, whether exports or imports are involved and whether large or small firms are involved. Prior to establishing contact, for any but the simplest purchase transactions you should give thought to the following questions:

Am I prepared to invest considerable money initially without assurance of an early return?

Am I prepared to negotiate the first transaction for 1 or 2 years?

Am I prepared to obligate the necessary senior talent and technical expertise?

Am I prepared to walk away from an unpromising negotiation at any time?

Am I prepared to resist concessionary terms in order to penetrate this market?

If some of your answers to these questions are negative, you may want to rethink entering this market.

Generally, the first step in establishing commercial contact, regardless of whether exports or imports are involved, is to determine which of the above FTCs has jurisdiction over the commodities of interest to you. A proposal is then prepared and sent to Peking. A successful sales proposal is likely to result in a request from the Chinese for additional information and specificity, a reworking of the proposal based on specifications provided by the Chinese, or by an invitation to come to Peking and discuss the matter further. If you are buying Chinese goods, you would normally hope to receive an invitation to attend the Chinese Export Commodities Fair in Kwangchow; you may wish to request an invitation in the proposal. Sales of some commodities, of course, are done directly by mail, without the need for direct contact. In a few cases, where the Chinese have a requirement for a commodity, they may contact the American firm directly.

The form of the initial proposal is important, even though the ultimate FTC decision to purchase a commodity rests on the plan

requirements of the Chinese economy. The sales proposal should clearly define the products or product lines you wish the Chinese to focus on. Too often, especially with multi-division corporations or with conglomerates, confusion is created by sending the FTC annual reports or other brochure material describing all product lines. The proposal should be straightforward and sufficiently explicit and technically comprehensive to permit an in-depth evaluation by the Chinese of the products in question. The balance of the material in the proposal, designed to acquaint the FTC with your corporation and other products, may be included, but should be clearly distinguishable from the commodities you hope to sell.

The FTC is the go-between you and the Chinese end-users. For this reason, it is essential to provide at least 10 and preferably 20 copies of the pertinent technical information to be forwarded to the end-users by the FTC. In the case of Techimport, five copies should suffice. If the product lines you wish to sell are in different FTCs, it would be best to prepare separate proposals. Firms should always include the words "United States" or "U.S.A." in their company's address. A firm whose name and location are quite well-known in the United States may be totally unfamiliar to the Chinese and cannot be readily identified with the United States. Copies of the information, or at least the covering letter should be sent to:

Commercial Office
Liaison Office of the People's Republic of China
2300 Connecticut Avenue, N.W.
Washington, D.C. 20008, and

Commercial Officer
Liaison Office of the United States of America
17 Kuanghua Lu
Peking, People's Republic of China

It would also be useful to send several copies of the pertinent technical information to:

The China Center for Literature
Concerning New Foreign Products
P. O. Box 615
Peking, People's Republic of China

Depending on the products involved, especially in the case of high-cost capital equipment or complete plant, you may wish to invite the FTC to send a technical team to the United States to inspect your plant and equipment or visit similar facilities.

It is always a question whether or not to put the proposal in Chinese. Of course, this is the courteous thing to do and it may facilitate the handling of your proposal in the PRC. On the other hand, the number of adequate translation services in the United States which are familiar with the simplified characters in use in China is very limited. If your proposal covers products for which it is unclear the Chinese have a need, it may be quite wasteful to have a lengthy proposal translated although it is likely a translation is helpful to the Chinese. If in doubt, translation of the covering letter could serve to show your interest. Any proposal in Chinese should be accompanied by an English translation.

In your proposal do not overstress past relationships with China. The PRC is more interested in current performance than in any past connections, either to 1949 or since then with Taiwan. Naturally words such as Red China and other offensive terms should be avoided. Refer to the People's Republic of China or China.

If the Chinese are interested in a proposal, they can be expected to reply. However, it takes considerable time— often months—for a proposal to be processed and assessed. There may be no reply at all, probably indicating no requirement for such commodities at the time (Appendix 2 contains a list of commodities thought to be of interest to the Chinese). Firms that are convinced their products mesh with Chinese development priorities should keep their products and literature before the appropriate foreign trade officials. Because of mailing and distribution time lags, some 8-12 weeks should be allowed before initiating any follow-up activities. In general, it is advisable to follow up periodically with additional material and samples, especially with regard to any product developments that would enhance the initial approach. Any additional literature or samples should be accompanied by a covering letter that refers to the original proposal.

Samples should be sent to China only after receiving permission in advance from the relevant foreign trade corporation. Exporters should arrange to send their samples directly to the FTC in Peking or, if directed, to branch offices in other parts of China.

It should be remembered that the FTCs alone are responsible for negotiating contracts. No attempt should be made to circumvent the FTC, but it may be helpful on occasion to visit the Hong Kong agents of the FTCs. The agents can explain the current situation and usually report fully to their principals in Peking. In rare instances they are allowed to conclude trade deals.

In addition to communicating by mail with the FTCs in Peking or by visiting their agents in Hong Kong, there are several other approaches that may be taken. These include: Attendance at the Kwangchow Trade Fair; participation in an exhibition in or trade mission to the PRC; holding technical seminars by invitation; contacting PRC commercial/technical missions to the United States; utilizing the services of the U.S. and PRC Liaison Offices in the capitals of the two countries; and becoming a member of, or consulting with, the National Council for U.S.-China Trade.

In general, the Chinese prefer to deal with American firms directly, but will not refuse to negotiate through agents of these firms when necessary.

For further information or advice on contacting the Chinese on commercial matters, call or write to:

PRC Affairs Division
Bureau of East-West Trade
U.S. Department of Commerce
Washington, D.C. 20230

(Telephone (202) 377-3583/4681)

The U.S. and PRC Liaison Offices

Liaison Offices in the respective capitals of both countries opened in May 1973. Both offices contain economic/commercial sections. They provide important points of contact for businessmen of both countries. The PRC's Washington office is the principal contact point in North America for American firms.

While U.S. firms should consider keeping the PRC Liaison Office in Washington informed of their capabilities and desire to do business in China, the basic approach to selling in the PRC remains through the appropriate FTC in Peking. The U.S. Liaison Office in Peking assists Americans by providing advice on the FTCs and by generally apprising U.S. businessmen of the economic situation and commercial opportunities in China.

The National Council for U.S. -China Trade

The formation of a National Council for U.S. -China Trade was announced on March 22, 1973. The Council, a prestigious, nonprofit, private organization maintaining close liaison with the U.S. Government, serves as a forum for the discussion of trade policy and issues. It also serves as a focal point for business contacts and the dissemination of information accumulated in marketing in the PRC. The Council maintains a business counseling service, a translation sevice, and it publishes the *U.S.-China Business Review* bimonthly. The Council facilitates the reciprocal arrangements of trade missions and trade exhibitions in the United States and China.

To promote these activities the Council maintains a working relationship with the Chinese Council for the Promotion of International Trade in Peking and the PRC Liaison Office in Washington. Individuals and firms interested in these activities should consult either the National Council or the Bureau of East-West Trade. The National Council may be reached at Suite 350, 1050 17th Street, N.W., Washington, D.C. 20036 or by phone at (202) 331-0290/0295.

Other PRC Trade-Related Entities

Bank of China (BOC)
San Li Ho
Peking, People's Republic of China
Cable: HOCHUNGHUO PEKING
Cable for all branches CHUNGKUO

Handles all of China's external financial dealings; finances the FTCs; and for all intents and purposes acts as the foreign branch of the People's Bank of China, China's national bank. The BOC has branches throughout China and three outside of China (Hong Kong, Singapore and London). It also maintains corresponding banking relationships with scores of foreign banks, of which 30 or so have branches in the United States.

China Council for the Promotion of International Trade (CCPIT)
4 Taiping Chiao Street
Peking, People's Republic of China
Cable: COMTRADE PEKING

Although the CCPIT is said to be a nongovernmental "public" organization, it is an important part of China's foreign trade structure. As such it works with

.he Ministry of Foreign Trade and the FTCs on China's external trade and serves as a liaison between China's trade enterprises and their counterparts abroad. Its responsibilities include informing foreign trade organizations of China's trade and keeping abreast of developments in foreign markets; arranging economic and trade-related exchanges, which include Chinese exhibitions abroad as well as foreign exhibitions in the PRC; and registration of trademarks. The CCPIT does make "unofficial" trade agreements with foreign organizations in its own name. Through its Foreign Trade Arbitration Commission and Maritime Arbitration Commission the CCPIT has responsibility for settlement of legal disputes related to foreign trade and maritime affairs.

China National Chartering Corporation
Erh Li Kou, Hsi Chiao
Peking, People's Republic of China
Cable: ZHONGZU PEKING
Telex: ZHONGZU PK 331
Telex: WAIYUN PK 335

Under direction of China National Foreign Trade Transportation Corporation, charters foreign vessels and books shipping space required for Chinese import and export cargoes. Also, does similar business on behalf of principals located abroad. Canvasses cargoes for ship owners.

China National Complete Plant Export Corporation
An Ting Men Wai
Peking, People's Republic of China
Cable: COMPLANT PEKING

Exporters only of complete factories, works and production units, usually, but not exclusively, as part of an economic aid agreement.

China National Export Commodities Packaging Corporation
2 Chang An Street
Peking, People's Republic of China
Cable: CHINAPACK PEKING

Supplies packing materials for export commodities.

China National Foreign Trade Transportation Corporation
Erh Li Kou, Hsi Chiao
Peking, People's Republic of China
Cable: ZHONGWAIYUN PEKING
Telex: WAIYUN PK 335
Telex: ZHONGZU PK 331

Arranges customs clearance and delivery of all import/ export cargoes by land, sea, and air, or by post. May act as authorized agents clearing and delivering goods in transit through Chinese ports. Arranges marine and other insurance and institutes claims on behalf of cargo owners on request.

China Ocean Shipping Company
6 Tung Chang An Street
Peking, People's Republic of China
Cable: COSCO PEKING
Telex: CPC PK 329

Engages in cargo and passenger services, handles clearing of foreign ships and booking of shipping space and transshipment of cargo.

China National Publications Import Corporation
P. O. Box 88
Peking, People's Republic of China
Cable: PUBLIM PEKING

Import of books and periodicals.

Guozi Shudian
P. O. Box 399
Peking, People's Republic of China
Cable: GUOZI PEKING

Export of China's books and periodicals. Arranges subscriptions to Chinese newspapers and periodicals on behalf of foreign readers.

People's Insurance Company of China
34 Fan Ti Road
Peking, People's Republic of China
Cable: 42001 PEKING
Telex: RENBAO PK 341

Provides international trade and marine risk underwriting at competitive rates. Has overseas agents in leading countries.

Scientific and Technical Association
Kan-mien Hu-t'ung No. 31

Peking, People's Republic of China With the CCPIT, this organization plays a role in and may be consulted in connection with arranging scientific and technical symposia in China. It is responsible for

planning scientific research and development and plays a lead role in organizing and controlling the professional societies, such as the Society of Automation, Society of Electronics, and many others.

Certain of the trade organizations have agents in Hong Kong. These agents, their addresses, and the FTCs they represent are as follows:

China Resources Company (CRC)
Bank of China Building
Des Voeux Road Central
Hong Kong
Cable: CIRECO HONG KONG

CRC represents China National Machinery Import and Export Corp., China National Chemicals Import and Export Corp., China National Metals and Minerals Import and Export Corp., and China National Textiles Import and Export Corp.

Far East Enterprises Corporation (FARENCO)
Bank of China Bldg.
Des Voeux Road Central
Hong Kong

FARENCO represents the China Foreign Trade Transportation Corporation and arranges transshipment of goods to and from the PRC through Hong Kong.

Hua Yuan Company
37-39 Connaught Road West
Hong Kong
Cable: HYCOMP HONG KONG

Hua Yuan represents China National Light Industrial Products Import and Export Corp., and China National Native Produce and Animal By-Products Import and Export Corporation.

Ng Fung Hong
Bank of China Building
Hong Kong
Cable: NGFUNG HONG KONG

Ng Fung Hong represents China National Cereals, Oils, and Foodstuffs Import and Export Corp.

Teck Soon Hong Ltd.
37-39 Connaught Road West
Hong Kong
Cable: STILLON HONG KONG

Teck Soon Hong represents China National Native Produce and Animal By-Products Import and Export Corp., China National Light Industrial Products Import and Export Corp., and China National Textiles Import and Export Corp.

Ministries, Enterprises, and Other End-Users.—The FTC's import commodities and technology on behalf of ministries, enterprises, and other consuming entities in the PRC. It would be ideal to reach these end-users since they play a major role in deciding what commodities are to be procured within the constraints of plans and budgets. At least in the initial stages of negotiations, however, it is quite difficult to make such contacts although you may become aware from the types of questions asked that an end-user is present during discussions. In subsequent rounds of negotiations, the presence of end-users may be acknowledged.

One way to contact end-users in an attempt to influence their decisions is by exhibiting equipment in China where engineers and other representatives of consuming entities have an opportunity to observe and ask questions about the equipment being demonstrated. Useful contact with end-users may be made when they visit the United States or third countries as members of trade missions and delegations. In any event, if PRC end-users can be reasonably identified, it may be useful to communicate by letter with them, outlining the technical and economic advantages of given products. It is also possible to get information about your products in front of Chinese end-users by advertising in Chinese in publications about American industrial products that are published by American firms. (See Bibliography)

The Kwangchow Trade Fair

The Chinese Export Commodities Fair (Kwangchow/Canton Trade Fair), sponsored by the foreign trade corporations is held twice a year, in the Spring (April 15-May 15) and Fall (October 15-November 15). While the Fair is heavily export oriented and only Chinese commodities are displayed, the FTCs do purchase foreign products during this semiannual event. Since its inception in 1957 the Fair has grown steadily and in the Spring of 1974 it was moved to a new building complex in the Liu Hua district on the outskirts of Kwangchow. The new exhibition hall is near the new train station serving Hong Kong, Peking, and Shanghai and is a 10 minute walk from the Tung Fang Hotel which accomodates U.S. businessmen. Completion of the new

complex indicates that the Fair, now accounting for roughly half of China's exports, will continue to play an important role in China's trade.

The Fair offers the best opportunity for U.S. importers to transact business with China and it affords American exporters some chance to approach the FTCs. It provides a unique opportunity to assess the type, availability, and price of various Chinese products, a difficult task at best owing to Chinese reticence to release meaningful commercial information. By viewing the new products exhibited at each Fair, the businessmen may obtain a convenient overview of the technological progress of the Chinese people, and the direction such progress is taking.

Only businessmen or firms specifically invited by an official PRC agency may attend the Fair. In the past, invitations generally were extended to firms with whom the PRC already had well-established relations or with whom they felt there was a good possibility of business. In recent years, however, both the number of invitations issued to and the attendance of American businessmen have had marked increases.

Businessmen who wish to attend should request an invitation from the appropriate foreign trade corporation or one of its agents, such as the China Resources Company (CRC). The commercial office of the PRC Liaison Office in Washington is also able to offer assistance or advice in securing an invitation to the Fair. Invitations are sometimes obtained by writing to the Chinese Export Commodities Fair, Kwangchow, People's Republic of China.

Invitations are usually extended to firms rather than to individuals. It is advisable to request places for as many buyers as necessary to properly conduct discussions on the range of commodities you may wish to purchase. Individuals representing a firm must show some evidence, usually in the form of a letter from the company, that he is the one designated by the firm to attend the fair.

Reaching the Fair.—Travel from Hong Kong to Kwangchow is a matter of about 6 hours by train. Changing trains at the border takes several hours during which time a meal is served and customs clearance is carried out. On arrival in Kwangchow foreign businessmen are met by a representative of China Travel Service and taken to their hotel, which in most cases is the Tung Fang Hotel.

Conducting Business.—To be able to enter the Fair exhibition hall and view products or discuss business it is necessary first to register at one of the liaison offices set up by Fair authorities in the three main hotels accomodating foreign visitors. Most U.S. businessmen would register at the Tung Fang Hotel liaison office. Upon presentation of the letter of invitation and identification, the liaison office issues the visitor a numbered badge which constitutes a door pass and can be used as a convenient form of identification anywhere in Kwangchow. After registration the visiting businessman may request the liaison office to make an appointment for him with the appropriate FTC officials. They can also make arrangements for businessmen to attend various cultural events and visit local factories and communes during their free time. In general, the liaison office acts as the Fair authorities' representative in providing for all the needs of the foreign businessmen.

If the businessman wishes, he can make his own appointment by directly approaching FTC officials on the floor of the exhibition hall. Each of the seven major exporting FTCs has permanently assigned quarters in the exhibition hall where its products are exhibited. Representatives of FTCs can be found sitting at tables set up near product exhibits in their designated areas. They can be approached during business hours, which are from 8 a.m. to noon and 2 to 5 p.m. daily except Sunday. Discussion may take place at these tables or in special discussion rooms. Importers of Chinese products known to be in short supply may in some cases find it advantageous to approach relevant FTC officials promptly after the opening of the Fair. If an importer already has established relations with certain officials, writing to them prior to the Fair about products and quantities desired may facilitate discussions at the Fair. The FTC supplies the necessary interpreters; of course understanding is improved if the visitor speaks Mandarin Chinese.

Discussions may cover any item of interest to either side, including price, quantity, packaging, delivery schedules, and such things as meeting U.S. labeling laws, U.S. food and drug requirements, tailoring goods to U.S. specifications, and use of U.S. trademarks. At recent Fairs, some FTCs have shown flexibility in meeting the specific needs of U.S. importers. Shoes, for example, have been made to U.S. importer specifications and, in at least one instance, an FTC consented to placing a U.S. firm's trademark beside its own although

the Chinese still decline to place only U.S. labels or trademarks on their products.

While the Fair is principally concerned with Chinese exports, some sales and contract negotiations do take place in Kwangchow. FTC officials, some highly qualified technically, will form a delegation to hold extended discussions with the American exporter. The China National Technical Import Corporation, which handles pruchases of complete plants and technology, was not represented at the Fairs in 1974 and 1975, but may again attend in the future. U.S. firms are occasionally invited to Peking to continue discussions.

American businessmen attending the Fair can now obtain assistance from officers of the U.S. Government and the National Council. Commercial officers from the U.S. Liaison Office in Peking and staff members of the Council maintain suites at the Tung Fang Hotel. In addition to offering advice on Fair procedures and Chinese business conditions and practices, businessmen are provided access to a number of useful reference works and office machines, including typewriters, a copying machine and a telex tape cutter. These representatives give receptions which have been well attended by FTC officials, providing unique opportunities for U.S. businessmen to become better acquainted with Chinese trade officials.

Trade and Products.—The Fair has grown in recent years with an estimated 24,000 foreign businessmen, representing the major industrial and commercial firms of over 100 countries, attending the 1976 Spring Fair. Total trade has been steadily increasing since 1969 with close to $1 billion total in the Fall of 1975. The past several fairs have witnessed an increase in the amount of finished and semifinished goods sold by the Chinese.

Chinese products purchased at the Fair consist mainly of foodstuffs, textiles, animal by-products, metals and minerals, basic inorganic chemicals, pharmaceuticals, hospital and other medical equipment, and arts and crafts. The latter have been selling extremely well. Chinese prices are generally competitive with world market levels, but can fluctuate sharply.

Chinese purchases at the Fair in recent years have generally been characterized by slow buying with emphasis on metals, chemicals, plasticizers, dyestuffs, synthetic fibers, wood pulp and other non-agricultural commodities.

American firms were invited to attend the Fair for the first time in the Spring of 1972. About 325 American firms were represented at the 1976 Spring Fair. American sales and purchases have totalled $55 million and $30 million in the Fall 1975 and Spring 1976 Fairs, respectively.

A film on the Kwangchow Fair made by the Chinese is available for showing. Write or call the Division of PRC Affairs of the Bureau of East-West Trade for details (202 377-4681).

Other Fairs and Exhibitions

Each year the PRC participates in trade fairs and exhibitions in a number of foreign countries. It also hosts foreign exhibitions in China, usually in Peking, but occasionally in Shanghai. In addition, various FTCs have been holding mini-fairs in Shanghai, Tientsin, and other centers located near producing facilities. Such fairs, covering forest products, carpets, straw products, wines and spirits, pharmaceuticals and medical instruments, feather and down, and furs are held irregularly although some of them are expected to become regular events. They are designed to complement, not replace, the semi-annual Kwangchow Fair.

To date there have been no U.S. trade fairs in China and it is unlikely any will take place before the linked issues of Chinese blocked assets and U.S. private claims are resolved. U.S. subsidiaries abroad, however, have participated on occasion in the fairs of other countries exhibiting in Peking.

Contract Negotiations

Business propositions which elicit Chinese interest usually result in invitations to go to the Kwangchow Fair if the Chinese are exporting and to Peking if China is considering importing. For special reasons, businessmen may be invited to other Chinese cities for discussions, for plant visits or to attend a specialized product fair. Chinese Foreign Trade Corporations have also begun to send buying and selling missions to the United States. As emphasized above, contacts with Chinese FTCs should be opened directly. Normally, however, the businessman's ability to begin serious negotiations depends on obtaining an invitation from the Chinese Foreign Trade

Corporation to come to Peking or to visit the Fair.

Business negotiations with the Chinese are marked by efforts to obtain as much technical and commercial information about a company's product as possible. When companies have been unwilling to discuss proprietary technical information, they have found that the Chinese understand and accept a simple statement to that effect. They are usually well informed not only about the company with whom they are negotiating but about the company's competitors and market conditions as well. Competition among Western businessmen may be used by the Chinese as a lever to get a company to improve its offer.

Negotiations with the Chinese emphasize technical aspects and are extremely detailed. It is very important to include highly qualified, tactful personnel on the negotiating team both to resolve difficult technical problems and to demonstrate the company's technical competence and serious intentions. Commercial negotiations with the Chinese often include extensive discussions on relatively minor aspects of the transactions. Careful preparation is a must. Businessmen should have all previous correspondence and expect to confront very astute bargainers.

A frustrating aspect of such negotiations for many businessmen is its nature. Negotiations are often recessed while the Chinese consider the company's presentation. This provides a marvelous opportunity to enjoy Chinese hospitality and tourist sites, but it can involve excessive time of valuable staff. Decisions are usually group decisions, made in coordination with a number of Chinese entities including the Foreign Trade Corporation, the relevant ministry and the end-users. It is characteristic of Chinese negotiating style to emphasize mutual understanding and the development of good long term relationships, both corporate and personal.

The Chinese provide interpreters, and talks are conducted in English so it is not necessary to have an interpreter present. If a member of the company's delegation speaks Chinese in addition to his other abilities, however, this can speed the discussion and resolve possible difficulties in transmitting technical and commercial information. Knowledge of Chinese business practices as well as a sensitivity to Chinese customs can also be quite useful, but contracts have been successfully negotiated by American companies without relying on such expertise.

For small value transactions or for standardized products, the contracts used by FTCs are basically standardized although they differ somewhat from corporation to corporation and from commodity to commodity. All standardized contracts are short, usually two pages, and, in some clauses quite vague. While FTCs will make amendment or additions to these standard contracts, they prefer to make oral understandings outside the written contract. In general, they are more willing to amend their import (purchase) contract than their export (sales) contracts. It is important for businessmen to press for inclusion of all terms notwithstanding the oral assurances of the FTCs that their apprehensions are unfounded.

Chinese sales contracts generally afford the FTCs more protection against non-performance than do their standardized purchase contracts. Both sales and purchase contracts contain force majeure clauses but for Chinese exports the coverage clearly specifies various natural disasters and a catch-all phrase to cover "any other causes beyond their control." Exporters to China should be aware that the standard force majeure clause would not be interpreted to include "acts of God", strikes, or government intervention.

According to the standard contracts, inspection of both Chinese sales and purchases is done in the PRC by the China Commodities Inspection Bureau (CCIB). Such inspections are characterized by their thoroughness —even counting small items which are packed in bulk. Finally, China's purchase contracts normally include penalty clauses for late shipment while their sales contracts are silent on the subject. In some cases, the FTCs have waived payment when they recognized that the cause of the delay was beyond the control of the exporter: however, in other cases penalties for late deliveries and for late payment have been assessed.

On large, complex transactions standard contracts are not utilized. The FTCs strive for contract provisions similar to those on the standard contracts, but depending on their desire for the product and the degree of competition for the transaction, tend to be more flexible.

Arbitration

Chinese practice, domestic as well as foreign, is to avoid formal arbitration proceedings as a way to resolve contract disputes

Even when the contract contains an arbitration clause and when a dispute has been unresolved for some time, FTCs generally strive to settle the dispute through "friendly discussion." Indeed, in many contracts, "friendly discussions" or "friendly negotiations" is cited as the primary vehicle for dispute resolutions.

The FTCs will likely suggest that if arbitration is necessary, it should be submitted to the Arbitration Committee of the China Council for the Promotion of International Trade in Peking under the Arbitration Committee's rules. However, in recent years, FTCs have increasingly accepted Sweden, Switzerland or other third countries as sites for arbitration.

The most important fact, however, is the degree to which FTCs go to avoid any arbitration—even in Peking under Chinese rules. The very few cases that have been arbitrated were reportedly conducted very fairly. In 1974, only one dispute was known to have been settled through arbitration and award. In the Chinese view, such disputes should be resolved by the two parties if they have a good long term relationship. Often the Chinese methods of contract resolution are indirect and take the form of better terms on future contracts. It is preferable to explore all avenues for resolving disputes before seeking recourse in arbitration.

Currency

The currency of China is called Renminbi (RMB) or people's currency. Basic units:

Yuan (Y) = 100 fen (cents)
jiao = 10 fen

Notes are issued in denominations of Y10, Y5, Y2, and Y1; and 50, 20, and 10 fen. Coins are issued in denominations of 5, 2 and 1 fen.

The RMB is an inconvertible currency. Bank deposits can be maintained at the Bank of China but usually RMB is bought and sold as it is needed for commercial and travel purposes.

The exchange value of the RMB is determined by the Bank of China and changes periodically—generally in response to international monetary conditions. For example, between July 1, 1975 and June 30, 1976, the value of the RMB changed more than 30 times; changes were less frequent in 1976. The Bank of China posts bid and offer rates for the RMB against major western currencies. The offering price of the RMB has fallen recently from 56.09 U.S. cents on July 2, 1975 to 51.14 cents on June 29, 1976. Between August 1975 and June 1976, it has fluctuated in a narrow range between 50.5 and 51.5 cents.

Since August 1975 the Bank of China has permitted businessmen with RMB denominated contracts to purchase RMB forward. However, the relatively high cost of forward RMB (30% for a six month contract) the availability of dollar denominated contracts, and the stability of the RMB-U.S. dollar exchange rate have combined to minimize businessmen's interest in such transactions.

Payments

Most transactions in the China trade call for payment by irrevocable letter of credit (L/C) against presentation of sight draft and shipping documents. Letters of credit are negotiated on the Chinese side by the Bank of China (BOC), headquartered in Peking, with domestic branches in most ports of China. Three foreign branches of the BOC are located in Hong Kong, Singapore, and London. In negotiating letter of credit transactions, the BOC utilizes an extensive network of correspondent banks established throughout the world in areas where China trades. The Bank of China has not established full correspondent bank relationships with any U.S. bank although it will accept traveler's checks, traveler's letters of credit and remittance payments drawn on American banks. To facilitate trade finance, the BOC has made arrangements with the branches of a number of foreign correspondent banks for negotiating commercial letters of credit. As the normalization of U.S.-China relations continues, it is expected that the BOC will make similar arrangements with U.S. banks.

The Bank of China has an excellent reputation both for its efficiency in handling the technical details of financial transactions and for paying promptly and in full. In general, Chinese financial practices are not greatly different than those in the west but they do stringently implement some contract and L/C provisions to their own advantage. For example, when China is the seller, the standard form contract usually stresses that the buyer is to open the L/C promptly and may say little about the shipping and other documents which China is to present to obtain payment. When the PRC is purchasing, the documentation required by the BOC before it will make payment is spelled out in detail. Moreover, in many PRC purchase contracts, payment is to be made only after the shipping documents

are received by the branch of the BOC which opened the L/C. This will increase the amount of time between the shipping date and the receipt of payment by the number of days it takes the documents to reach China. In addition, there will be a certain period during which the seller is without goods, documents or payment. The PRC also does not follow the accepted international practice of having its letter of credit confirmed with a bank in the seller's country. Against these examples of somewhat unusual financial practices, however, one must set the Bank of China's well-earned reputation for financial integrity.

Since the early 1970's RMB has been used to denominate many foreign trade contracts—especially for Chinese exports. FTCs generally prefer to use RMB to denominate contracts because this minimizes their exposure to the fluctuation of western currency values. However, the question of the denominating currency is open to negotiation between the parties. FTCs appear to readily accept foreign currency denomination when China is importing. Moreover, when the foreign currency appears to be in a strong position, as the U.S. dollar has been in the first half of 1976, FTCs are more amenable to denominating export contracts in that currency. As with other aspects of the contract, practices vary from time to time and from one FTC to another.

China emphasizes a policy of self-reliance and will not incur long term debt to finance commercial transactions. However, short term commercial credit (12-18 months) has been accepted for agricultural and other commodity purchases. Moreover, in the last 5 years a substantial amount of medium term credit, up to 5 years, has been utilized for purchases of complete plants from Japan and Western European countries. In general, such credits are partly subsidized by government export promotion programs and are credits made available to the western firms and not directly to China.

To date there is no program for extending U.S. Export-Import Bank loans or loan guarantees to the PRC. With the exception of agricultural purchases, the Chinese have not, so far as is known, used commercial credit to make purchases from the United States. Some U.S. manufacturers of equipment, however, have been able to obtain commercial financing on the basis of Chinese contracts or L/Cs.

Shipping and Insurance

Generally, FTCs prefer to arrange for shipping and insurance both when China imports and exports. For this reason, most Chinese sales are CIF U.S. port and its purchases, FOB U.S. port. There are, however, many exceptions to this generalization. For small imports China occasionally prefers to have the seller arrange shipping and insurance. For breakable or perishable exports, FTCs often ship C&F, preferring that the foreign firm make the insurance arrangements. The contract usually calls for China National Foreign Trade Transportation Corporation to handle the shipping details and to exchange information about shipping with the foreign firms.

When importing, FTCs usually obtain contract clauses that go into great detail about shipping documentation, marking, and packaging. Contracts generally specify stringent penalties for failure to have the product available on time or for failure to provide information necessary to obtain insurance. Under FOB terms, the exporter loses control over transportation and unloading and this poses potential problems in case inspection by the Chinese Commodities Inspection Board finds the commodity damaged. When buying on C&F or CIF terms, Chinese contracts sometimes specify the carrier and often specifically refuse to allow transhipment and will not permit the use of a carrier that also stops in Taiwan.

When exporting, the FTCs arrange for insurance to cover 110% of the contract value. Standard form export contracts call for less documentation than import contracts and are vague about shipping details. However, such topics are subject to negotiations and amendment. Standard form contracts are also vague on the question of precisely when risk, title and responsibility for loading and unloading pass from the seller to the buyer. Such questions are, however, worked out in great detail for purchases of large, expensive equipment.

China has rapidly increased its oceangoing fleet by nearly 100% in the last 5 years and now has about 400 ships totalling about 4 million deadweight tons. From a negligible shipping capacity two decades ago, China's own ships now carry approximately 33% of total trade. A large part of the remaining trade is carried by ships owned by PRC-controlled companies or by ships under charter. All trade between the United States and China is carried on third country flag ships

due to the absence of a U.S.-PRC bilateral maritime agreement and the unresolved linked issues of blocked assets and private claims. There is no direct regularly scheduled shipping line between the two countries. Except for large bulk shipments such as agricultural commodities and minerals, most commodities are either transshipped in Hong Kong or Japan or they are delivered by tramp steamers making several calls as the need arises.

The rapid growth of China's trade has imposed heavy requirements on China's fleet and port facilities. Delays due to loading and unloading have not been uncommon although the difficulties have eased as China's maritime facilities have been modernized. The problem of timely delivery has been particularly acute for U.S. firms partly because U.S. -China trade has been so recently resumed and partly because of the lack of regular shipping schedules. This problem seems to be moderating as experience is gained and as more ships have begun to arrive on a more regular basis. A hopeful sign for the future is that China has begun to introduce containerization in a few of its ports. Containers used in U.S. -China trade will for the most part have to be transhipped in Hong Kong and Japan, but it should make the problem of combining many smaller shipments more manageable. Also, FTCs have shown some willingness to ship U.S.-bound commodities to Hong Kong. This allows businessmen to obtain control over shipping at that point.

U.S. Regulations Governing Trade with the PRC

Imports

With the exception of certain embargoed furs (ermine, fox, kolinsky, marten, mink, muskrat, and weasel furs and skins, dressed or undressed), goods may be imported into the United States from the People's Republic of China subject to the same general rules that apply to imports from other countries (i.e., proper labeling, food and drug regulations, etc.). Goods imported from the PRC, however, are dutiable at rates listed in column II of the *Tariff Schedules of the United States.* These rates are generally higher than those on goods from countries with which the United States has a reciprocal most-favored-nation (MFN) tariff agreement (Column I rates).

Information regarding the duties applicable to specific goods may be obtained by sending an adequately detailed description of the goods in question to the U.S. Bureau of Customs, 1301 Constitution Avenue, N.W., Washington, D.C. 20229.

Importers should be aware of the regulations of the Department of Agriculture, Food and Drug Administration, and other agencies of the United States applicable to imports from all destinations.

Exports

U.S. exports to China and other Communist destinations are subject to controls provided for by the Export Administration Act of 1969, as amended by the Equal Export Opportunity Act of 1972. One purpose of this legislation is to authorize controls over the export of goods and technology that would contribute to the military potential of these countries to the jeopardy of U.S. national security. The legislation also declares it to be the policy of the United States to encourage trade in non-sensitive items with all nations, including China, with whom we have diplomatic or trading relations.

For detailed information on licensing requirements U.S. exporters should consult the *Export Administration Regulations* and supplementary *Export Administration Bulletins* at any U.S. Department of Commerce district office in 43 major U.S. cities. Included in the *Regulations* is the Commodity Control List (CCL); this is the key to determining whether a specific shipment may be exported under an established general license authorization, or whether a validated license is needed. A validated license is required for those commodity groupings designated by a "Y", the country category for China and most countries of Eastern Europe, including the USSR.

Once it has been determined that a validated export license is required for a specific export, an application for the license should be submitted to the Office of Export Administration (Attn: Rm. 1617-M), U.S. Department of Commerce, Washington, D.C. 20230. An application consists of completed Form DIB-622, Application for Export License, and Form DIB-623, Application Processing Card. These forms can be obtained free of charge from any U.S. Department of Commerce district office.

U.S. firms are encouraged to contact the Office of Export Administration for information on export licensing, including pending

transactions. Telephone inquiries may be directed to the Exporter Services: (202) 377-4811. While no official determination on licensing can be made before formal application is filed, the Office of Export Administration can often informally indicate the prospects for issuing a license.

Outside of domestic short supply and foreign policy considerations, the principal criterion in reviewing license applications is whether the technical data or commodity is designed for, intended for, or could be applied to a significant military use. Availability of comparable foreign-made equipment is also taken into account. The cases most difficult to assess from the standpoint of strategic implications are subject to review by other interested U.S. Government agencies. Export applications for certain commodities must finally be submitted for approval to the Coordinating Committee for East-West Trade Policy (COCOM), a group of delegates from Japan and the NATO countries, except for Iceland.

The Equal Export Opportunity Act of 1972 further provides that representatives of a particular industry may request the Secretary of Commerce to appoint a Technical Advisory Committee in that industry to consult with the Office of Export Administration on licensing requirements and procedures. Such committees have already been established for manufacturers of computer systems; computer peripherals, components and related test equipment; semiconductors; semiconductor manufacturing and test equipment; numerically controlled machine tools; telecommunications equipment; and electronic instrumentation.

Financial Restrictions and Assistance

The provisions of the Johnson Act which prohibits all private U.S. individuals, partnerships, corporations or associations from certain types of financial transactions with any foreign government or agency in default in the payments of its obligations to the United States Government may apply to the PRC.

On May 9, 1967, an advisory opinion by the Attorney General clarified the application of the Johnson Act to private financing of exports to those countries affected by the Act. The opinion stated that the Johnson Act does not prohibit export financing by U.S. firms or banking institutions if the terms of such transactions are based on bona fide business considerations and do not involve a public distribution of securities.

Prior to this opinion, there was uncertainty whether certain financial transactions connectioned with exports, such as lines of credit, barter transactions, and deferred payments, were proscribed by the Act. The opinion makes it clear that the Johnson Act is not intended to restrict such credit arrangements so long as they are comparable with those commonly given for export of the same commodities to other countries.

PRC Tariffs

Imports by the PRC

China has a customs administration and a published schedule of tariffs embodying most favored nation and ordinary (higher) rates. However, for purposes of U.S. exporters, import licensing, customs formalities and tariffs do not exist as processes separate from the conclusion of contracts and need not concern the potential exporter. Foreign visitors to China are assessed duties on goods brought in for personal use in excess of specified nominal duty-free amounts (see Section on Personal and Prohibited items).

Trademarks, Inventions and Copyrights

China is not party to any multilateral or bilateral treaty with the United States relative to the protection of patents, trademarks or copyrights.

Trademarks

"Measures for the Control of Trade Marks," issued by the PRC April 10, 1963, and supplementary "Enforcement Rules," issued April 25, 1963, govern trademark protection in that country. Foreign firms must file all trademark applications through the China Council for the Promotion of International Trade (CCPIT) in Peking as their designated agent to comply with trademark procedures.

Registration of a trademark is granted to the first applicant. Marks registered by local enterprises have no fixed duration; they are valid until withdrawn by the registrant. Marks registered by foreign parties are effected for periods of 10 years and renewable for further 10 year periods. The owner of a registered trademark acquires the exclusive

right to its use in the PRC. Registered foreign-owned trademarks may be assigned to other foreigners provided the latter meet the same requirements, noted below, as the original applicant.

A foreigner may apply for a trademark registration only if (1) a reciprocal agreement on registration of trademarks exists between his country and the PRC and (2) his mark is already registered by him in his home country. Since there is no reciprocal agreement on trademarks between the United States and PRC, U.S. nationals cannot register their marks in that country. Presently, Canada, the United Kingdom, Sweden, Switzerland, Denmark, Finland, Italy, Belgium, Luxembourg, Netherlands, West Germany, New Zealand, Australia, East Germany, Norway, Czechoslovakia, and Hungary have reciprocal trademark registration agreements with the PRC. It may be possible, therefore, for a U.S. firm that has a subsidiary in any of these countries to assign its mark in that country to the subsidiary, register the mark in that country, if it has not already done so, and then have the subsidiary apply for registration of the mark in its own name to the PRC.

Other salient features of the PRC's "Trade Marks Measures and Rules" follow. Not registrable are words or markings similar to China's national flag or other official emblems or medals, similar to national flags or emblems of other countries, similar to marking of the Red Cross or Red Crescent and those "which have an ill effect politically." There are no opposition provisions, nor time limit for governmental processing of applications. A trademark registration may be cancelled where the quality of the product does not meet governmental requirements, where it is altered without governmental authority, where a registration has not been used for 1 full year and no permission for such non-use has been granted, and where a third party applies for cancellation and, after examination of the reasons for this request by the Government, it approves the cancellation. For trademark registration purposes, there are 78 classes of goods. An application for a trademark for a medical product must be accompanied by a certificate approving the product's manufacture issued by the Health Department. No foreign language may be used for trademarks on goods used in the PRC. Trademarks with foreign languages may be used for export goods.

Inventions

The PRC has no patent law. Procedures governing recognition of inventions and technology for use and compensation are embodied in the "Regulations on Awards for Inventions" and "Regulations on Awards for Technical Improvements," approved October 23, 1963, by the PRC State Council. These regulations abrogated earlier Rules of 1950 and 1954 which had provided for certain patent rights. The new "Regulations" establish a system under which a party may apply to the State for official recognition of his invention or technical improvement. Should the State find his invention useful, the party is granted a registered certificate and given cash awards, and perhaps other bonuses based on the invention's use and value to the State. Technical improvements, if adopted, also qualify for cash awards and "commendation" based on their use. The State retains ownership of all such inventions and technology. Foreigners may apply and qualify for the above certificates and awards for their inventions and technology. There is no indication in the "Regulations" whether payments to foreigners are remittable. The PRC reserves the right to sell to foreigners, through its Ministry of Foreign Trade, those inventions which are authorized for sale by the State Scientific Commission.

Although there is no patent protection per se available to foreign firms in China, the Chinese have shown some willingness, on a case by case basis, to give contractual assurances to limit the use of the seller's technology within China and to prohibit the reexport of the technology to third countries.

Copyrights

The PRC has not joined the Universal Copyright Convention or Berne Copyright Convention, or concluded any bilateral copyright protection agreement with the United States. So far as is known, U.S. authors have no copyright protection available in the PRC for their works first published outside that country. Thus, U.S.-authored books, plays, music and other literary and artistic works presumably may be freely copied, translated and reproduced in the PRC without authorization from the U.S. copyright owner or compensation to him. For further information on the PRC's laws on the above subjects, contact the Foreign Business Practices Division, Office of

International Finance and Investment, U.S. Department of Commerce, Washington, D.C. 20230.

Going to the PRC

Travel

The PRC may be reached by the following international air service: Japan Air Lines, Pakistan International, Ethiopian, and Iran Air, each twice weekly to Peking and Swiss Air, Aeroflot, Tarom, and Air France, once a week; Swiss Air, Pakistan International, and Japan Air Lines, once a week to Shanghai. The Chinese airline, CAAC, serves Tokyo, Moscow, Paris, Teheran, Karachi, Bucharest, and Tirana. There are no international flights to Canton, site of the semi-annual Kwangchow Fair; connections must be made in Peking or Shanghai with domestic CAAC flights. As noted in the section on the Fair, the usual procedure used to reach Canton is by train from Hong Kong.

Visas

Visa applications may be made through the PRC Liaison Office in Washington, D.C. (normally allow 3 days for receipt) or through the China Travel Service (CTS) in Hong Kong or Kowloon (normally allow 4 days for receipt). Two copies of the visa form and four passport-sized photos are required.

In addition to the visa, an invitation to visit China is usually required. Persons who have applied for visas and have not yet received them prior to arrival in Hong Kong should produce evidence that their visit has the concurrence of an official organization in China. Without such evidence, an invitation from the appropriate Chinese authorities must be negotiated, a process which could take considerable time.

Health

For American travelers an International Vaccination Certificate bearing current smallpox and cholera entries is necessary; however, if a traveler is coming from areas where other diseases are endemic, appropriate inoculations may be required.

Currency Regulations

The Chinese Travel Service in Hong Kong or the inbound airline provides declaration forms for personal effects and the amounts of foreign currency to be taken into China. U.S. currency may be carried into China. The "declaration of foreign currencies" is held at customs until verified and is necessary for the exchange of travelers's checks or cash for Chinese currency. Foreign currency (including American dollars and traveler's checks) may be changed into Chinese Renminbi in the People's Bank of China located in the customs building at the border, and at appropriate locations within the country. Care should be exercised to keep receipts for money changed as an accounting is required at time of exit.

Personal and Prohibited Items

Personal items essential to the visitor during his trip and in reasonable quantity may be brought into China. Small amounts of medicines, up to four bottles of foreign liquor, and up to 600 cigarettes may be brought in for personal consumption. Visitors may also receive medicines, liquor, or cigarettes through the mail, but the total value each time should not exceed 50 RMB; for visitors from Hong Kong and Macao the amount should not exceed 20 RMB.

Visitors may bring in a typewriter, a tape recorder, a film projector (only 8 mm type), a copying machine, and similar items necessary for conducting business in China. Such items will be exempt from customs duties if taken out of China on departure.

Certain items are prohibited entry into China including Chinese national currency, lottery or raffle tickets, and any books, journals, films, and tapes, which would be harmful to or cast aspersion on Chinese politics, culture and morals. Such items are subject to confiscation before entry.

Visiting in the PRC

Travel Facilities

Domestic air service consists of regular CAAC air flights within the PRC. Trains are comfortable and efficient, although long distances may be involved. It takes 24 hours from Kwangchow (Canton) to Shanghai, and 36 hours from Kwangchow to Peking. Within the cities, taxis are available. Fare is usually 60 fen per kilometer but can vary. There is a minimum charge for 2 kilometers. Since it is impossible to hail a taxi from the street, it is advisable to keep one's taxi for short shopping trips, or arrange with the hotel to be met by one following meetings.

Accommodations

Reservations can be made through the China Travel Service but frequently the host organization in the PRC selects one hotel. Hotels are the Hsin Chiao and the Peking Hotel in Peking, the Peace Hotel, Ching Chiang, and Shanghai Mansions in Shanghai and the Tung Fang Hotel in Kwangchow. Most offer rooms with bath or showers. In the past several years hotel room prices have risen and are now roughly comparable to hotels in the West. Hotels normally offer inexpensive laundry services.

Restaurants

All hotels for foreigners offer both western and Chinese food. There are many fine restaurants in Peking including: The Large Peking Duck, the Small Peking Duck, the New Peking Duck, the Capital, the Minorities and a Mongolian restaurant in the Pei Hai Park. (See Appendix 3) In Kwangchow: North Garden (Pei Yuan), South Garden (Nan Yuan), Riverside (Pan Chi), Moslem (Hui Min) and Floating Restaurant. When taking a party to a restaurant, some meals may need to be ordered 12 to 24 hours in advance to allow for proper preparation.

Sightseeing and Entertainment

Inquiries may be made of the host organization, the sponsoring trade corporation or the China Travel Service concerning visits to places of historical interest. Some of the more popular are:

Peking.—The Forbidden City, Temple of Heaven, the Summer Palace, the Valley of the Ming Tombs and the Great Wall.

Kwangchow.—Cultural Park, Island of Sha Mian, Tsung Hua Hot Springs, and Martyrs Memorial Park.

There are frequent performances of the Chinese national opera, ballets, and theatre groups as well as sporting demonstrations. In addition, trips to nearby communes and factories can be arranged. Cars with drivers and guides may be hired through China Travel Service.

Generally, the initiative for entertainment should be left to the Chinese officials. Visiting businessmen normally find it difficult to reciprocate. However, when one is entertained at a banquet, it is acceptable and often desirable to host a "return" banquet before departing for home. Normally the Chinese will provide assistance in arranging for the return banquet.

Social Customs

In China, the family name is always mentioned first. Thus, Wang Fu-ming should be addressed as Mr. Wang.

Normally a visitor will be invited to dinner at a restaurant during his stay, most often by the organization which is sponsoring his visit. Dinner usually begins about 6:30-7 p.m. The guest should arrive on time or a little early. The host normally toasts his guest at an early stage in the meal with the guest reciprocating after a short interval. The usual procedure is to leave shortly after the meal is finished. The guest makes the first move to depart.

Tipping is forbidden. However, it is appropriate to thank the hotel staff and other service people for their efforts on your behalf. Generally, gifts should be of nominal value and presented to the host group; individual gifts are not necessary although little mementos of the occasion may be appreciated.

It is customary to present business cards and helpful if one side is printed in Chinese. Presentation of cards is usually not reciprocated. Cards may easily be printed in Chinese in Hong Kong.

Visitors should conduct themselves with restraint and refrain from loud boisterous actions.

Photography

Generally, photographs are allowed although the Chinese may exhibit sensitivity to shots of airports, bridges, ports and the like or anything of military significance. If there is a doubt as to the suitability of the subject, consult your tourist guide or a Chinese official before taking the picture. The Chinese generally allow undeveloped film to be taken out of the PRC, but reserve the right to make exceptions, and occasionally do.

Only certain brands of film can be processed in the PRC: Kodacolor (negative), Agfa Color and Sakura both positive and negative, Fuji Color only negative and Ektachrome only positive.

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Dress

It is cold in Peking from December to March and visitors are advised to dress warmly. In summer in north China and during the greater part of the year in the south, tropical or light-weight clothing may be worn. Visitors to the Kwangchow Fair dress informally in open-necked sport shirts and lightweight trousers. Women will probably feel most comfortable wearing pantsuits or slacks. A lightweight pullover may be useful in the evening. It is also advisable to take cool, comfortable footwear, a lightweight hat, and mosquito repellent.

Climate

In North China the temperature ranges from 5°F in January to 104° in July and August. Exceedingly dry and dusty for most of the year, Peking becomes rather humid during the rainy season of July and August. South China is subtropical and fairly hot until the end of October. The climate around Shanghai in East China is very similar to South China with much higher rainfall than Peking. Spring and autumn are the best times to visit China, from the point of view of temperature. Dust storms can be expected in north China during April and May.

Language

Chinese (also called Mandarin, Kuo Yu, and P'u T'ung Hua—common speech) is the national language, although several other dialects are frequently used, especially Cantonese in the South. The written language is uniform. Businessmen will find that the people with whom they negotiate either speak English or will have interpreters available. The Chinese Travel Service can advise businessmen on reliable translation services.

Time

All of China as well as Hong Kong are on Peking time, 12 hours ahead of EDT.

Public Holidays

Official public holidays are Jan. 1-New Year, May 1-Labor Day, Oct. 1, 2-National Days. The 3-day Spring Festival (Chinese New Year) occurs in January or February, varying from year to year.

Hours of Business

Government offices and corporations are open 8 a.m. to noon and 2 to 6 p.m. Monday through Saturday (with minor variations during the cold and hot seasons). Sunday is treated as a holiday. Appointments are rarely made before 9 a.m. and it is not advisable to seek a Friday afternoon appointment. The Chinese negotiate both in the morning and the afternoon. Business discussions tend to last longer than in the West.

Shops are open from 9 a.m. to 7 p.m. everyday, including Sunday. "Friendship Stores," for foreigners only, are located in major cities and carry a wide variety of Chinese goods, especially arts and crafts.

The U.S. Liaison Office is open from 8:30 a.m. to 5:30 p.m. Monday through Friday. A security officer is on duty 24 hours a day and may be contacted in an emergency. (See Appendix 3 for telephone number.)

Weights and Measures

Most of the PRC's foreign trade is conducted in the metric system but domestic Chinese weights and measures should be understood:

1 jin (catty) = 1.102 pounds
1 dan (picul) = 0.0492 tons
1 mou = 0.1647 acres

The domestic Chinese measuring system is limited to agricultural accounting and shopkeeping.

Electricity

Both single phase, 220V AC, 50 cycle and 3-phase 380V AC, 50 cycle power are in use. Plugs are normally 2 or 3 pin flat (5 amp), but in hotel rooms there is usually one connection for a 2-pin round continental-type plug.

Communication Facilities

Telephone, telex and cable can be used for communicating with China's Foreign Trade Corporations and with visitors to China. Telex and cable facilities at the Kwangchow Trade Fair may involve considerable delays due to the large number of businessmen at the fair. Telephone services to Hong Kong have been excellent since the installation of a new coaxial cable. International telecommunications facilities in Peking are easier to use because of the smaller number of foreign businessmen.

Telephone charges for a three minute call to China are $12 plus tax (mid-1976). Telex facilities cost $3 per minute and there is a three minute minimum usage. Cable charges are 34 cents per word for the full rate and 17 cents per word for the night rate. (Charges from China to the United States appear to be similar).

Head offices of foreign trade corporations have both cable and telex facilities. Branch offices can be reached by cable. International cable credit cards are accepted.

Visitors to China can utilize public telex facilities in Peking and Canton but must punch their own tape. However, there is no provision for two way telex service unless the receiving party is able to send a telex back immediately upon receipt of the incoming message before the direct circuit is closed.

The telephone system in Peking and other cities is automatic. Domestic telecommunications charges are relatively inexpensive. In some cases a domestic cable to a Chinese Foreign Trade Corporation from a businessman in China may facilitate communications.

Mail Service

Mail from the United States can be sent directly to China either by surface or air. The rates are:

Airgram - 22¢.

Letter (surface) - 18¢ for 1 oz.; 31¢ for over 1 to 2 oz.; 41¢ for over 2 to 4 oz.; 82¢ for over 8 oz. to 1 lb.

Letter (air) - 31¢ per 1/2 oz. up to 2 oz.; 26¢ per additional 1/2 oz.

Parcel (surface) -$1.90 for first 2 lbs.; 57¢ each additional pound or fraction thereof.

Parcel (air) - $3.08 for first 4 oz.; $1.37 for each additional 4 oz. or fraction thereof.

Surface mail takes 6-8 weeks for delivery; airmail takes 4-7 days. Be sure to show the People's Republic of China as the country of destination when mailing to China.

Emergency Contact of Visitors

In the event it is necessary to contact a traveler in China on an emergency basis, it is best to notify the China Travel Service in Hong Kong or the U.S. Liaison Office in Peking. (See Appendix 3 for phone numbers).

Exit Procedures

Before leaving the country, the traveler should exchange Chinese Yuan for foreign currencies, since Chinese money may not be taken out of the PRC.

Before exit, the traveler's declarations of personal belongings will again be checked. Valuable items such as watches, cameras, pens, and radios registered at the customhouse at entry must be brought out again on the visitor's return trip. Items forbidden to be taken out of the PRC will be confiscated. These include:

> Chinese national money; gold, platinum, silver and other precious metals such as personal ornaments (unless they had been declared at entry), any books, photos, tapes, or other media which pertain to Chinese national secrets; items of artistic value pertaining to the Chinese Revolution, history or culture. Permission of the Chinese Cultural Agency is necessary in order to export any ancient artistic items or books.

After clearing customs, the visitor must walk from the Chinese side of the border to the Hong Kong side.

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Appendix 1.

U.S. Domestic Exports to China—1975

SCHED B CODE	SITC NO.	COMMODITY	VALUE ($)	AG CODE
2631031	26310	COTTON, UPLND, 1 IN TO 1-1/8	62,598,467	0
6840120	68410	ALUM & ALUM AL, UNWR, NEC	39,515,825	1
7191975	71919	MCHS, PTS NEC TRTMT CHNG TMP	17,530,790	1
2631021	26310	COTTON, UPLND, 1-1/8 IN & OV	17,059,506	0
7192230	71922	GAS COMPRESS CENTRIF & AXIAL	13,782,793	1
7113100	71131	STM ENG & TRBS IN BLRS & PTS	12,453,032	1
2820010	28200	NO. 1 HVY MLT STL SCR EX STS	8,459,347	1
6840110	68410	ALUM & ALUM AL EXTR ING & BI	6,775,547	1
6911015	69110	FABR STRUCTURAL IRON & STEEL	6,330,395	1
7184254	71842	BORING & DRILL MCH MINNG ETC	4,985,303	1
6785060	67850	IRN TUBE & PIPE FITTINGS NEC	4,609,858	1
7191970	71919	HEAT EXCHANGERS, NEC	4,567,787	1
7199242	71992	NONAUTO VLVS, TAPS, PTS, I/S	4,554,556	1
7320320	73240	TRUCKS & TRAILERS, OFF-HIWAY	3,649,754	1
7112030	71120	STEAM GEN POWER BOILER ACCES	3,541,164	1
7184207	71842	EXCAVTRS, HYD, CRWLR-MTD NEW	2,910,826	1
6782010	67820	CARB ST STAND PIPE SMLSS BLK	2,852,989	1
7192170	71921	PTS & ATTACH NEC, PMPS, LQD	2,643,345	1
7184203	71842	EXCAVTRS CRWLR MTD CBL OP NW	2,615,526	1
7112010	71120	STM CNDNSRS, POWR BLR ACCES	2,500,917	1
7349230	73492	PTS & ACCESS, NEC FOR A/C	2,478,240	1
7295255	72952	GEOPHYSICAL PROSPECTING APP	2,450,784	1
2820020	28200	NO. 2 HVY MLT STL SCR EX STS	2,422,194	1
7192250	71922	PTS ATTCH NEC PMPS CMPRS NEC	2,411,876	1
7192220	71922	AIR COMPRESS STNRY OV 100 HP	2,342,114	1
2517220	25172	PULP SULFATE SFTWD BLEACHED	2,278,349	1
7191430	71914	PTS & ATTCH NEC NONEL FURNCS	2,225,448	1
7151087	71510	METWORK MACHS NEC $1000 & OV	1,894,002	1
6782020	67820	CARB STL LINE PIPE SEAMLESS	1,771,567	1
2518220	25182	PULP SULFITE SFTWD BLEACHED	1,724,448	1
7111040	71110	WTR TBE PWR BLRS, OV 400,000	1,660,380	1
5999920	59999	CMPND CATALYSTS, EXC NICKEL	1,645,527	1
7151020	71510	GEAR CUT MACH NEC $1000 & OV	1,573,645	1
7299225	72992	PTS & ATT, ELE IND FURN & OV	1,509,689	1
7111050	71110	STEAM POWER BOILERS, NEC	1,462,114	1

SCHED B CODE	SITC NO.	COMMODITY	VALUE ($)	AG CODE
8121020	81210	CAST IRON HEAT BOILERS, ETC	1,434,017	1
2820078	28200	STEEL SCRAP, NEC	1,259,400	1
6413010	64130	KRAFT WRAPPING & BAG PAPER	1,223,040	1
7151018	71510	GEAR TOOTH GR & FIN $1000 OV	1,207,992	1
8930005	89300	FOAMED PLASTIC·PROD FINISHED	1,077,547	1
2517100	25171	WOODPULP SULFATE UNBLEACHED	1,028,572	1
7192135	71921	CNTRFGL PMP LQD, MULTI-STAGE	1,009,438	1
7116000	71160	GAS TURBNS NEC & PT MECH DRI	1,006,218	1
7192164	71921	PUMPS FOR LIQUIDS, NEC	987,101	1
7191973	71919	IND PROC VESSLS NEC, PTS NEC	949,479	1
6638117	66381	ASBESTOS INSULATION, HEAT OR	916,153	1
7184264	71842	WELL DRILLING MACH PARTS, ETC	905,469	1
7198062	71980	O/G FLD WR LN & DWN HL EQUIP	901,272	1
7198095	71980	MCH & MECH APL, NEC, PTS NEC	899,775	1
7199216	71992	VALVES, CNTRL, REG & SOL NEC	898,873	1
6785050	67850	IR OR ST ELECTRICAL COND FIT	857,683	1
7112020	71120	HEAT EXCHNGRS PWR BOIL ACCES	847,602	1
7192370	71923	FILTERING ETC MCHS & PTS NEC	815,706	1
7295282	72952	FLOW & LIQUID LEVEL INSTRMTS	772,341	1
7184216	71842	PTS ACCES A ATCHMTS F EXCVTR	730,934	1
8643000	86420	WATCH MOV CLCK & WATCH PARTS	724,229	1
7328948	73289	PTS & ACC NEW MOT VEH REPLAC	718,311	1
6744460	67411	IR & ST PLATES UNCOATED NEC	709,341	1
7184258	71842	MINING, BORING ETC PT & ATTCH	663,536	1
7295266	72952	PHY PROP TEST ETC, INSTR ELE	658,881	1
7192310	71923	OIL, GAS SEP EQUIP, PTS NEC	627,732	1
6911030	69110	FABRICATED STEEL PLATE	620,828	1
6952465	69524	DRLL & CORE BIT & RMRS NEC	604,430	1
7111060	71110	STEAM GEN POWR BOILR PTS NEC	578,193	1
2820065	28200	SHREDDED STEEL SCRAP	577,911	1
5999910	59999	NICKEL COMPOUND CATALYSTS	567,663	1
6989180	69891	ARTICLES, IRON OR STEEL, NEC	538,384	1
6782030	67820	CARB STL PRESS TUB SMLS NEC	511,148	1
7192280	71922	PTS NEC, CMPRS RFG, AIR-COND	508,292	1
9310010	93100	VALUE OF REPAIRS ALTERATNS	470,700	1
6921110	69211	TANK, ST, MFG & SEP, I OR S	459,610	1
7192145	71921	ROTARY PUMPS FOR LIQUIDS	445,002	1
6783005	67830	CARB ST STAND PIPE WELD BLCK	443,140	1
5120672	51200	INSCTDS A AGRCTRL CHMCLS NEC	422,725	1
2662130	26621	STAPLE, ACRYLIC NT CRD ETC	411,880	1
8619946	86199	PTS NEC FOR INDUS INST NEC	410,071	1
6623320	66233	CLAY REFRACT CEMNTS OR MRTRS	359,714	1
5147099	51400	INORGANIC CHEMICALS, EX MEDS	358,321	1
7191360	71913	MECH STOKERS ETC & PARTS NEC	335,975	1
2820040	28200	NO. 2 BUND STL SCR EX STNLES	329,434	1
6299860	62998	UNH V R ART EX FOR VEH, AC	327,750	1
6561025	65610	BAGS OR SACKS NEW PACK TMNEC	326,227	1
5120420	51200	RUBBER ACCELERATORS, CYCLIC	323,250	1
7191544	71915	REFRIGERATING EQUIPMENT, NEC	318,632	1
6842510	68425	ALUM & ALUM AL ELEC CONDUIT	315,452	1
6988710	69887	WELDING ROD, AND WIRE ETC	305,125	1
7221066	72210	PTS NEC, MTRS, GENS, GEN STS	301,618	1
7192140	71921	CNTRFGL PUMPS LIQUIDS, NEC	287,211	1
6989110	69891	POLE LINE ETC HRDWRE I OR ST	263,690	1
6785032	67850	ST TB A PIPE FLANGES FORGED	255,816	1
7191420	71914	IND & LAB FRNC ETC NEC NONEL	253,485	1
6623205	66232	FIRECLAY BRICK & SIM SHAPES	252,935	1

SCHED B CODE	SITC NO.	COMMODITY	VALUE ($)	AG CODE
8619830	86198	OPTICAL MEASURING INSTRUMENT	249,785	1
7199202	71992	CONTRL VLVS, PNEUMAT ACTUATD	235,437	1
6942110	69421	BOLTS, TH RDS & STDS, I OR S	225,248	1
7249957	72499	TV STUDIO EQUIP EXC VID TAPE	22,876	1
7222086	72220	PANEL DIST BDS NOT OV 750V	222,306	1
5146080	51400	POTASSIUM COMPOUNDS, NEC	221,995	1
5146040	51400	SODIUM BICHROMATE & CHROMATE	215,200	1
7355077	73592	SPCL PURP VSSLS EX DRDGS NEW	209,000	1
2820030	28200	NO. 1 BUND STL SCR EX STNLES	195,379	1
2922000	29220	NTRL GUMS, RSNS BLSM & LACS	185,956	1
7231080	72310	INSULTD EL CBLE CORD WRE NEC	174,373	1
8619822	86198	INSTRUMENTS FOR CHEM ANAL	171,556	1
7149216	71492	PTS & ACCES F BSC ELCTR COMP	169,971	1
5992075	59920	FUNGICIDAL PREPARATIONS, NEC	167,542	1
8911135	89111	RECORDERS, MAG TAPE, VIDEO	160,056	1
6989160	69891	PIPE HANGERS & SUPPORTS, I&S	156,540	1
7184250	71842	CNSTRCTN ETC PTS & ATTCH NEC	156,243	1
7191450	71914	PTS & ATT NEC NONEL PRC FRNC	156,020	1
5136600	51366	ARTIFICIAL CORUNDUM	151,797	1
7249985	72499	PTS & ACC NEC FOR TELCOM EQP	150,786	1
7231060	72310	INSULTD BUILDNG WIRE & CABLE	150,588	1
5992035	59920	ORG PHOS CTNG PEST PREP, ETC	148,500	1
5120993	51200	MISC ORG CHEMS, EX CYC, NEC	148,244	1
7192259	71922	FANS & BLWRS OT MTR VEH & HH	147,824	1
6210514	62105	RUBBER HOSE, CON MLD, NONHYD	146,850	1
7231040	72310	INSULTD PR WRE, CBL UN 601 V	146,390	1
7320346	73240	SPEC-PUR NMIL VEH, NEC, NEW	143,925	1
6419315	64193	CORRUGATING MAIL, IN ROLLS	140,181	1
6783015	67830	CARBON STEEL LINE PIPE WELD	137,446	1
7192279	71922	COMPR AMO ALL HP REFG, AIRCO	137,104	1
6291040	62910	AIRCRAFT TIRES, PNEUMATIC	131,661	1
7191532	71915	CONDENSING UNITS, OVER 30 HP	129,939	1
7221002	72210	STM TRBN GEN STS UN 10000 KW	127,949	1
6782065	67820	AL ST TB & PIP SM EX STL NEC	124,058	1
6785038	67850	ST TB A PIPE FIT A UN NEC	121,586	1
7192110	71921	RECIP PMPS, LQD, NOT OIL-FLD	120,005	1
8619999	86199	PARTS ETC FOR INSTRUMENTS	114,282	1
6842240	68422	ALUM & ALUM ALLOY SHEETS	113,789	1
7295262	72952	INSTR FOR PHYS OR CHEM ANLYS	113,245	1
5120652	51200	PARATHION & METHYL PARATHION	112,365	1
6623220	66232	CLY FREBRCK & SHPS EX PLAS	111,900	1
6921120	69211	CONTAIN ST, MFG, NEC, I OR S	108,872	1
3325050	33250	LUBRICATING OILS, NEC	108,522	1
8619734	86197	IND INST FOR MEAS FLOW ETC	103,934	1
7192240	71922	GAS CMPR RCPG/ROT 250-100HP	102,158	1
7192350	71923	PURIF ETC MCHS PTS NEC	100,417	1
5136510	51365	ALUMINUM OXIDE	99,636	1
7199207	71992	CONTROL VALVES, ELCT/HYDR OP	96,844	1
7199218	71992	PARTS ETC NEC F CNT ETC VLVS	95,771	1
7295274	72952	IND PROC PANEL BOARD INSTRTS	90,437	1
5120820	51200	MISC CYCLIC CHEMCL PROD, NEC	89,342	1
7193195	71931	CRANES, NEC, NEW	87,878	1
8619939	86199	PTS FOR NAV & ACRFT INST NEC	87,672	1
5999970	59999	OTHER CHEM PRODUCTS OR PREP	85,609	1
7198022	71980	PLAST-INJECTION MOLDG MACHS	85,539	1
7295292	72952	IND PROCESS TYPE INSTR, NEC	84,386	1
5120969	51200	ACIDS AND ANHYDRIDES, NEC	84,349	1

SCHED B CODE	SITC NO.	COMMODITY	VALUE ($)	AG CODE
6783050	67830	CR ST TB PIP WL X SH MTL NEC	76,696	1
7299930	72999	ELECT APPARTUS NEC & PTS NEC	75,111	1
7192115	71921	TURBINE PUMPS FOR LIQUIDS	72,537	1
5120510	51200	PLASTICIZERS, EXCEPT CYCLIC	72,301	1
7295205	72952	WAVEFORM ANALYZING INSTR NEC	72,050	1
7152259	71522	PTS NEC, MTLWKG ROLG MIL MHY	72,000	1
7295280	72952	PRESSURE, DRFT, VACUUM INSTR	65,347	1
6988720	69887	ARC WELDNG ELECTRDS ST, CUT	65,321	1
8619933	86199	PTS NEC FOR LAB & OPT INSTS	64,497	1
8912040	89120	TAPE, MAGNETIC, VIDEO	62,997	1
6989911	69894	ALUM&ALUM ALLOY FORGINGS	62,216	1
7171110	71711	CLEANING & OPENING MACH TEXT	61,625	1
6989170	69891	STAMPINGS OF IRON OR STL NEC	56,745	1
5419933	54199	X-RAY CONTRAST MEDIA	56,617	1
6770410	67702	CARBON STEEL WIRE, BARE	55,665	1
6785034	67850	ST TB A PIPE FIT FORG WLD TP	52,473	1
3325055	33250	LUBRICATING GREASES	50,981	1
6931200	69312	WIRE CBLS, ETC EX IN EL, COP	50,837	1
7249975	72499	ELECTR SEARCH APPAR & RADAR	49,000	1
8619737	86197	IND INST, GAS & LIQUID ANAL	48,703	1
7262030	72620	IND & SCI X-RAY AP & PTS NEC	45,575	1
8911210	89112	DICTAT & RECORD MACHINE PART	44,814	1
7221086	72210	PTS, NEC, TRNS, REGLTRS, ETC	44,008	1
6623230	66232	CLAY CASTABLE REFRACTORIES	42,823	1
7222036	72220	DC MTR STRIRS & CNTCTRS, ALL	42,677	1
7197010	71970	BALL BEARNGS, CMPLT, ANNULAR	41,018	1
7222027	72220	CONTROL CIRCUIT RELAYS	39,872	1
7249965	72499	INTER-COMM EQUIP EXCEPT WIRE	39,111	1
7222012	72220	CIRCUIT BREAKERS, NEC, & PTS	38,114	1
6832220	68322	NICKEL & NICKEL AL PWD & FLK	38,076	1
5132990	51320	CHEMICAL ELEMENTS, NEC	37,405	1
6782075	67820	STLS ST PR TUB SMLS NEC	36,202	1
6989950	69898	ARTICLES OF BASE METALS NEC	35,989	1
7221084	72210	TRANSFORMERS, NEC	35,132	1
7113240	71132	PARTS N.E.C., ST ENG & TRBS	34,941	1
7295290	72952	IND PROCESS INST NEC SLF-BAL	32,526	1
8619810	86198	LAB & INSTR PHY & CHEM ANALY	32,144	1
7199212	71992	REGULATOR VALVES, SLF OPRIVE	32,050	1
6623210	66232	HIGH ALUMINA BRCK & SIM SHPS	31,239	1
7199334	71993	PARTS, NEC F SPD CHNGRS, ETC	31,031	1
6782040	67820	CARB ST TBS & PIPE SMLSS NEC	30,095	1
7191536	71915	UNIT, PRDT CLRS W/FAN, RFRG	30,000	1
7191320	71913	OIL/GAS BRNRS 250000 BTU & O	29,885	1
6931100	69311	WIRE CBLS ETC, X IN EL, I, S	29,359	1
5333280	53332	IND PROD FINISHES, EX LACQRS	29,288	1
8619727	86197	IND INST FOR MEAS TEMP ETC	28,679	1
5136932	51369	INORG BASES, ETC, NEC	28,618	1
7295215	72952	MICROWAVE TEST INSTR, NEC	28,535	1
7222088	72220	SWITCHGEAR, NEC, & PARTS, NE	28,520	1
8124260	81242	LTG EQ BA MET NEC & PTS NEC	25,981	1
7293007	72930	CATH RAY TV PIC TUBES, B & W	25,402	1
6646000	66460	CONST MAT PRESSED MOLDED GLS	25,227	1
8619340	86193	MEASUR & CHECK INSTR ETC NEC	24,966	1
6783085	67830	STNS ST TUB PIP WLD EX PRESS	24,778	1
7114160	71141	INT COMB A/C ENG PARTS, NEC	24,770	1
7295240	72952	RECORDNG-CONTROLNG INSTR NEC	24,369	1
7115068	71150	PTS NEC FOR INT COMB ENG NEC	24,102	1

SCHED B CODE	SITC NO.	COMMODITY	VALUE ($)	AG CODE
7249230	72492	AUDIO-FREQ AMPLIFIERS & PTS	22,900	1
7221063	72210	GENERATOR SETS, NEC	22,824	1
7295286	72952	GAS & LIQUID ANALYSIS INSTS	22,793	1
7293041	72930	ELECTRON TUBES, NEC	22,319	1
7222099	72220	SWITCHES, NEC; AND PARTS	21,659	1
5711220	57112	EXPLOSVS A BLSTNG AGNTS, NEC	20,878	1
7221070	72210	INSTRUMNT & METER TRANSFRMRS	20,854	1
7249240	72492	PA SYSTEMS, SPEAKR, AMP, MIC	20,698	1
7125060	71250	TRKLAYING TRACTORS, UNDER 60	20,672	1
6623240	66232	CLAY REFRAC CNSTRCTN MAT NEC	20,466	1
6988730	69887	ARC WELD ELCTRDS BS MTL, CUT	20,253	1
7222014	72220	DSCNCT SWTCHS NOV 750 V, PTS	19,769	1
7191960	71919	CONDENSERS, NOT HH REFRIG	19,409	1
7192130	71921	CNTRFGL PMP LQD SNGL DBL SCT	19,145	1
6842600	68426	ALUM & ALUM AL PIPE FTNG	18,892	1
6210520	62105	RUBBER HOSE, WRAPPED	18,850	1
5120992	51200	METAL SALTS OF FAT ACIDS NEC	18,792	1
6842220	68422	ALUM & ALUM ALLOY PLATES	17,570	1
5133840	51330	OXY CMPNDS OF NON-MTLS, NEC	17,235	1
7295295	72952	ELEC INSTR FOR NON ELEC QTY	17,165	1
7221018	72210	PTS, NEC, TURBN GENRTOR SETS	16,595	1
8619915	86199	PTS FOR CIRCUT & MOT TST APP	16,205	1
5542036	55420	SURF ACTV AGNTS, NEC	15,930	1
6783020	67830	CARB ST OIL CTRY GOODS WELD	15,918	1
6822600	68226	COPPER & COPPER AL PIPE FTNG	15,790	1
6782080	67820	STAINLESS ST MECH TUB SMLS	15,781	1
5120920	51200	PROPYL ALCOHOL "PROPANOL"	15,750	1
6911060	69110	PREF & PORT BLDGS OF I & S	15,676	1
7299415	72994	ELECT ANNUNCIATERS, INDUST	15,525	1
0542010	05420	NAVY, PEA BEANS, DRD, EXC SD	15,328	1
8619920	86199	PTS FOR TEST APP, N.E.C.	15,205	1
2769800	27690	NONMETALLIC MINERALS NEC	15,000	1
2839320	28393	VANADIUM ORES & CONCENTRATES	15,000	1
5120945	51200	AMINES, NEC	14,960	1
7191548	71915	PARTS NEC, AIR-COND, REFRIG	14,555	1
3329110	33291	NAPHTHA & FIN LT PET PRO NEC	14,454	1
5120430	51200	RUBBER ANTIOXIDANTS, CYCLIC	14,448	1
8618120	86181	LIQUID SUPPLY METERS	14,410	1
5120940	51200	ETHANOLAMINES	14,028	1
6989915	69894	FAB WIRE PRODUCTS, ALUM, NEC	13,842	1
7299910	72999	SIGNAL GENERATORS	13,390	1
7193162	71931	OVERHEAD TROLLEY CONVEYORS	13,361	1
7114230	71142	AIRCRAFT TURBINE PARTS, NEC	13,285	1
7149240	71492	CALCULATING MACHINE PTS, NEC	13,277	1
6782095	67820	ELEC CON SMLS ALL ST GRADES	12,987	1
7198029	71980	PLST-WKG MACH, NEC, PTS, NEC	12,750	1
5542034	55420	SURF ACTV AGNTS, NONIONIC	12,726	1
5147020	51400	AMMONIUM COMPOUNDS, NEC	12,526	1
6635040	66350	MINERAL INSULATING MATLS NEC	12,396	1
6612000	66120	CEMENT	12,200	1
6639200	66392	ART OF CERAMIC MAT NEC	11,928	1
8619500	86195	MECH APPL NOT ELEC	11,740	1
7221020	72210	GEARMOTORS AND PARTS, NEC	11,512	1
7222068	72220	CURNT CARRYNG WIRNG DVCS NEC	11,385	1
6911080	69110	FIN STR & STR PTS I & S NEC	11,157	1
6931300	69313	WIRE CBLS, ETC, EX IN EL, AL	10,915	1
3214010	32140	ANTHRACITE COAL	10,879	1

SCHED B CODE	SITC NO.	COMMODITY	VALUE ($)	AG CODE
7184239	71842	CNSTRCTN, MAIN, ETC MCH USED	10,820	1
7295236	72952	ELE QTY IND INSTR NONREC NEC	10,541	1
7199350	71993	MECH PWR TRNSMN EQ, NEC, PTS	10,164	1
6783025	67830	CARB ST PRESS TUB WELD NEC	10,086	1
6862020	68620	ZINC & ZINC AL WROUGHT, NEC	9,686	1
6551060	65510	FLTS ETC NEC TEXTILE FIB NEC	9,514	1
6623275	66232	NONCLAY PLASTIC REFRACTORIES	9,452	1
5135520	51355	TITANIUM DIOXD, PGMT GRADE	9,225	1
7125010	71250	WHEEL TRACTORS NEC, 60 UN 70	9,213	1
5333270	53332	INDUSTRIAL LACQUERS	9,174	1
7293034	72930	KLYSTRON ELECTRON TUBES	8,772	1
7143005	71430	DIGITAL ELCTR COMPUTERS	8,754	1
7328955	73289	PTS FOR MILT VEH, NEW & USED	8,741	1
7299250	72992	PTS & ACC NEC FOR ARC WELDRS	8,561	1
5512010	55120	FLAVOR AND PERFUME MATERIALS	8,500	1
2214000	22140	SOYBEANS	8,500	0
5310200	53102	COLOR LAKES AND TONERS, ETC.	7,950	1
6782060	67820	AL ST MECH TUB SMLS EX STLS	7,817	1
4314000	43140	WAXES, ANIMAL OR VEG ORIGIN	7,308	0
6638160	66381	ASBEST MFRS EX FRCTN MAT NEC	7,139	1
7192320	71923	DUST COLL & AIR PUR EQUIP	7,130	1
6784000	67840	HIPRES HYPRO-ELEC CON STEEL	7,070	1
5542024	55420	DETERGENTS, CATIONIC, BULK	7,020	1
7199400	71994	GASKETS, LAMNTD MTL & NONMTL	7,017	1
7295235	72952	PORTBLE METR & LAB STANDARDS	6,966	1
7196235	71962	NON-FOOD PCKG, ETC MCH, NEC	6,748	1
6783080	67830	STLS ST PR TUB WLD CL RV NEC	6,654	1
6783060	67830	AL ST OIL CTY GDS WLD EX STL	6,591	1
3219000	32150	LIGNITE & COAL & LIG BRIQ	6,588	1
8615070	86150	PARTS NEC M P CAMER & PROJEC	6,582	1
7199246	71992	NONAUTO VLVS, PTS, NONFR MTL	6,528	1
7183910	71839	COMM FOOD PRDCT CUT MCH & PT	6,478	1
8921120	89211	TECH, SCIEN & PROF BOOKS	6,321	1
5120290	51200	CYCLIC CHEM INTRMDTES, NEC	6,250	1
7299215	72992	EL IND OVENS, FURNCS ETC NEC	5,800	1
6911020	69110	DRS & DR SASH ETC OF I & S	5,300	1
6540210	65402	COT WVN LABELS, BADGES, ETC	5,294	1
8617125	86171	DENTAL EQUIPMENT NEC	5,132	1
7193134	71931	HOISTS	5,078	1
7222013	72220	DISCNCT SWTCHS OV 750 V, PTS	5,000	1
7295288	72952	IND PROCESS INST NEC DIR-DEF	4,999	1
8619736	86197	IND INST FOR MEAS HUMD ETC	4,834	1
7118140	71181	WATER TURBINE & ENGINE PARTS	4,831	1
7295252	72952	AUTOMATC TEMP CONTROLS, ELEC	4,739	1
7193103	71931	PTS A ATT NEC, FOR CRANES, NEC	4,618	1
7249970	72499	ELECTRONIC NAVIGATIONAL AIDS	4,540	1
8930060	89300	ARTIC OF PLASTIC MATER NEC	4,520	1
7221088	72210	NONROTATNG RECTFRS, PTS, NEC	4,405	1
7191220	71912	AIR COND WNDW & WLL OV 10000	4,340	1
6638105	66381	ASBESTOS GASKETS	4,250	1
6989220	69892	ARTICLES OF COPPER NEC	4,230	1
7232300	72323	CONDUIT TUBING & JNTS BS MTL	4,200	1
7295278	72952	SELF-BALANCING TEMP INSTRMTS	4,166	1
7320140	73210	P CARS NMIL ASM OV 6 CYL NEW	4,159	1
2312065	23120	SYN RUBBER AND SUBSTITUTES	4,144	1
6318900	63184	STICKS OR RODS FOR HANDLES	3,942	1
6649420	66494	GLASS FIBER FOR INSULATION	3,742	1

SCHED B CODE	SITC NO.	COMMODITY	VALUE ($)	AG CODE
7249155	72491	TELEPRINTER UNITS "WIRE"	3,677	1
7199321	71993	PLAIN BEARINGS, MOUNTED	3,577	1
8929850	89299	PRINTED MATTER, NEC	3,500	1
7250110	72501	REFRIGERATORS, ELECT, HHOUD	3,426	1
2631031	26310	COTTON, UPLND, 1 IN TO 1-1/8	62,598,467	0
6840120	68410	ALUM & ALUM AL, UNWR, NEC	39,515,825	1
6989940	69894	BOLT NUT ETC BASE METAL NEC	3,364	1
8942110	89421	DOLL CARRIAGES AND CARTS	3,315	1
7197050	71970	ROLLER BEARNGS, CMPLT, TAPER	3,268	1
7222025	72220	PILOT CIRCUIT DEVICES	3,206	1
3218000	32180	COKE OF COAL LIGNITE OR PEAT	3,037	1
8921110	89211	TEXTBOOKS, INCLUD WORKBOOKS	2,900	1
6952308	69523	MECH HAND SERV TOOLS, NEC	2,835	1
7293043	72930	PTS & ACC FOR ELCTRN TUBES	2,823	1
8124310	81243	PORT EL BATT & MAGNETO LAMPS	2,806	1
6912060	69120	FIN STR & STR PTS OF AL NEC	2,785	1
6328930	63289	ARTICLES OF WOOD, NEC	2,746	1
7232010	72320	EL GLASS INSULATRS & FITTNGS	2,674	1
7299425	72994	ALARM & SIGNL SYS, NEC	2,666	1
6782015	67820	CARB ST STAND PIPE SMLSS GAL	2,630	1
3329620	33296	ASPH & TAR COAT CEM & PITCH	2,533	1
3325020	33250	TURBINE LUB OIL, INCL MARINE	2,510	1
6952600	69526	TL TIP ETC N-MT SNTR MTL CAR	2,487	1
7295220	72952	TEST INSTR FOR ELE CIR & MOT	2,450	1
7299260	72992	PTS & ACC, RESISTANCE WELDRS	2,441	1
7291255	72912	PARTS, NEC, FOR STORAGE BATT	2,393	1
7291120	72911	PRIMARY BATTERIES, NEC	2,393	1
7191516	71915	COMM REFRIG, FREEZ SELF-CONT	2,320	1
8619600	86196	HYDROMETERS, ETC, NOT ELEC	2,200	1
7249963	72499	RAD & TV BRDCST PTS & ACCES	2,190	1
8624620	86242	M P FILM, UNDER 35MM.	2,000	1
7299540	72995	CAPACITORS, NEC	1,987	1
7295202	72952	OSCILLOSCOPES	1,880	1
7291220	72912	STORAGE BATT, LEAD-ACID, NEC	1,863	1
5712200	57122	PERCUSSION & DETONATING CAPS	1,849	1
7232045	72320	ELEC INSULATRS & FITTNGS NEC	1,846	1
7295238	72952	ELECT QTY RECORDING INSTR	1,830	1
7191966	71919	COMM CKG & WRMNG EQUIP NONEL	1,752	1
7191225	71912	AIR COND NEC NOV 60,000 BTU	1,752	1
6554510	65545	RUB & FRICT TAPE EXC SURG	1,748	1
7295248	72952	NUCLR MONIT INST, NEC	1,654	1
7222047	72220	ELECTRICAL OUTLETS (EX AUTO)	1,596	1
8929100	89291	PAPER & PAPERBOARD LABELS	1,536	1
7222018	72220	FUSES, PTS, NEC, UN 2300 VLT	1,517	1
8995220	89952	SNAP FASTENERS	1,470	1
7231050	72310	INSULTD PWR WRE, CBL 601V OV	1,447	1
6750430	67501	CRB ST HOOP & STRIP H-RL NEC	1,430	1
8411420	84114	UNDERGARMENTS COT NK WOMENS	1,424	1
7299815	72998	ELECTRONIC PARTS, NEC	1,420	1
6623340	66233	N-CLAY REFRACT CEMNT OR MRTR	1,400	1
7191915	71919	PTS NEC MACHS TRTMT FOOD PRD	1,378	1
6658500	66589	ARTICLES OF GLASS, NEC	1,372	1
7221010	72210	GAS TURBINE GENERATOR SETS	1,360	1
7115064	71150	PTS NEC, AUTO ETC ENG F REPL	1,312	1
5713000	57130	PYROTECHNICAL ARTICLES	1,309	1
6783070	67830	AL ST PIP & TB WL EX STL NEC	1,284	1
6942130	69421	SCREWS, RIVETS, ETC I OR S	1,266	1

SCHED B CODE	SITC NO.	COMMODITY	VALUE ($)	AG CODE
5995836	59955	GLUES & ADH PKGS NOT EX 360Z	1,126	1
5813120	58131	VULC FIBR RODS, TUBES-SEMIFN	1,120	1
7296031	72960	PORT ELCTRC HNDTCS EXC DRILS	1,053	1
7296032	72960	PTS NEC F PT EL HDTL EX DRLS	1,052	1
6989120	69891	N-CRNT CRG WR DVCE NEC I & S	1,028	1
3325025	33250	AUTOMOTIVE GEAR OILS	925	1
8929830	89299	CATALOGS A DIRECTORIES, NEC	900	1
7293056	72930	SIGNAL TRANSISTORS	840	1
7193158	71931	PARTS, NEC, LIFTS, ELEV, ETC	702	1
5333220	53332	EXTR OIL-TYPE PAINTS, ETC	700	1
7222093	72220	PRECISION SNAP-ACT. SWITCH	634	1
8929820	89299	ADVERTISING PRINTED MATTER	600	1
7192205	71922	VACUUM PUMPS & AIR PUMPS NEC	590	1
7222042	72220	PARTS, NEC, INDSTR MTR CNTRL	550	1
6658100	66581	LABORATORY, ETC GLASSWARE	517	1

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By Descending Cumulative Value, $5,000 and over
By TSUSA 7 Digit Commodity Code

TSUSA	SITC NO.	COMMODITY	VALUE ($)	AG CODE
6220200	68710	TIN OTHER THAN ALLOYS UNWGRT	39,760,732	1
3202032	65210	PC SHIRT NES WH COT NFBC	11,888,269	1
3201038	65210	ABC SHEET WH COT NFBC CRD	7,320,644	1
7662560	89606	ANTIQUES NSPF	5,320,646	1
1885040	59964	ROSIN	4,140,673	1
7551500	57130	FIREWORKS	3,533,279	1
1863000	29192	BRISTLES CRUDE OR PROCESSED	3,294,301	0
3080440	26130	SILK RAW IN SKEINS ETC NES	3,039,304	0
2224400	89922	BSKTS BAG UNSPUN VEG MAT NES	2,230,250	1
6015400	28392	TUNGSTEN ORE	2,176,064	1
1605000	07410	TEA, CRUDE OR PREPARED	1,979,370	0
5219100	27653	CRYOLITE OR KRYOLITH	1,915,679	1
3201058	65210	TWILL NES WH COT NFBC CRD	1,884,577	1
4175000	51369	ANTIMONY OXIDE	1,834,170	1
3802787	84113	MENS C SPORT SHIRT FLANNK NO	1,707,825	1
1766000	42290	TUNG OIL	1,580,470	0
2224000	89922	BASKETS AND BAGS BAMBOO	1,551,143	1
1703220	12100	CIGARETTE LEAF N STMD BURLEY	1,541,276	0
4372400	54140	ALKAS INCL ART MIX NAT	1,533,378	1
1861560	29196	FEATHERS NT MEETING FED STD	1,530,023	0
6320200	68950	ANTIMONY UNWR WSTE A SCRAP	1,439,149	1
1144557	03130	SHRIMP, RAW, PEELED	1,383,497	1
1144545	03130	SHRIMPS AND PRAWNS, SHELL-ON	1,372,423	1
1618300	07510	PEPPER CAPSICUM ETC UNGROUND	1,360,219	0
7023780	65572	H-WEAR OT FIB NO SEW ETC NB	1,357,567	1
3803984	84111	M-B COT WEAR-APP NES NK NO	1,243,608	1
3202092	65210	FAB NES WH COT NFBC CRD	1,234,537	1
3203032	65210	PC SHIRT NES WH COT NFBC	1,177,655	1
7021020	84153	HEADWEAR NOT KNIT OF COTTON	1,099,130	1

TSUSA	SITC NO.	COMMODITY	VALUE ($)	AG CODE
8000000	93100	US GOODS RETURNED	1,070,109	1
1611300	07522	CASSIA, CAS BUD A VERA UNGRD	1,054,547	0
1067500	01189	MEATS NES FRESH CHILLED FRZN	1,018,922	0
4528040	55110	OTHER ESSENT AND DIST OILS	964,384	0
4521200	55110	CASSIA OIL	960,592	0
3201026	65210	PB CLOTH WH COT NFBC CRD	860,837	1
5173100	27622	GRAPHITE NATURAL ETC NES	792,114	1
3601500	65750	FL C PILE ETC OV 66-2/3 CT	745,210	1
3800990	84111	M B COT COATS NES NK NO N $4	738,339	1
1861550	29196	FEATHRS NES MEETING FED STD	720,037	0
1454400	05171	CASHEW NUTS SHELLED ETC	705,712	0
3202058	65210	TWILL NES WH COT NFBC CRD	673,564	1
5206100	66730	SEMI PREC STONES A ARTS, NES	669,101	1
7003550	85102	FTWR, LEA, NES, MEN, CEMENT	651,289	1
2225700	65780	FLR COVER, UNSP VEG MTRL, NES	632,405	1
5203900	66730	PREC A SEMIPR STN CT N/S NES	629,240	1
3802779	84113	M B COT WORK SHRTS NES NK NO	622,342	1
1861565	29196	DOWNS NOT MEETING FED STDS	612,800	0
2226000	89922	ARTIC NES, BAMBOO, RAT, WIL, CHP	610,551	1
3064293	26230	CAMEL HAIR SORTED ETC	607,904	0
5195100	66320	PAPR, CLOTH, ABRASIVE COATED	553,789	1
2226400	89922	ART NES, UNSP FIB VEG MIL	519,742	1
7061400	89922	LUGGAGE ETC VEG FIBERS NES	482,799	1
9999500	93100	UN 251 FORM A INF EST	443,300	1
3201040	65210	S-F SHEET WH COT NF BC CRD	433,512	1
3200058	65210	TWILL NES WH COT NFBC CRD	415,164	1
1144562	03202	SHRIMPS AND PRAWNS, NES	390,154	1
4372000	54140	NSPF ALKALOIDS A CPDS SYNTH	388,193	1
4393040	29240	NAT ADV DRUGS, VEGETABLE ORIG	386,376	0
4554200	59955	GELATIN INEDIBLE NOT UN 40CT	369,529	0
5211700	28330	BAUXITE, CALCINED	349,952	1
5349400	66640	NONBONE CHINA HH ART NES	349,329	1
4520400	55110	ANISE OIL	349,113	0
1865520	26251	HORSE MANE A TAIL HAIR, NES	338,681	0
1195000	02500	POULTRY EGGS NT CHICKEN WHLE	328,199	0
1613500	07529	GINGER ROOT, UNGROUND	318,054	0
7662540	89606	ANTIQUE FURNITURE	314,183	1
7482100	89993	ARTIFICAL FLOWERS ETC NES	305,953	1
1766400	42290	NUT OILS, NSPF	300,117	0
3802789	84113	M C SPORT SHIRT NES NK NO	299,439	1
3633020	65691	COT P-CASES N-ORN N COMBED	294,675	1
2224100	89922	BASKETS AND BAGS WILLOW	292,973	1
1829540	09909	EDIBLE PREPARATIONS, NSPF	270,022	0
1378540	05450	VEGS FR CHLD OR FRZ NSPF	263,963	0
7271000	82100	FURN OF UNSPN VEG MATL A PT	258,260	1
7044010	84126	COT GLOVES NO FOURCHETTES	257,533	1
7024060	65572	H-WEAR OT FIB NOT SEW ETC BL	255,019	1
7058520	89300	PL GLOVES FOURCHETTES ETC	251,056	1
3201092	65210	FAB NES WH COT NFBC CRD	248,437	1
1144590	03202	SHELLFISH AND PRODUCTS, NES	247,865	1
4932200	51200	SYNTHETIC CAMPHOR	246,193	1
1418160	05550	VEGETABLES, PREP, PRES, NES	245,926	0
4275200	51200	FURFURAL	241,337	1
4391040	29240	NATURAL CRUDE DRG VEG ORIGIN	240,999	0
1405500	05510	VEG, DRIED, DEHYDRTD NES	237,211	0
1405500	05510	VEG, DRIED, DEHYDRID NES	237,211	0
3820660	84143	OTH W G I COT KT T-SHIRTS NO	236,391	1

TSUSA	SITC NO.	COMMODITY	VALUE ($)	AG CODE
6094115	67701	ST RDWR OV.06I NOV.25C NES	236,368	1
3666300	65691	COT CORDUROY FUR NES P-T N O	234,334	1
3666000	65691	COT FUR NES VELVET ETC N-O	225,798	1
3202038	65210	ABC SHEET WH COT NFBC CRD	223,854	1
1823500	04830	MACARONI ETC CONTG NO EGGS	214,907	0
3657835	65691	COTTON NET OR ORN FURN NES	210,859	1
6260200	68610	UNWRO ZINC EXCEPT ALLOYED	194,487	1
7401020	89711	JEWELRY ETC PREC METALS	190,529	1
7273500	82100	WOOD FURNITURE NSPF	188,960	1
3201003	65210	DUCK SWPF WH COT N7-1/2 ETC	182,930	1
1417000	05550	WATERCHESTNUTS, PREP OR PRES	178,753	0
3800960	84111	M B COT-S-T-COATS NESNKNON$4	178,395	1
1824500	09904	SOY SAUCE, THIN	176,564	0
3221056	65220	DENIMS WH COT COL NF CRD	170,452	1
4269400	51200	SODIUM CITRATE	169,547	1
3820670	84143	OTH W G I C KN SHIRTS NO NES	162,216	1
5348700	66650	E/S WARE FG ART NES OV $10	160,056	1
7250400	89142	VIOLINS, VIOLAS ETC	153,991	1
1557000	06160	HONEY	152,230	0
6537500	89712	GOLD PLATED HH AND SANI WARE	147,577	1
7401040	89714	JEWELRY ETC PREC STONES	147,207	1
7413000	66580	BEADS, BUGLES, SPANGLES NES	140,210	1
1865510	26259	BOVNE EAR, CIVET, ETC SFT HAIR	140,053	0
3823358	84112	W COT SLACKS ETC V-TEEN NKNO	135,092	1
7662000	89606	ANTIQUES REPAIRED WITHN 3YRS	135,088	1
7746020	89993	ART PLASTIC FLOWERS ETC NES	134,848	1
7650300	89601	PAINTINGS ETC, BY HAND	134,749	1
6491900	69521	HACK SAW BLADES	134,608	1
3658570	65691	NET OR ORN FURN MMD FIB NES	128,871	1
4171800	51400	ALUMINUM COMPOUNDS NSPF	123,724	1
1103575	03110	FISH, NES, FROZEN	122,890	1
3201002	65210	DUCK SWSF WH COT 7-1/2 ETC	122,266	1
1450100	05172	CHESTNUTS, CRUDE, DRIED, BKD	121,856	0
1262100	29250	CELERY SEEDS	119,311	0
3808420	84111	M B COAT NES M-M-F N K N O	119,214	1
6489740	69522	PIPE TOOLS ETC AND PARTS NES	118,330	1
7907030	89995	TOUPEES ETC EXCEPT WIGS	116,209	1
7023720	65572	PALM H-WEAR NO SEW ETC OV $3	114,468	1
5310100	27624	REFRAC MAG NOV 4 LIME BY WT	113,903	1
3372050	65311	FAB WH SILK OVER 1.46 OZ ETC	111,752	1
6240350	68510	UNWROT LEAD UNAL EX BULLION	111,271	1
7926000	89910	IVORY MANUFACTURES	110,837	1
4523600	55110	LEMON GRASS OIL	110,150	0
7104600	86191	NAVIGATIONAL INSTR A PARTS	107,120	1
3802782	84113	MENS C SPORT SHIRT CORD NKNO	105,733	1
1750300	05480	APRICOT AND PEACH KERNELS	105,034	0
7044025	84126	GLOVES NES MCH-WOV COT NORN	104,308	1
3800920	84111	M B C RNCT NORN NK NOV$4 NES	103,896	1
3873000	65692	OT ART V-FIB EX C NES NO ORN	102,713	1
1861555	29196	DOWNS MEETING FED STANDARDS	100,900	0
5233700	66360	TALC STEATITE ETC NES V ARTI	100,227	1
1703240	12100	CIG LEAF N STEMMED, NES	100,102	0
2224200	89922	BASKTS A BAGS, RATTN, PLM LF	99,781	1
1611700	07522	CINNAMON AND CHIPS UNGROUND	96,832	0
7403800	89720	JEWELRY NES OVER 20C DOZ	96,632	1
1401600	05420	DRY BEANS NES 9/1-4/30 INCL	95,624	0
7907010	89995	WIGS OF HUMAN HAIR	93,046	1

TSUSA	SITC NO.	COMMODITY	VALUE ($)	AG CODE
1403000	05510	GARLIC, DRIED, DEHYDRATED	92,622	0
3202026	65210	PB CLOTH WH COT NFBC CRD	92,528	1
1932500	29291	VEG SUBSTANCE, CRUDE, NSPF	91,081	0
2045000	63273	WD BXES ET LINED TEXTILE	91,054	1
4376400	51200	MENTHOL	90,946	1
4088000	51200	VANILLIN	88,263	1
6031000	28399	ANTIMONY NEEDLE OR LIQUATED	87,858	1
7003515	85102	L ATHL FOOTWEAR, NES, MALE	86,823	1
1144530	03130	LOBSTERS NSPF	86,187	1
3201044	65210	SHEET NES WH COT NF BC CRD	85,582	1
3802400	84113	M O B COT PJS OV $18 DZ ETC	84,713	1
7662520	89606	ANTIQUE SILVERWARE	84,120	1
7323670	73312	BICYCLE PARTS NES	79,489	1
3658200	65691	FURN ORN/NET VEG EX COT NES	77,335	1
1472900	05360	ORANGES, MANDARIN, CANNED	77,296	0
1271000	29250	GARDEN SEED NES EX GRASS SD	76,769	0
4400000	54170	DRUGS IN CAPSULES PILLS ETC	76,395	1
5465400	66580	GLSWR NES OV .30 NOV $1 EA	75,788	1
6785055	89111	COMB RADO-TAPE PLYRS EX BAT	74,045	1
3662160	65691	C TOW NES TER OV 45CNOV$1.45	72,741	1
2066700	63289	WD BLINDS, SHUTTERS ETC NES	72,593	1
3607000	65750	FL COV WOOL ETC PILE OV 40CT	72,121	1
3808435	84113	M B DRESS SHIRT M-M-F NK N O	71,075	1
2069740	63272	HHLD UTNSL, WD EX MAHOG NES	70,714	1
3803929	84111	C TROUSERS ETC M NES NK NO	70,704	1
6743504	71510	ENGINE LATHES, METAL-CUTTING	70,462	1
3221062	65220	DENIMS WH COT COL NF CMB	68,730	1
9231300	66640	NONBONE CHINA NOT SETS	68,418	1
5337700	66640	TABLEWARE, NONBON CHINA, HI VA	68,258	1
2070050	63289	ARTICLES OF WOOD, NSPF	65,318	1
1557500	06202	SUGARS SIRUPS ETC BLENDS	65,060	0
6323440	51325	MERCURY EX WASTE A SCRAP	64,885	1
1924500	29291	LICORICE EXTRACT	64,583	0
2220500	29230	BAMBOO/RAT STICKS ROUGH/CUT	63,351	1
3805750	84144	MB WOOL SWEAT NES KT NO N $5	62,954	1
3802777	84113	MB WORK SHIRTS Y-D NES NK NO	60,677	1
3800650	84143	M B COT KT SHIRTS NES N ORN	60,433	1
5337500	66640	TABLEWARE, NONBON CHINA MED V	59,348	1
5337300	66640	TABLEWARE NONBON CHINA LOVAL	59,053	1
1571020	06201	CONFECTIONERY N CON CHOC NES	58,804	0
5336300	66640	CHINAWARE SPEC SETS NOV $10	58,384	1
3223092	65220	OT FAB NES WC C NF CRD NES	58,362	1
7006060	85102	FTWR, RUBBER/FABRIC, NES	57,787	1
3641520	65770	COTTON TAPESTRIES NOT JAC-F	56,177	1
1821500	05550	BEAN CAKE A STICK, MISO, ETC	56,054	0
1865000	29191	HUMAN HAIR TREATED N MFD NES	55,696	1
1865550	26259	HAIR AND FUR CRUDE NSPF	55,519	0
7003575	85102	FTWR, LEATHR, FOR MEN, NSPF	55,072	1
2500420	25110	FLAX A HEMP FIBERS PAPR MFR	54,007	1
1129400	03201	OTHER FISH IN OIL CANNED	53,872	1
6539570	69721	1/S HOUSEHOLD WARES NES	53,523	1
7903700	55300	INCENSE, NSPF	52,986	1
7379050	89423	TOYS NSPF	52,221	1
1825200	09905	SOUPS AND SOUP PREP, NES	52,200	0
1454870	22110	PEANUTS, PREP OR PRES, NES	51,805	0
4395080	54100	DRUGS AND COMPOUNDS NES	51,689	1
7006035	85102	MALE FTWR UNLIKE U.S., OXFD	50,709	1

TSUSA	SITC NO.	COMMODITY	VALUE ($)	AG CODE
6540000	69722	BRASS HH A SANI WARES N CTD,	50,623	1
3806140	84144	M B WL W-AP SW EX CASHM O$5	50,513	1
6462620	69411	BRD SM SH OV 1 BY.065 RD WR	50,433	1
7484000	89992	ORN ART OF FEATHERS NES	50,391	1
5337100	66640	STEINS/MUGS NONBONE CHINA	49,592	1
7723000	89300	APPAREL NSPF RUBBER A PLAST	49,510	1
3803925	84111	C TROUSERS ETC M TWILL NK NO	48,015	1
4071200	51200	SALICYLIC ACID AND ITS SALTS	47,889	1
1115600	03120	FISH PCKLD NES OV 15LB CONT	47,087	1
2044000	63273	WD BXES, ET, NES, N/LIN TEXTILE	46,709	1
1492800	05360	PRUNES PLUMS PREPARED NES	46,419	0
3202034	65210	PT CLOTH NES WH COT NBFC	46,355	1
3808137	84143	M-B SHIRTS NES MMF KT N ORN	46,159	1
7902500	89996	HAND FANS	45,767	1
1610100	07525	ANISE	45,734	0
1456000	05390	NUTS, PICKLED, PREPARED NSPF	45,568	0
1905000	29194	FISH SOUNDS	45,479	1
1754500	22180	SESAME SEED	45,444	0
3800067	84113	M-B ORN COT SPT SHIRT N KNIT	45,117	1
7062340	83100	HANDBAGS V-F EX C NP ETC NES	45,029	1
7252450	89183	FLUTES AND PICCOLOS	44,643	1
7004540	85102	L WOM FTWR CEMENT OV $2.50	44,218	1
1682520	11240	CORDIALS LIQURS ETC NOV 1GAL	44,140	1
3068200	26230	HAIR ANGORA RABBIT SORT ETC	43,851	0
7990000	93100	NONENUMERATED PRODUCTS NES	43,269	1
2205000	63300	CORK MANUFACTURES NSPF	42,920	1
1474000	05201	DATES, FR, DRD, PITS NOV 10 LBS	42,509	0
1824600	09904	SAUCES EXCEPT THIN SOY	42,349	0
3823356	84112	G I COT SLACKS ETC CROY NKNO	42,326	1
7925000	89910	ARTICLES OF SHELL NSPF	41,587	1
3808147	84144	M-B SWEATERS MMF KNIT N ORN	41,511	1
7058560	89300	RUB PL GLOVES SEAL SEAMS	40,827	1
7006045	85102	FEMLE FTWR UNLKE U.S., OXFD	40,532	1
4253600	51200	THIOUREA, DIOXIDE, ETC	39,671	1
1455200	05172	PIGNOLIA NUTS, SHELLED, ETC	39,570	0
3085000	65110	SILK YRN ETC P N C OV 29400	39,508	1
3066200	26230	HAIR CASHMERE GOAT SORT ETC	39,456	0
4078595	51200	BENZENOID DRUGS NSPF	39,083	1
3828110	84112	WGI M-M-F OTH COATS NES NKNO	38,989	1
3202030	65210	PC SHRT 80-80 WH COT NFBC	38,946	1
3202040	65210	S-F SHEET WH COT NF BC CRD	38,946	1
1601020	07110	COFFEE, CRUDE	38,459	0
7023760	65572	TOQUIL H-WEAR NO SEW ETC NB	38,275	1
3204032	65210	PC SHIRT NES WH COT NFBC	36,931	1
6540540	69722	COPPER HH AND SANI WARES NES	36,858	1
6536200	89712	HOUSEHOLD WARES NES OF SILVR	36,604	1
3827875	84144	WGI SWEATERS MMF KT N ORN	36,572	1
1911500	29112	ANIMAL SUBSTANCES CRUDE NSPF	36,542	0
7273020	82100	FOLDING WOOD CHAIRS	36,455	1
3896020	65692	ART M-M FIB NSPF N KT N ORN	35,902	1
4521800	55110	CITRONELLA OIL	35,896	0
4373200	54130	ANTIBIOTICS NSPF	35,710	1
3726020	84122	SILK MUFFLER ETC N K H OV $5	35,522	1
1144040	03130	OYSTERS, EXC SEED, EXC CANND	35,487	1
3060004	26220	WOOL N MER SCOURED FREE	35,467	0
1242000	61300	PLATES MATS ETC NOT DYED	35,421	1
5156400	66130	STONE AND ARTICLES NES, DECOR	34,940	1

TSUSA	SITC NO.	COMMODITY	VALUE ($)	AG CODE
3673030	65691	OTH WOOL FURNISH NES NOT ORN	34,874	1
5465900	66580	GLSWRE NSPF,OV$3 EXC CUT ENG	34,696	1
7411500	66730	CORAL, CAMEOS CUT NOT SET	34,262	1
3820581	84112	WGI W-A OTH FIB NK ORN ETC	34,086	1
1613300	07525	FENNEL	34,027	0
1545500	05320	FRUIT, CANDIED ETC NES	33,985	0
7044525	84141	GLOVES MCH-KNT COT NES NORN	33,942	1
4036000	51200	OTHER CYCLIC ORG CHEM PRODS	33,811	1
2225500	65780	FLR COVER O CHINA, ETC, STRAW	33,767	1
3203092	65210	FAB NES WH COT N F B C CRD	33,713	1
3642200	65770	OTH WOOL TAP OVER $2 LB NES	33,652	1
3820472	84114	W G 1 M-M PJS ETC ORN NK	33,579	1
2702580	89211	BOOKS NSPF INCL FORGN AUTH	33,515	1
3708420	84121	SILK H-CHIEF HEM N-ORN NES	33,414	1
2225000	65780	BLINDS, SHUTTERS, CURTNS, ETC	33,338	1
1496000	05360	FRUITS NES PREP OR PRES	33,267	0
3808445	84113	M B SPORT SHIRT M-M-F N K NO	32,687	1
3371000	65311	SLK WOV FAB NO BL ETC NO JAC	32,124	1
6403000	69220	DRUMS FLASKS ETC NES	31,877	1
7504500	89924	TLT BRUSH VAL NOV 40 CT EACH	31,373	1
2565600	64230	BOUND BLANK BOOKS DIARES ETC	31,279	1
6513700	69523	SCREWDRIVERS	31,087	1
3661840	65691	COT D-TOW P NES NOV 45C N O	31,054	1
7038000	89921	NONELAST BRAID ETC N BL ETC	30,642	1
1670520	11230	ALE, BEER ETC, NOV 1 GAL CONT	29,706	0
4258600	51200	OXALIC ACID	29,353	1
3828116	84112	WGI M-M-F D-GOWNS ETC NK NO	29,257	1
1453000	05172	NUTS, EDBLE, NES, NT SHELLED	29,062	0
7373000	84112	STUFFED ANIMALS OV SPEC VAL	28,474	1
4067000	53101	COLOR LAKES A TONERS	27,959	1
1685020	11240	SPIRITS NSPF, FOR BEVERAGES	26,994	1
7066020	83100	HANDBAGS NSPF	26,994	1
1905840	29193	INTESTINE FOR SAUS CSNG NSPF	26,918	0
1822000	04840	BAKERY PRODUCTS	26,720	0
6464940	69421	WOOD SCREWS OF IRN/STL, NES	26,656	1
1111800	03120	FISH NES DRIED, UNSALTED	26,274	1
7275500	82100	FURNITURE NES A PTS	26,235	1
1621500	07529	MIXED SPICES SPCE SEEDS NSPF	26,055	0
6852370	72420	RAD REC SOL ST BROAD AM NES	25,765	1
3727520	84122	OT MUFFLERS ETC M-M FIB H NK	25,686	1
1123600	03201	FISH NES NO OIL AIRTITE CONT	25,357	1
6500300	69605	CLEAVERS WITH THEIR HANDLES	25,355	1
7917500	84130	LEA WEAR APPAREL NES OTHER	25,234	1
1612500	07525	CORIANDER	24,573	0
3701740	84121	L HDK V-F EX C NES ETC	24,427	1
7900500	63272	CLOTHESPINS SPRING	24,402	1
3372020	65311	FAB WH SILK TWILL-WOV NJ ETC	24,380	1
7061000	89922	LUGGAGE OR HANDBAGS, BAMBOO	24,112	1
7510500	89941	UMBRELLAS AND PARASOLS	24,102	1
7376500	89425	MAGIC TRICKS A PRAC JOKE ART	23,869	1
5323100	66240	CERAMIC TILES EX FLR A WALL	23,839	1
4522400	55110	EUCALYPTUS OIL	22,975	0
1145500	03202	OYSTER JUICE IN AIRTIGHT CON	22,975	1
7058600	89300	RUBBER OR PLASTIC GLOVES NES	22,590	1
7062045	83100	LUG HB A FG W OR PT BRD NES	22,532	1
1612700	07525	CUMMIN	22,520	0
4230094	51400	INORGANIC COMPOUNDS NES	22,409	1

TSUSA	SITC NO.	COMMODITY	VALUE ($)	AG CODE
3820470	84112	W G I M-M ROBES ETC ORN NK	22,349	1
6486700	69510	AXES ADZES HATCHES ETC NES	22,284	1
3806650	84111	M B WOOL SUITS NO NK OVER $4	22,246	1
7022800	84152	S H-WEAR ETC NO $15 DZ	22,151	1
3461000	65220	COT CORDUROY FAB NES OTH	22,094	1
6492700	69521	MET FRAM HAND ETC N-MECH SAW	22,015	1
5465200	66580	GLSWRE NES NOT OVER $.30 EA	21,920	1
7507080	89924	BROOMS AND BRUSHES NSPF	21,734	1
6743230	71510	DRILLING MCH, RAD, EX NUM CON	21,603	1
1406000	05510	GARLIC FLOUR	21,587	0
7044510	84141	COT GLVS KNT NO FOURCHETTES	21,480	1
7273040	82100	WOOD CHAIRS NSPF	21,073	1
4661500	55410	TOILET SOAP OV 20CENTS POUND	20,939	1
7911900	84201	ARTICLES NES O FUR EX FOX	20,935	1
6854048	89111	TAPE RCRDRS AUDIO, EXCPT AC	20,623	1
1441200	05510	MUSHROOMS, DRIED	20,524	0
3202046	65210	SHEET NES WH COT NFBC CMB	20,262	1
4526400	55110	SANDALWOOD OIL	20,186	0
2070020	63273	WOOD CARVINGS, NSPF	20,019	1
3676030	65691	OTH FUR MMF EXC GLASS N-ORN	20,009	1
6854016	89111	CASSETTES, AUDIO, EXCPT AC	19,688	1
4522600	55110	GERANIUM OIL	19,617	0
7003540	85102	L MEN FTWR NES, VULCAN SOLE	19,608	1
1455800	05172	NUTS, EDIBLE, NSPF, SHELLED	19,337	0
7062270	83100	COT LUG A F-G N-TUF ETC NES	19,117	1
7651500	89603	SCULPTURES OR STATUARY ORIG	19,078	1
7053530	84130	GLOVES HORSE OR COWHIDE NES	19,034	1
1401100	05420	DRIED BEANS, NSPF	19,026	0
1407500	05510	VEG REDUCED TO FLOUR, NSPF	18,971	0
3765400	84112	R-WR ETC COT PT RUB OR PL	18,841	1
4087000	51200	COUMARIN	18,739	1
6561500	89712	ARTICLES OF SIL INC RLD SILV	18,673	1
3630120	65691	COTTON PILLOWCASES ORN ETC	18,612	1
5203300	66720	DIAMONDS OV 1/2 CAR, CUT N/ST	18,600	1
3641540	65770	TAPESTRIES NOT JAC V-F EX C	18,515	1
3614400	65760	WOOL F C NSPF WOV ETC OV30C	18,481	1
3700800	84121	COT LACE HDK ETC OVER $1.50	18,301	1
7652500	89601	FREE FINE ART ORIGINAL NSPF	18,275	1
7260500	83100	CASES FOR MUSICAL INSTRUMNTS	17,891	1
6572000	69890	IRON O ST ARTICLES N PLT NES	17,648	1
4391020	29198	NATURAL CRUDE DRGS ANML ORIG	17,605	0
3667730	65691	OTH P-WOV COT FURN NES NORN	17,563	1
5148100	66130	MARBLE BRECCIA ONYX ART NES	17,492	1
4703000	29210	GALL NUTS CRUDE OR PROCESD	17,372	1
3701640	84121	C LACE HDKF C HDKF ORN NES	17,300	1
1523000	05360	ORNGE PEEL, PREP OR PRES NES	17,276	0
3374000	65311	FAB WH SILK JAC-F DEGUM ETC	17,224	1
1765000	42290	SESAME OIL, EDIBLE	17,184	0
3827859	84143	OTH WGI SHIRTS MMF KT N ORN	17,137	1
1825800	09907	VINEGAR OTHER THAN MALT	17,118	0
3702020	84121	M-M FIB HDKFS LACE OTH ETC	17,093	1
7251800	89182	MOUTH ORGANS	16,946	1
7321800	73311	BICYCLES OV25 U36 OV$16.66	16,929	1
1617720	07510	PEPPER UNGROUND BLACK	16,795	0
3803939	84111	B C TROUSERS ETC NES NK NO	16,754	1
1410500	05550	SOYBEANS ETC PREP OR PRES	16,752	0
3066300	26230	HAIR CASHMERE GOAT SCOURED	16,531	0

TSUSA	SITC NO.	COMMODITY	VALUE ($)	AG CODE
1241015	21200	HARE FURSKINS, WHOLE, RAW	16,489	0
3064394	26230	CAMEL HAIR SCOURED	16,462	0
3821560	84112	W G I O C D-G NO$2.50 NK NO	16,227	1
7265000	89190	BOWS ETC VIOLIN VIOLA ETC	16,079	1
7007020	85100	SHOES NES V FIB UPPR MEN BOY	16,016	1
3222092	65220	OT FAB NES WC C NF CRD NES	16,001	1
1241057	21200	WHOLE FURSKINS, NES, RAW	15,972	0
9231100	66640	CHINA MUGS NOV$3.60 DOZ	15,931	1
7044055	84126	GLV W OT VF NO P-EX COT RES	15,871	1
9121020	73312	BIKE PTS NES DUTY FREE	15,732	1
1380000	05450	VEGS, FRESH, FROZ SLICED	15,480	0
7742000	89910	ARTICLES OF SHELLAC OR COPAL	15,354	1
1454000	05172	ALMONDS, SHELLED	15,323	0
7252420	89183	CLARINETS	15,320	1
3224092	65220	OT FAB NES WC C NF CRD NES	14,983	1
1824800	29299	SEAWEEDS ETC PREP HUMAN CONS	14,796	1
5336500	66640	CHINAWARE SPEC SETS $10-$24	14,613	1
3726520	84122	SILK MUFF ETC HEM N K NO NES	14,596	1
1865540	26259	GOAT AND KID HAIR EXC BEARD	14,534	0
9230700	66650	EARTHENWARE NOT SETS	14,291	1
4375700	54150	HORMONES, SYNTHETIC, NSPF	14,280	1
5156100	66130	STONE A ARTICLES NES N DECOR	14,207	1
3820464	84112	W G I COATS NES M-M-F ORN NK	14,204	1
7024700	84152	H-WEAR ETC V-F ETC OV $3 DZ	14,070	1
632600	06895	0ANTIMONY ALLOYS 83 O OV ANT	13,998	
1672500	11220	RICE WINE OR SAKE	13,982	0
1474600	05201	DATES, FR, DRD, NO PITS OV10LBS	13,966	0
6420200	69320	BARBED WIRE	13,850	1
1442050	05550	MUSHROOMS SLICED PREP OV9OZ	13,830	0
7372500	89423	STUF ANM OB SPEC VAL NO MECH	13,763	1
3060014	26220	WOOL NO40S NES SCOURED FREE	13,722	0
6573540	69892	CU ART, N CTD-PLT W PRME, NSPF	13,551	1
7061200	89922	LUGGAGE ETC, RATTAN ETC.	13,462	1
1474200	05201	DATES, FR, DRD, PITS, OV 10 LBS	13,278	0
5333800	66650	ERTHN NES CUPS OV $1.70 ETC	13,051	1
6837000	81243	FLASHLIGHTS AND PARTS	12,972	1
7002045	85102	LEATHER SHOES TURNED, WOMEN	12,931	1
7714233	58100	ROLL SHEETS R PL NES OV.009	12,920	1
3820034	84144	W, G, I COT OUTERWR NES OR K	12,787	1
3822400	84114	W G I COT PJS O$1.50 NK NO	12,680	1
7062370	83100	OTH LUG A F-G N-TUF ETC NES	12,640	1
3820026	84143	W G I OT SHTS COT KNIT ORN	12,588	1
7349700	89442	SNOW SPORTING EQUIPMENT NES	12,564	1
7341500	89424	DICE CHESSMEN CHIPS ETC	12,480	1
5348400	66650	E/S WARE FG ART NES, $3-$10	12,354	1
1474400	05201	DATES, FR, DRD, NO PITS NOV10LB	12,256	0
1323540	05545	ARROWRT A SAGU FLOUR A STRCH	12,176	0
1143600	03202	OYST, N SMKD, PREP, PRES, CND	12,132	1
7007065	85100	FTWR VEG FIBER UPPRS, WOMEN	11,975	1
1313500	04600	RICE MEAL AND FLOUR, EDIBLE	11,933	0
3820572	84112	WGI W-A NK ORN ETC OT MM RS	11,912	1
1442010	05550	MUSHROOM WHOLE PREP NOV 9OZ	11,753	0
7482000	89993	ART TREES, FOL, GRASS ETC	11,742	1
4393060	54100	NATURAL DRUGS NES ADVANCED	11,579	1
7038500	89921	NONELAST BRAID ETC BL ETC	11,570	1
2569000	64299	ARTICLES OF PAPER PPRBRD NES	11,565	1
5465600	66580	GLASSWARE, NSPF OV $1 N/O $3	11,561	1

TSUSA	SITC NO.	COMMODITY	VALUE ($)	AG CODE
3655010	65691	LCE FUR MACH-MADE NES COT	11,506	1
1881040	29220	BLEACHED SHELLAC	11,485	1
6743506	71510	TURRET LATHES, EX VERT TU LA	11,146	1
7907020	89995	WIGS EXCEPT OF HUMAN HAIR	11,136	1
7062240	83100	COT HANDBAGS NO PILE ETC NES	11,032	1
3828150	84112	WGI M-M-F W-APP NES N-KT NO	10,958	1
7347040	89442	SOCCER AND POLO BALLS	10,931	1
7066045	83100	FLATGOODS, MATERIALS NSPF	10,863	1
3865000	65692	OT COT ART NSPF NKNPNL NO	10,861	1
7372020	89422	DOLLS, DRESSED OR UNDRESSED	10,857	1
1823600	04830	MACARONI ETC CONTG EGGS	10,723	0
3800461	84113	M-B ORN SPT SHT M-M-F N KNIT	10,673	1
3828112	84112	WOM M-M-F DRESSES ETC NK NO	10,628	1
3614800	65760	FL COV NSPF WOOL NES OV 40	10,596	1
7006640	85102	LS FTWR FIBUP MEN NOV $2.50	10,512	1
4936830	51200	SACCHARIDES ETC NSPF	10,501	1
3827264	84112	WGI SLK BLOUSES N-O N-K OTH	10,476	1
4395060	54160	COMPOUNDS OF VEGETABLE ORIGN	10,431	1
3860840	65692	L-O-N A OTH A ORN M-M-F NSPF	10,413	1
7024020	65572	PAPER H-WEAR NOT SEW ETC BL	10,286	1
7005547	85101	VINYL FOOTWR NES, FOR WOMEN	10,258	1
1846500	29199	ANIMAL FEED MEAT PREP O PRES	10,200	0
9231500	66640	NONBONE CHINA NOT SETS	10,193	1
3893000	65692	OT SILK ART NSPF NO ORN ETC	10,167	1
6012100	28399	COLUMBIUM ORE	10,139	1
3820460	84112	W G I M-M BLOUSE ORN ETC NK	10,104	1
1521400	05360	ORANGE PEEL CRUDE, DRIED ETC	10,072	0
1924000	29240	LICORICE ROOT	10,063	0
7348700	89442	LAWN TENNIS RACKETS, STRUNG	10,027	1
1474800	05360	DATES, PREP OR PRESERVED, NES	9,908	0
1617740	07510	PEPPER, UNGROUND, WHITE	9,852	0
6502140	69607	KITCH KNIVES WITH HANDLE NES	9,776	1
7252200	89183	BRASSWIND INSTR OV $10 EA	9,759	1
4525800	55110	PINE NEEDLE OIL	9,757	0
6854070	89111	PTS FOR TAPE A DICTATN MCHS	9,744	1
3674500	65691	OT SILK FURN NT ORN EX KT ET	9,728	1
1461200	05209	APPLES, DRIED	9,698	0
1488600	05360	PEARS, PREP OR PRES NES	9,663	0
7006005	85102	U.S. TYPE FTWR, OXFRD, MALE	9,469	1
7343400	89424	TABLE TENNIS EQUIP NES	9,423	1
6517545			9,398	
7251400	89182	PIANO ACCORDIONS	9,390	1
3827801	84144	WGI MMF BLOUSES KNIT NT ORN	9,342	1
3860830	65692	L-O-N A OTH A ORN SILK NSPF	9,220	1
7006660	85102	LS FW FIBUP NES NOV $2.50	9,213	1
3668400	65691	OTH FURN VEG-FIB EX C NES NO	9,141	1
3828118	84114	WGVI M-M F PJS A N NL NK NO	9,018	1
1552010	06120	CANE O BEET SUGAR OV 99 DEG	8,975	0
1885060	59963	TURPENTINE, GUM	8,965	1
1136040	03201	FISH PREP PRES NES NOV 15LB	8,914	1
4378240	54110	VIT C OR ASCORBIC ACID SYN	8,890	1
7005537	85101	VINYL FOOTWEAR NES, FOR MEN	8,883	1
3746000	84142	M-M-FIB HOSIERY NOT ORN NES	8,772	1
7061100	89922	LUGGAGE OR HANDBAGS, WILLOW	8,731	1
7008020	85100	SHOES NES FIB UPP NES MEN BY	8,615	1
7006025	85102	U.S. TYPE FTWR, NES, OXFORD	8,542	1
6743552	71510	METAL-CUTTING MCH TOOLS, NES	8,426	1

TSUSA	SITC NO.	COMMODITY	VALUE (!)	AG CODE
6847040	72492	HEADPHONES & AMPLFRS, N.E.S.	8,400	1
7729700	89300	RELIGIOUS ARTCLS O RUBR, PLAS	8,369	1
3662780	65691	COT TOWEL NES N ORN N J-FIG	8,117	1
6539740	69721	I/S HH WARES ENAMEL NES	8,093	1
7060820	83100	HANDBAGS LEATHER NOT REPTILE	8,080	1
3802759	84113	M C DRESS SHIRT NES NK NO	7,991	1
6852375	72420	RAD RCVRS BRCAST BAND OTHER	7,925	1
5332600	66650	EARTHEN ART SETS $7-$12 SET	7,871	1
5423120	66430	ORD GLS 16-18.5 O/SF NOV4OUI	7,762	1
7343200	89424	TABLE TENNIS BALLS	7,712	1
1461400	05360	APPLES, PREP OR PRESERVE NES	7,665	0
3820920	84112	W G I O C C C NO$4 3/4L NKNO	7,490	1
1673040	11212	WINE OV 14, OV $4, NOV 1GL	7,455	0
3607540	65750	HANDHOOKED F C M-M-F NES ETC	7,414	1
3706020	84121	C HDKF HEM F ETC NOV 50S COL	7,401	1
5336800	66640	CHINAWARE SETS OVER $56 SET	7,348	1
7001000	85102	FOOTWEAR, LEA, MCKAY-SEWED	7,296	1
5335100	66640	HOTEL WARE CHINA O SUBPORCEL	7,259	1
7503500	89926	FEATHER DUSTERS	7,221	1
3808425	84111	M B DRES-GOWNS M-M-F N K N O	7,212	1
4377200	51200	THYMOL	7,143	1
7746040	89300	RUBBER OR PLASTIC MFR NSPF	7,122	1
1413000	05550	CABBAGE PREP, PRES, EXC SAUKRT	7,093	0
6563500	89712	ARTS OF BS MTL CTD W SIL NES	7,069	1
3820482	84112	W G I OT M-M W-APP NK ORN	7,043	1
6542000	69897	HH A SANI WARE, BMT N COATD	7,041	1
7343000	89424	TABLE TENNIS EQUIP, IN SETS	6,959	1
7323650	73312	BICYCLE PARTS. SADDLES	6,952	1
1120100	03201	ANCHOVIES, CNT NOV 15LB-CND	6,925	1
6500900	69601	KNIVES STST HAND NO10MN, NES	6,901	1
7415000	66580	ART NES OF BEADS BUGLES ETC	6,885	1
1763800	42140	PEANUT OIL	6,814	0
3860400	65692	COT LACE O NET ART NSPF ETC	6,748	1
7721500	89300	ARTICLES F FOOD PREP ETC NES	6,747	1
6562500	89712	ARTS OF BASE MTL CTD W GOLD	6,731	1
7731000	89300	PLAQUES, FIGS OF RUBR OR PLST	6,710	1
6513300	69523	PENCIL SHARP POINT PTS	6,610	1
3372030	65311	FAB WH SILK SATIN-WOV NJ ETC	6,575	1
1489820	05360	PINEAPPLES, CANNED	6,567	0
5336600	66640	CHINAWARE SETS OV$24 NOV$56	6,548	1
7345060	89442	BADMINTON RACKETS, RKT FRAMES	6,534	1
3806150	84144	MB WOOL SWEAT NES KT NO O $5	6,519	1
7022000	84152	CAPS V-F EX P-YN COT OR FLAX	6,511	1
6561000	89712	ARTICLES OF GOLD INC RLD GLD	6,495	1
6468300	69811	PADLOCK CYL CON NOV 1.5 IN W	6,494	1
6514720	69523	I/S KITCH ET IMPL OF HND TLS	6,472	1
1144550	03202	SHRIMP PEELED, CANNED	6,374	1
7022500	65572	H-WEAR ETC STRAW SEW ETC	6,334	1
1144525	03130	ROCK LOBSTER TAILS NOT CANND	6,317	1
3655030	65691	LACE FURN V-F EX C MCMD NES	6,286	1
3084000	65110	SILK YRN NO CON SING N B N C	6,261	1
3820924	84112	W G I C C NES NO$4 3/4L NKNO	6,257	1
3820695	84144	OTH W G I C KT O-WEAR NES NO	6,252	1
5333500	66650	TBLEWR, NES, FG EARTHN, MED VAL	6,249	1
1405000	05510	POTATOES, DRIED, DEHYDRATED	6,226	0
3823352	84112	G A I SLACKS ETC TWILL NKNO	6,220	1
3666500	65691	COT FURN TERRY NOT ORN NES	6,203	1

TSUSA	SITC NO.	COMMODITY	VALUE ($)	AG CODE
7044085	84126	GLVS H VF NES NO P-EX FAB	6,192	1
3650020	65691	COT HMD LC FUR NO $50LB NES	6,148	1
1664000	11102	BEVERAGES NES UN 1/2 PCT AL	6,146	0
1313000	04220	RICE MILLD EDIBL BRAN REMOVD	6,117	0
3661540	65691	CURT ETC N P T V-F EX C NES	6,038	1
1124000	03201	ANCHOVIES PREP O PRES IN OIL	6,029	1
7724800	62910	PNEUMATIC TIRES BICYCLE	5,936	1
3860810	65692	LACE ART OT ART NSPF V-F EXC	5,920	1
1544000	05320	GINGER ROOT, CANDIED ETC	5,918	0
2739500	89242	POSTCARDS NO US LITHO-PRINT	5,860	1
7374000	89423	TOY FIG IMMOV AN OBJ N STUF	5,833	1
1552040	06120	CANE O BT SGR OV 96 NOV 97 D	5,825	0
1202065	21190	REPTILE SKINS, RAW OR CURED	5,821	0
1616300	07524	NUTMEGS, UNGROUND	5,814	0
3823310	84112	W OTH COT BLOUSES NOT ORN NK	5,803	1
3803982	84111	M-B COT JUDO UNIFORMS NK NO	5,783	1
1417540	05550	VEG NSPF IN SALT, BRINE ETC	5,768	0
6533915	81242	PORT INDOOR LAMPS, NES	5,761	1
6660055	71220	PARTS OF AGRIC MACHY NES	5,724	1
3823328	84112	W G I COT C-ROY PL-SUIT NKNO	5,630	1
6743536	71510	GRINDING MCH, SURFACE, MT-CUT	5,580	1
7002020	85102	LEA SHOES TURNED MEN A BOYS	5,579	1
1241035	21200	OTTER FURSKINS, WHOLE, RAW	5,568	0
6536500	89712	WARES ART ET OF PREC MET NES	5,541	1
7252480	89183	WOODWIND INSTRUMENTS NES	5,521	1
7919000	61290	OTHER LEATHER ARTICLES NES	5,518	1
7916500	83100	LEATHER BAGS BOXES ETC NSPF	5,469	1
7501500	89954	COMBS NES OV 4.50 DOLLARS GR	5,462	1
6861057	72220	FIXD RSTORS EX WRW FLM COMP	5,455	1
1325500	59951	STARCHES, NSPF	5,432	0
3081200	26120	SILK WASTE EX NOILS OV 2 IN	5,398	1
3662440	65691	COT D-TOW P NES OV45C $1.45	5,365	1
4378230	54110	VIT B-1 SYNTHETIC	5,306	1
1821100	09909	PASTES, HASH, ETC, VEG, NES	5,285	0
3801290	84111	MB COT COAT NES NK NO O $4	5,252	1
3701200	84121	LACE HDKF V-FIB EX COT ETC	5,233	1
7004340	85102	L WOM FTWR CEMENT NOV $2.50	5,213	1
6514900	69523	HAND TOOLS, NES BRASS	5,213	1
5349700	66660	CERAMIC HH ART NES	5,208	1
3667930	65691	OTH COT FUR NO EX P-WOV NES	5,191	1
3821224	84112	W G I COT COAT O$4 N-O NK	5,117	1
1452000	22110	PEANUTS NOT SHELLED	5,107	0
7352000	89442	SPORT GYM ETC EQUIP, PT NES	5,062	1
7023500	65572	PM O PAN HWR N SW ETC NOV$3	5,019	1
3601000	65750	FL C PILE ETC NOV 66-2/3	5,002	1

Appendix 2.—Commodities for Export and Import

The following is a list of some commodities that the Chinese are currently exporting.

Live animals
Meat and meat preparations
Fish and fish preparations
Rice
Fruit and vegetables
Tea
Hides and skins, undressed
Tung oil
Vegetable oils
Edible nuts

Pepper and other spices
Mineral waxes
Gum rosin
Fireworks
Fluorite
Crude petroleum and refined products
Tin
Tungsten
Antimony
Glass, glassware, and pottery
Hog bristles
Bicycles
Cameras
Furs, dressed (except seven embargoed furs)
Handicrafts and works of art
Strawbaskets, hats, and other articles
Musical instruments
Raw silk, silk yarn, fabrics, and manufactures
Cotton cloth and manufactures
Carpets

The following is a list of commodities that the Chinese are currently importing or appear likely to import in the near future.

Wheat
Corn
Cotton
Soybeans and soybean oil
Tallow
Iron and steel scrap
Steel structurals, plates and sheets
Steel tube and pipe, seamless
Aluminum and semimanufactures
Copper and semimanufactures
Nickel and semimanufactures
Jute
Synthetic yarns and fibers
Nitrogenous fertilizers, manufactured
Phosphate rock
Urea
Organic chemicals and dyestuffs
Rubber and rubber products
Plastic materials
Diamonds
Metalworking equipment, including transfer machines and numerically controlled machine tools
Pulp, paper, and papermaking equipment
Ball, needle, and roller bearings
Computers and calculating machines
Telecommunication equipment
Scientific instrumentation
Process control instrumentation
Nuclear power station equipment
Complete plants and technology for power generation, steel making and finishing; petroleum refineries; petrochemicals; synthetic fibers; ammonia, urea, and other nitrogenous fertilizers; phosphate fertilizers; and television tubes.
Pumps, centrifuges and filtering equipment
Mining and construction machinery
Agricultural machinery
Commercial jet transport aircraft and helicopters
Airport ground support equipment, including aircraft landing systems
Trucks, on and off highway
Diesel locomotives and other railway rolling stock
Paper and paperboard equipment
Petroleum exploration, drilling and production equipment
Refinery and other high pressure compressors
Offshore drilling equipment
Power generation equipment, including as turbine peaking units

Appendix 3.—Peking Addresses Telephone Numbers

United States Liaison Office Kuang Hua Lu 17	522 033/39
Aeroflot Ma Shao Hu-T'ung Tung-chih Men Nei	522 181
Air France Room 4036 Peking Hotel	556 531
Airport	
Arrival/Departure Inquiries	552 515
CAAC Freight Office (City)	552 945
Bookings - Internal	553 245
Bookings - International	557 878
Customs	550 054
Bank of China Hsi Chiao Min Hsiang	330 887
Capital Hospital (Medical and Dental) Shuai-fu Yuan	553 731
Cereals, Oils & Foodstuffs Corp. Tung An Men 82	528 831
Chemicals Corporation Erh Li Kou, Hsi Chiao	891 289
Ch'eng-tu Restaurant Jung-hsien Hu-T'ung	336-356
Ch'ienmen Hotel Hu Fang Ch'iao	338 731

China Council for the Promotion of International Trade (CCPIT) 557 809
Tung An Men 82
China Travel Service 553 509
Chu Shih Ta-chieh
Ts'inghai Restaurant 442 846
Tung Szu Pei Ta-chieh
Chin Yang Restaurant 331- 661
Hsi Chu Shih K'ou Lu
off Ch'ien-men Wai
Ch'uan Chu Te Restaurant 751 379
(Big Duck Restaurant)
Ch'ien-men Wai Ta-chieh
Ch'u Yuan Restaurant
(See Hsing Chiang Restaurant)
Civil Aviation Administration of China (CAAC)
Airport Office 552 515
City Office 555 531
Domestic Ticketing 554 415
International Ticketing 557 878
Cargo Office (City) 552 945
Chu Shih Ta-chieh
Feng Tse Yuan Restaurant 332 828
Hsi Chu Shih K'ou Lu
off Ch'ien-men Wai
Fire Brigade (Emergency Number) 119
Foreign Languages Bookstore 554 783
235 Wang-fu Ching
Foreign Languages Printing House 893 218
Erh Li Kou
Foreign Ministry
Main Switchboard 553 831
Americas & Oceania Dep't 552 167
Consular Dep't 554 687
Information Dep't 555 505
Protocol Dep't 552 642
Foreign Trade, Ministry of 550 257
Tung Ch'ang-an Chieh
Freindship Hotel 890 621
Wei Kung Ts'un
Friendship Store 593 531
Chien-huo Men Wai
Hsiang Chiang Restaurant 661 414
(Formerly Ch'u Yuan Restaurant)
Opposite Covered Market
Hsi Tan Pei Ta-chieh
Hsin Ch'iao Hotel 557 731
Ch'ung-wen Men Wai
Huan Ch'iao Hotel 558 851
(Overseas Chinese Hotel)
Chu Shih Ta-chieh
Huai Yang Restaurant 660 521
Hsi Tan Pei Ta-chieh

Hung Pin Lou Restaurant 336 461
Hsi Ch'ang-an Chieh
(Near Hsi Tan)
International Club 550 602
Chien-kuo Men Wai
K'ao Jou Chi Restaurant 445 921
(Now Shou-tu Barbecue Restaurant)
Shih Ch'a Hai
Light Industrial Products Corp. 556 749
Tun An Men 82
Machinery Corporation 891 243/974
Erh Li Kou, Hsi Chiao
Metals & Minerals Corporation 892 376
Erh Li Kou, Hsi Chiao
Mintzu Hotel 668 541
Hsi Ch'ang-an Chieh
Mintzu Restaurant 550 069
(Formerly Tung Lai Shun Restaurant)
North Entrance Tung Feng Market,
Wang-fu Ching
Native Produce & Animal By-Products 554 124
Corp.
Tung An Men 82
Omei Restaurant 660 085
Hsi Tan Market
Hsi Tan Pei Ta-chieh
Peace Hotel 553 310
Chin-yu Hu-t'ung
Peking K'ao Ya Restaurant 750 668
Capital Hospital Road
off Wang-fu Ching
Peking Exhibition Center 893 417
Hsi Chih-men Wai Ta-chieh
Peking Hotel 552 231/556 531
Tung Ch'ang-an Chieh
Pien Yi Fang Restaurant 750 505
(Now Shou-tu K'ao ya Tien-
Small Duck Restaurant)
Hsien Yu-k'ou Hu-t'ung
Post, Telephone, Telegraph Building 664 900
Hsi Ch'ang-an Chieh
Railway Station
Peking Central - Inquiries 554 866
Peking Central - Customs 556 242
Kuang An Men - Inquiries 330 031
Kuang An Men - Customs 331 973
Fang Chin Hsiang
Shou-tu Restaurant 554 581
Jen-min Lu
Shou-tu (Small) Restaurant 660 925
Hsi Szu Nan Chieh
Sinkiang Restaurant 890 721
Erh Li Kou Road
(Near Zoo)

Swiss Air Room 1735 Peking Hotel	556 531
Taxi Service International Club	593 888
Central	557 461
Textiles Corporation Tung An Men 82	550 258
Tungfang Hotel Kwangchow	30 690

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Market Profile—PEOPLE'S REPUBLIC OF CHINA

Foreign Trade

Imports.—1975, $7.2 billion; 1974, $7.4 billion. Principal suppliers: Japan, U.S,, Hong Kong, and Malaysia/Singapore. Principal imports, 1975: Foodstuffs (mainly grains), crude materials, fuels, and edible oils (mainly textile fibers and oilseeds), manufactures (mainly iron and steel, non-ferrous metals), and chemicals (mainly fertilizers), machinery and equipment.

Exports.—1975, $6.8 billion; 1974, $6.5 billion. Principal buyers: Japan, Hong Kong, Malaysia/Singapore, and the U.S. Principal exports, 1975: Foodstuffs (mainly grains, meat and fish), crude materials, fuel and edible oils (mainly petroleum and petroleum products), chemicals and manufactures (mainly textile yarn and fabric, clothing, and machinery and equipment).

Trade Policy.—Foreign trade is a state monopoly conducted principally through eight commodity foreign trade corporations. Policy aims at economic self-sufficiency and avoiding dependence on any one nation as supply source or export market for exports. Interest in West centers on industrial raw materials, capital equipment, advanced technology. Desire to finance imports with export earnings has resulted in effort to balance trade with rest of world. However, China trades on a multilateral basis, does not insist on balancing its trade with individual countries.

Trade Prospects.—Direct trade with United States resumed in 1972; potential for U.S. exports appears good. Apparent best prospect categories: agricultural commodities, agricultural machinery, complete plants (especially for producing petrochemicals), machinery and equipment for the power, steel, mining, transport, construction, and petroleum industries, and industrial raw materials.

Foreign Investment

No direct investment in the People's Republic of China is possible.

Finance

Currency.—Renminbi (RMB, the People's currency), basic unit, yuan (June 29, 1976: 1.955 Yuan = $1). Renminbi is highly stable; not internationally convertible.

Banking System.—Centrally controled Government monopoly. Foreign transactions conducted through Bank of China.

National Budget.—No information available.

Balance of Payments.—Peking has an excellent credit rating; foreign exchange reserves are roughly estimated $1-3 billion in mid-1976. Short run foreign exchange difficulties in 1974 and 1975 appear to have moderated as a result of policies which reduced trade imbalance.

Foreign Aid.—Since 1953 China has extended over $6.1 billion in foreign aid.

Economy

Predominantly agricultural; characterized by centralized planning. administration, and control, GNP-1975 preliminary estimate of $299 billion in 1975 U.S. dollars; estimated annual rate of growth 1952-74, 4.7%.

Agriculture.—Characterized by intensive farming and high yields; irrigation is common, crop rotation practiced; fruits grown in great variety. Principal crops: Rice, wheat, potatoes, soybeans, cotton, tea, silk, and tobacco. Present emphasis on increasing productivity.

Industry.—Principal industries; iron and steel, coal, textiles, food processing, machine building. Average annual rate of industrial growth estimated at 9%.

Commerce.—Virtually all items available to consumers are domestically produced. Adequate supplies of essential items, such as food and clothing.

Tourism.—Tourism as a commercial enterprise is very small. It is not encouraged because of inadequate facilities.

Economic Plan.—China is not known to have published any information on the current Fifth five year plan (1976-1980). Economic development policy for the 1970's said to emphasize modernization of agriculture, limitation of population growth, selective development of heavy industry, (especially steel, mining, transport, construction, machine tools, petroleum, and chemicals).

Basic Economic Facilities

Transportation.—All major transportation facilities are State- owned. Over 435,000 miles of highways, 27,000 miles of railroads, and about 105,000 miles of inland waterways, 25% of which are navigable by steamer.

Communications.—Well-developed telegraph service; nationwide radio network; limited telephone and TV systems.

Power.—Generating capacity on Jan. 1, 1976 estimated at 29 million kilowatts (70% thermal, 30% hydro- electric) and production estimated at 121 billion kw-hr. in 1975.

Natural Resources

Land.—3.7 million square miles, mostly mountainous or hilly, only about 10% cultivated, 8% forest.

Climate.—Generally temperate in north and subtropical in south. Annual rainfall increases from north to south (25 inches in Peking, 75 inches in Canton).

Minerals.—Coal, iron ore, oil, tin, antimony, tungsten, mercury, molybdenum, silver, lead, copper, zinc, and bauxite.

Population

Size.—Estimated at 950 million in 1976, 85% rural. Over 7.6 million in Peking, capital and most important commercial center; other principal cities: Shanghai (11 million), Tientsin (4 million), Shen-yang (3 million), Wu-han (2.7), and Kwangchow (3 million).

Language.—National language is Chinese. Peking dialect (Mandarin) is the official dialect. Other principal dialects are Cantonese, Shanghai, Fukienese, and Hakka.

Education.—Formal schooling, through university level, has undergone considerable transformation. Ideological qualifications stressed and enrollments expanded at lower grades but curtailed at higher levels.

Labor.—Working age population estimated at 476 million, 342-385 million are in agriculture.

CHINA PERCEIVED: AN ANALYSIS OF THE OFFICIAL REPORTS OF CONGRESSIONAL VISITORS TO THE PEOPLE'S REPUBLIC OF CHINA

By Robert Sutter, Analyst in Asian Affairs, Foreign Affairs and National Defense Division, Congressional Research Service, Library of Congress

I. Principal Findings

The visits of U.S. Congressional delegations to the People's Republic of China (PRC) have represented the most active channel of high-level official communication between the United States and the PRC over the past six years. The Sino-American communique signed in Shanghai during President Nixon's February 1972 visit to China specifically called for increased bilateral interchange and exchanges between the two countries in order to strengthen Sino-American understanding and enhance progress toward the normalization of U.S.-PRC relations. Both governments pledged in the communique to support and facilitate these exchanges.

Approximately 100 U.S. Senators and Representatives have traveled to the PRC for talks with Chinese leaders and tours of China since the signing of the Shanghai Communique. Most of the Members have written reports on their visits which have been published as official documents of the U.S. Congress. These reports have served as a major vehicle for Congress to comment; on issues important in Sino-American relations and on the development of PRC foreign and domestic policies.

A review of the congressional reports shows that the delegates have been in general agreement regarding the state of U.S.-PRC relations and PRC foreign policy. Most of the delegates have said that the Sino-American relationship begun during President Nixon's 1972 visit appears likely to endure for at least the near future. They have generally portrayed the relationship as beneficial to both Peking and Washington, noting that it provides a particularly useful source of strategic leverage for both powers against the Soviet Union. The congressional visitors have frequently claimed that Peking appears unlikely—at least for the near term—to allow bilateral problems like Taiwan to lead to a serious reversal in U.S.-PRC relations. At the same time, the visitors have advised that there appears to be little immediate likelihood of a major breakthrough in Sino-American relations which would result in a rapid increase in bilateral trade and exchanges.

Regarding PRC foreign policy, Congressional Members usually have viewed the PRC leaders as concerned primarily with offsetting alleged anti-China pressure from the Soviet Union. They have claimed that Peking seems no longer to view the United States as a strategic threat to China, but appears to see the United States as a source of

indirect assistance against the U.S.S.R. The PRC has been depicted in the congressional comment as a growing power that still has a long way to go in order to even come close to the present strategic capabilities of either the United States or the U.S.S.R. The Chinese are also said to be focusing primary attention on internal problems of political leadership and economic modernization and, therefore, are thought to be unlikely to pose a major strategic threat to U.S. interests in Asia in the near future.

A few disagreements have been voiced by congressional visitors regarding U.S. policy toward China and Chinese motives in foreign affairs. Thus, for example, some congressional delegates have urged the United States to break diplomatic and defense ties with the Republic of China (ROC) on Taiwan in order to rapidly establish full diplomatic relations with the PRC; others have favored a slow development in U.S.-PRC relations which would not seriously upset U.S. interests in Taiwan; still others have judged that U.S.-PRC normalization should progress no further.

Concerning Chinese motives in foreign affairs, several Congressional Members have warned that Peking's recent accommodation with the United States and moderate approach abroad may represent only a tactical policy that could be quickly reversed in favor of a more ideologically militant and hostile Chinese foreign approach. In contrast, other congressional observers have judged that Peking's foreign policy is likely to remain moderate, provided China is not threatened by such major powers as the United States or the Soviet Union.

Much sharper disagreement is seen in congressional discussion of PRC internal affairs. Some congressional observers have voiced great praise over what they have seen as the major achievement the PRC administration has made in improving the material standard of life of the Chinese people. They have also judged that the tightly organized political-economic-social system in China is uniquely well suited for and widely accepted by the Chinese people, they frequently add that the system stands as an international model which could be copied in many respects by the United States.

In contrast, other congressional observers have judged that the Chinese leaders have created a totalitarian system which has deprived the people of individual rights and has forced the people to follow economic and social programs that have been against their best interests. Still other congressional delegates have attempted to balance what they have seen as the positive accomplishments and serious shortcomings of the Chinese system.

The contradictions seen in congressional assessment of conditions inside China have reduced the utility of the congressional reports as a vehicle for strengthening U.S. understanding of China. Several congressional observers have tried to explain why congressional delegates—as well as other foreign visitors to China—have arrived at such widely different assessments of Chinese internal affairs. These observers have offered four general reasons:

(*a*) It has been noted that a visitor's general political orientation will have an effect on how he views the situation inside China. Thus, it is judged that U.S. politicians of a liberal persuasion will tend to adopt positive views regarding the Chinese system, and that those with more conservative ideals will tend to be less positive in their assessments.

(*b*) Many congressional observers have said that their ability to accurately interpret and report on what they have seen in China has been made more difficult because of their lack of knowledge about Chinese affairs. They frankly admit that they are not China "experts." Some have questioned whether being such an expert would have been of much help in understanding China better—they have noted that China experts in the United States have not done well in accurately interpreting events in China over the past few years.

(*c*) Some congressional members have claimed that Chinese handling of the congressional visitors has served to limit their ability to accurately assess Chinese affairs. They have noted, for instance, that the congressional visits have been too short—generally not more than a few weeks—to allow the visitors to clearly understand what is going on in such a large country as China. Some have also complained about the tightly organized and controlled Chinese travel arrangements, which they say appear designed to give the visitor a very positive impression of China which may not be in accord with the realities of the country.

(*d*) Finally, congressional spokesmen have noted a lack of consensus among congressional visitors on what standards—if any—should be used in measuring the situation in China. Stating that the purpose of their visits is to increase Sino-American understanding, some visitors have maintained that they should recount—without passing judgment—what they have seen and heard in China. Others think that Americans should attempt to understand the situation in China from a "Chinese" perspective. Some in this group think that Americans have been too parochial in the past and have attempted to measure Chinese developments by U.S. standards; they add that U.S. visitors should break out of this "narrow" viewpoint in order to enhance prospects for greater Sino-American understanding and improved relations. Still others feel that American standards should definitely be used in assessing the Chinese situation. They say that to do otherwise would lead to U.S. misperceptions and misunderstandings of China, which they claim have been all too common in American policy toward China in the past.

II. U.S.–PRC Relations

Congressional visitors to China have repeatedly said that the new Sino-American relationship began during President Nixon's visit to China in February 1972 appears likely to endure for the foreseeable future. They generally have seen the relationship as beneficial to both Peking and Washington, viewing it as providing a particularly useful source of strategic leverage for both powers against the Soviet Union. U.S. Congressional visitors have frequently noted that because of the benefits it derives from the new Sino-American relationship, Peking appears unlikely to allow bilateral problems like Taiwan to lead to a serious reversal in U.S.-PRC relations. At the same time, however, the visitors have advised that there appears to be little immediate prospect for a major breakthrough in Sino-American relations which would result in a rapid increase in bilateral trade and exchange programs.

A. Concern over Vietnam, U.S.–Soviet Détente

Congressional visitors from time to time have reported that Chinese leaders have viewed certain international issues as major complications

in Sino-American relations. Thus, for example, delegates visiting China in 1972 noted U.S. military involvement in Vietnam as a major source of difficulty in U.S.-PRC relations. Senator Mansfield said in regard to his talks with Chinese leaders in 1972 that "certainly no problem loomed as large as the war in our discussions in Peking." Adding that Peking's opposition to U.S. involvement in Vietnam had been clearly linked by Chinese leaders to the development of Sino-American relations, Senator Mansfield said that Chinese leaders had told him that "unless this [Vietnam conflict] can be settled, there can be no progress on other issues [between the United States and the PRC.]" [1]

Following the signing of the Paris peace agreement in Jannary 1973 and the subsequent withdrawal of U.S. military forces from Indochina, congressional visitors noted a marked decline in Chinese attention to the Vietnam issue. Over the next few years, PRC leaders began to show far greater concern over the development of U.S. détente wiht the Soviet Union. The signing of the European Security Conference agreement during the major East-West summit meeting in Helsinki in August 1975 and the subsequent agreement on strategic arms limitation reached by President Ford and Soviet leader Brezhnev during their summit meeting in Vladivostok in November 1975 prompted pointed Chinese expressions of concern about U.S. strategic resolve vis-a-vis the U.S.S.R. Chinese leaders warned Washington repeatedly that it should not "appease" the U.S.S.R. or be "taken in" by Soviet blandishments of détente.

Typically, U.S. Congresswomen lead by Representative Margaret Heckler said in regard to their visit to Peking in January 1976 that "without question the dominant theme of our discussions was a series of warnings about the Soviet Union and its intentions in contemporary international affairs." [2]

And, delegates led by Representative Melvin Price said in regard to thier visit during 1976 that "the message that the Chinese wanted us to hear came through loud and clear: détente is a myth and efforts to appease the Soviet Union in the hope of postponing or avoiding war will simply repeat the errors of Chamberlain and Daladier in seeking to appease Hitler prior to World War II." [3]

B. TAIWAN

The Taiwan issue has remained the major problem impeding the normalization of Sino-American relations over the past six years. Reports by Congressional visitors have shown that Peking has remained uncompromising regarding its three main conditions for U.S.-PRC normalization: Peking will not establish full diplomatic relations with the United States unless the United States first ends diplomatic ties with the ROC on Taiwan, withdraws U.S. miliary forces from the island, and ends the U.S.-ROC mutual defense treaty. At the same time, congressional reports have shown that Peking leaders have generally not been virulent about their demands on Taiwan during talks with congressional visitors; several congressional reports have depicted

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[1] *Journey to the New China.* U.S. Government Printing Office, Washington, D.C., 1972, p. 6.
[2] *Report of a Visit to the People's Republic of China.* U.S. Government Printing Office, Washington, D.C., 1976, p. 4.
[3] *Visit to the People's Republic of China.* U.S. Government Printing Office, Washington, D.C., 1976, p. 8.

the Chinese as "patient" over the Taiwan issue. Thus, for example, the congresswomen led by Representative Heckler reported that Chinese leaders appeared unconcerned over the Taiwan issue during conversations in Peking, they said that:

> . . . at no time did the Chinese choose to initiate direct discussion of Taiwan. The sole reference occurred in their response to a question about how our two countries might move more closely together. In answering they mentioned the Shanghai Communique of 1972 and the need for its implementation. . . . They added, however, that they understood that the American government felt it was difficult at present to implement [Peking's conditions on Taiwan] and they, the Chinese, could wait.[1]

Similarly, Congressional Members led by Representative John Anderson noted in regard to their visit to China in 1975 that "the Chinese gave no hint of willingness to compromise regarding the complicated Taiwan issue. At the same time, they are not insistent that the issue be rapidly resolved." [2]

Chinese leaders occasionally have been reported as impatient over U.S. policy concerning Taiwan. Most notably, Senator Hugh Scott reported that during his talks with Chinese leaders in July 1976 that "they talked about Taiwan at length upon their own initiative . . . [their views were] stated with a vehemence which suggested that they were surprised and resentful that any American would not know that this was their view." Senator Scott judged from his encounter that even though Peking was prepared to acquiesce in some delay in U.S. withdrawal from Taiwan, China "is not willing to acquiesce in such postponement for an indefinite period." [3]

The question of what steps the United States should take to help resolve the Taiwan issue has prompted different proposals from Congressional visitors to the PRC. Some visitors have stressed that the United States should end its ties with Taiwan and accept Peking's conditions for normal diplomatic relations, warning that to do otherwise would lead to dangerous friction in Sino-American relations and instability in Asia. Senator Mansfield, for example, warned that unless the United States pushed ahead and accepted Peking's conditions "stagnation . . . the enemy of a sound constructive foreign policy" would overtake U.S.-PRC relations and would lead to an exacerbation of U.S. international differences over China policy." [4]

Others, however, have felt no sense of urgency, judging that the status quo in Sino-American relations will suffice until the balance of costs and benefits for the United States in normalizing relations with the PRC becomes more favorable. Thus, for example, Senator Robert Byrd said in regard to his visit to China in 1975 that:

> In my opinion, the effort to normalize relations with the PRC, first initiated by President Nixon's visit to China in February 1972, should be continued. This normalization process can only be slow and gradual, but it ought to go forward. I think we ought not be overly eager to speed up the process, nor do I think we should press too hard; but a gradual evolution toward normalization will be in the best interests of the United States and the PRC in the long run—especially given the present obvious efforts and intent of the Soviet Union to expand her

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[1] *Report of a Visit to the People's Republic of China.* op. cit., p. 8.
[2] *Ninth Congressional Delegation to the People's Republic of China.* U.S. Government Printing Office, Washington, D.C., 1976. p. 2.
[3] *The United States and China.* U.S. Government Printing Office, Washington, D.C., 1976, pp. 2–3.
[4] *China Enters the Post-Mao Era.* U.S. Government Printing Office, Washington, D.C., 1976, p. 8.

sphere of influence and authority and the continuing buildup of Soviet naval and nuclear strength.[1]

Still others have opposed any further forward movement in U.S.-PRC relations, especially if it might have a negative impact on Taiwan. Representative Derwinski said in a report on his visit to the PRC in 1975 that "personally I see no reason for the United States to grant formal diplomatic relations to the PRC; while we should continue communications with them, to formally recognize their regime would be in conflict with our moral responsibility and inconsistent with our traditional policy." [2]

C. TRADE, EXCHANGES

Congressional visitors have been more uniform in their comment on Sino-U.S. trade. Most have seen prospects in this area as limited, inasmuch as PRC leaders have continued to stress the importance of "self-reliance" in China's program for economic development and have continued to show only limited interest in trade with developed Western countries like the United States. Thus, for example, there was no reported PRC interest in importing U.S. consumer goods; U.S. grain and technology were seen as having some appeal for China, inasmuch as they could provide Peking with the means to fill gaps in its food supply system and in its technological base. Peking was also said to be uninterested in purchasing U.S. military equipment; it was likewise said to have no interest in longterm economic loans from the United States.

Congressional delegates led by Senator Percy noted some of the basic impediments in U.S.-PRC trade in reporting on their visit to Peking in 1975. They said:

> For the future, China's government will not ask for loans and will accept only 'genuine export credits,' meaning medium-term deferred payments. There is no willingness to accept joint venture investments. . . . The emphasis is on self-reliance and self-sufficiency, principles permitting little opportunity for international collaboration on either a bilateral or multilateral basis. The Chinese in the main will rely on their own labor, not on significant imports of capital, technology, or equipment.[3]

On the subject of U.S.-PRC exchanges, congressional delegates were frequently outspoken in favor of larger and more active exchange programs, but they were also quick to note some of the problems involved in developing these programs. Thus, for example, Senator Hugh Scott reported in 1972 that "One got the impression that the Chinese were very desirous of increasing exchanges between the two countries, but did not at this time have the facilities to handle a great influx of visitors." [4]

Some congressional visitors have expressed dissatisfaction with the relatively strict format observed by foreign visitors to the PRC, and they also questioned whether Peking is willing to reciprocate U.S. visits by sending delegations to the United States. They noted, for example, that while many thousands of Americans have traveled to the PRC only a small fraction of that number of Chinese have visited the

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[1] *Ninth Congressional Delegation.* op. cit., p. 21.
[2] *Ninth Congressional Delegation.* op. cit., p. 28.
[3] *The United States and China.* U.S. Government Printing Office, Washington, D.C., 1976, p. 18.
[4] *Journey to the New China.* op. cit., p. 21.

United States. Representative Derwinski observed that the delegation he accompanied to the PRC in 1975 "had a very carefully controlled schedule with visits to model factories, model communes, model workers apartments—which I personally feel utilized the 'Potemkin village' [1] strategy. We were permitted limited but carefully arranged conversations with selected factory and commune workers, who, I believe, were well coached in advance of our visit . . . At the official level, there was a similar lack of genuine conversation." [2]

III. PRC Foreign Policy

The Congressional visitors have voiced general agreement regarding recent developments and trends in PRC foreign policy. They have portrayed the Chinese communist leaders as concerned primarily with off-setting alleged anti-China pressure from the Soviet Union and as viewing the United States no longer as a threat to China but as a source of international leverage for use against the U.S.S.R. Many congressional visitors have advised that the PRC is not a superpower and has far to go before its strategic influence will come close to rivaling that of the United States and the Soviet Union. They frequently add, however, that Chinese leaders appear determined to employ Chinese resources effectively in order to develop sufficient economic and military capability to reach great power status by the end of the century.

During conversations with congressional leader, Chinese spokesmen repeatedly condemned the Soviet Union in harsh terms for its allegedly "expansionist" foregin policy ambitions and its desire to establish "hegemony" over other countries such as China. By contrast, the Chinese spokesmen were relatively relaxed regarding U.S. military actions abroad, and in many cases frankly encouraged the United States to maintain forces abroad in order to offset suspected Soviet expansion.

Senator Henry Jackson summed up the Chinese world view when he reported on his visit to Peking in July 1974. He said:

> At the center of Chinese concern is what they perceive to be the unreliable and expansionist nature of the Soviet Union. While the Chinese are optimistic about their capacity to handle their border situation and defend themselves on the basis of self-reliance—relying on their own strength—they see Soviet policy as directed in part at the encirclement and isolation of China.
>
> The Chinese have reiterated regularly that their long-run goal is the withdrawal of all foreign troops and elimination of all foreign bases, wherever they are situated abroad. But for the present the Chinese are far more concerned about what they perceive to be expansionist pressures of current Soviet policy in areas of strategic importance.
>
> China's current stated position is that the Russians are 'feinting to the East in order to attack in the West.' The Chinese are troubled by the weakness of Europe and the need for greater unity among the Western allies. They recognize that security in their own region is affected by what happens in Europe, and they are encouraging a strong North Atlantic Treaty Organization and discouraging any immediate withdrawal of United States troops from Europe. They fear that if the Soviets no longer had to reckon with a credible NATO in the West they could further intensify their political and military pressure in the East. . . . While in principle the Chinese favor the elimination of all foreign bases, they recognize that Japan is under threat from Soviet missiles

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[1] Idyllic village built by Russian officials in order to give touring Russian Tsars and Tsarinas the impression that rural conditions were good.

[2] *Ninth Congressional Delegation*, op. cit., p. 27.

and troops, and they do not now criticize the U.S.-Japan security treaty or the presence of American bases in Japan.[1]

Complementing Peking's relatively positive view of the U.S. role in world affairs, congressional spokesmen have seen little immediate threat to U.S. interests posed by the PRC. Some observers have judged that Peking's preoccupation with the Soviet Union and with Chinese internal economic and political developments would require the PRC to maintain a cordial relationship with the United States for the foreseeable future. Thus, for example, Senator Robert Byrd reported that:

> The PRC does not seek to become a superpower . . . The PRC seeks mainly to build up its own economic and industrial base, improve the living conditions of its own people, further develop the dictatorship of the Proletariat, and protect its own territorial integrity against outside attack. It claims no designs on other countries in Southeast Asia, and is firmly opposed to attempts by any country to establish bases on foreign territory or to exercise hegemony over other countries. Homeland defense is now the determinant startegic military posture in the minds of the Chinese leadership, despite its rhetoric from time to time.
>
> . . . The PRC no longer believes the United States poses any threat to its own territorial integrity or to its existence as a socialist state, but it is thoroughly distrustful of the intentions, words, and actions of the Soviet Union . . .
>
> In my judgment, the United States need have no fear of Red China as a viable threat to our own country in the foreseeable future or as long the Sino-Soviet rupture continues. Nor do I foresee any rapproachement between the PRC and the U.S.S.R. until such time as the U.S.S.R. drastically revises its policies of hegemonism over other people—an event not easily anticipated.[2]

Others have adopted an even more positive view of PRC intentions, seeing China as a power with fundamentally peaceful motives in international affairs. These spokesmen have placed blame on the United States for past Sino-American conflicts in Asia, which they claim were caused—at least in part—by misguided American policies. As Senator Mansfield said following a visit to the PRC in November 1976:

> For more than two recades the United States closed its official mind to China and the channels of effective communication between the two nations were blocked. The consequences of this period of know-nothingness still linger. Miscalculations about China may well have been the main factor in the involvement of the United States in two major wars in Asia in a single generation. Pressures are at work which could cause another major miscalculation over Taiwan.[3]

Some other congressional spokesmen have been more suspicious of Chinese foreign policy objectives, noting that even though Peking is currently cooperating with the United States on certain foreign policy issues, there remains considerable potential for Sino-American conflict in foreign affairs. Thus, for example, Representative Carl Albert warned following his visit to the PRC in 1975 of several "inconsistencies" in PRC foreign policy which he judged could lead to difficulties in Sino-American relations. He said:

> It seems to me, however, that the Chinese are inconsistent in their foreign policy. While they reiterate their opposition to hegemony, which is defined as the exertion of authority or influence of one nation over others, and believe that no country has the right to interfere in the affairs of another, they freely admitted that they contributed assistance and support to their comrades in North Vietnam. They espouse the cause of the North Koreans and the Cambodians

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[1] *China and American Policy.* U.S. Government Printing Office, Washington, D.C., 1974, pp. 1–2.
[2] *Ninth Congressional Delegation,* op. cit., p. 20.
[3] *China Enters the Post-Mao Era,* op. cit., p. 40

and lend support for their causes, while insisting that their interests lie only at home.[1]

In a similar vein, Senator Sam Nunn noted following his trip to the PRC in 1975 that:

"The PRC, in their words, are committed to supporting revolution in the world but are opposed to all form[s] of hegemony and to exporting revolution. They explain this vague and subtle distinction by their expressed belief that revolution can only be generated and controlled by a country's own people. They vigorously deny all efforts to dominate others except, of course, Taiwan which they consider to be a part of the PRC.

Only future events will determine whether supporting but not exporting revolution is a distinction without a difference. Actions, not words, will also make clear, in the future, whether the PRC will gradually begin to play a useful and constructive role in Asia and the world." [2]

Congressional visitors have devoted special attention to assessing the future of the Sino-Soviet rift. While most expressed confidence that a Sino-Soviet reconciliation—and possible attendant difficulties for the United States—remained remote so long as Chou En-lai and Mao Tse-tung were alive, some raised questions as to the possible courses Peking might follow in the post-Mao period. Representatives Lester Wolff and J. Herbert Burke noted such questions in response to signs of leadership instability in Peking during a visit to Peking in April 1976. The death of Chou En-lai and the purge of Vice Premier Teng Hsiao-ping in early 1976 were followed by a mass demonstration at Tien An Men square on 5 April 1976, which was seen by many observers as an unusual breakdown of authority in the Chinese capital. Congressmen Wolff and Burke judged that these events indicated a strong difference of opinion between so-called radical and moderate leaders in Peking, and they wondered "what are the implications for the world scene should the post-Mao era be marked by visible upheavals?" They added the question, "should a relatively stable leadership emerge, does continuity in foreign policy necessarily follow?" [3]

IV. Differing Congressional Views of PRC Internal Affairs

In contrast to the general agreement seen in the congressional reports regarding trends in U.S.–PRC relations and PRC foreign policy, the congressional visitors have differed markedly in their assessments of conditions inside China. On the one hand, some have judged that the current political-economic-social system in China is uniquely well suited for the Chinese people and stands as a model which could be copied in many respects by the United States. On the other hand some have judged that the Chinese system represents a veritable prison in which the Chinese Communist Party controls all major aspects of life and pursues domestic policies which are not in the best interests of the Chinese people. Between these two peoples are the views of other congressional visitors to China who have attempted to balance what they have seen as the major accomplishments and the major shortcomings of the Chinese leadership.

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[1] *China: One Step Further Toward Normalization.* U.S. Government Printing Office, Washington, D.C., 1975, p. 4.

[2] *Ninth Congressional Delegation.* op. cit., p. 32.

[3] *United States-China: Future Foreign Policy Directions.* U.S. Government Printing Office, Washington, D.C., 1976, p. 15.

A. REASONS FOR VARYING CONGRESSIONAL ASSESSMENTS

Several congressional observers have tried to explain why U.S. congressional visitors—as well as other American travelers—have formulated sharply different assessments of the situation inside China. A few congressional observers have suggested that a visitor's general political orientation may have some effect on his observations of Chinese conditions. Thus, for example, Representative Derwinski noted that "a substantial number of prominent Americans who like to be identified as 'liberals' have returned with glowing reports of the progress made by the Peking regime. They tell us that the 'new China is a great experiment for all mankind' and a nation where hundreds of millions work happily and enthusiastically to build a 'new order.' "[1] At the same time, delegates led by Senator Percy said that a visitor's "background" and "interests" significantly affect his views of China.[2]

Differing assessments are also said to result from reported problems in obtaining accurate information on what is going on inside China. Some congressional visitors have been quick to note that their inexperience in Chinese affairs has impeded their assessments of Chinese conditions. Others note that the relatively short time involved in a congressional visit to China and the methods the Chinese use to handle foreign visitors have served as impediments to accurate congressional reporting on Chinese conditions. Typically, Representatives Hale Boggs and Gerald Ford said in a report on their visit to China in 1972 that:

> We do not pose as experts on China, or on Sino-American relations. All that we report must be evaluated in light of the views of others in and out of government who have devoted themselves to a study of China. We recognize as well as anyone that in a mere ten days in the vastness of China, we could do little more than become aware of the enormous amount of information and understanding we lack about that land.
>
> We are reminded of the blind men who sought to learn about an elephant, each coming away with a very different impression, and none with a complete account.[3]

Noting that Chinese officials' management of foreign visitors may pose a possible impediment to understanding Chinese internal affairs, Senator Hugh Scott said in regard to his trip to China in 1976 that:

> As many other American visitors to China, including Members of the Congress, over the past 4 years have discovered the Chinese are generous, and exacting hosts. They learn of your interests and wants and do the best they can to satisfy them. They expose you to a staggering variety of impressions by means of a complete schedule of visits to institutions and with leading persons. They ask you to listen respectfully to their explanations of what it is that you are seeing. The visitor to China is a beholder of the scene, and a passive listener to the words of hospitable, earnest and dedicated persons responsible for the place, the program, the event or the institution concerned. Visitors do not cross question . . .
>
> Chinese management of an itinerary of this sort allows even the most well-prepared and perceptive traveler very limited opportunity for research or systematic interrogation of those who obviously are in possession of information of interest or value. A traveler must be either very bold or very foolish to make claim of accuracy in his impressions or to assert that impressions formed in one location fairly represent anything much more than that.[4]

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[1] *Ninth Congressional Delegation.* op. cit., p. 27.
[2] *The United States and China.* op. cit., p. 1.
[3] *Impressions of the New China.* U.S. Government Printing Office, Washington, D.C., 1972, p. 1.
[4] *The United States and China.* op. cit., pp. 5, 10.

Of course, some congressional delegates have not shared Senator Scott's views. Senator Mansfield, for instance, judged that he had ample opportunity during his three visits to the PRC to move about and obtain information through on-the-spot observation and talks with Chinese representatives.[1] In contrast, Representative Derwinski was more pointed than Senator Scott when he asserted that the Peking leaders appeared to have deliberately orchestrated his visit in order to portray a very positive image and prevent him from seeing the actual conditions inside China.[2]

Another major source of differing congressional views of conditions inside China has to do with the diverse standards the visitors have used to measure Chinese conditions. There has been no agreement among congressional visitors on what kind of standards—American standards, Chinese standards, United Nations standards, or other standards—should be used to measure conditions in the PRC. Indeed, there is some disagreement among the congressional visitors over whether or not U.S. travelers should judge the situation in China by any standards.

The Shanghai Communique established the basis for exchanges between the United States and the PRC. It said that:

> The two sides agreed that it is desirable to broaden the understanding between the two peoples. To this end, they discussed specific areas in such fields as science, technology, culture, sports, and journalism, in which people-to-people contacts and exchanges would be mutually beneficial. Each side undertakes to facilitate the further development of such contacts and exchanges.

Some congressional travelers have judged that, on the basis of the Shanghai Communique, U.S. observers should not go to the PRC with an eye toward passing judgment on conditions there. Rather, they should endeavor to transmit information they acquire while in China to the Congress and to the American people, in the expectation that this process will help strengthen Sino-American relations. Typical of this view was the comment of the congressional delegates led by Senator Magnuson who noted in regard to their visit to the PRC in 1973 that:

> The object for which we were invited, however, and for which we went, was not to sit in judgment of another society, but rather to enlarge our understanding of that society and of how our two countries might further develop a relationship based on the principle of equality and mutual benefit. Whatever our group's individual political philosophies, and they vary greatly within a common value system, none of us came away with any doubt as to the wisdom, indeed the necessity, for increased understanding and continuing improvement in U.S.-PRC relations. The very seriousness of purpose of the Chinese, with a population of 800 million and a rapidly developing military force, brought home to us the importance of seeking to build a bridge of confidence now, when for the first time in 25 years conditions in both our countries are favorable for rapproachement.[3]

Senator Mansfield was also outspoken in his emphasis on the need for U.S. visitors not to dwell on what they may have seen as the shortcomings in China, but to accentuate the points of common ground between the United States and the PRC. He said:

> Nor should Chinese society be judged by American standards. It is a disciplined society with its people subjected to unremitting propaganda from an all-pervasive party-government apparatus. Westerners note the absence of individual freedoms in China and the subservience to an all-powerful state. On the other hand,

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[1] *Journey to the New China*. op. cit., pp. 1–2.
[2] *Ninth Congressional Delegation*. op. cit., p. 27.
[3] *China Report*. U.S. Government Printing Office, Washington, D.C., 1973, p. 11.

the Chinese see our society as wasteful and disorganized. In fact, present conditions in the two nations are so different that to compare the two is to compare apples and oranges.

To weigh the United States-China relationship in a reasonable context, Americans must look at common interests, not at our differences. That is what has brought the two countries together, almost in spite of themselves, in an official but unorthodox relationship.[1]

A different point of view was expressed by Congressional Members of the delegation led by Representative John Anderson who argued that American standards would be used in assessing conditions inside China and in viewing prospects for Sino-American relations. They said:

> It may be misleading to us to apply our system of values to a country whose history and culture has been so different from our own and which is still faced with problems so unlike ours in kind or magnitude. Nevertheless, we were struck by the fact that the basic individual liberties which we value, particularly freedoms of choice and expression, are considered not only irrelevant but anti-social and even counter-revolutionary. What work one does, where one lives, where one can travel, how much education a youngster can obtain, how much a person can earn, what views he can safely express—all these decisions are made for, not by, and individual.[2]

And, the delegation members added that both China and the United States should not try to hide their differences but should strive to deal with each other forthrightly in order to avoid illusions and misjudgments in future Sino-American relations. They said that:

> Both countries should continue to build on the foundation that has been laid to enlarge the areas of common interest. The task is not an easy one. The Chinese view the relationship with hard-headed realism; we must do the same, avoiding the illusions and romanticism which sometimes characterized the American attitude towards China in the past.

B. MATERIAL STANDARDS IN THE PRC

The wide range of congressional views on the situation inside China is vividly reflected in those sections of the Congressional reports which discuss the material standards of living of the Chinese people. Most of the congressional observers have agreed that the Chinese people they saw appeared well fed and adequately clothed and housed, and that the PRC government had appeared to make great strides in bettering the material standards of living of the average Chinese person since it gained power in China almost 30 years ago. However, some congressional observers have chosen to emphasize the reported accomplishments of the PRC administration, while others have accentuated continued shortcomings. This problem of differing congressional perspectives on China was explained by Senator Mansfield, who pointed out in regard to his visit to the PRC in 1972 that:

> It is difficult to look at China, today, free of the distortions of national disparities, especially after two decades of separation. But the distortions can be tempered by perspective. It is possible, for example, to judge a bottle as half full or as half empty. If China is measured by some of our common yardsticks, whether they be highway mileage, the number of cars, television sets, kitchen gadgets, political parties, or newspaper editors—the bottle will be seen as half empty. If China is viewed in the light of its own part, the bottle is half full and rapidly filling.[3]

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[1] *China Enters the Post-Mao Era*, op. cit. p. 40.
[2] *Ninth Congressional Delegation*, op. cit., p. 4.
[3] *Journey to the New China*, op. cit., p. 2.

Offering his own positive assessment of the standard of material welfare in China, Senator Mansfield pointed out that:

> There has not been a major flood, pestilence, or famine for many years. The cities are clean, orderly, and safe; the shops well stocked with food, clothing, and other consumer items; . . . The housing is of a subsistence type, but is now sufficient to end the spectacle of millions of the homeless and dispossessed who, in the past, walked the tracks and roads or anchored their sampans in the rivers of China and lived out their lives in a space little larger than a rowboat.[1]

In a report on his second visit in 1975, the Senator echoed these themes in more emphatic language and added that:

> The livelihood of the people seems to be improved from what it was at the time of my first visit to the People's Republic almost three years ago. In Peking, for example, a great deal of new housing was evident. The people appeared to be better clothed. More trucks and other commercial vehicles and more sophisticated bicycles were on the streets. Shops offered a greater variety of consumer goods.[2]

The Senator has also offered a positive assessment of Chinese medical care and the Chinese education system. He noted in his report in 1975 that:

> After the establishment of the People's Republic of China in 1949, the new government was faced with a population plagued by malnutrition, communicable and parasitic diseases, and inadequate health facilities and personnel. Everywhere there were scurvy-ridden, lice-infested, potbellied children with inflamed eyes, and countless beggars. An open prostitution problem existed as did rampant venereal disease and tuberculosis . . . Now there has evolved a system which provides universal basic health care. It is a system which has eliminated venereal disease, controlled tuberculosis, partially controlled malaria and schistosomiasis, and made world-recognized achievements in burn therapy, re-implantation of amputated extremities and digits, and in the treatment of fractures. The system has given rebirth and new significance to traditional Chinese medicine in the usage of acupuncture.[3]

He went on to note that:

> Education is free and compulsory for seven to nine years, varying in length from area to area. . . . Education in China is directed to practical application, not to learning for the sake of learning. Young children are taught to read and write and are generally prepared for limited specialized training. Work and other ethical values are also instilled in them in accordance with Maoist concepts. At the secondary level, education is usually combined with practical experience keyed to turning out persons capable of going directly to jobs in the communes and factories. Additional on-the-job training takes place later. Those destined to be skilled technicians, for instance, go through an apprenticeship of several years.[4]

Many other congressional observers similarly reported on what they saw as the major accomplishments of the PRC administration, but they also noted several shortcomings. Thus, for example, congressional delegates led by Representative Anderson who visited the PRC in 1975 emphasized that China gave them the impression of a land of great contrasts: While acknowledging that significant material progress had been achieved in the PRC, the congressional observers said that much remained to be done; they emphasized that the PRC is still a poor country, which has achieved some off its material progress as a result of heavy ideological indoctrination and tight organizational control of the individual.

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[1] *Journey to the New China,* op. cit., p. 2.
[2] *China: A Quarter Century After the Founding of the People's Republic.* U.S. Government Printing Office, Washington, D.C., 1975, p. 3.
[3] Ibid., p. 4.
[4] *China: A Quarter Century After the Founding of the People's Republic,* op. cit., p. 10.

For example, they pointed out that "massive inputs of human Labor" were required to construct the irrigation systems which have significantly alleviated China's age-old problems of flood and drought. They noted that the leveling of incomes in the PRC had been "forced" on the people by the government, and added that "millions of urban youth who could not be absorbed into the urban work force have been sent 'down to the countryside' to work in communes."

The Anderson-led delegates also pointed out that the Chinese appear not always to live up to their own stated objectives and principles. Thus, for example, they said that a PRC "objective is an egalitarian society—but in one factory we visted the wage differential was about five to one." Noting a contrast of achievements and shortfalls in the PRC education system, they said that, "China undoubtedly has the largest prmary school system in the world—but many universities have not resumed normal activities since the disruption of the Cultural Revolution in the mid 1960's." [1] The delegates did not comment extensively on Chinese medical care, but other congressional visitors have noted that Peking's record in raising the standard of basic health care had been achieved by turning out a large number of paramedics while giving less attention to broadly qualified and well trained doctors.[2]

Even some PRC leaders have been reported as pointing up Chinese shortcomings and advising congressional visitors against portraying what they see in China in an overly positive light. Thus, for example, congressional delegates led by Representative Price who visited Shanghai in 1976 heard a Chinese official there freely admit that Shanghai still had a crime problem. According to the report the official added that:

> When U.S. friends go back . . . they often make too good a report about conditions in China. They say that you don't have to lock your doors in China in the evening, for example. While this is basically correct . . . it is not entirely true. There are still class enemies. There are still thieves and theft. When you go into the street to shop, you must still watch your handbag.[3]

Finally, some congressional visitors have judged that what they have seen and heard in China has not provided a credible basis for judging the situation there. Representative Derwinski has been in the forefront of this group, judging that the Chinese carefully orchestrated the reception of him and his party to offer a positive impression to them. The congressmen acknowledged that material progress had been made in China under the PRC administration over the past 30 years, but he question whether or not the mainland Chinese would have achieved a better material life today had they been ruled by a democratic form of government during that period.[4]

C. INDOCTRINATION AND CONTROL

Sharp disagreement has also been seen in congressional comment on the Chinese system of political indoctrination and control. Congressional observers have generally agreed that the PRC places great stress on the indoctrination of the Chinese people and on effective mobilization of the Chinese masses through party and government organizations responsive to the PRC leadership. Some observers have

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[1] *Ninth Congressional Delegation.* op. cit., pp. 3–6.
[2] *Journey to the New China.* op. cit., pp. 19–20.
[3] *Visit to the People's Republic of China,* op. cit., pp. 24–25.
[4] *Ninth Congressional Delegation,* op. cit., p. 28.

seen such indoctrination and control as consistent with traditional Chinese practices and as well accepted by the people. Many others, however, have viewed the indoctrination and control in a negative light; they have seen them as a basic affront to individual human rights and dignity in China.

Senator Mansfield, for one, tended to adopt a positive view of these Chinese methods. He pointed out that the communists had managed to create "a well motivated and cooperative" populace that is striving toward national progress. He judged that Mao's theories "are now imbedded in the fabric of Chinese life. They have produced a system which is here to stay." [1]

The Senator viewed the current system as consistent with Chinese tradition and accepted well by the Chinese people as a means to unity and national development. He pointed out that:

> Politics permeates China's daily life, from the high government officials in Peking to peasants in the remote communes. The traditional Chinese concepts of family loyalty and group activity have been extended to make the Chinese people into a pyramid of families. At the apex is the leadership of an integrated Chinese nation. Pride in common accomplishment and faith in a common future are evident everywhere. China today is more unified than ever before in its history.[2]

The Senator stated that women enjoy equality with men in China, that there is "a casual sense of freedom" and "easy egalitarianism" which marks relations between the citizens of China and their leaders. He also pointed to the organization of the rural commune in positive terms, noting that:

> The communes are in the nature of agro-towns and are a fundamental economic unit of the new China. They are also a new concept in social organization which acts to broaden and extend the virtues of interdependence of the old Chinese family system into a community of cooperation and group-action by many families.[3]

While they frequently expressed admiration for Chinese efficiency and organization, many other congressional visitors voiced serious reservations over what they saw as strong curbs on individual rights in China. Senator Robert Byrd, for instance, stated that:

> Much of what has been accomplished by the communist regime in China has been as I have stated heretofore at the expense of human liberty, freedom of choice and most of all at the expense of spiritual life.[4]

Representatives Boggs and Ford recited a list of "troubling impressions" following their visit to the PRC in 1972. They said that:

> Chairman Mao Tse-tung, despite rare public appearances, is ubiquitous: his presence is felt everywhere. Enormous color portraits of the Chairman are found atop major public buildings. His portrait adorns the walls of virtually all public rooms, factories, classrooms and homes we visited. Quotations from Mao's writing—usually exhorting the population to greater production or increased vigilance—are spread over gigantic banners hung from public buildings, or lettered in white on huge red billboards. Radios and public loudspeakers give forth an undeviating fare of martial music, political instruction, and songs whose themes ordinarily extol the nobility of peasant labor, the heroism of factory workers, the decency and courage of the people's liberation army, and the omnipresence of outside hostile forces.
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> No non-Chinese newspapers, books. films or magazines are anywhere in evidence. Instead, all Chinese books, newspapers and magazines are State produced.

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[1] *Journey to the New China.* op. cit., p. 2; *China: A Quarter Century.* op. cit., p. 34.
[2] *China: A Quarter Century.* op. cit., p. 1.
[3] *Journey to the New China,* op. cit., p. 3.
[4] *Ninth Congressional Delegation.* op. cit., p. 9.

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Literature appears to consist entirely of dogmatic collections of news, stories or poems whose unalterable themes are those of overcoming obstacles, exercising vigilance, and performing acts of heroism in the struggle to meet factory or farm production goals.

The individual is important only as a tiny part of the whole; there seems to be no place for individual freedom to dissent, to disagree; to seek, discover or pursue alternatives. The political discourse is a scramble toward the center to avoid the perilous extremes of ultra-leftism or ultra-rightism.

The highly organized system of child-care, from pre-school to after-school—and the use of that system to inculcate in the children a veneration of the State and obedience to its leaders—is awesome in its possible implications for the future. Writing, art, music, dance, drama and even supervised play—all teach a complete devotion to the heroes, the tasks, the purposes and policies of the system.[1]

D. LEADERSHIP STABILITY; ECONOMIC AND MILITARY DEVELOPMENT

The dramatic changes in the Chinese leadership since the early 1970's have had a considerable impact on some congressional visitors to China. Several delegates have expressed concern over the future political stability of the PRC, noting that the passing of such major leaders as Mao Tse-tung and Chou En-lai might lead to domestic disorder and political competition in China which might in turn serve to complicate the emerging U.S. relationship with the PRC. Typically, Representatives Wolff and Burke voiced several questions after their visit to Peking in April 1976. They said:

While there was no visible turmoil observed by the delegation and the impression gained during our week's visit is of a highly disciplined society, the present anti-revisionist campaign (against Teng Hsiao-ping) might well be an indication of an internal struggle. It is highly probable that the death of Mao has already been discounted in plans for the succession. It is by no means certain however, that the means chosen for the post-Mao transition period will necessarily be as harmonious as the Chinese would have us believe.

Since there is no apparent successor for Mao waiting in the wings, one speculates about the possibility of a consortium consisting of both the 'moderates' and the 'radicals.' In this respect, three major questions arise:

(a) Could a consortium manage, as had the Mao-Chou leadership, to keep the opposing factions in relatively peaceful tension?

(b) What are the implications for the world scene should the post-Mao era be marked by visible upheavals? (A limited rapprochement with the Soviet Union? A turning inward?); and

(c) Should a relatively stable leadership emerge, does continuity in foreign policy necessarily follow? Perhaps a visit to China— now as always—raises more questions than one can ever hope to answer.

An ancient Chinese proverb tells of two people sharing the same bed dreaming different dreams. It aptly describes the relationship between the Chinese 'moderates' and 'radicals.' Whether the two opposing groups will continue to share leadership in the post-Mao transition emerges as the key question. These internal forces shaping China's future must presently command the attention of the American leadership. China is no longer in exile. Her influence must now be reckoned with as a powerful fulcrum in the world community.[2]

And Senator Hugh Scott said following his visit three months later that:

When the President was in Peking last December, Premier Chou En-lai, though known to be ailing still was alive. His death, in early January, produced, I think, an impact on China's succession of power arrangements far more profound than anyone seemed to be anticipating. Shortly after Chairman Mao received Prime Minister Lee Kuan Yew and Prime Minister Bhutto in Peking last May the Central Committee of the Chinese Communist Party announced

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[1] *Impressions of the New China.* op. cit., pp. 2–3.
[2] *United States-China: Future Foreign Policy Directions.* op. cit., pp. 14–15.

that Chairman Mao would no longer be receiving foreign visitors. The extraordinary procedure for admitting Chairman Mao's declining activity and involvement in Chinese affairs obscures, even more, who is likely to be taking charge. On the eve of our departure from Washington for Peking, Marshal Chu Teh died unexpectedly, and during our first 2 days in Peking national mourning exercises reached their climax. With two giants gone from the scene and the actual role of Chairman Mao unknown, it is obvious that the Chinese people are wondering who will be shaping China's future domestic and foreign policies.[1]

Such warnings of potential difficulties for China—and possibly for the United States—posed by the leadership struggles in China were pointedly discounted by Senator Mansfield. The Senator criticized those in the United States who focused on the PRC leadership struggle and implied that PRC policies and programs would continue basically unchanged inasmuch as what he called the Maoist system had been effectively inculcated to the Chinese people. He said that:

> The constant speculation over what will happen in China after Chairman Mao Tse-tung retires from the scene, in my opinion, is largely an exercise in irrelevance. It ignores the depth and the reality of the revolutionary changes which have taken place in China during the last quarter century. Mao is esteemed almost to the point of reverence because he has pointed the way and his leadership has restored China's self-confidence. Mao's precepts can be expected to guide China's destiny for a long time to come. 'Serve the people' and 'self-reliance' are more than slogans, they are the guideposts of Chinese society for the present and future. . .
>
> This is not to say that there will not be political turmoil. Indeed, periodic political shake-ups are an essential feature of Mao's thesis. They are regarded as a necessity in order to cleanse the system of ever recurring elitist tendncis. That was the significance of the Cultural Revolution. It is a principal factor in the necessity in order to cleanse the system of ever recurring elitist tendencies. That for personal political power is also inherent in any political system. In China, however, the likelihood is that even these struggles will take place within the framework of Maoism.[2]

Congressional leaders voiced greater agreement regarding Chinese economic and military policies. Spokesmen who sharply disagreed on other issues generally saw Peking's policies in these areas as governed by the principle of "self-reliance." It was repeatedly noted that the Chinese had advanced their economic prosperity and improved their military power largely through their own efforts and were thought to be likely to continue this trend in the future. The Chinese leaders were seen as refusing most types of foreign aid and credits because they were against PRC ideology and because China did not wish to become dependent on foreign sources of revenue or material. The Chinese were said to be open to trade with foreign countries, but such trade was seen as ancillary in Peking's economic and military development program.

Agriculture was said to be the foundation of the Chinese economy and the primary economic concern of PRC planners. Next in the list of priorities was light industry, followed by heavy industry. As Senator Mansfield pointed out,

> Agriculture come first, followed by light industry, and last, heavy industry. Light industry and agriculture are closely linked because two thirds of the raw materials for light industry come from agriculture. Growth in the agricultural and light industrial sections provided the basis for financing as well as the market for heavy industry, which in turn produces the machinery, transport, and so on that sustain progress in agriculture and light industry.[3]

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[1] *The United States and China*. op. cit., p. 8.
[2] *China: A Quarter Century*. op. cit., p. 1.
[3] *China Enters the Post-Mao Era*. op. cit., p. 23.

Regarding military strategy, Representatives Wolff and Burke appeared to sum up the PRC view as seen in other congressional reports when they noted that:

> China will pursue an independent and self-reliant course in the conduct of her military affairs as well as in her foreign policy.—Her posture toward the Soviet Union is a defensive one, we were told; her war preparedness consists primarily of sheer weight of millions of land forces and a massive network of underground tunnels and shelters. . . .
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> It was maintained that the Chinese defense would be such that its meat would be too tough to bite. It was indicated that the combination of conventional troops, the people's militia and the networks of underground tunnels are the main line of defense against the danger from the north.[1]

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[1] *United States-China: Future Foreign Directions.* op. cit., pp. 4–5.

CHRONOLOGY OF SINO-AMERICAN RELATIONS

1784—First American ship, the "Empress of China" calls at Chinese port; trade begins, mainly in U.S. farm products and Chinese arts, crafts, and textiles.

1811—First American missionary arrives in China. Their ranks grow rapidly in latter half of the century, to about 8,000 in 1925.

1844—Treaty of Wang-hsia signed by United States and China, granting United States same rights imposed upon China by Britain after the Opium War (1839–1842)—extraterritoriality, most-favored-nation treatment, and establishment of commercial centers, churches, and hospitals in five ports.

1850—Beginning of two decades of substantial Chinese immigration into the United States.

1861—Secretary of State Seward sends Anson Burlingame as first Minister to Peking with instructions to cooperate with other foreign powers in assuring equal economic opportunity for all.

1864—Up to 10,000 Chinese are recruited to work on the first U.S. transcontinental railroad.

1872—China sends first students to U.S. colleges.

1879—Responding to increasingly violent agitation against Chinese immigration, Congress passes bill limiting to 15 the number of Chinese permitted to arrive in United States per shipload. Although President Hayes vetoed the bill, both parties put immigration restrictions on their election platforms.

1882—President Arthur signs bill to suspend Chinese immigration for 10 years.

1892—Congress promulgates Geary Act requiring Chinese to register and carry identification photos.

1899—Secretary of State John Hay announces "Open Door Policy" calling for equal economic opportunity for all foreign powers in China.

1900—United States provides 2,100 men for Allied force suppressing the Boxer Rebellion.

1902—United States exports to China reach $25 million; investments total $19.7 million.

1905—Chinese students initiate boycotts of American goods, protesting U.S. immigration restrictions.

1912—United States is first Western power to recognize the newly proclaimed Republic of China.

1915—Approximately 1,200 Chinese students enrolled in U.S. universities.

1917–18—High tide of Chinese student interest in America prompted by Woodrow Wilson's idealism and Chinese hopes for an end to foreign imperialism through "self-determination." John Dewey lectures at Peking University.

1921–22—Treaty Powers hold Washington Conference to work out post-war settlement of Far East territorial claims at initiative of United States.

1928—United States recognizes Nanking government of Chiang Kai-shek.

1930's—High point of American private aid to China through missionaries, youth organizations, and foundations. Conflicting American images of China formed by sympathetic writers like Pearl Buck on the one hand and, on the other, by the negative stereotypes depicted in films, comic strips, and popular literature.

1941—General Chennault organizes U.S. "Flying Tigers" to aid in China's resistance to the Japanese.

Pearl Harbor bombed, bringing United States into war as China's ally. General "Vinegar Joe" Stilwell is made Chiang Kai-shek's chief of staff.

1943—United States formally rescinds extraterritoriality in China.

United States insists, at Moscow Conference of the Allied Powers, that China be included as one of the Big Four.

Madame Chiang Kai-shek tours United States, addresses Congress. United States later grants China a $300 million "morale booster" loan.

1944—Chiang forces ouster of General Stilwell, who is replaced by General Albert Wedemeyer.

Ambassador Patrick Hurley arrived in China, charged with maximizing China's lagging war effort, and with bringing about improved relations between the Nationalist government and the Chinese Communists.

1945—War with Japan ends.

Chiang and Mao Tse-tung sign agreement to end civil war at U.S. urging but internal fighting continues. United States troops involved in minor skirmishes with Communists.

Hurley resigns, citing lack of U.S. support to Nationalists and charging that Foreign Service Officers were supporting the Communists.

President Truman sends General George Marshall to China to try to effect a coalition between Nationalists and Communists.

1947—Marshall Mission fails; civil war intensifies.

Congress approves $400 million aid bill for Nationalists (total postwar aid would amount to about $2.5 billion.)

Wedemeyer report (made public in 1949) bluntly indicts Nationalists government for its failures; U.S. continues to support Chiang.

1949—Government of the People's Republic of China (P.R.C.) established; leaders declare they will follow pro-Soviet "lean to one side" policy.

Nationalists abandon mainland, set up "provisional capital" in Taipei.

State Department "White Paper" on China ascribes Nationalist defeat to corruption and incompetence. United States tries to follow policy of "waiting for the dust to settle," withholding recognition from new government while gently dissociating itself from the Nationalists.

1950—Under increasing harassment of Americans and seizure of American property in China, United States withdraws all official personnel, closes embassy and consulates.
North Korea invades South Korea. Truman reverses policy and orders U.S. Seventh Fleet into Taiwan Straits to prevent any Communist attack.
China enters Korean War as U.N. forces approach the Yalu River.
United States freezes Chinese assets in the United States, begins trade embargo.

1953—Korean Armistice; U.S. troops remain in South Korea.

1954—United States and Nationalist government sign Mutual Defense Treaty; ratified by Congress in February 1955.

1955—U.S.-P.R.C. ambassadorial level talks begin in Geneva; later continue intermittently for 15 years in Warsaw.
State Department rejects Chinese proposal that Dulles and Chou En-lai meet to discuss "Taiwan and other problems," citing continued imprisonment of 13 Americans in China.

1956—In speech to the National People's Congress, Chou says "China proceeds from the desire to co-exist peacefully with all countries, including the United States. . . . Furthermore, we are deeply convinced that the day will come when the Chinese and American peoples, because of their traditional friendship, will resume their ties through their respective governments."

1958—Chinese precipitate crisis by shelling Nationalist-held offshore islands of Quemoy and Matsu.

1962—China begins continued series of warnings against U.S. intrusion into or over Chinese territory in connection with war in Vietnam.

1965—American bombing of North Vietnam provokes strong P.R.C. reaction in anti-U.S. statements and increased aid to Hanoi.

1966—Senate Foreign Relations Committee holds hearings on U.S.-China policy; President Johnson declares "U.S. will persist in efforts to reduce tensions between the two countries."
Ambassador Goldberg announces support of Italian proposal to take fresh look at seating China in the U.N.

1968—Republican party platform opposes recognition of P.R.C. or admission to U.N., yet candidate Richard Nixon states: "any American policy toward Asia must come urgently to grips with the reality of China." Democratic platform promises to "actively encourage economic, social, and cultural exchange with Mainland China as a means of freeing that nation and her people from their narrow isolation.

1969—Secretary of State Rogers implies United States is prepared to agree to accept principle of "peaceful coexistence" with P.R.C.
United States eases restrictions on American travel to China for scholars, journalists, students, scientists, and members of Congress.
United States suspends Seventh Fleet patrols in Taiwan Strait.
United States eases trade restrictions, permitting foreign subsidiaries of U.S. companies to trade in non-strategic goods.

1970—Mao Tse-tung tells American journalist Edgar Snow he would welcome a visit by President Nixon to Peking.
U.S.-P.R.C. talks resume in Warsaw; cancelled by Chinese after two meetings in protest over U.S. Cambodian incursion.
United States announces it will support entry of P.R.C. into U.N. as long as it is not "at the expense of the expulsion of the Republic of China."
Selective licensing of direct exports to China authorized.

1971—State Department abolishes travel restrictions to China.
U.S. Table Tennis Team invited to Peking.
National Security Council Chairman Kissinger travels secretly to Peking; a few days later Nixon announces he will visit China in 1972 to "seek the normalization of relations between the two countries."
U.N. votes to seat China and expel Taiwan.

1972—President Nixon's visit to China in February concludes with issuance of Shanghai Communique in which United States "acknowledges that all Chinese on either side of Taiwan Strait maintain that there is but one China and that Taiwan is a part of China," and both sides indicate desirability of normalization of relations. Massive live TV and press coverage reflects enormous public interest in historic week.
Chinese Table Tennis Team makes first "people-to-people" visit to United States.

1973—Liaison Offices established in Peking and Washington; exchanges between United States and P.R.C. gradually develop.

1974—Sino-American trade hits peak of almost $1 billion, heavily balanced in favor of United States and with agricultural products comprising 80 percent of U.S. exports.

1975—President Ford visits China.

1976—Former President Nixon makes second visit to Peking.
President Ford sends message of congratulations to new Premier Hua Kuo-feng pledging to "complete the process of normalization."

1977—President Carter recommits United States to further develop relations with P.R.C. in accord with Shanghai Communique.

1978—The National Security Adviser to the President and other senior Administration officials visit China.

1979—The United States and China establish diplomatic relations.

CHRONOLOGY OF TWENTIETH CENTURY CHINA

1900—Growing resentment against foreign domination in China erupts in the "Boxer Rebellion."

1905—Sun Yat-sen and others form T'ung Meng Hui (Alliance Society), forerunner of the Kuomintang (Nationalist Party), dedicated to the overthrow of the Ch'ing (Manchu) Dynasty and the end of imperial rule in China.

1911—Ch'ing Dynasty overthrown in revolution inspired by Sun Yat-sen.

1919—Chinese students protest Versailles Treaty granting former German territorial concessions in China to the Japanese. These protests, climaxing on May 4th, marked beginning of student involvement in politics and starts "May 4th Movement."

1921—Chinese Communist Party formed; Mao Tse-tung one of the founders.

1923—Collaboration between Communist Party and Kuomintang begins in an effort to unify the country, now largely controlled by warlords.

1925—Sun Yat-sen dies; factionalization of Kuomintang.

1926—General Chiang Kai-shek launches "Northern Expedition" from Canton with aid of Communist Party political advisors.

1927—Kuomintang-Communist collaboration disintegrates as Chiang Kai-shek moves to wipe out Communist Party.

1928—Chiang Kai-shek assumes full leadership of Nationalist Party and government and establishes capital in Nanking. China is nominally united (although Japan and Russia hold positions in Manchuria) and government gets international recognition.

1928–34—Mao Tse-tung establishes guerilla base in southeast China (Kiangsi Province) and begins to formulate strategy for peasant war as Communist Party debates strategy.

1931—Japanese invade and occupy Manchuria; set up puppet government under last Manchu "boy emperor."

1934—Red Army's Long March to northwest China (Yenan) to escape encirclement by Chiang forces.

1936—Sian incident: Chiang captured by warlords and agrees to begin second united front with Communists to make resistance against Japan first priority.

1937—Sino-Japanese War begins.

1945—Sino-Japanese War ends. Open Civil War between Kuomintang and Communist forces resumes.

1949—Nationalist forces defeated and the People's Republic of China is established. Chiang Kai-shek flees to Taiwan and forms government in exile supported by the United States.

1950—Signing of Sino-Soviet treaty. China enters Korean War.

1952—Basic land reform concluded, ending landlord system.
1953—Inauguration of First Five Year Plan, relying on Soviet model.
Korean armistice concluded.
1955—Collectivization of agriculture stepped up.
1957—Hundred Flowers Campaign (see glossary).
1958—Great Leap Forward (see glossary).
1960—Soviet technicians abruptly withdraw, climaxing Sino-Soviet rift.
1962—Sino-Indian border war.
1964—First Chinese nuclear detonation.
1966–69—Great Proletarian Cultural Revolution (see glossary).
1971—People's Republic of China voted into the United Nations.
1972—President Nixon visits China; signs Shanghai Communique pledging the "normalization" of relations between China and the United States.
Domestically, a campaign is launched to "criticize Confucius."
1973—Tenth Congress of the Chinese Communist Party.
1974—Re-emergence of Teng Hsiao-p'ing, purged during the Cultural Revolution, as acting leader of the government. Chou En-lai enters hospital.
1975—Fourth National People's Congress; new constitution ratified.
1976—Death of Premier Chou En-lai in January.
Teng Hsiao-p'ing dismissed from all posts.
Hua Kuo-feng appointed Premier.
Major earthquake in northeast China in August.
Death of Chairman Mao in September.
Hua Kuo-feng succeeds as Chairman, CCP.
1976—Chiang Ch'ing, Mao's widow, and three close Politburo associates arrested and purged.
Chinese continue vocal opposition to alliance with Soviet Union.
1977—Teng Hsiao-p'ing restored to all offices and posts from which he had earlier been purged.
Numerous other previously disgraced political figures reemerge; some reassume positions of power.
1978—China concludes a Treaty of Peace and Friendship with Japan.
1979—The United States and China establish formal diplomatic relations.

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