

AMERICAN BUSINESS AND NORMALIZATION OF US-CHINA COMMERCIAL RELATIONS, 1979–1980

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ABSTRACT

Building a strategic alignment against the Soviet Union was in the late 1960s the driving force behind Sino-American rapprochement. In 1978 Cold War politics prompted the Carter administration to recognize the People's Republic. In 1979–80 military and strategic cooperation dominated Sino-American relations; economic and cultural ties were secondary. Yet growing trade and cultural exchanges were useful means for broadening the basis of the relationship and generating a perception of progress.

BUSINESS SUPPORT FOR NORMALIZATION

President Jimmy Carter's announcement on December 15, 1978, that the United States and the People's Republic of China would officially establish diplomatic relations on January 1, 1979, was dramatic and unexpected. While the announcement received wide international support, it provoked a roar of dissatisfaction from Capitol Hill and an ambiguous public reaction. Conservative Republicans, led by Senator Barry Goldwater, were angered by the denial of recognition for Taiwan and the abrogation of the mutual defense treaty. Some members of Congress expressed displeasure at not being consulted by the Carter administration. They were troubled by the failure of the United States to secure an ironclad pledge that China would not resolve the Taiwan issue by force. Opinion polls revealed paradoxical public attitudes. While granting the need and inevitability of Beijing's recognition, many had reservations about breaking diplomatic relations with Taiwan and terminating the defense treaty.

Business commentators lamented that "the United States has surrendered for a remarkably low price."¹ Even though China was "panting for our technology, and for any other means of strengthening their hand against Russia," the White House had "failed to exploit its strong bargaining position to extract an explicit pledge concerning the future security of Taiwan."² Critics admitted that normalization was inevitable; disagreement centered on the timing and the way the White House had handled a sensitive issue.

On balance, business opinion supported the president because normalization

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meant the end of a political obstacle to expanding US-China trade. Christopher H. Phillips, president of the National Council for US-China Trade, hailed normalization as opening a “new era in US-China trade.”³ Louis E. Saubolle of Bank of America agreed: “American industry definitely sees a new era opening up. China wants to buy the best technology, and we are the ones that have it.”⁴ Normalization, as the *Wall Street Journal* commented, signified a successful end to “America’s long march back to China.” The new political ties were expected to generate more “trade and investment, political talks, scientific exchanges and a variety of other dealings” with China, and would “make possible even closer relations between the world’s largest economy and the world’s most populous nation.”⁵

American economic relations with Taiwan had long been the counterpoint to suspending the US defense treaty. The business community accepted China’s informal assurance that it would neither attempt reunification by force nor oppose America’s continuing commercial, cultural, and other relations with Taiwan after breaking official ties. American executives whose companies had operations in Taiwan “appeared unconcerned about the long-term future of their investments on Taiwan.” The “most common sentiment,” a *New York Times* survey found, was that expressed by one executive: “We see no change whatsoever in our Taiwan operations as a result of the recognition of mainland China.” Although some companies continued investing in Taiwan, others worried about the effect of such investments on their chances to enter the “lucrative mainland market.” “Most of the talk around the industry focuses on the mainland,” said one source at a large chemical company. “If you had to sacrifice one for the other, you’d go for the mainland.”⁶

Recognizing China, as one observer pointed out, “seems likely to give American capitalism the best of two worlds: an unparalleled opportunity to do business with the People’s Republic while holding onto its lucrative trade with the Nationalist Chinese on Taiwan.” Republican opponents who wanted to thwart the normalization in Congress by refusing most-favored-nation trading status (MFN) or Exim Bank credits for China would get no support from their “basic constituency”—the American business community. The same observer predicted with confidence that business interests with “strong and effective lobbies on Capitol Hill” were in the President’s camp.⁷

Both Washington and Beijing courted American business support for normalization. Trade could help consolidate the new political relationship by giving it a broad base and new momentum. It could also help sell China to the

American public. On January 15, 1979, the State Department held a high-level briefing for business people to answer questions about post-normalization policy toward US trade with the People's Republic and Taiwan. Speaking to an overflow crowd of 800 business people, Secretary of State Cyrus Vance cited several important economic benefits of normalization:

These include our participation as a regular supplier of agriculture commodities to China, the ability of US exporters to compete on an equal basis with our suppliers, and the resumption of shipping, air, banking, and other normal economic relations with China.⁸

Secretary Vance asked business people interested in working with mainland China and Taiwan to support the administration on Capitol Hill. While asking business people to be realistic about the potential China market, Commerce Secretary Juanita M. Kreps estimated that China's full capital equipment bill might run as high as \$70–\$85 billion from 1978 to 1985, and possibly \$10 billion as the American share for the next five years.

Normalization did not give China "either the hard money or the earning capacity to pay for all the things that it would like to buy abroad—and Americans would like to sell."⁹ Though many people, including the Chinese themselves, pinned their hopes on exporting oil from China's offshore reserves, most analysts believed that China's own domestic needs would leave the country limited amounts of oil for export, far from enough to "provide a complete answer to the Chinese export challenge."¹⁰ Besides China's dearth of hard currency, Americans were playing catch-up with their competitors in China and remained disadvantaged by blocked assets, MFN treatment, and no Exim Bank credits for exports. Resolving those issues was more complicated than diplomatic recognition because all moves had to be approved by a Congress resentful of the White House's secret China initiative.

Nevertheless, a wave of euphoria—the word chosen unanimously by government officials, journalists, and business people—swept over the business community; everyone scrambled for a Chinese connection. "American multinationals," one observer noted, "have brushed aside any negative thoughts and are proceeding full steam ahead."¹¹ The Commerce Department's China Division in the Bureau of East-West Trade was inundated with inquiries. A bureau that had dealt with ten such inquiries before the announcement of normalization now fielded 350 phone calls and nearly as many letters every day.¹²

Interest was fueled by well-publicized multimillion-dollar contracts with China. Mark Buchman, senior vice-president at Manufacturers Hanover, later recalled "it seemed like everybody was walking away with a Chinese contract."¹³ Magazines and newspapers featured stories of the China gold rush. One article told of an American executive who, after staying in Beijing for almost two months trying to sell oil rigs, found himself signing a \$40 million contract only a few hours after Carter's bombshell announcement.¹⁴ Another reported that a firm did not have to be large and well known to sell to China because the Chinese knew how to find what they needed the most. After an unsolicited phone call from a Chinese representative, Greerco Corporation, a small New Hampshire-based company that manufactures wax-molding machines, received an order worth more than its previous total annual sales. The amazed marketing manager of Greerco admitted "we honestly don't know how the Chinese found out about us."¹⁵

The Coca-Cola Company's announcement that it would begin to sell its soft drink in China on January 1, the official day for diplomatic relations, had a substantial impact. As a symbol of America's consumerist culture, Coca-Cola's return to China after twenty-nine years underlined China's westward tilt. The thought of nearly one billion people sipping "the real thing" stimulated the business community's belief that consumer trade was "more than a one-way street going east from China to the US."¹⁶

Although the Coca-Cola Company denied that its deal with China was the direct result of Sino-American normalization, the timing of Coke's deal, four days after Carter's announcement, and of similar deals between other American companies and China were not coincidental. Deng Xiaoping scheduled a goodwill visit to Washington for late January. China was showing US business that the China market was more than just a dream.¹⁷ Trade was accelerated to cement the embryonic political ties. American businesses were jumping on the China-trade bandwagon and giving China leverage in the forthcoming negotiations for a new commercial relationship. The political implications of China's decision to upgrade big US banks to full correspondent relationship with the Chinese bank were obvious. Publicized contracts for American companies were good news to a Carter administration in need of evidence that normalization would bring economic benefits.¹⁸

ASSESSMENTS OF THE CHINA MARKET

Deng's eight-day tour of the United States from January 28 to February 5, 1979, brought euphoria to a climax. American business people welcomed the

prime mover of China's modernization drive. From Washington to Atlanta, from Houston to Seattle, business leaders lined up to meet him in anticipation of making a good impression and a connection. China needed a wide range of Western technology, so the dominant attitude was positive.

Leading the optimistic camp was the oil industry. "They need help, particularly in the offshore areas where they have enormous potential," said one oil analyst, and another added "either American companies will be involved or it won't be done. We're the only ones that really can do the job."¹⁹ Those in agribusiness were sanguine. "I'm convinced that China's openness to the United States is real and that can have tremendous implications for the commodity trader or hedger," said Merrill Oster, publisher of *Commodities*. "One thing is sure: China is on the move, and I'm optimistic that the Chinese market will have a bullish influence on the US farmers' prices over the next few years."²⁰

US bankers expressed similar confidence. While America's manufacturers were trailing Japanese and European competitors, US banks could become the "US springboard into the China market" for China preferred dollar credits.²¹ American bankers estimated that China would seek \$40 billion in loans by 1985, loans that American banks were ready to provide. Other optimists were importers of Chinese foodstuffs, textiles, arts and crafts, and certain chemicals and minerals and manufacturers of computers, chemicals and fertilizers, transportation and construction equipment, communication technology, and some advanced electronics and complex machinery.

But the China market was not for everybody. Trade experts and experienced international executives shrugged off proposals for selling "storm windows, eyeglasses, rubber boots or other consumer goods" to China.²² American consumer-goods marketers, many thought, would have to scrap the myth of lamps-for-China. China had a population of nearly a billion, but more than 80 percent were peasants earning less than \$200 a year. They would not be customers—for many years to come—for toothpaste, cosmetics, eyeglasses, swimming pools, or most of the consumer goods American firms wanted to sell.

Capital goods producers might not find the China market as large as some of them dreamed, or as open as they expected. Even if China could increase exports dramatically, with international bankers eagerly lending the money, it still could not afford the estimated \$200 billion needed to implement the country's ten-year development plan. China faced constraints from ideological and structural factors, for it lacked managerial expertise and experience and the infrastructure necessary for making full use of imported foreign equipment and

technology. China's "top leaders," explained one businessman, "can talk all they want about rapid modernization, but it's the middle managers who have to do all the work."²³

The shadow of political uncertainty—a legacy from turmoil—persisted. "You've got to realize that a great deal of what's happened in the last few months is on the current thinking of a 74-year-old man, Deng Xiaoping," said one Wall Street financier.²⁴ An article published in *Forbes* warned:

Not every one in China, however, shares Deng's views. It was less than three years ago that Deng and his views were in disgrace. Nor is this the first time that China has looked abroad for assistance in modernizing its economy. When past efforts have failed, they have been followed by increased repression and xenophobia . . . But should he die, or should his policies fail any time soon, his opponents would be quick to try to close China's doors to the outside as fast as Deng opened them.²⁵

Should Deng have the longevity, as well as the party's support for his modernization plan, the question of social stability remained. Could the rigid political system accommodate Western ideas—the inevitable twin of Western technology? "The change has come so quickly," noted one international banker. "Let's hope China will never be another Iran."²⁶

China's desire for more foreign trade and the new political relations with Washington aside, much more was needed for the expansion of US-China trade. Trading with each other was a new experience for both the Chinese and the Americans and the learning process proved slow and frustrating. To understand American regulations and capitalist ways of marketing research, sales promotion, and financial management, the Chinese had to rid themselves of ideological shackles. To understand foreign trade in a centrally planned economy, Americans had to learn about the Chinese. American business people would have to accommodate the pride, sensitivity, slow pace, and occasional arrogance of the Chinese, legacies of 5,000 years of civilization and the humiliations suffered under Western imperialism. Cracking the China market required patience, perseverance, and long-term views.

Despite positive opinions and projections about the China market, there were a few doomsayers. But skeptics admitted that, at the macro level, there was a plausible case for a positive answer to the question, Can China make it?

After all, the country, which is slightly larger than the United States, has abundant, largely untapped, natural resources. Its proud, nationalistic people seem to be disciplined and hard-working and, at least for now, they seem to support the government's goals and the prescribed means for achieving them.²⁷

Even if the China trade was a slow boat, few business people chose to stand on the pier waiting. Urged to be "bullish rather than bearish," many American executives and entrepreneurs invested time, patience, and money. William J. McDonough, executive vice-president of the First National Bank of Chicago, clarified investors' rationale:

The China market is not as big as those struck by euphoria have been dreaming. But it is the only really new market available to us and decades from now could indeed be huge and of vital importance to our country and our companies. We want to crack this market now, so when the Chinese think of imports, they think of the United States as the primary source.²⁸

Many companies determined to make the Chinese long-term customers. Ironically, doubts about China's political stability persuaded some to move rapidly. Deng's age made many unsure of policy priorities in the future: "Everyone should get all the hay in the barn as quickly as possible before it starts to sprinkle."²⁹

In sum, the business view of the China market was that even barring an immediate bonanza, the expansion of US-China trade would be substantial if not spectacular. Getting into the market would take time, patience, and research. Cautious optimism was justified: American businesses should move immediately but not expect too much, too soon.

RETRENCHMENT AND REASSESSMENT

In early spring 1979, economic policy in the People's Republic took an unexpected turn. The 120 large-scale projects that Hua Guofeng had announced the year before proved unrealistic and poorly organized. Hua's Ten-Year Plan was dubbed the "Great Leap Westward" after Chairman Mao's disastrous "Great Leap Forward." Veteran economic and financial administrator Chen Yun was returned to the leadership core and charged with resetting economic priorities. China declared a three-year readjustment during which the order of development

would be agriculture, followed by light industry, then heavy industry. Reappraisal reduced overly ambitious plans and terminated many projects that needed foreign imports (especially heavy industry).

China's rush of imports slowed. Concerned by high costs and reluctant to incur foreign debt however eager Western bankers were to lend, China cancelled a number of large orders and put many negotiations on hold. "It's like somebody put the whole thing in idle," said one American businessman.³⁰ Some American companies found that fat contracts, including US Steel's widely publicized \$1 billion deal, were but preliminary protocols or letters of understanding. Though moderate sales continued, few major contracts were signed with American firms in the second half of 1979.

More import contracts were either cancelled or delayed as China continued its economic readjustment in 1980. A \$250 million foreign trade center in Beijing, contracted to three American companies and financed by Chase Manhattan Bank, was abandoned. A \$800 million project with Fluor Mining & Metals to develop a copper mine was postponed. "The Chinese have concluded," said a CIA study, "that they need more time to digest the \$11 billion worth of whole plants purchased in 1972-79 and that they must be more discriminating in making future purchases."³¹

As China scaled down its modernization plan, American business made a corresponding reassessment of the China market. The mood had changed. The euphoria that had accompanied normalization and Deng's visit was replaced by caution, if not pessimism. The new catchwords were realistic, long term, and potential. "We spent five years and an awful lot of money promoting our product with Russia before we got a sizable order," said one company president. "Dealing with China is probably going to take a similar amount of time and money."³² Only those companies engaged in a "long, slow and steady flirtation with the Chinese in the 1980s will have the chance to crack its direct market for foreign goods in the 1990s."³³

Political implications of China's economic readjustment led Americans to question how securely the modernization plan was locked into China's national policy and how great a political risk contractors should be prepared to take. China watchers, trade specialists, and veteran business people thought a reversal of the modernization plan possible but unlikely. Even if Deng fell again or died there was no leftist faction like the Gang of Four to retake power and reintroduce old political priorities. There might be a slowdown or detour, but Deng's policy had already benefited many Chinese and was likely to be carried on by his successors.

More importantly, any company now signing contracts with China was a firm that had been in China for years and had ridden out hard times. “Those firms who make their mark in China now,” said one experienced banker, “will have a long and pleasant future. The need is now, and China well remembers its friends.”³⁴

China’s cutbacks in imports and its economic readjustments notwithstanding, the picture for US-China trade was bright. Sales contracts and joint ventures were being signed or negotiated.³⁵ American firms learned not to announce deals prematurely. The volume of trade had been \$1,144 million in 1978; after recognition, it doubled to \$2,316 million in 1979 then doubled again to \$4,812 million in 1980. America’s share in China’s total foreign trade soared, increasing from 2.5 percent in 1977 to 12.7 percent in 1980. China’s cutbacks had shocked firms that were looking for a quick profit without understanding the interplay of politics and the economy, but many patient companies were neither disheartened nor dissuaded from their long-term goals. “Those companies that work with the Chinese during this period certainly will stand to benefit after the corner is turned, and I’m convinced it will be in a few years from now,” Leonard Woodcock, the American ambassador to China, told *China Business Review*. “A company can look upon this period as a period of investing for the future.”³⁶

Some 251 companies participated in the US trade exhibition opened in Beijing in November 1980—the largest ever held in China. Most participants sought to be included in China’s modernization plans by displaying the best of American technology that supported China’s development priorities: petroleum, transportation, farming, power generation, and textiles. “They have seen for the first time what American equipment and technology can do for them, and I think they will be including it in the plans they draw up over the next year for economic development,” asserted a marketing vice-president of an oil equipment company. “We made a couple of good sales and have prospects for perhaps \$6 million more in the next 18 months now, but the 10-year outlook is very bright.”³⁷

In addition to selling to China, American industries sought investment opportunities. In July 1979, China promulgated its first law on joint ventures but left questions of profit repatriation, taxes, and management unanswered.³⁸ American manufacturers were dazzled by the prospects of cheap labor—US automakers were paying \$20 an hour in Detroit but could pay 60 cents an hour in China. A shining prospect was infrastructure to support a flood of foreign tourists anxious to visit the Great Wall. Even if fruition was slow and immediate profits small, investing in China was the way for American business people and bankers to reach their goal: the China market.³⁹

A NEW INSTITUTIONAL FRAMEWORK

As the 1980s began, Kenneth Lieberthal, a China specialist, summarized the outlook for the China-US economic relationship. "Whatever happens to foreign trade during the modernization drive, it seems likely that the American business community's share of that trade will depend heavily on US-China political relations, and these will be affected by three interrelated issues." His list was familiar: MFN status, the problem of transferring technologies with potential military uses, and Taiwan's security.⁴⁰ Since Defense Secretary Harold Brown's visit to Beijing in January 1980, Washington had liberalized controls on exporting dual-use equipment to China, thus opening to China sophisticated computers and machinery industries in which the United States led the world. Moreover, the United States declared it would no longer oppose its allies' selling arms to China; many pundits believed the United States would sell such weapons to China. The Taiwan issue fell dormant after Congress passed a Taiwan Relations Act that stipulated the United States would continue to treat the island as a sovereign state, even without formal diplomatic relations. Despite its expressed dissatisfaction at such legislation, Beijing's response was restrained. The focus of Sino-American relations thus became the further normalization of economic relations between the two nations through the removal of legal barriers on frozen assets, MFN, and Exim Bank credits.

The rapid pace of normalization of commercial relations counterbalanced cancelled contracts. As American business people expected and the Chinese had repeatedly claimed, establishing diplomatic relations removed a major obstacle to solving minor economic problems, as the Chinese liked to call them. Both Washington and Beijing wanted to "create a new infrastructure that could actively facilitate Sino-American relations."⁴¹ Institutionalizing economic ties would greatly strengthen political relations.

On March 2, 1979, Treasury Secretary Michael Blumenthal and Chinese Finance Minister Zhang Jinfu reached an agreement in Beijing resolving the 29-year-old deadlock on claims and assets. On May 14, Secretary Kreps and Chinese Minister for Foreign Trade Li Qiang initialed a surprise bilateral trade agreement in Beijing. The American delegation had expected to give official seal to the claims/assets agreement and several others on scientific and technological exchanges, but Deng had reportedly wielded personal influence on the issue, insisting on signing the trade agreement while Secretary Kreps was in China. Deng apparently wanted to honor his promise that the Sino-American honeymoon would continue and to reassure those uneasy about China's

economic readjustment. He told Kreps that US-China trade would be in volume “not less” than “trade with Japan.”⁴²

The trade agreement, formally signed in July, was significant for US-China trade, not only because it was the first in thirty years, but also because it would finally give China Most-Favored-Nation status. The agreement now required approval by both houses of Congress. Approval was anticipated, but the economic and political implications of the agreement promised to make it controversial on Capitol Hill. According to the Jackson-Vanik amendment of 1974, nonmarket economies like China’s and the Soviet Union’s must provide freedom of emigration to their citizens before they are granted MFN. Since the Soviet Union had long been denied MFN, giving it to China raised doubts about the evenhandedness of the Carter administration’s policy toward the two communist giants.

Originally, the Carter administration had hoped to send Congress a package combining trade agreements for both China and the USSR. But the Soviets refused to give any assurance of free emigration, while Deng, in his January visit, had made the necessary promises for relaxing Chinese emigration rules. So President Carter submitted only the US-China trade agreement to Congress. In his visit to China in August 1979, Vice-President Walter F. Mondale announced that the White House would submit the China trade agreement before the end of the year and not link it to any other issues. Mondale also promised that the US would prepare \$2 billion of Exim Bank credits for the next five years to cover American exports. US investors in China would be eligible for the guarantees and insurance of the Overseas Private Investment Corporation (OPIC).⁴³

Some Congressmen had reservations about granting China MFN unless the Soviet Union received most-favored status also. They urged Congress to “consider this agreement with some deliberation and take time to reconstruct an evenhanded policy.”⁴⁴ The administration opposed a policy so rigid that “every move with one country [was] dependent on making the same move at precisely the same time with the other.” Failure to approve the agreement, it warned, “would unfortunately be viewed as a sign that the United States is not interested in moving toward such a constructive, mutually beneficial relationship with the Chinese” and would penalize American exporters who were already at a disadvantage with European and Japanese competitors in China.⁴⁵

Worried they would be outsold by low-priced Chinese goods, import sensitive American businesses either opposed granting MFN to China or insisted on antidumping safeguards for their industries.⁴⁶ Opposition from the textile

industry, expected to be the strongest, did not materialize. In the absence of an agreement with China, the Commerce Department had by May of 1979 imposed quotas on Chinese textile imports. The department limited the import of two additional Chinese textile products on October 31, one day before Congress began its hearings, and the administration promised that it would continue to take "effective unilateral action to prevent market disruption." The powerful 243-member House Textile Caucus decided against opposition.⁴⁷

The American business community supported the agreement without ambiguity. The US Chamber of Commerce, the National Association of Manufacturers, the American Farm Bureau Federation, the National Council for US-China Trade, and other nationwide business organizations urged Congress to act promptly. Some companies even formed special lobbying organizations. In his statement for the Chamber of Commerce, John L. Caldwell, the Chamber's international vice-president, summed up the supporting opinion:

China could easily become a significant market for American manufacturers of machine tools, mining and metallurgical equipment, construction machinery, and chemical and petrochemical equipment and installations, as well as a major market for equipment in the fields of energy, transport, and communications. China also offers a growing market for American technology . . . The extent to which China expands its purchases in the US market, however, will be directly related to that country's ability to expand its own export earnings.

Americans were prepared to "devote a great deal of time and patience" to the China market but needed "the normalization of the framework for economic interchange . . . [to] compete on equal terms with other Western companies."⁴⁸

Congressional hearings targeted China's human rights policy. Witnesses from labor, human rights groups, and conservative organizations opposed giving China MFN until it guaranteed fundamental human rights. Although the Carter administration imposed economic sanctions against Uganda and later revoked MFN for Romania under the banner of human rights diplomacy, for political reasons it did not pressure China. Despite a recent Beijing crackdown on public criticism and underground dissident magazines and the imprisonment of dissident worker Wei Jingsheng for advocating democracy as the fifth modernization, Warren Christopher, deputy secretary of state, defended the administration's position:

I would say that I think that we ought to take encouragement from steps that have been taken recently by the Chinese to end lawlessness in their country and to move away from the chaotic period of the social revolution. They have taken a number of steps instituting a judicial system, opening up political dialogue, doing some of the things that a more open society permits.

Admitting that China “remains undemocratic and its practices and policies differ very sharply from those that we have in this country,” he emphasized that “this trade agreement does not imply an endorsement of their practices or endorsement of their policies; but trends in the human rights fields are perhaps more important than statistics and the trend is a favorable one in China.”⁴⁹

So lenient, or double-standard and hypocritical a position, as many critics called it, proved acceptable to the business community.⁵⁰ Business people were probably the largest group of Americans with on-site experience in China, and they had shown little concern about human rights abuses, even during the worst years of the Cultural Revolution. In an effort to underline China’s stability, and apparently confident of their reaction, Deng told the visiting Board of Directors of the National Council for US-China Trade about the crackdown on the Democracy Wall—a corner in Beijing where dissidents expressed their opinions through wall posters.⁵¹ Whatever their disagreements on the economic merits of the trade agreement with China, no witnesses from business commented on China’s human rights record. American business was unanimous in its lack of interest in the issue.

The strong support of American business, plus a growing disregard for evenhandedness after the Soviet invasion of Afghanistan in December 1979, helped the China trade agreement sail through Congress. On January 14, 1980, Congress voted overwhelmingly to approve it, the Senate by 74-8, the House by 294-88. After the trade agreement, normalization of Sino-American economic relations accelerated. On September 17, 1980, President Carter and visiting Chinese Vice-Premier Bo Yibo signed civil aviation, shipping, textile, and consulate agreements in the White House. At the signing ceremony, Carter declared that the “normalization of relations between the United States and People’s Republic of China is at last complete.”⁵² The US-China economic relationship had finally attained its long-awaited institutional framework.

CONCLUSION

After 1978 the United States and China normalized political and economic relations rapidly. The process illustrated the entanglement of politics and trade in Sino-American relations and left little doubt about their causality. By the end of 1980, China was America's largest trade partner among the communist countries. The United States climbed to second place behind Japan among exporters to China. Because China's modernization accorded with the strategic interest of the United States in maintaining an international equilibrium, the Carter administration encouraged American business people to get involved. "By sharing our technology, by building commercial bridges, we not only help modernize, we also help America and we do it in the best possible way."⁵³ "With American business having an important hand in the economic development of China," declared one businessman, "we will help ensure this stability (of the Pacific Basin) while creating business to benefit our entire society."⁵⁴

As the strategic reality brought ever-closer Sino-American ties, the two countries moved from friendly nations to quasi-allies. Closer political relations sparked high economic expectations. American business anticipated that its chances in the China market would "increase markedly in the late 1980s," when China was expected to undergo another surge of development. "To be frank, we are looking not at these present, interim plans but at the next 10-year plan, starting from 1985," claimed one representative of a large machine-tool manufacturer.⁵⁵

Pleased with such uncharacteristic patience from American business, Vice-Premier Bo expressed great satisfaction. "Some foreign friends," he told a visiting group of American business people, "have focused on the suspension of projects as if the sky were falling. But most American firms are taking the long-term view and using foresight in their dealings with China." He promised that US-China trade would develop at a spectacular pace after the economic readjustment.⁵⁶ That was what American business wanted to hear. The market was there, and those who had staying power would reap its bonanzas—in the future.

NOTES

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 14. Ronald Nevans, "China: What's in It for Investors?" *Financial World* 148 (February 1, 1979): 14.
 15. Charles W. Stevens, "Small Firms to Benefit from New China Trade Along with Big Ones," *Wall Street Journal* (December 20, 1978): 1. See also *Industrial Week* (May 28, 1979): 40.
 16. "Recognition Stirs Visions of Ripe China Market," *Advertising Age* (December 25, 1978): 1.

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17. Boeing announced on December 19, 1978, that it would sell three Boeing 747SP jumbo jets to China for \$156 million. Early in January 1979, US Steel announced it would build a huge iron-ore processing plant worth about \$1 billion, and the Fluor Corp. signed a \$10 million agreement to plan a copper mine for China.
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29. *Fortune* (March 26, 1979): 67.
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31. Patrick L. Smith, "China's Reappraisal Hampers US Trade," *New York Times* (October 30, 1980): sec. 4, 17.
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33. *China Business Review* 7 (July-August 1980): 26.
34. "Opening South China Market," *Business America* 3 (April 7, 1980): 25.
35. See, for example, Michael Kolbenschlag, "The China Trade," *Forbes* (June 9, 1980): 37-38; James Flanigan, "Hughes Confident Enough to Share Know-How," *Los Angeles Times* (July 20, 1980): sec. 6, 1; and *New York Times* (December 29, 1980): sec. 6, 3.
36. *China Business Review* 7 (May-June 1980): 7.
37. Michael Parks, "Exhibition Expected to Boost Sales to China by \$100 Million in Next Year," *Los Angeles Times* (December 3, 1980): sec. 4, 2. See also "251 US Firms to Open Largest Trade Show Ever in China," *Los Angeles Times* (November 3, 1980): sec. 4, 2.
38. Anthony Rowley, "Cracking the Cryptic Code," *Far Eastern Economic Review* (July 20, 1979): 49-52; David E. Birenbaum, "Doing Business With China," *Wall Street Journal* (August 3, 1979): 6; Linda Mathews, "Investors Cautious on China Ties," *Los Angeles Times* (March 6, 1980): sec. 4, 1; and Michael Parks, "China's Hopes for Joint Ventures with Foreign Companies Are Fading Fast," *Los Angeles Times* (November 24, 1980): sec. 4, 1.
39. For American investment in China after its "open door" reform, see Jim Mann's *Beijing Jeep: The Short, Unhappy Romance of American Business in China* (New York: Simon & Schuster, 1989), the story of one American automotive company's difficulties in establishing a joint venture in China.
40. *Fortune* (December 31, 1979): 49.
41. Harry Harding, *A Fragile Relationship: The United States and China since 1972* (Washington, DC: Brookings Institution, 1992), 96.
42. *China Business Review* 6 (May-June, 1979): 16,
43. *China Business Review* 6 (September-October 1979): 17.
44. For statement of Adlai E. Stevenson, Senator from Illinois, see U.S. Congress, Senate Committee on Finance, *Agreement on Trade Relations Between the United States and the People's Republic of China: Hearings before the Committee on Finance, Subcommittee on International Trade, 96th Cong., 1st sess., November 15, 1979, 21.*
45. *Ibid.*, 29. Statement of Warren Christopher, deputy secretary of state.
46. Opposition came from the American Footwear Industries Association, American Dinnerware Emergency Committee, American Mushroom Institute, Cap & Millinery Workers International Union, and the AFL-CIO.
47. "The Winding Road toward MFN," *China Business Review* 6 (November-December 1979): 9-10.

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48. Senate Hearings, *Agreement on Trade Relations*, 91–92.
49. U.S. Congress, House Committee on Ways and Means, *United States-China Trade Agreement: Hearings before the Committee on Ways and Means, Subcommittee on Trade*, 96th Cong., 1st sess., November 1, 2, and 29, 1979, 115. American business organizations that supported the agreement and testified in the hearings included American Importer Association, American Soybean Association, National Association of Wheat Growers, National Machine Tool Builders' Association, and Committee for Expanded Trade. Deere & Co., International Harvester, Armco International, Union Oil, and other companies also testified in favor of the agreement.
50. For criticism on the Senate's awarding China MFN while ignoring its poor human rights record, see Juliana Geran Pilon, "Morality and Commerce with China," *Los Angeles Times* (November 27, 1979): sec. 2, 7.
51. *China Business Review* 6 (July-August 1979): 13–15.
52. *China Business Review* 7 (September-October 1980): 6.
53. Vice-President Mondale's speech to representatives of the Asia-Pacific Council of American Chambers of Commerce, August 31, 1979, Guangzhou, China. *China Business Review* 6 (September-October 1979): 17.
54. William R. Casey, "China Trade Will Grow, But Quantum Jumps Are a Pipe Dream," *Dun's Review* 114 (October 1979): 158.
55. *Los Angeles Times* (November 3, 1980): sec. 4, 2.
56. *China Business Review* 8 (May-June 1981): 5.