

AMERICAN BUSINESS AND THE CHINA TRADE EMBARGO IN THE 1950S

Kailai Huang

Massachusetts College of Liberal Arts

ABSTRACT

The Chinese Communist revolution and the Korean War turned U.S.-China commercial relations into a political issue inseparable from the question of diplomatic recognition. The American business community supported the U.S. policy of trade embargo. After some American allies relaxed the China trade control system in 1957, many business people asked for a reexamination of the embargo policy. Their effort failed to achieve concrete change, for they could not overcome the strong opposition from the unsympathetic government officials and China lobby. The little economic inducement presented by the China market also discouraged American business from vigorously pursuing the issue.

The Korean War and China Trade Embargo

When the Chinese Communist army began to march southward to the Yangtze valley early in 1949, the U.S. government promulgated a China export control list categorizing all strategic goods into I-A items (goods of direct military utility), and I-B items (multipurpose capital goods). Licenses were required to export these goods. Non-strategic goods could still be exported to China without government authorization. Licenses for I-A items were always denied and for I-B items were granted only after confirming that such goods would be used for civilian purposes. On November 22, 1949, the U.S. and other Western allies formed the Coordinating Committee (Cocom) to coordinate strategic control of trade with the Soviet bloc and to agree upon an embargo list. From early 1950, the U.S. tried to incorporate trade control for China into the framework of Cocom by expanding the embargo list to China. On June 29, 1950, immediately after the outbreak of the Korean War, the State Department required oil companies Caltex and Stanvac to stop their shipment to China of petroleum products, till then considered as non-strategic goods. On July 20, the Department of Commerce revoked all export license applications for I-B items destined for mainland China, thus effecting an embargo on all exports, except for non-strategic goods.

The remaining crack in the open door quickly closed after Chinese troops entered the Korean War. On December 3, 1950, the Department of Commerce announced revocation of the general license for export to China. The measure meant "that all persons and firms wishing to export any commodities to mainland China, Hong Kong and Macao must submit application for export licenses", and such licenses proved, practically, unavailable.¹ On December 16, the U.S. government froze Chinese assets

ESSAYS IN ECONOMIC AND BUSINESS HISTORY (2001)

in the United States and prohibited all imports from trade dealings with China. In the same month, China seized American assets in China as retaliation. By the end of 1950, the China trade, both import and export, had virtually stopped.

The American business community, in general, willingly subscribed to and promptly complied with the government's embargo policy. Even before the announcement of the embargo, pressure was mounting from Congress, labor unions, and public opinion to impose economic sanctions on China. In the Senate, a subcommittee under Senator O'Connor of Maryland was investigating export controls and planning to hold public hearings covering shipments of goods to China. Labor leaders like David Dubinsky, president of the International Ladies Garment Workers Union and the second vice president of the AFL, and Jay Lovestone, a New York labor leader and one time the general secretary of the Communist Party of the U.S., were now to be found on the Board of Directors of a Committee to Defend America by Aiding Anti-Communist China. The International Longshoremen's Association, AFL, refused to unload chemicals they suspected would be transhipped to China for manufacturing rubber.² Strong voices also arose in the business community criticizing those hoping to trade with China. American business, the champion of free enterprise, should be in the forefront against Communism whose intention was to destroy free enterprises. The China trade supporters, according to critics, were not only themselves enmeshed with "naivete" and "obvious illusions," but America "had a good deal to lose when they ostensibly brandished their optimism about the possibilities of doing business with the Communists."³ Some businessmen, like George Killian, President of American President lines, went ahead of Washington in restricting business with China. In November, 1950, Killian ordered his ships to stop sailing to China with cargoes of rubber and steel, even when he was assured by the State Department as to of the legality of such shipments.⁴

The willing cooperation from the business community was largely attributed to a domestic atmosphere hostile to China. Any one openly talking about trade with China risked being denounced as both unpatriotic and avaricious. The traditional rationale of "trade for trade sake" was shouted down and muzzled by public emotion inflamed by increasing American casualties in Korea. Trading with China was immoral and dangerous to American security. The last thing American companies wanted, of course, was the stigma of trading with the enemy. They felt, genuinely or pragmatically, that it would be politically unacceptable and practically futile to speak otherwise than supporting the existing government policy.

By the end of 1950, the China market that Americans had dreamed of, pushed to open, and fought to keep, was lost. This loss was not the inevitable result of the Chinese Revolution. The new regime expressed its desire to continue the economic exchange, thus to benefit from American resources and technology. The majority of American businessmen, moreover, also hoped to keep the China market open as long as possible. For this, however, a new political relationship between the U.S. and China needed to be hammered out. Yet the two governments had uncompromisingly different views of what the new relationship should be. Nonetheless, trade relations had already

AMERICAN BUSINESS AND THE CHINA TRADE EMBARGO

existed and could be just left to go on. Of those Americans in China, diplomats had no legal ground to remain in a country whose government Washington refused to recognize; and missionaries were unwelcome as hostile forces disseminating "opium of spirit" to the Chinese people; so businessmen were the only Americans the new regime would like to see stay. Mutually beneficial economic exchanges could be the "last bridge" across the ocean by getting around political deadlocks when other ties were severed. Washington, however, was bent on incorporating economic relations into its overall policy of containment, for it believed that an economic war would hurt China more than the U.S. The insignificant China trade and an uncertain China market was expendable. Ever since the inception of the Truman Doctrine, economic aid or sanction was considered as an effective weapon in the Cold War policy of containment.⁵ It was hard for private interests to argue when what at stake was magnified as not just a few dollars, but the national security. The business community as a whole, therefore, did not show much interest in influencing the government's China policy, and the minority who did were carried away by the tidal waves of the time. In the next two decades, the once mythicized China market was replaced by a mysterious China behind a closed door.

Business Support of U.S. China Policy

Beginning in World War II, American business and the federal government established a good working relationship that continued into the postwar years. In no other area was this relationship more close, cordial and effective than in foreign policy. Business leaders gave staunch support to the two fundamental objectives of American foreign policy: world wide markets for American enterprise and international containment of Communism. Business leaders and top government officials, as historian Thomas C. Cochran observes, "were united in their views on American world policies. ...There appears to have been practically no difference between the interest of big business and the foreign policies of either Democratic or Republican administrations."⁶

During the Korean War, business remained firmly behind the government's China policy, which waged a full-fledged war ranging from the political and economic fields to the military battle grounds. Convinced that an embargo was one of the practical means to fight the Chinese Communists—now the immediate enemy of the U.S., the business community beheld that carrying it out was "essential to winning the struggle." Willis Hall, secretary-manager of the Detroit Board of Commerce, expressed this feeling to his Hong Kong counterparts who were pinched most hard by embargo: "All of us in America feel that we cannot have peace and prosperity, and better understanding among the peoples of the world, while populations are still dominated by the Communist philosophy. We are convinced that in the long run this embargo will be for the benefit of all the people in the East who love freedom."⁷

Business support for the U.S. foreign policy was also demonstrated on the controversial issue of East-West trade. Led by the United States, the UN General Assembly

ESSAYS IN ECONOMIC AND BUSINESS HISTORY (2001)

adopted a resolution in May 1951 recommending all UN members apply an embargo on military materials to China. Under the U.S. pressure, Cocom in 1952 approved a second control list for China with a much broader coverage than the list for the Soviet Union and other East European countries. This second list came to be known as the "China differentials." But some Western allies, especially Britain, did not follow America's example to cut off all commercial relations, including trade on non-strategic goods. Also there was no consensus between the U.S. and the Western allies on what goods should be defined as strategic and barred. Britain insisted that trading with mainland China was vital for Hong Kong's survival. After 1950, goods like rubber and pharmaceutical products were shipped to China through that British colony. Allied trade with China invoked roars of anger in Congress. Senator O'Connor expressed bitter emotions on the Senate floor:

It is outrageous but it is true that products which can be used to build the military and industrial potential of our enemies in Korea have been transported directly to the ports of Communist foes and delivered to them while American boys were being killed and wounded in the frozen wastes of Asia.⁸

The mood on Capitol Hill was moving toward pressing the allies to comply with a more strict control that would in effect sever all commercial relations with, not only China, but all Communist countries. Congress wanted to cease American aid to any country not following the American line. Both the Truman and Eisenhower administrations opposed adopting this punitive policy, for they understood the importance of East-West trade to the Western European countries, especially their dependence on food stuffs and coal from the Soviet bloc. It would be impractical to ask those countries to stop trading with their Communist neighbors. The administrations, furthermore, believed that a cooperative approach, rather than a coercive one, would be more effective. Any dictated American trading policy would only backfire and break down the existing control system of Cocom. This pragmatic position was backed by business interests. East-West trade, as some leading business magazines pointed out, was indispensable for the Western European economies to function again.

In the case of British trade with China through Hong Kong, American business was more tolerant toward Britain's argument that the colony would not survive a total embargo because the life line of food and water were supplied by the mainland. Business opinion generally, therefore, did not agree with the voices from Capitol Hill crying for imposing punitive measures on those allies who continued their trade with China.⁹

Defending her position on the China trade, Britain also suggested that keeping a toehold in China would pay off because that trade, though now negligible in exports, "might be expanded some day if tension eases."¹⁰ The same idea of the China market was probably also not totally lost on the minds of American businessmen. As early as April, 1953, after the death of Stalin and the truce in Korea seemed certain, *Business Week* expressed an optimistic opinion on the future of East-West trade: "A big thaw in the cold war has now become a real possibility. It could make the world look very

AMERICAN BUSINESS AND THE CHINA TRADE EMBARGO

different in another two or three years. The Iron Curtain would be lowered considerably, especially in the trade field."¹¹ On July 28, one week after the formal signing of an armistice in Korea, some exporters sent inquiries to the State Department and Department of Commerce, asking for the time table of the expected easing of trade restrictions on Hong Kong and Macao. They were also interested in the relaxation of the trade embargo on China, but "did not press for action on the point."¹²

The embargo on trade with China had been imposed as an emergency measure during the Korean crisis. With the war over, it was logical for Washington to reexamine such a policy. Meanwhile, the U.S. was facing increased pressure to relax trade restrictions from its European allies and Japan. Those countries rejected Washington's thesis that even the trade of non-strategic materials would strengthen China's economy, and therefore enhanced her war-making potential. They saw no moral or political justification for treating China differently than other Communist countries by keeping the China differentials. Historically China had been a significant market for the exports of Japan and Britain and now, with recession looming large in the wake of the Korean War, the prospect allured Japanese and British businessmen who, though wishfully, thought that given permits they could reclaim the once large China trade. Without such past experience or much optimism, also daunted by a hostile public opinion and Congress, American business hesitated to call on the U.S. government to immediately loosen China trade control. But both the White House and its business partners were more interested in reexamining the issue than they appeared to be. President Eisenhower was a devoted adherent to the view that foreign trade was an effective weapon to contain Soviet expansionism. He was concerned that the rigid position on the China trade embargo would strain relations between the allies and the U.S.¹³ He reminded his cabinet that "the last thing you can do is to begin to do things that force all these Communists to depend on Moscow for the rest of their lives." The embargo policy, if continued, was just pushing the Chinese in that direction and "they have got to stay there". Trade, Eisenhower believed, could be used as "way of inducement" to split the Soviet bloc. "If you trade with them", he said, "you have got something pulling their interest your way."¹⁴ The President's view, however, was not shared by most members of his cabinet. Rather than relaxing the embargo, they argued, the best hope for a Soviet-China split was a policy of maximum pressure with even stricter trade controls. This would create more dependence of China on the Soviet Union, thus becoming to the latter a heavier burden. Psychologically, the China differentials, U.S. Secretary of State John Foster Dulles asserted, would give China a "sense of ostracism—being treated as different, and not morally the equal of other countries." He believed that this sense of ostracism was "the greatest pressure we can bring to bear" on China.¹⁵ Eisenhower did not push his own ideas on China trade, and Washington, in public, gave no sign of change.

In private, nevertheless, officials from Washington "had been informally sounding out businessmen on China trade." An executive from Chrysler, probably jogged by such queries, whatever their "hazy way," talked about the potential of Chinese market

ESSAYS IN ECONOMIC AND BUSINESS HISTORY (2001)

“if it ever opens up.” He believed “indications are pointing that it may open.”¹⁶ If open talking like this was just rare, American businessmen, as one observed, were “more aware of trade possibilities in China.” Ironically, the same awareness had long been felt by European businessmen. They now became alarmed that U.S. companies were actively preparing for China trade, warning if we “don’t prepare for the China market, the Yankees will get there first.”¹⁷

In a survey among 576 export managers from companies doing a \$1.5 billion business annually in exports, 361, or 71 percent of them, supported a resumption of fuller trade with Hong Kong, even though acknowledging that “expansion of trade with the British Crown colony, which traditionally has been a major trade channel to China, would entail relaxation of present government restrictions on such trade (with China).”¹⁸ In Geneva, a Chinese official said that the Chinese door was wide open to U.S. businessmen: “We are prepared to conduct business transactions with the United States industrial and trade circles whenever possible.” That official also claimed that “not a few United States corporations and manufactures have expressed their high hopes of doing business with China. We support such aspirations.”¹⁹

The cease-fire in Korea failed to lead to a thaw in Sino-American relations. The harsh, moralistic rhetoric became the earmark of State Secretary Dulles’ China policy. Any hope for a change in Washington’s China policy was soon ruined by further crises in Indo-China and the Taiwan Straits. In the aftermath of Dien Bien Phu, the U.S., captivated by a domino theory, determined to exert leadership in establishing “a united front to resist Communist aggression in Southeast Asia.”²⁰ Indochina became a hot spot where the U.S. and China might face each other in a direct confrontation. A more dangerous situation arose in the Taiwan Straits. Beginning in 1954, mainland China and Nationalist forces on the off-shore islands of Quemoy and Matsu began to exchange artillery shells. The crisis intensified in early 1955 when China captured nearby I-jiang and Dachen islands and threatened an attack on Quemoy and Matsu. The U.S. warned China that it would use military force, even atomic weapons if necessary, to defend those islands. The tension was only temporarily reduced when Zhou Enlai called for talks in April, 1955, at the Bandung Conference. In July, denouncing the U.S. embargo against China as an “extremely unjust policy,” Zhou called for removing “such barriers so that peaceful trade between all countries will not be hindered.”²¹ The United States agreed to hold talks with China at ambassadorial level, first at Geneva, continuing thereafter in Warsaw. Besides a quick agreement on the repatriation of Chinese citizens in America and U.S. citizens in China, the talks produced no other results. The Chinese hoped to elevate the talks to foreign-minister level and to discuss larger topics such as the establishment of diplomatic relations, American withdrawal of military forces on Taiwan, and China’s UN membership. Realizing that these crucial political issues were hard nuts to crack, China wanted to begin with cultural and trade exchanges. Dulles, nevertheless, insisted that the People’s Republic explicitly renounce the use of force against Taiwan before any agreement on the larger issues could be reached. China considered such a condition an arrogant American interference in China’s

AMERICAN BUSINESS AND THE CHINA TRADE EMBARGO

internal affairs and categorically rejected it. The ambassadorial talks bogged down in impasse.²²

Actually, Dulles was not interested in accommodation. He was a strong believer of containing the China-based Communist expansionism in Asia and contended that Mao's government was just a passing phase in China. He also had a fresh memory of how his Democratic predecessor had been abused by Senator McCarthy and other pro-Nationalist members in Congress. The 83rd Congress, which gave Republicans a marginal control in the both Houses, was under the influence of the China bloc—Republican Congressmen who would use various resolutions, amendments to bills, and riders to amendments to show an unwavering support of the Nationalist government and leave no room for any softness of U.S. China policy. Outside Congress, in October 1953, the newly founded Committee of One Million launched its first petition appealing to President Eisenhower to oppose China's admission into the United Nation. Among the petitioners were leaders of both parties in Congress, prominent religious figures, academics, labor and business leaders. By July of the next year, the Committee boasted of obtaining the millionth signature. During Eisenhower's first term, the bipartisan opposition in Congress to any change in U.S. China policy virtually eliminated any flexibility on the part of the Administration in dealing with the Chinese, unless it wanted to risk political havoc.²³

Those American exporters and entrepreneurs who looked at the China market with interest avoided openly talking about the relaxation of the embargo, a subject to be debated only on an elevated level of moral "right or wrong", but not on the basis of realism or political sagacity. Representative Walter Judd from Minnesota, the leading opponent of China in Congress, refuted any trade suggestions in intimidating tones:

We must not let the Reds [of China] win any more economic victories. That means we must resist resumption of trade with them. If they are not our enemies, why do we draft and arm men to be ready to fight them? If they are our enemies, how can anyone suggest we help them become stronger?²⁴

George Meany, the president of the AFL-CIO, accused some businessmen who tended toward a more liberal policy on East-West trade as "living in a fool's paradise" and letting "the prospect of monetary profits" blur their vision:

I warn you that 'business as usual' and appeasement policies toward Khrushchev and Mao Tse-tung can only help these dictators build the Moscow-Peiping war machine and greatly encourage them to further aggression and even another world war.²⁵

Trading with China was, therefore, declared a heretical idea and subjected to a cross fire from Congress, labor unions, and the public. American companies wanted nothing that might raise such controversy. For example, John Carter Vincent, one of

the State Department's "Old China Hands" who was forced into early retirement, could not find a business related job, despite his advertisement in the *Wall Street Journal* describing "an ex-Foreign Service Officer with competence, experience and abilities which could be adopted to banking or industrial efforts in the Far East." One official from the United States Chamber of Commerce even complained about his inclusion in a public speaker program.²⁶ Anyone inclined toward a flexible China trade policy had to think twice before speaking out. Thus the American business community basically implemented a gag rule on itself on the whole issue.²⁷

China Trade Policy Debate

As long as the U.S. kept her Western allies in line to maintain a concerted China trade embargo, especially the China differentials, American business managed to live in peace with that policy. For, besides the satisfaction of moral righteousness, there was also the consolation of thinking that, while Americans self-excluded themselves from the China market, their allies did not take advantage. Dissident voices, however, ascended in 1957 with an unprecedented openness that put the China trade issue in headlines. Britain, despite the U.S. pressure, led a break from Cocom control by declaring it would trade with China under the same control list as that for trade with the Soviet Union, thus eliminating the China differentials. Britain's move had been long anticipated and the other allied countries like Germany and Japan were ready to follow suit. Even before the British announcement in June, some American business leaders, realizing that Britain would go ahead with or without the U.S. approval, had begun to talk about China trade more audaciously. In a speech given to the convention of the National Automobile Dealers Association, Henry Ford II spoke out about the need for change:

I think we need to be more realistic and decide whether our us[sic] from offering them[communist countries] trade-and-aid policies toward such satellite areas as Poland, Hungary, East Germany and possibly even Red China are really in our own best interests. Maybe the people of Red China are just as anxious to get rid of the yoke of communism as the Hungarians have demonstrated they were. Shouldn't we give them the chance—or at least some alternative to their present ties with the Kremlin?²⁸

Trading with the Communist states, he suggested, would help the auto industry, which "depends not only on such imported materials but on consumer income that is increasingly based on international trade."²⁹ Earlier, John S. Coleman, the President of the U.S. Chamber of Commerce, had also advocated the "resumption of trade in non-strategic goods between this country and Communist China."³⁰ On the Pacific coast, the call for relaxation of China trade embargo was even louder. In a meeting with the International Longshoremen's and Warehousemen's Union, which had long been advocating ending the embargo, the world trade committee of the San Francisco Chamber

AMERICAN BUSINESS AND THE CHINA TRADE EMBARGO

of Commerce stated that "businessmen would like to see a partial lifting of embargo." Similar opinions were voiced by such local business leaders as the president of the San Francisco World Trade Association and the chairman of the Chamber's industrial committee, and echoed by their counterparts in Los Angeles, Seattle, Portland and other ports.³¹ The *San Francisco Chronicle* conducted a survey upon the question: "Should the United States Trade with Red China?" and, after examining the response from 6,000 people, the paper declared that "America's firm policy of shunning, or ignoring, Red China, runs strongly counter to the more or less informed opinion of a vast majority of Bay Area residents."³² Cyril Magnin, president of the San Francisco Port Authority, told an audience at a World Trade Luncheon that the U.S. should resume trade with China since continuing the ban would "endanger our leadership in the free world."³³ Those China trade proponents found little logic in trading in non-strategic materials with the Soviet Union, but not with China. It also made no sense to them that America's allies, supposedly having a common interest in containing Communism, could trade with China and Americans could not. Reopening China trade, they argued, "would not only stimulate this Nation's business and commerce, with special emphasis on the port of San Francisco, but would undoubtedly improve the Nation's reputation for clear vision and common sense."³⁴

Strong economic motivation impelled the voices for China trade. Exporting, shipping and milling businesses believed that they were hurt by the embargo. Thomas Kerr, President of the Helix Milling Company of Portland asserted that the embargo deprived American millers of a potential China market for flour, wheat, and other grains. One business leader in the Bay Area was quoted as saying:

from reports I received while touring the Far East the stores in Shanghai are loaded with German medicines and British motor cars, to name two items. All countries are setting up trade agencies. If we ever get in we'll find all the business taken.³⁵

K. H. Finnesey, the president of the American President Lines, said that

the longer we stay out, the less competition British, European and Japanese flag lines will have. They are laughing at us and saying that American's inflexible policy of no trade is a lockerful of ammunition for the Communist, who point to U.S. policy as evidence of hostility.³⁶

Pressure from business was also felt in Congress. In both houses, Democratic legislators from the West Coast began to talk, although cautiously, about the need for reviewing China trade policy. Senator Warren Magnuson (D-Washington) said: "We can't keep 600 million people behind an economic bamboo curtain forever just because we don't like the policies of their government."³⁷ Congressman Charles Porter of Oregon declared: "We have got to develop foreign markets for Oregon markets, and to do that we must trade with all the world. This includes China, and I do mean Red China."³⁸

ESSAYS IN ECONOMIC AND BUSINESS HISTORY (2001)

Pointing out that the Pacific Northwest lost a substantial market in China, Congressman Pelly stated that a “full and open discussion before the bench and bar of American opinion on trade with China is timely.”³⁹ In the wake of the unilateral British action and the likelihood of other Western countries following suit, they could now argue that China was in any event no longer being shut off from Western goods. The reexamination of the “availability of Chinese markets”, therefore, was “objectively necessary.”⁴⁰ Thus, these legislators sent a signal to the White House that if the President should determine that some kind of relaxation on China trade restrictions was “ultimately desirable,” Congress was not totally unmovable.

The U.S. government, albeit reluctantly, accepted Britain’s decision to relax the China trade control system. It had little choice in fact, unless it was willing to risk a serious disruption of relations by punishing Britain with selected sanctions, as the Defense Department and some Congressmen suggested. President Eisenhower, moreover, continued to incline toward a less rigid policy. He declared himself “personally of the school that believes that trade, in the long run, cannot be stopped,” and he did not “see as much advantage in maintaining the differentials, as some people do.”⁴¹ Yet his Cabinet members remained adamantly opposed. Walter Robertson, Assistant Secretary of State for Far Eastern Affairs, listed the reasons:

The embargo on Communist China, even when it doesn’t prevent goods from reaching Peking through the Russian, puts a heavy strain on the Communist’s transportation system.

Any abatement of U.S. hostility to Peking would demoralize the Asian governments that have been supporting U.S. policy—Korea, the Philippines, Thailand, Vietnam—and would increase pressure on the overseas Chinese in Southeast Asia.

The long-range hope of U.S. policy is that eventually the present Chinese leader, dedicated to Moscow’s expansionist policies, would be replaced by more moderate leadership. Any assistance now granted to Mao Tse-tung only strengthens his position, postpones that day.⁴²

Robertson had the firm support of his boss, Secretary of State Dulles. Addressing a San Francisco audience, Dulles declared:

Trade with Communist China is not a free trade.... Trade with Communist China is wholly controlled by an official apparatus and its limited amounts of foreign exchange are used to develop as rapidly as possible a formidable military establishment and a heavy industry to support it. The primary desire of that regime is for machine tools, electronic equipment, and, in general, what will help it produce tanks, trucks, planes, ammunition, and other military items. Whatever others may do, surely the United States, which has heavy security commitments in the China area, ought not build up the military power of the potential enemy.⁴³

AMERICAN BUSINESS AND THE CHINA TRADE EMBARGO

President Eisenhower might have liked seeing Congress take some initiatives in U.S. China policy, but the legislature body was in no mood to move. Favorable discussions of China trade from several Democratic Senators was not enough to press any formal review of China policy by the powerful Foreign Relation Committee. The hard core of pro-Nationalist legislators, led by Senator William F. Knowland and Representative Judd, could still block any moves to relax China trade restrictions. A full-page advertisement in the *New York Times*, with the heading "An Appeal to All Free Men—No Trade with the Enemy", was signed by 95 representatives and 24 senators. In 1957 and 1958, as Eisenhower's Reciprocal Trade and Mutual Security bills continued to depend on the support from the Republican Right for passage, he had little leverage to move Congress toward changing the China embargo policy.

Outside government, the Committee of One Million had the intimidating power to wreak a political havoc if the Administration appeared too enthusiastic for a change. The conspicuous Committee called for "strong counter measures" against "the campaign to condition the American people for a deal with Communist China." Rejecting all arguments for a "realistic and practical" China policy, the Committee answered "that it is precisely because we must be realistic and practical that we must not recognize Red China or accept it into civilized society." Trade relations, they insisted, "would be the first step toward recognition and admission to the United Nations."⁴⁴ In a statement released to the press on June 11, 1957, the steering committee steadfastly restated its position against the lifting of trade restrictions.⁴⁵

Business opinion remained divided. Since the China trade could only benefit some traders and certain businesses, American business, as a whole, only showed a limited interest in the issue. Meanwhile, there were opposition voices from business community. A statement sent to President Eisenhower and signed by 176 American business leaders declared: "We, the undersigned businessmen, hereby strongly express our opposition to any trade relations between our country and Communist China." Besides enlisting those moral and political reasons already advanced by Dulles and Robertson, they also argued that lifting the embargo would hurt American business because "an economy based on free labor could not compete with an economy based on slave labor."⁴⁶ Others warned that "the domestic tung oil industry would be bankrupted by dumping of vast quantities of Chinese tung oil on our market for a prolonged period of time." Even in San Francisco, the Chamber of Commerce failed to get a declaration of an official position on China trade, for opinion within the body was far from unified. Some ship-operators feared the loss of government subsidies, while bankers insisted on solving the problem of frozen American assets in China before any change. And some pro-Nationalist Chinese members also exerted influence.⁴⁷

Any debate on China trade must take account of one ingredient: the myth or reality of the China market. In the past, the myth of that China market with vast potential and bright future usually went beyond any realistic assessment. By 1958, however, the present limits and gloomy future of that market was a dominant theme drummed up the China trade opponents. Although they stressed that point for politi-

ESSAYS IN ECONOMIC AND BUSINESS HISTORY (2001)

cal purposes, they had a closer grasp on reality. Official statistics from the People's Republic lacking, the assessment could only be based on past experience and the current patterns of China's foreign trade. Sinclair Weeks, Secretary of Commerce, told a special Senate subcommittee that the past figures "gave no promise that a substantial market could be developed." Considering the "uncertainties of politically motivated and state-controlled trade with totalitarian countries," he warned "those tempted by the illusion of lucrative trade with Communist China to take a long, hard look before they leap to conclusions."⁴⁸ Such a look, in fact, did not yield an encouraging picture. In 1955, China's total foreign trade was estimated in \$2.2 billion. Of that amount \$1.4 billion was with the Soviet Union and other communist countries; only \$0.8 billion was with the rest of the world.⁴⁹ In 1956, China bought \$433,000,000 worth of goods and sold \$627,000,000, in her trade with the Western countries. Deducting heavy bills for ocean freight, China had about \$500 million to spend on imports. A large part of that balance was used to buy "drugs, rubber, steel and other materials, which Japan and the European countries have been shipping to China all along." Therefore, the China market was at best a rather small pie, with not much left for Americans should they shoulder their way to the table. The backwardness of China's economy and her need to use large amounts of foreign exchange for foodstuffs would reduce her buying power. "China's 600 million people," as one analysis concluded, "look like a big market, but actually are among the most poverty-ridden customers in the world." "What good," one opponent asked, "are 'four hundred million customers' if none of them has a dime to his name?"⁵⁰ U.S.-China trade figures in the past had not been impressive either (In 1937 China's exports had run to \$55 million, imports to \$69 million). One article in *Fortune* pointed out that "even were the U.S. embargo on the China trade knocked down tomorrow, trade between the two countries would undoubtedly remain small unless stimulated by large U.S. loans and by direct business investment. That, to say the least, is not a likely possibility within any foreseeable future."⁵¹ In a speech before the California State Chamber of Commerce in December 1958, to an audience with representatives from the companies indicating interest in China trade, Dulles dismissed the "hope of large and profitable trade" with China as "illusion." He related maintaining the embargo with the security of the area of Far East to which the U.S. exported over \$2.5 billion a year. "Should we," he asked, "in the quest of a few millions of dollars of unreliable trade with Communist China, jeopardize exports of \$2.5 billion?" With such stiff words, he reaffirmed the U.S. China policy of non-recognition and no trade.⁵²

Dulles's speech, with its inflexible tone, virtually ended the debate, or, more properly, stilled the ripples stirred in America by the British and other allies' moves to end the embargo. After 1958, the water surface returned to tranquility and the China trade issue mostly disappeared from the headlines.

Conclusion

China trade supporters, many of them from the business community, had been successful in bringing that issue to public attention with an unprecedented seriousness,

AMERICAN BUSINESS AND THE CHINA TRADE EMBARGO

but failed to achieve any concrete change. They could not overcome formidable obstacles that had three aspects. First of all, they could not disperse the deep residue of hostility and distrust in public attitudes toward China. A large segment of the American people were still grasped by a cold war psychology that tended to judge China policy with an evangelically moral criteria. Many influential figures in labor, farm and veteran organizations and in both the Republican and Democratic parties, as well among top officials from government, repeatedly hammered the theme that trading with China, a "proclaimed and manifestly unrepentant" enemy, was morally wrong. The China trade supporters, when not intimidated into keeping their mouths shut, were very much on the defensive. Paling before highly vocal opinions for the status quo, their voices were restrained, weak and uncertain. They could not vindicate the China trade on the same moral ground, whatever apparent contradiction they could point out as to trade with the Soviet Union. Facing such adamant opposition and fearing charged with being "Red China Lobbyists" or, "communist dupes," some businessmen who had once aired doubt as to the embargo, now hesitated to openly express their opinion.

The second obstacle, a political one, was the difficulty trade supporters had in disentangling the issue of non-strategic trade from the issue of national security and diplomatic recognition of mainland China. Although they believed that easing trade restrictions on non-strategic goods was "realistic and practical" and that trade could be carried on without diplomatic relations (as their Western allies were doing), they found it hard to dispute the argument that even non-strategic trade with China, a Communist country where foreign trade was a political instrument for political purposes, would contribute to its economy and thus enhancing its war-making power. Their opponents, generally not bothering to make any distinctions between non-strategic trade and strategic trade, equated that trade outright to giving aid to an enemy, often bringing up the painful memory of how Japan's war machine was fed by U.S. trade during the 1930s. As long as the Cold War went on and a possible U.S.-China confrontation loomed in areas like Southeast Asia and the Taiwan Straits, supporters of China trade had trouble proving that trade was in line with the U.S. strategic interest. Their position was further weakened by opponents' claim that trade eventually would lead to U.S. recognition and China's UN membership, a prospect abhorrent to the public.⁵³

The third and the last obstacle was the bleak picture of the China market that offered little economic inducement, thus obviating much pressure from the business community for an end of the China trade embargo. Rhetoric eulogizing a potential China market was gone for the time being. Some businessmen, in truth, believed in the profitability of that trade; business common sense told them that chances of breaking into any new market, no matter how small, should not be sneezed at. But they were very cautious about putting in that way. They did not want to be regarded as mere money bugs who were insensible to principle. The 1950s were not a time to be deemed unpatriotic. To others, perhaps the majority within the business community, the China market had no direct impact on their business; therefore, considering both political and economic risks involved, it did not seem worthwhile to pursue the issue.⁵⁴

ESSAYS IN ECONOMIC AND BUSINESS HISTORY (2001)

For the moment, on the controversy of China trade policy, domestic politics overwhelmed business interest. Relaxation of the embargo would ultimately depend on a change of the whole package of U.S. China policy. China would have to serve other purposes, not just economic ones. In June 1957, when the debate had just begun, one observer pointed out:

Policies have a habit of sticking until events make them completely irrelevant or impossible. To change the United States trade policy vis-a-vis Communist China would disturb considerable numbers of people at home and abroad. Sticking to the policy does not seem to be greatly disturbing to large numbers of people in either place.⁵⁵

Just when would the established China policy become "irrelevant or impossible?" That was a judgment many in the business community believed their government was in the best position to make. The majority opinion of American businessmen on the China trade issue was usually inclining toward "prudent moderation." This majority was, by and large a "silent majority" which was likely to look for leadership from Washington and inclined to follow rather than exert pressure from the "bottom up." For that leadership, however, they would have to wait another decade.

Notes

1. Report of the Department of Commerce, Washington, December 4, 1950. FRUS v. 6, 1950, 673.
2. "Dockmen Refuse to Unload Zinc Oxide Suspected of Being on Way to China," *New York Times*, 8 November 1950, 59.
3. "Trading with the Enemy," *Fortune*, November 1950, 70-71.
4. *Fortune*, December, 1950, 30.
5. See Stephen E. Ambrose, *Rise to Globalism: American Foreign Policy, 1938-1970* (Baltimore: Penguin Books, 1970); Joyce and Gabriel Kolko, *The Limits of Power: the World and U.S. Foreign Policy, 1945-1954* (New York: Harper & Row, 1972); Walter LaFeber, *America, Russia, and the Cold War* (New York: Wiley, 1976).
6. Thomas C. Cochran, *Business in American Life: A History* (New York: McGraw-Hill Book Company, 1972), 322. Also see, David Baldwin, *Economic Development and American Foreign Policy, 1943-1962* (Chicago: University of Chicago Press, 1966); Mira Wilkins, *The Maturing of Multinational Enterprise: American Business Abroad From 1914 to 1970* (Cambridge, MASS.: Harvard University Press, 1974).
7. *Far Eastern Economic Review*, 30 April 1953, 568.
8. John R. Garson, "The American Trade Embargo Against China", in Alexander Eckstein ed., *China Trade Prospects and U.S. Policy* (New York: Praeger Publishers, 1971), 16.
9. See "Embargo on the East?" *The Commonwealth*, 31 August 1951, 491; "Crackdown on China Trade," *Business Week*, 30 May 1953, 128-130; "China Trade Tempts Japan Again," *Business Week*, 22 August 1953, 100-101; "The Debate Over Blockade," *Business Week*, 11 December 1954, 152; "China Trade—'Bloody' or Wise?" *New Republic*, 21 December 1953; "Are We Prepared to blockade Friends As Well As Enemies?" *Courier-Journal*, 11 February 1953; "The China Trade Question," *Christian Science Monitor*, 21 July 1953.
10. "Crackdown on China Trade?" *Business Week*, 30 May 1953, 128.
11. "Shaping a New Kind of World?" *Business Week*, 25 April 1953, 27; *Business Week*, 27 April 1953, 37.
12. *New York Times*, 29 July 1953, p. 33. Also see "The China Trade: Millions—or Mirage?" *Nation*, 11 September 1954, 213-214. American business men, the article argued, someday would find they were "out in the cold as a result of having let others get in ahead" of them in China market.

AMERICAN BUSINESS AND THE CHINA TRADE EMBARGO

13. For the Eisenhower Administration's foreign economic policy, see Burton I. Kaufman, *Trade and Aid: Eisenhower's Foreign Economic Policy, 1953-1961* (Baltimore: Johns Hopkins University Press, 1982).
 14. Qing Simei, "The Eisenhower Administration and Changes in Western Embargo Policy Against China, 1954-1958," in Warren I. Cohen and Akira Iriye, eds., *The Great Powers in East Asia: 1953-1960* (New York: Columbia University Press, 1990), 123.
 15. Qing Simei, *ibid.*, 125.
 16. *Business Week*, 21 November 1953, 164. However, both Washington and auto companies answered "no comment" when pushed on the issue for confirmation.
 17. *Business Week*, 22 August 1953, 98; 21 November 1953, 164. Many European companies believed that American business was "actively preparing for China trade," and Europe was "full of rumors of large U.S. shipments to China via Japan, Hong Kong, Thailand."
 18. *New York Times*, 11 December 1953, p. 57.
 19. "Red China Makes Bid For US Trade," *New York Times*, 16 May 1954, p. 9.
 20. Dulles on Southeast Asia Defense, April 10, 1954, *China and US Far East Policy: 1945-1966* (Washington, 1967), 67.
 21. *Ibid.*, 75.
 22. For Sino-American ambassadorial talks, see Kenneth Young, *Negotiating with the Chinese Communists: The United States Experience, 1953-1967* (New York: McGraw-Hill, 1968).
 23. Stanley D. Bachrack, *The Committee of One Million: "China Lobby" Politics, 1953-1971* (New York: Columbia University Press, 1976), 51-82. Also see, Townsend Hooper, *The Devil and John Foster Dulles* (Boston: Little, Brown, 1973); David Allan Mayer, *Cracking the Monolith: U.S. Policy Against the Sino-Soviet Alliance* (Baton Rouge: Louisiana State University, 1986); Richard A. Melanson and David Mayers, eds., *Reevaluating Eisenhower: American Foreign Policy in the 1950s* (Urbana: University of Illinois Press, 1989).
 24. Speech on the House floor, May 28, 1954, *Congressional Record*, 1954, p. 7363.
 25. *New York Times*, 20 January 1956, p. 6. Meany pointed his finger at Harlow H. Curtice, president of General Motors, and Ernest Weir, chairman of the board of the National Steel Corporation.
 26. Gary May, *China Scapegoat: The Diplomatic Ordeal of John Carter Vincent* (Prospect Heights, Illinois: Waveland Press, 1979), 281-285.
 27. Business opinion, in general, was in favor of a more liberal policy toward the Communist countries, but excluding China. A survey among 800 civic leaders in 26 cities, including many businessmen, found that "American tended to base their opinions on moral principles." However, "the moral issue was seldom mentioned in answers to questions on East-West trade." But the issue of trading with China was not being spared from that moralism. Even though nearly 80 per cent "were opposed to having Congress prohibit all United States trade with Iron Curtain countries, 78 per cent approved the existing China policy. See *New York Times*, 15 April 1954, 7; "Citizens' Group Call for Easing of Restrictions on Red Commerce," *New York Times*, 10 January 1955, 1.
 28. "Red China Trade Proposed by Ford," *New York Times*, 29 January 1957, 24.
 29. *Ibid.*
 30. *New York Times*, 19 November 1956.
 31. Harold S. Quigley: "Trade with Communist China", *Current History* (December, 1958): 354.
 32. *Ibid.*, 356.
 33. *New York Times*, 22 May 1958, 9.
 34. Editorial of *San Francisco Chronicle*, 23 May 1957, cited from Quigley, "Trade with Communist China," 355.
 35. *Ibid.*, 354.
 36. *Ibid.*, 357.
 37. "Debate Over China Policy: The Campaign for Realism Cuts Both Ways", *Time*, June 10, 1957, 20.
 38. *Ibid.*, 357.
 39. Speech on the floor of the House, *Congressional Record*, 1957, 9049.
 40. "China Trade Move Rising In Senate," *New York Times*, 4 June 1957, 1.
- Those senators who were supportive to an reexamination of China policy included Sens. Magnuson (D-Washington), Smathers (D-Florida), Ellender (D-Louisiana), Humphrey (D-Minnesota), Sparkman (D-Alabama), Fulbright (D-Arkansas), Cooper (R-Kentucky), and the powerful majority leader Lyndon Johnson (D-Texas).

ESSAYS IN ECONOMIC AND BUSINESS HISTORY (2001)

41. *U.S. News & World Report*, 14 June 1957, 134.
42. "Looking Afresh at China Trade," *Business Week*, 8 June 1957, 118-119.
43. Dulles' address before the International Convention of Lions International, June, 28, 1957, *Congressional Record*, 1957, 10586.
44. Stanley D. Bachrack, *The Committee of One Million: "China Lobby" Politics, 1953-1971* (New York, Columbia University, 1976). 137.
45. *Ibid.*, 136.
46. *Ibid.*, 137.
47. Qing Simei, "The Eisenhower Administration and Changes in Western Embargo Policy Against China, 1954-1958," 137; Quigley, "Trade with Communist China," 354.
48. *New York Times*, 10 July 1957.
49. "China Trade Widened But Volume Is Small," *New York Times*, 28 April 1957, IV, 6.
50. "Trade With Red China—What's In It For U. S. Business," *U.S. News & World Report*, 14 June 1957, 132-134. Robert Aura Smith: "Should U.S. Ease China Trade Embargo?" *Foreign Policy Bulletin*, 15 March 1956, 101.
51. *Fortune*, September, 1957, 264. Also see: "Most Disappointed," *Time*, 10 June 1957, 19. "Those 650 Million Customers," *U.S. News & World Report*, 18 May 1959, 75-77.
52. *New York Times*, 7 December 1958, 5.
53. Many China critics emphasized the indispensable diplomatic and consular protection for American citizens when they were dealing with the Communist countries. Therefore, as Representative Byrd pointed out, "there is no possibility of trade without some sort of recognition on our part. ... The claim that we could do business with the Chinese Government and at the same time refuse to recognize them diplomatically is a mere pipedream." *Congressional Record*, 1957, 10577.
54. In a report of 1957, the Commerce Department reported that "there has been increasing interest within the US export business community in the possibility of trade with Communist China." But "the interest evinced does not constitute a significant pressure on the US government to lift the embargo." Qing Simei, "The Eisenhower Administration and Changes in Western Embargo Policy Against China, 1954-1958," 137-138.
55. "China Trade: Washington Again Debates Issue," *New York Times*, 9 June 1957.