
Forgotten Vanguard: Informal Diplomacy and the Rise of United States-China Trade, 1972-1980**Christian Talley****Publication Date**

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FORGOTTEN VANGUARD

INFORMAL DIPLOMACY AND
THE RISE OF UNITED STATES-
CHINA TRADE, 1972-1980

CHRISTIAN TALLEY

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For Lucy

Even the objects of simplest “sensuous certainty” are given to him only through social development, industry, and commercial relations. The cherry tree, like almost all fruit trees, was transplanted into our zone by *commerce* only a few centuries ago, as we know, and only *by* this action of a particular society in a particular age has it become “sensuous certainty” for Feuerbach.

—Karl Marx, *The German Ideology*

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ABBREVIATIONS

AAA	American Arbitration Association
AIT	American Institute in Taiwan
CCP	Chinese Communist Party
CCPIT	China Council for the Promotion of International Trade
CIA	Central Intelligence Agency
COCOM	Coordinating Committee
CSC	Committee on Scholarly Communications with China
CSO	civil society organization
FDI	foreign direct investment
FTAC	Foreign Trade Arbitration Commission
FTC	foreign trade corporation
GDP	gross domestic product
GNP	gross national product
IEC	Import Export Corporation
ISC	Importers' Steering Committee
KMT	Kuomintang
LDC	less developed country
LIEC	local import-export commission
MFN	most favored nation
MNC	multinational corporation
NBER	National Bureau of Economic Research
NCUSCR	National Committee on United States-China Relations
NCUSCT	National Council for United States-China Trade
NGO	nongovernmental organization
NIE	newly industrializing economy
NSC	National Security Council
OPEC	Organization of Petroleum Exporting Countries
OPIC	Overseas Private Investment Corporation

PRC	People's Republic of China
PRCLO	People's Republic of China Liaison Offi
PRM	Presidential Review Memorandum
ROC	Republic of China (Taiwan)
SALT	Strategic Arms Limitation Talks
SATC	Sino-American trade council
SEZ	special economic zone
TEC	United States-USSR Trade and Economic Council
TRA	Taiwan Relations Act
UFC	United Fruit Company
USAID	United States Agency for International Development
USCBC	US-China Business Council
USSR	Union of Soviet Socialist Republics

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This project began, as many do, with an accidental discovery. While investigating the Vietnam War's impact on China's geopolitical influence, I noticed a reference to the National Council for United States-China Trade. I had never heard of the group, and its (somewhat ungainly) name caught my eye. Upon this original encounter, I had no pretense of writing a book on the subject. Yet soon, I found myself drawn into a three-year journey to uncover the Council's forgotten history.

Finding the topic was fortunate, but I was more fortunate still in the advice and resources afforded to me throughout my writing. I would like to thank, in no particular order, Thomas Schwartz, Samira Sheikh, and Peter Lorge for their invaluable guidance; my interviewees Eugene Theroux, Dwight Perkins, and Nicholas Ludlow; the dedicated archivists of the Gerald R. Ford Presidential Library; my insightful reviewer Norton Wheeler; the Vanderbilt Department of History, for a generous research grant; its secretary, Heidi Welch; the Vanderbilt University Library; the Bodleian and KB Chen China Centre Libraries; my friend Pete Millwood; and my publishers at Notre Dame.

Christian Talley
Oxford, England
January 2017

Introduction

The Forgotten Importance of the National Council

As I entered, I was greeted by a round of applause and the announcement by the Chairman that I had been elected president of the [National] Council. I expressed appreciation for their vote of confidence in me and pledged my best efforts to live up to their expectations. “But,” I added, “it would be very helpful if you could give me a bit more guidance about the precise role you see for the Council.” “Oh,” said Don Burnham, looking a little puzzled, “You know Chris, just to develop our trade and economic relations with the People’s Republic of China.”

—Christopher H. Phillips, President of the National Council for United States–China Trade, 1973–1986¹

China’s economic modernization is “one of the most important developments in modern history.”² By opening its economy, China has lifted hundreds of millions of its citizens out of grinding poverty. While Mao Zedong’s China “suck[ed] the world’s great powers into gigantic conflicts” by sponsoring insurgencies, fighting the United States, and opposing international institutions, China has now integrated itself into the pro-trade world order.³ In addition to new hopes, China’s rise has also engendered new dangers and controversies. As the Middle Kingdom searches for its place in the sun, its assertive foreign policy in the South China Sea has

spawned uneasiness in Asia and beyond, “straining geopolitical tensions that were already taut.”⁴ A minority view—notable for its pessimism but also its gravity—suggests that regional conflict might anticipate a wider war between China and the United States.⁵ Though the present remains uncertain, the arc of history suggests a resurgence of China’s traditional global eminence.

China’s rise has manifested itself most profoundly in its tremendous economic growth, which has essentially altered the American and global economies. China’s industrialization poses concerns about pollution, intellectual piracy, and consumer safety. It has simultaneously created an explosion of affordable consumer goods and driven up a massive trade surplus against the United States. In 2013, China produced more than 90% of the world’s personal computers, held \$1.3 trillion of American debt, and exported \$440 billion worth of goods to America.⁶ China, in fact, is now America’s largest supplier of goods imports.⁷ In the same year, America shipped \$122.1 billion worth of goods to China, making China America’s third largest export market.⁸ Regarding the volume of total trade, *Bloomberg* reported that in 2013 China’s net exports and imports had finally surpassed America’s: \$3.87 trillion compared to \$3.82 trillion, respectively.⁹ While China’s nominal GDP remains only about 60% of America’s, in 2014 China’s GDP actually surpassed America’s as measured in purchasing power parity.¹⁰

China is, self-evidently, important. Unsurprisingly, literature on United States-China relations and United States-China trade has proliferated in the past three decades. The Library of Congress lists almost one thousand relevant books and periodicals in its collections.¹¹ Given this attention, one would expect vigorous investigation of relevant historiographical issues: the periodization of trade’s growth, the contingent nature of Sino-US globalization, and the importance of Taiwan in American trade relations with China. While a broad consensus on these central questions has emerged, scholarship on United States-China trade remains understudied in important ways.

I challenge pervasive historical assumptions about the growth of Sino-US trade by examining the National Council for United States-China Trade (NCUSCT). The National Council was a private, nongovernmental organization (NGO) established in 1973 by the US government and composed of diverse and powerful American businesses. Its first president, former Ambassador Christopher H. Phillips, served under George H. W.

Bush as deputy ambassador to the United Nations from 1969 to 1973. It also boasted the membership of hundreds of major multinational corporations (MNCs), including Westinghouse, Monsanto, General Electric, and Chase Manhattan Bank, as well as dozens of import-oriented small businesses. The Council bound together these interests to play an important but unacknowledged role as America sought to build a globalized relationship with China. Not only did the Council advocate for and directly facilitate early bilateral trade in the 1970s, but it also acted as a diplomatic backchannel between the United States and China, a key role in the era before the two nations had normalized their relations. By effecting trade and diplomacy, and by directly negotiating with the Chinese leadership, the Council helped set the stage for the presently globalized Sino-US relationship. Despite the Council's role, it has attracted surprisingly little attention from subsequent historians. Yet reevaluating the group will yield fresh insights into the trajectory of Sino-US relations.

FORGING A NATIONAL COUNCIL

Following President Richard Nixon's historic opening to Beijing in February 1972, the United States engaged in an ongoing rapprochement—a rebuilding of relations—with China. Surveying the international landscape, America's leaders found clear strategic benefits in such rapprochement. China had taken a hard stance against the Soviet Union during the acute deterioration of Sino-Soviet relations in the 1950s, culminating in the Sino-Soviet split of 1960.¹² Nixon and his national security advisor, Henry Kissinger, thought that opening to the Chinese could facilitate the short-term benefit of withdrawal from the Vietnam War as well as the long-term benefit of gaining the Chinese as a counterweight to the Soviets in the Cold War struggle.¹³

Trade, in this drama, initially played a marginal role in the minds of top US policymakers. In 1972, Kissinger concluded, “the maximum amount of bilateral trade between us”—the United States and China—“even if we make great efforts, is infinitesimal in terms of our total economy.”¹⁴ Kissinger had good reason to be skeptical of trade. China in 1972, then emerging from years of devastation under the Great Leap Forward and in an ongoing Cultural Revolution, had an average per capita income of around US\$100. Its command economy remained mostly rural-agrarian.

While Mao's regime had previously sought capital goods from Europe and the Soviets to aid China's modernization program, trading with the United States posed a distinct and difficult set of challenges. China's upheavals in the mid-1970s, historical Sino-American animosity, and Mao's resistance to US foreign investment seemed to make China uniquely problematic for American business.

Despite the long odds of bilateral trade, skepticism did not translate into fatalism. Trade remained an interesting possibility as a method of promoting ties between the United States and China. An important institutional obstacle that Nixon first addressed was America's ongoing embargo of China's economy. After China sent troops into North Korea to repel the US Army in the Korean War, President Harry S. Truman broke off all relations and, in December 1950, froze Chinese assets and imposed a strict embargo against trading with China.¹⁵ In the same month, the Chinese retaliated, blocking American accounts and expropriating American assets in China.¹⁶ As the Korean War dragged on, the Truman administration led an international campaign, supported by Clement Atlee's government in Britain, to enforce a multilateral embargo against the Chinese economy. These commercial controls, directed by a Coordinating Committee (COCOM) in Paris, theoretically blocked all trade in strategic goods between China and the NATO nations (minus Iceland and plus Japan).¹⁷ The regulations engendered controversy between the United States and European allies, as various European countries had traditionally significant trade with China and sought to subvert the controls. Yet Washington continued to see its total embargo as vital to containing the Chinese threat.

Thus, for two decades, commercial relations between the United States and China lay shattered. As Nixon opened to China, however, he began to reverse these policies, rebuilding the legal frameworks of trade that had been severed since 1950. Nixon relaxed some of Truman's restrictions by ending the travel ban against visiting the mainland and by mostly abolishing the embargo on United States-China trade, excepting certain strategic items.

Though Nixon considered trade a minor economic factor, it could still be of diplomatic significance in cultivating new ties with China. Perhaps trade, even if lacking in major *economic* importance, could still be of political and diplomatic importance in increasing bilateral connections. A House of Representatives mission to China in mid-1972 endorsed this conclusion. House Majority Leader Hale Boggs and House Minority

Leader Gerald Ford wrote in their post-trip brief that “though diplomatic ties with China may be a condition precedent to any dramatic increase in the range and volume of goods traded, this is not to say that some significant trade cannot occur before that event. Obviously, *trade itself can play an important part in bringing about diplomatic ties.*”¹⁸ As rapprochement went on, the government became progressively more interested in bilateral trade, as well as in circumventing the grave challenges to a Sino-American economic relationship.

As it became clear that traditional methods of stimulating bilateral trade—treaties, foreign investment, economic liberalization—were unavailable in the atypical Sino-US relationship, the US government turned to nontraditional proposals. One such idea was a nominally private yet governmentally endorsed commercial trading organization. To this end, the US Departments of State and Commerce, with the direct approval of Nixon and Kissinger, began to build a private NGO, the National Council. They intended the group to focus on promoting United States-China trade and on spreading basic information about the Chinese economy. By May 1973, the executive branch had handed off its creation to the private sector, nominating Westinghouse Electric’s chairman, Donald Burnham, as the first chairman of the National Council. In a relatively rapid ascent, the Council grew to include more than two hundred major American corporations within the year.

The Council, however, embraced important roles outside bilateral trade advocacy. By design, for a short period in the 1970s it also acted as a diplomatic go-between group for Washington and Beijing. The US government used the Council, under the veil of its private, nongovernmental status, to promote official American diplomatic positions to the Chinese. At the time, the Chinese were intensely dissatisfied over Washington’s continued recognition of Chiang Kai-shek’s Nationalist government in Taiwan, and occasionally refused to meet with American diplomats. Yet the Council, as an ostensibly nonpartisan organization, could take up backchannel negotiations where formal talks had broken off. Such informal diplomacy was especially useful in the era after Nixon’s opening in 1972 but before the formal resumption of Sino-American diplomatic relations in January 1979. In practice, the Council proved effective in such diplomacy, as Kissinger himself recognized in an enthusiastic letter to its board of directors in 1973. At a time when the United States and China had shown friendly overtures but had not yet reestablished their formal

ties, the Council's "alternative forms of representation" helped mitigate the difficulties of formal diplomacy.¹⁹

The Council's role in facilitating early bilateral trade transactions must also be recognized. Indeed, its go-between functions applied with equal utility in rekindling Sino-US economic exchanges, due in part to the complexities of trading with Mao's China. As China was then a state trading country, Beijing centrally directed all import and export quotas through a governmental trading bureaucracy. Until 1978, China's foreign trade was directly transacted by these centralized, state-run foreign trade corporations (FTCs).²⁰ Buying and selling with the FTCs was a tedious and exclusive process, creating the need for the Council's sophisticated middleman operations. By directly coordinating the early contacts of American businesses and China's FTCs, the Council facilitated some of the first business transactions after Nixon's 1972 opening.

The Council's litany of other functions cemented its role in early bilateral trading. It staffed an office at the Canton Trade Fair in Guangzhou (then China's major outlet for foreign trade), providing needed services to American traders in China. It published the industry-standard magazine on the Chinese economy, the *U.S. China Business Review*, which was well received in American business circles and sought by Chinese diplomats for its accuracy and comprehensiveness. The Council held conferences and established an academic advisory board that spread "basic information" about the Chinese economy at a time when such information was at a premium.²¹ While China's trade remained enigmatic—due not only to Mao's policies, but also because of the two-decade cut-off in cultural and economic contacts—the Council provided essential insights into Sino-American trade.

Though still small in comparison with the absolute size of America's foreign trade, United States-China trade had grown considerably by 1978. While in 1970 the United States and China had exchanged \$0 of goods, and many considered large-scale trading with China to be fanciful, by 1978 total trade grossed more than \$1 billion (table I.1). These gains were, in no small part, attributable to the National Council's efforts. They also demarcate the origins of the modern, globalized relationship between the American and Chinese economies.

Citing these early trade figures is apparently uncommon outside specialized literature and statistical handbooks. Indeed, early rapprochement trade seems to have garnered little interest in the broader context of

Table I.1. China's Trade with the United States, 1970–1980 (millions of dollars)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Imports	0	4.9	60.2	759	888	334	149	188	906	1,896	4,131
Exports	0	0.1	32.3	66	115	159	200	203	324	594	1,056
Total	0	5	92.5	825	1,003	493	349	391	1,230	2,490	5,187

Sources: Graph by author. 1970–1972 data from John L. Scherer, *China Facts & Figures Annual*, vol. 1 (Gulf Breeze, FL: Academic International, 1978), 166; 1973–1979 data from idem, *China Facts & Figures Annual*, vol. 4 (Gulf Breeze, FL: Academic International, 1981), 216; 1980 data from idem, *China Facts & Figures Annual*, vol. 5 (Gulf Breeze, FL: Academic International, 1982), 179.

United States-China relations, as if it were merely a disjointed prelude to the relationship's full stride of the 1990s and 2000s. In the following section, I examine reasons why historians have overlooked this period's economic ramifications.

THE HISTORIOGRAPHY OF UNITED STATES-CHINA TRADE RELATIONS

The historiography of United States-China trade relations in the 1970s has focused on two watershed events: Nixon's opening in 1972 and Deng Xiaoping's assumption of power in 1978. Nixon's opening signaled the initial possibility of bilateral trade. Deng, then, by embracing *gaigekai fang* (reform and opening up) in 1978, fulfilled the initial economic promise of Nixon's overture.²² By dismantling Mao's autarkic and xenophobic prohibitions against foreign direct investment (FDI) and foreign technology, and by rationalizing China's foreign trade regime and creating the special economic zones (SEZs), Deng set China on a path to economic revolution.

Deng's reforms obviously played a key role in preparing China for a major expansion of its export-oriented production. Chapter 5, in fact, is devoted substantially to examining how a number of political agreements

between Deng and the United States in 1978, 1979, and 1980 began to resolve the contradictions impeding bilateral trade. The major historiographical issue is not the recognition of Deng as a watershed, which is well established. Rather, Deng's centrality often crowds out a more extended examination of trade relations in the 1973–1978 period and the progress made therein.

This is the case because many authors assume that United States–China trade relations only gained a *meaningful* status after 1978, when liberalization began.²³ This position is sensible from the standpoint of economic statistics. As mentioned, though the gains of 1973–1978 were respectable in the context of immediate history, they had a negligible net *economic* impact when compared to America's overall volume of foreign trade. From the historian's perspective, however, the 1973–1978 period remains ripe for examination, particularly in its potential insights about the later course of United States–China trade and political relations.

THE HISTORIOGRAPHY OF THE NATIONAL COUNCIL

Scholarly treatment of the National Council has, thus far, unfolded in two basic waves. The first, from the 1980s to the 1990s, included retrospectives by journalists and diplomats who claimed some direct connection to China's opening, coupled with a few political science analyses. The retrospectives were generally superficial in their treatment of the Council. James Mann, in his 1997 book *Beijing Jeep: A Case Study of Western Business in China*, included a handful of references to the Council, though he did not expound the group's functions.²⁴ Randall E. Stross's *Bulls in the China Shop: And Other Sino-American Business Encounters*, despite addressing themes similar to those of this book's first chapter, also covered the Council only sparsely.²⁵ The same was true of the memoirs of John H. Holdridge and George H. W. Bush, which both mentioned the Council only in passing.²⁶

The early political science monographs were divided about the Council's role in normalization. In 1983, for example, Robert G. Sutter wrote that “with the notable exception of the National Council for U.S.–China Trade, a private, nonprofit organization formed in 1973 to promote U.S.–PRC economic relations, U.S. business interests have not played a prominent role in trying to change U.S.–China policy.”²⁷ Jaw-ling Joanne Chang, in her work *United States–China Normalization: An Evaluation of Foreign*

Policy Decision Making, took a more dismissive stance. Chang argued for the federal government's lack of concern about the Council's interests, concluding that such "interest groups rarely played a decisive role in foreign policy."²⁸

Several issues confounded the development of a Council historiography. The first as mentioned, was Deng's modernization narrative overshadowing discussions of pre-1978 trade. Deng's ascendancy provides a useful (if oversimplified) signpost for economic analysis. For examinations unconcerned with the historical issues of 1973–1978, the current periodization remains a useful heuristic. Deng transformed a trading relationship of primarily political, diplomatic, and historical significance into a more thoroughly economic relationship. In light of the Council's activities, however, I contend that historians should pay greater attention to the continuities between the Council's work and later developments, relaxing the assumption of 1978 as a historical rupture.

The second confounding issue was that of sourcing. Many documents relevant to the Council have only recently been declassified. A significant number of the sources in chapter 2, which traces the conceptual development of the Council in the executive branch, were only released in the early 2000s. While authors like Chang were quick to dismiss the Council as irrelevant from the government's perspective, her position was understandable given that she was writing in 1986 and did not have access to the pertinent documentation. Indeed, as new sources have shown, the US Departments of State and Commerce viewed the Council as a key form of "alternative . . . representation" in the pre-normalization era, complementing difficult normal diplomacy.²⁹

Finally, previous historians prioritized the examination of geopolitics over trade relations, without necessarily highlighting the linkages between the two fields. This trend was apparent in the millennial canon of United States-China relations, including Nancy Tucker's *China Confidential: American Diplomats and Sino-American Relations, 1945–1996* (2001), Warren Cohen's *America's Response to China: A History of Sino-American Relations* (2000), and Harry Harding's *A Fragile Relationship: The United States and China since 1972* (1992). The aforementioned source constraints affected these works as well. Yet the authors also showed a deeper bias toward classic diplomatic history, which discounted economic analysis. Tucker's work provides a vignette representative of the previous historiography of the National Council. In early 1973, shortly before acting-Ambassador Arthur K. Watson met with China's Liaison Office Chief

Huang Chen, Charles (“Chas”) Freeman of the State Department showed Watson a set of detailed proposals explaining the concept of the National Council. Freeman recalled that Watson “glanced at them and tossed them back in my lap,” angrily responding, “This is crap. I’m not going to talk about this penny-ante stuff. What I really want to do today is talk about global issues, sort of a *tour d’horizon*.”³⁰

Watson’s dismissive preference for global grandeur endured for more than three decades. Yet recently, historical concern about NGOs’ role in the Sino-US normalization has undergone a tentative renaissance, indicating the timeliness of this book. In 2012, Norton Wheeler published *The Role of American NGOs in China’s Modernization: Invited Influence*. Wheeler brought an unprecedented level of theoretical rigor to the issue, including useful discussions of informal diplomacy, civil society, and cultural imperialism. However, he focused on cultural and educational groups: the Hopkins-Nanjing Center, the National Committee on United States-China Relations, and The 1990 Institute. (He also discussed the contemporaneous organization devoted to Sino-US scientific exchanges, the Committee on Scholarly Communications with China, or CSC.) His treatment of the Council was minimal. He acknowledged that “prior to the formalization of relations, the non-governmental National Council for United States-China Trade helped lay the groundwork for commercial relations,” and that together, the CSC, the NCUSCR, and the National Council all “functioned as a kind of surrogate State Department” in the pre-recognition period.³¹

The National Council itself, which remains in operation, has provided more directly germane historical analysis. In 1988, the National Council changed its name to the US-China Business Council (USCBC) in the effort to broaden its mandate from trade to include such things as investment, finance, and shipping.³² The USCBC still represents more than two hundred prominent American firms doing business in China. Two recent articles from the *China Business Review* (formerly titled the *U.S. China Business Review*) were directly relevant to this book. Eugene Theroux, an international trade lawyer and the Council’s first vice president from 1973 to 1975, wrote the first. Entitled “America’s First Trade Mission to the New China,” Theroux’s article summarized the Council’s founding and its historic mission as the first trade delegation to visit Beijing in twenty years, in November 1973.³³ Another article from the *China Business Review*, entitled “Highlights from the US-China Business Council’s 40 Year

History,” provided a useful chronology cataloguing the Council’s early activities.³⁴

Finally, recent scholarly works have offered more systematic historical examination of the National Council. Min Song’s unpublished 2009 dissertation, “Economic Normalization: Sino-American Trade Relations from 1969 to 1980,” dealt with the Council in its fourth and fifth chapters.³⁵ Min examined the Council’s role in Chinese export promotion and offered a valuable survey of Chinese perspectives on Sino-US trade. A pair of 2017 journal articles has similarly reinforced the Council’s historical relevance. The first by Mao Lin, offers a reconsideration of the roles of trade and soft power in United States-China relations. I disagree with Mao’s assertion that Americans pursued the Sino-US opening, at least initially, from a desire to transform China’s economic model, having found little evidence for this claim. Nevertheless, I am obviously sympathetic to the spirit of his piece—that historians “can no longer dismiss U.S.-PRC trade in the 1970s . . . as insignificant and thus unimportant to the reconciliation.”³⁶ The second, by Kazushi Minami, details the National Council’s role in promoting Sino-US oil and oil technology exchanges in the 1970s, a topic addressed in my own chapter 4.³⁷

The historiographical gap on the Council, once wide, shows signs of narrowing. It is time for a deeper examination of the Council’s history and significance. Aside from reconstructing a forgotten history, this book also reveals the Council’s relevance beyond United States-China trade. Indeed, the Council’s historical operations also engage globalization, broader American diplomatic history, and the importance of Taiwan in the Sino-American normalization, particularly as Taiwan relates to trade. Using the Council as a prism through which to view these fields brings a fresh look to each.

THE IMPACT ON GLOBALIZATION HISTORIOGRAPHY

Was modern globalization inevitable, or was it a historically contingent process? Barry K. Gills, a political scientist and noted globalization scholar, has catalogued this basic dichotomy in writings on globalization. On the one hand, the economic determinist approach sees globalization as “historically obvious or inevitable,” determined by “economic logic,” and the “automatic” result “of a technologically determined market oriented law

of progress.”³⁸ On the other hand, the historian approach “operationalizes” globalization by “putting ‘people as agents’ back into the center of analysis” and by emphasizing the importance of “conscious human decisions” in producing globalization.³⁹

This is a divisive topic in economic and political theory, with various intellectual schools supporting the notion of globalization’s inevitability and others denying it. Karl Marx and Friedrich Engels, building on G. W. F. Hegel’s dialectical view of history, initially endorsed the notion that globalization was inevitable. Given the “law of the tendency of the rate of profit to fall,” Marx asserted that capitalism would inevitably tend to globalize in search of new markets and resources.⁴⁰ In *The Communist Manifesto*, Marx and Engels wrote that

the bourgeoisie has through its exploitation of the world market given a cosmopolitan character to production and consumption in every country. To the great chagrin of Reactionists, it has drawn from under the feet of industry the national ground on which it stood. . . . In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal inter-dependence of nations.⁴¹

Given this seemingly prescient analysis, some commentators have called *The Communist Manifesto* “more relevant than ever,” spawning an entire “Marx-on-globalization” genre.⁴² Yet this reassessment of Marx-on-globalization has also created a derivative theoretical debate on the extent to which Marx actually believed in globalization’s inevitability. While he apparently thought it inevitable in his early writings, as he matured he became skeptical about the possibility of globalization in, ironically, China. (He believed it would take a protracted struggle to subsume the “Asiatic mode of production” to industrial capitalism.)⁴³

The notion of globalization’s inevitability has also found support among non-Marxists. Modern-day neoliberals, who endorse a pro-trade, liberal capitalist international order predicated on deregulation, privatization, and fiscal austerity, have also come to see globalization as an inevitable process. *The New York Times* columnist Thomas Friedman, an early advocate of the term “neoliberal,” has done much to popularize the notion of globalization’s—or “flattening’s”—inevitability.⁴⁴ For Friedman, precipitous decreases in the price of transportation and the growing sophistication of technology have made global economic interdependence a fait

accompli. Francis Fukuyama, author of the controversial book *The End of History and the Last Man*, characterized this as the “*Wall Street Journal* school of deterministic materialism” that “sees man as essentially a rational, profit-maximizing individual.”⁴⁵ Despite Fukuyama’s derision of gross determinism, he too endorsed the Hegelian notion that there was “some larger process at work,” that is, broader trends that positioned Western liberalism and free enterprise as the “final evolution” of human society’s dialectical ascent.⁴⁶

In sharp contrast to such metanarratives, the historicist perspective emphasizes the importance of “conscious human decisions,” as Gill writes, and sees globalization as a contingent process.⁴⁷ I explicitly assume and endorse the historicist view in my examination of the Council. Surveying the Council’s history and operations highlights the importance of contingency and discrete decisions in the development of United States-China trade relations. Against conceptions of ineluctable trends, I use the National Council to historicize the process of resuming trade relations with China and to demonstrate the profound obstacles to the resumption of bilateral trade that the Council labored to overcome.

Ultimately, the notion that Sino-American trade *inevitably* expanded into a major relationship is a teleological and ahistorical view. While today the economic intermingling of the Chinese and American economies may seem obvious or natural, this is a recent historical development. As Kissinger’s and Boggs’s earlier comments demonstrate, in 1973 the idea of a major trading relationship with China seemed fantastical. Not only were there politico-diplomatic obstacles to trade (Truman’s embargo, high tariffs, the lack of most-favored-nation [MFN] status, the lack of bilateral trade agreements, and the outstanding foreign claims issue), but there were also deep and systemic cultural obstacles that the National Council sought to mitigate.

THE IMPACT ON AMERICAN DIPLOMATIC HISTORIOGRAPHY

The purported manipulation of American foreign policy by MNCs—some of which is well documented—often produces a cynical scholarly evaluation of the interplay of wealth and state power in foreign relations. Bruce Mazlish, professor of history at MIT, encapsulated such suspicion when he wrote,

In addition to economic power (including lobbying in its own country), Exxon Mobile [sic], as an example, exercises extraordinary political influence. . . . How great the influence is, is unknown, but it is probably as great or greater than the ability of the U.S. Congress in setting policy. Diplomatic history usually shortchanges this topic. . . . Exxon Mobile [sic] plays an outsize[d] role in international affairs with little accountability (shareholders are pushed aside). It clearly is not only wealthier than 70 or so nation-states, but also more powerful. . . .

I suspect that there is a department in the oil company devoted to foreign affairs. If not, or in addition, resort may be had to advisory organizations such as Kissinger Associates. In any case, one can be sure that Exxon Mobile [sic] plays a strong role in shaping foreign policy as well as pursuing ever-more petroleum resources. Exxon Mobile [sic] is a striking example of the political power exercised by the MNCs, even over big and powerful countries.⁴⁸

Mazlish, writing in 2012, provides a good example of such contemporary skepticism. His comments may be particularly relevant given the National Council's deep connections to Exxon: not only was Exxon a member firm, but the Council's second vice president, Melvin Searls, came to the Council after serving as an executive with Exxon's Hong Kong branch. While Mazlish singles out Exxon Mobil as a manipulator of short-term state policy, his concerns are attached to the broader New Left critique, formulated at midcentury by William Appleman Williams. The New Left read the history of American foreign relations as business and diplomacy working hand in hand to promote long-term American commercial imperialism.

Williams, a prolific revisionist, reflected a deep suspicion about the influence of banks and corporations in American foreign policy. He laid out these views comprehensively in his 1959 magnum opus *The Tragedy of American Diplomacy*. For Williams, the tragedy of American diplomacy was that while America had at its core the promise of beneficent ideals (democracy and self-determination), in practice Americans presumed that "other people *really* cannot solve their problems and improve their lives unless they go about it in the same way as the United States."⁴⁹ For Williams, this flawed presumption had oriented American foreign policy away from ideals and toward "forcing" American values, with "economic and political" and military pressure, "upon the other society," in order

to “internationaliz[e] business through the expansion of the American corporation.”⁵⁰

Williams viewed American diplomacy as focused on “free-trade imperialism,” in which the United States “relied upon its industrial and general economic power to structure and control weaker or less developed nations.”⁵¹ A key corollary to free-trade imperialism was the major influence Williams felt that banks and corporations played in dictating American foreign policy. Williams, in particular, attacked the “legend of isolationism” in the interwar period by examining American conduct in Latin America. He argued that the desire for “corporate expansion” and the “effort to expand American exports” had suffused American foreign policy, orienting it toward “developing a political system in Latin America . . . loyal to the basic interests of the United States.”⁵² Business and diplomacy thus worked synergistically to create the economic subservience and political hegemony that benefited both field

Williams’s critiques do find validation in specific episodes in American diplomatic history, and even within the Nixon administration. Nixon’s long-running attempt to destabilize Salvador Allende in Chile over concerns of Allende’s hostility to US business is a prominent example. The Central Intelligence Agency (CIA)-sponsored and United Fruit Company (UFC)-endorsed 1954 overthrow of the Jacobo Árbenz regime in Guatemala is another well-known example, though from the Eisenhower years.⁵³ Given these apparent examples of perfidy and violence in the state-corporate nexus, it is only natural to wonder if the Council was a similarly cabalistic endeavor, exerting its corporate influence to reform China along pro-commercial lines.

Yet the Williams critique is broadly inapplicable to the National Council for two basic reasons. First, the National Council was not an example of private industry co-opting American foreign policy for its own interests, but actually an example of the reverse: the government co-opting private industry to facilitate international diplomacy. The National Council did not set the American diplomatic agenda in relation to China, nor did economic interests dictate the course of rapprochement. In certain cases, decisions such as a break in relations with Taiwan actually seemed to go *against* American economic interests. Rather, the Council, by using trade as an ostensibly nonpolitical method to maintain backchannel access to Chinese leaders, was fundamentally serving the *public* interest of the American diplomatic establishment.

The notion of a loose public-private coalition promoting American diplomatic interests (rather than Williams's more cynical take) is, by itself, not particularly novel. For example, the United States had previously employed the help of American banks and corporations in the effort to stabilize Europe after World War I. Owen Young, the founder of RCA, negotiated a revised reparations plan with the German government, in which J. P. Morgan & Co. would provide financing for Germany's reparations payments.⁵⁴ The Council distinguishes itself, however, by the explicit nature of its diplomatic mission, as pronounced by its designers in the US government. It was more than a case of public and private interests happening to coincide; indeed, it was the government consciously deploying private interests under the banner of a discrete NGO to facilitate diplomacy with the Chinese.

The second feature that negates Williams's assertion of commercial imperialism is that the political situation in China obviated the American government's ability to mold the China market to American interests. This reality had certainly not always been the case in United States-China relations. For much of China's "Century of Humiliation" (c. 1839–1949), the United States and Europe had been so much more powerful than China (and China so internally disorganized) that the Western powers could readily impose imperialism on the Chinese to promote Western business interests. American commercial imperialism surfaced in the Treaty of Wangxia (1844), guaranteeing the United States favorable trade provisions; the Treaty of Tientsin (1860), forcing open China's ports to the United States; and John Hay's infamous Open Door Note of 1899, recognizing Euro-American spheres of influence in China. Similarly telling, when the US Marines deployed to China during the Chinese Civil War and the Second Sino-Japanese War, one of their central mandates was the protection of American business assets in China.

After the Chinese Revolution in 1949, however, China regained a considerable amount of organization and power, making it effectively impossible for American foreign policy to manipulate China's internal business environment. Mao unified the country and radically increased its military power, which, after 1964, included atomic weapons. The Anti-Rightist Campaign in 1957 and the later Cultural Revolution made the Chinese extremely suspicious of "American imperialism," and of America generally. Mao's politics created not only intense xenophobia, but also paranoia of displaying any perceived collusion with American influenc .

Accusations of imperialist or revisionist tendencies could land hapless Chinese in hard labor camps, or worse. In one instance, a university professor's father was put under house arrest because a taxi driver "accused him of preferring American can openers."⁵⁵ In its economic policies, Beijing heavily regulated China's foreign trade to comport with its command-economic schemes. The Ministry of Foreign Trade ensured that trade was highly centralized and conducted strictly on the basis of "equality and mutual benefit" thus preventing the renewal of unequal trading arrangements that exploited China.

Unlike in relatively weak Latin American countries, as Williams tended to cite, American foreign policy could not tear down China's trade regime and reformulate it to cater to American interests. Rather, from 1973 to 1978, it was forced to work *within* the Chinese system and to mitigate the constraints that China's regime created. As Wheeler argued in *The Role of American NGOs in China's Modernization*, it was fundamentally through such "invited influence"—the Chinese desire to renew cultural contacts, rather than through American imposition—that Americans could begin to rebuild United States-China ties.

REASSESSING THE IMPORTANCE OF TAIWAN

A final revision of the historiography concerns the impact of Taiwan, and the domestic Taiwan lobby in particular, on the development of bilateral trade. Taiwan, as mentioned, became a crucial issue hampering the normalization of relations between the United States and China. Following the Chinese Revolution in 1949, the United States refused to recognize the legitimacy of the communist state. Rather, it recognized Taiwan's Nationalist government under Chiang as the legitimate government of China. The United States had successfully prevented the admission of China to the United Nations for two decades, relenting only in 1971 on the eve of Nixon's opening to China. Despite the pivot in UN policy, the mainland remained in diplomatic limbo in Washington. The United States continued to recognize Taiwan and did not recognize the communist regime in Beijing until 1979.

Concomitantly in the United States, Taiwan retained an influential pocket of supporters known historically as the China lobby (or, for clarity, the Taiwan lobby). As discussed in chapter 4, the Taiwan lobby consisted

mainly of Republican politicians and anticommunist businessmen who strongly supported Nationalist Taiwan, opposed the mainland's admission to the United Nations, opposed the normalization of relations with China, and supported the 1954 Mutual Defense Treaty binding the United States to protect Taiwan's national security. The Taiwan lobby's heyday, as the historiography accurately describes, was during the Red Scare/McCarthy era of the 1950s, when emotions ran high over the supposed loss of China.

This work revises the Taiwan historiography in two respects. First, though historians have rightly argued that the Taiwan lobby had declined in influence by the time of Nixon's opening in 1972, they have understated Taiwan's continuing importance in delaying the normalization of relations until 1979. While the Taiwan lobby's influence had obviously waned since the heyday of McCarthyism, this was not always apparent to American policymakers. Nixon, Ford, and Jimmy Carter, in their private records (including in the Nixon tapes), all expressed ongoing concern with the power of the Taiwan lobby to promote a domestic backlash against the diplomatic recognition of China. Further, the Taiwanese themselves continued to prosecute lobbying efforts in the United States even late in the Sino-US rapprochement. A prime example was Taiwan's creation of the USA-ROC [Republic of China] Economic Council in 1976—a direct Taiwanese reply to the National Council. Meant to secure the US-Taiwanese business ties that were, in Taipei's view, imperiled, the new group angered the Chinese and threatened to impede US trade ties with the mainland. In light of these factors, I reevaluate the problems Taiwan posed for the Council's mission to expand trade.

More importantly, the historiography on Taiwan has neglected the interplay of politics and economics. It has assumed that while the Taiwan issue had *political* impacts, Taiwan had “not much” of an impact on trade after Nixon's opening.⁵⁶ In reality, by blocking normalization, the Taiwan problem blocked corollary trade measures that were contingent on diplomatic recognition: an MFN treaty, bilateral investment treaties enabling FDI, intellectual property protections, export-import credits, and the resolution of the foreign claims issue.⁵⁷ Additionally, the advent of the USA-ROC Economic Council created numerous complications for the National Council's informal diplomacy. This book thus synthesizes political and economic historiographies, demonstrating not only Taiwan's political impacts, but also its corollary stunting effect on Sino-American trade.

A ROADMAP

I examine the Council in the course of five chapters. Chapter 1 catalogues the litany of challenges to United States-China trade in the 1970s. Though Nixon and Kissinger saw trade as a possible avenue of exchange, they did not prioritize it for many reasons. China's economic weaknesses seemed to preclude a major trading relationship. Despite China's population of nearly one billion, its foreign trade sector was so weak that it accounted for only half a percent of all global foreign trade in 1976.⁵⁸ Americans misunderstood the Chinese economy following the cut-off of all contacts from 1951 to 1971. Cultural ignorance affected the Chinese as well, as both sides lacked basic insights into how each other's economies functioned. From the vantage point of the 1970s, Sino-US globalization seemed not only *not* inevitable, but also distinctly unlikely.

Chapter 2 examines the Council's founding, its design as an institution of backchannel diplomacy, and its mission to Beijing in November 1973. I argue that the Council's role in augmenting official diplomacy in China was not merely incidental, but that the executive branch designed and deployed the Council as a means of "alternative . . . representation"—thus complementing traditional state-to-state diplomacy—in the period before diplomatic relations.⁵⁹

Chapter 3 presents a comparative analysis of the Nixon administration's economic strategy in China and in the Soviet Union. Both nations were the subjects of ongoing diplomatic efforts (*rapprochement* and *détente*, respectively) that also incorporated informal, nongovernmental trade diplomacy. Their status as the world's two most important non-market economies, the Nixon administration's emphasis on triangular diplomacy, and Nixon's view of China and the Soviets as on parallel tracks in the American response to East-West trade all make the two cases ripe for comparison.

Chapter 4 examines the Council's activities from 1974 to 1977. Relying on the Ford Library's archives, the chapter reconstructs the Council's role in facilitating early bilateral trade. Issues include the *U.S. China Business Review*, the academic advisory board, reciprocal trade missions of the China Council for the Promotion of International Trade (CCPIT), and delegations of China's FTCs. By directly coordinating its member firms with China's buyers and sellers in the FTCs, the Council enabled some of

the first post-embargo business transactions. The Council, finally, mitigated the lack of a legal trade framework by privately negotiating agreements with the Chinese, including a notable measure protecting American intellectual property. The chapter then turns to the Council's limits, demonstrating the contingency and fragility of bilateral trade. It analyzes three factors that destabilized bilateral trade: the resurgence of the Taiwan lobby (especially in the 1976 election), the Tangshan earthquake of 1976, and the deaths of Mao and Zhou Enlai.

Chapter 5 examines the Council in the midst of key political watersheds at the close of the 1970s. The normalization of relations, achieved in 1979, coupled with Deng's ascendancy, began to unravel the toughest obstacles to bilateral trade. In the immediate term, normalization boosted interest in the Council to unprecedented levels, causing its corporate membership to triple in a few months. Yet normalization also entailed basic changes to the roles and significance of the Council, including diminished importance in the long-term future of bilateral trade.

The book concludes with an examination of the Council's post-1980 history—its successes, failures, and ultimate importance in the history of Sino-US relations—and a historiographical afterword on the Council and current NGO scholarship.

A NOTE ON SOURCES

A number of primary sources have proven indispensable. First was the *United States-China Business Council Records*, two substantial donations of the Council's original papers to the Ford Library. These primary sources formed the backbone of my work, spanning original newspaper clippings on trade from the 1970s, to the first editions of the *U.S. China Business Review*, to many pages of Christopher H. Phillips's handwritten notes. I am indebted to the Ford Library's archivists, who reviewed and released five boxes of previously sealed materials relating to the Council and the debate over MFN status. A glance at this book's notes will confirm the centrality of this collection. I should note that in many instances these sources include only the Wade-Giles Romanization of various Chinese names, which was customary until 1980. Where the figure was sufficiently eminent to cross-reference (for example, Han Xu), or in the instances in which the Chinese characters survived, I have converted the Chinese names to

their more modern pinyin spellings. Taiwanese names remain in Wade-Giles, however, as was the general custom until recent years.

I also drew from a number of other primary source collections. The US Department of State's *Foreign Relations of the United States* series helped contextualize the broader political landscape in which bilateral trade developed. Hale Boggs and Gerald Ford's "Impressions of the New China," a report made to the House of Representatives after their 1972 mission to China, was particularly useful for chapter 2. Where the primary sources were unclear, two excellent secondary sources mapped out the broader timeline: Ezra Vogel's *Deng Xiaoping and the Transformation of China* and Daniel Breck Walker's unpublished dissertation, "'Yesterday's Answers' or 'Tomorrow's Solutions'?: The Cold War Diplomacy of Cyrus Vance."

Finally, I relied extensively on four interviews. The first was a 1993 interview of the late Christopher H. Phillips, the Council's first president, by the noted oral historian Charles Stuart Kennedy. Phillips's insider perspective united important but diffuse pieces of the story. The three other interviews I conducted in the fall of 2015. These were with the economist Dwight Perkins; the Council's first vice president, Eugene Theroux; and the Council's executive director, Nicholas Ludlow, who also spearheaded the development of the *U.S. China Business Review*. I am especially indebted to Ludlow, who mailed me a dossier of his notes and personal recommendations from his time at the Council, including correspondence with George H. W. Bush, who served as Peking liaison chief from 1974 to 1975.

These rich collections have helped fill gaps in understanding regarding early Sino-US diplomatic and economic interaction. A glimpse into the past may also illuminate the potential future(s) of Sino-US relations—an evolution still unfolding in the living present. Indeed, as Mao was a vanguard for the discarded ideas of Marx, the Council was, in many ways, a vanguard for the presently globalized Sino-American relationship. Historicizing the Council's early bilateral trade and reappraising its forgotten contribution will alter and refine our conceptions of this world-historic development.

CHAPTER I

Disorder under Heaven

The Deep Uncertainty of Sino-American Trade

I am confident that our side can keep multiplying the complexities as long as your side can. It is something we are very good at.

—Henry Kissinger to Deng Xiaoping, Beijing,
November 26, 1974¹

We're revolutionaries. There is nothing you could sell us that we [would] want.

—Unnamed Chinese official to Robert Hormats, 1972²

In economic theory, there is a difference between “risk” and “uncertainty.”³ Risk implies that while the outcome is unknown, there is a known probability calculus that can be used to predict the results. Uncertainty, in contrast, implies that not only is the outcome unknown, but that there is also no known method to approximate the chances of success or failure. Trading with China in the early 1970s was, in many ways, illustrative of such uncertainty. China’s political instability under Mao Zedong’s Cultural Revolution, Mao’s previous expropriation of American business assets, and the lack of normalized relations meant that American businesses would be forced to go it alone in China. Moreover, China’s economy and

culture remained an alien commodity in the United States, as was American culture in China. What was China like? What could it produce? What did it demand? From the vantage point of the early 1970s, entering the China market was the commercial equivalent of taking a shot in the dark.

The barriers to trade discussed in this chapter underline the highly contingent nature of America's early economic relationship with Mao's China—likely intriguing to contemporary readers accustomed to China's economic power. Yet the historical record suggests no deeper force—no invisible hand—led to the teleological end of a trading relationship. Rather, it was a course propelled by discrete political decision-making, and occasionally, as with the Tangshan earthquake, a course repelled by uncontrollable events. Indeed, as trade seemed near a breakthrough in 1975, the year 1976 ushered in grave economic, political, and environmental instabilities that caused trade to plummet. Simultaneously, these pervasive contingencies demonstrated the need for an organization like the Council, which could navigate and mitigate such issues in trade and diplomacy.

TRADE: NOT PRIORITIZED IN NIXON'S RAPPROCHEMENT

Richard Nixon and Henry Kissinger did not conceive of rapprochement as an economic endeavor. Their aim in China was, rather, a political alliance against the Soviet Union. Bilateral trade was so small in 1973 that it was a laughing matter for Mao and Kissinger. Mao reminded Kissinger:

Mao: The trade between our two countries at present is very pitiful. It is gradually increasing. You know China is a very poor country. We don't have much. What we have in excess is women. (*Laughter.*)

Kissinger: There are no quotas for those or tariffs. . . . Our interest in trade with China is not commercial. It is to establish a relationship that is necessary for the political relations we both have.⁴

As their exchange reveals, a major trading relationship was regarded to be not only unlikely, but so improbable as to be a joking matter.

Grasping China's economic troubles, Nixon and Kissinger instead viewed the opening to China as a hardheaded act of realism with dual strategic aims. They believed first that by courting China, they could induce

Beijing to decrease its aid to North Vietnam, facilitating an American withdrawal from the Vietnam War.⁵ Second, they thought that in the long term they could contain the Soviet Union and reduce its capabilities by drawing China into a geopolitical partnership.⁶ On the eve of Nixon's 1972 visit to Beijing, Kissinger explained, "Right now, we need the Chinese to correct the Russians and to discipline the Russians."⁷ By engaging in this "triangular diplomacy," or "linkage," Nixon and Kissinger thus hoped to retrench American power against the backdrop of the Vietnam quagmire.

This classic strategic interpretation has recently become a matter of historiographical contention. A new view asserts that US policymakers saw China as a "frustrated modernizer" embittered over its failure "to become a first rate industrial power and establish modern economic sectors under communism."⁸ Thus, the United States might reverse its embargo and use its economic power "to persuade China to abandon its communist model" and "move closer to . . . the capitalist example."⁹ Economic modernization might similarly induce Beijing to "turn toward the free world rather than the Soviet Union."¹⁰

While this view eventually gained some traction, that Richard Nixon was steered by it is dubious. In arguing for the "frustrated modernizer" thesis, Mao Lin casts Nixon as an early doubter of the wisdom of Truman's embargo. He writes, "As early as in 1953, Nixon pointed out that the 'policy of containment and economic [blockade] of China . . . has very little chance' of success."¹¹ Yet placing the quotation into its proper context in Nixon's 1953 brief reveals a different sentiment:

Nixon: We could follow a policy of containment and economic blockade, basing the policy on the hope of overthrowing the government from within instead of from without. In my opinion, this has very little chance.¹²

Then-vice president Nixon was referring to the possibility of overthrowing the Chinese state sheerly through economic coercion—an issue that differed from the overall logic of the embargo. While in 1949 and early 1950, Truman, George Kennan, Dean Acheson, and British strategists had hoped to draw China from the Soviets through economic concessions, after the Korean War, support for a Chinese embargo ran high.¹³ The outbreak of hostilities reinforced the American belief that it was illegitimate

to economically aid known enemies. Yet such beliefs were not widely shared by those European allies uninvolved in the Korean War and desiring Chinese trade.¹⁴ When Nixon commented in the same report that “we must recognize that trade [with China] is inevitable,” this was, as he spelled out, in reference to “the pressures of our allies and the neutral nations” that disagreed with the American-led Coordinating Committee (COCOM) regulations.¹⁵ That is to say, as Nixon recognized that allies still desired Chinese trade contacts, he advised that the United States should not treat discovery of such contacts so harshly as to alienate allies and neutrals. This was particularly the case with Great Britain, at once Washington’s strongest ally and also a historic trader with China through Hong Kong. Nixon’s insight was thus distinct from the claim that by 1953 he precociously considered the economic controls futile.

Fourteen years later, Nixon again laid out his views on United States-Asia relations. His seminal *Foreign Affairs* article, “Asia After Viet Nam,” reinforced his skepticism about an economic opening to China.¹⁶ Writing around October 1967, Nixon repeatedly referred to the “Chinese threat” to stability in Asia.¹⁷ Most Asian nations, he argued, “recognize[d] a common danger, and s[aw] its source as Peking,” perceived “the common danger from Communist China,” and considered the “threat of ‘Red China’ . . . clear, present, and repeatedly and insistently expressed.”¹⁸ Nixon famously cautioned that “we simply cannot afford to leave China forever outside the family nations,” but also warned against those who urged a rapid opening.¹⁹ Constructive diplomacy did “not mean, as many would simplistically have it, rushing to grant recognition to Peking, to admit it to the United Nations, and *to ply it with offers of trade*.”²⁰ Economic concessions to China would simply “confirm its rulers in their present course,” while prudence dictated “a policy . . . of no reward.”²¹ Indeed, Chinese modernization was undesirable so long as China’s geopolitical loyalties remained uncertain. Benefits derived from an American-led modernization could just as easily be turned *against* the United States.

Yet Nixon’s strategic conception of China—more wistful than clairvoyant in its 1967 formulation, which entertained only long-term hopes for change—rapidly evolved in light of geopolitics. After he assumed the presidency, impetus for Sino-American triangular diplomacy began to spring from the increasingly explosive Sino-Soviet split. While Moscow and Beijing had traded ideological criticisms and competed for Hanoi’s loyalty throughout the 1960s, tensions boiled over in March 1969 when

the Chinese and Soviets initiated a nine-month border war. The Chinese interpreted their worsening relations with Moscow as a reason to seek American contacts. Following the Chinese Communist Party's (CCP) 9th Party Congress in April 1969, Mao convened four Chinese marshals—Chen Yi, Ye Jianying, Xu Xiangqian, and Nie Rongzhen—to produce a strategic assessment of the geopolitical situation.²² The marshals concluded, in September 1969, that while the Soviets were indeed planning to launch a large-scale attack on China, Soviet “apprehensions about possible Sino-American unity ma[d]e them uneasy to raise a large-scale military assault on our country.”²³ Leaning to the American side, then, could provide Beijing with an answer to its fears about the Soviet encirclement of China.

Nixon similarly considered the potential that China might be “smashed” as dangerous to world stability, as the Chinese served as a counterweight to Soviet hegemony.²⁴ The border clash indicated that the Chinese were likely now more anti-Soviet than anti-American, and thus, that Nixon and Kissinger might co-opt Beijing in their “game with the Soviets.”²⁵ While the CIA cautioned the administration that there was “almost no chance of significant compromise on the ideological questions,” it also reinforced that China’s “hope to unsettle the Soviets” had “moved [Beijing] from its previous intransigence to a more flexible approach designed to exploit the Sino-US relationship.”²⁶ The Sino-Soviet border war thus “undoubtedly [acted as] the principal catalyst in prompting a more urgent approach to rapprochement” with Beijing—converting Nixon’s “policy . . . of no reward” to more immediate-term trade concessions following his 1969 reevaluation of the commercial controls.²⁷

From this potential Sino-American opening, Nixon and Kissinger theorized additional strategic benefits. They saw China’s military aid as the lynchpin behind North Vietnam’s continued resistance. Since the 1950s, China had underwritten substantial portions of North Vietnam’s war effort and had provided key technical assistance.²⁸ The assumption that diplomacy could soften this aid informed Kissinger’s secret mission to Beijing in July 1971. On April 27, two months before his historic secret trip, Kissinger told Nixon: “I think if we can get this [China] thing working, we’ll end Vietnam this year.”²⁹ Yet Kissinger encountered resistance to this theorem in Beijing. In their July meetings, Zhou Enlai would not and could not make any concessions on Indochina. The pair at least saw eye to eye about their mutual desire to contain the Soviets. When briefing

Nixon about his trip, Kissinger encouragingly reported that “[the Chinese] are deeply worried about the Soviet threat and see us as a balancing force against the USSR.”³⁰ Zhou’s overture suggested that Beijing would entertain further US negotiations, at least on the Soviet issue—in line with the Four Marshals’ earlier recommendation.

Before his own visit in February 1972, Nixon sent an official message to Mao that underlined the importance of “find[ing] a negotiated settlement to the Indo-China war.”³¹ Yet again, during their negotiations in Beijing, Mao and Zhou showed little interest in selling out North Vietnam. Zhou directly told Nixon and Kissinger, “the Vietnamese are fighting for their country, and as long as they continue fighting, we must continue to support them.”³² Chinese concessions on Vietnam came only indirectly. Chinese funding to the North declined from \$200 million in 1972 to \$85 million in 1973, but the drop arguably would have occurred anyway in light of pending American troop withdrawals.³³ The Chinese also encouraged the North Vietnamese to settle at the ongoing peace talks in Paris. Overall, however, rapprochement could not reverse South Vietnam’s ultimate fall. By 1974, Chinese funding had bounced back to \$180 million per year, and by April 1975 the communists had overrun Saigon.³⁴

Regarding the anti-Soviet facet of their mission, Nixon and Kissinger were more successful. The visit reconfirmed that both the Americans and the Chinese saw the Soviet Union as the primary threat to their respective interests. The Nixon opening changed the world in the sense that it laid the groundwork for future American efforts to further isolate the Soviets from their former allies in Beijing. It seemed that Nixon’s “enemy of my enemy is my friend” strategy had worked, paving the way for further triangular diplomacy in *détente*.

When it happened to surface, trade remained a tangential issue in these early negotiations. Nixon and Kissinger valued trade possibilities more for their potential political symbolism than for their economic impacts. *The New York Times* recognized this reality in a 1971 analysis. While “only symbolic trade [was] anticipated” from relaxing controls on business, Nixon instead hoped to “stimulate the business of diplomacy.”³⁵ Indeed, administration official “made it plain that President Nixon’s announcement . . . was designed primarily as a political rather than an economic gesture. Neither the Administration nor American business executives anticipate meaningful commerce with China in the ‘foreseeable future.’”³⁶

Rather than economic motivations, Nixon believed that granting trade concessions could show his “willingness” to embrace the Chinese as a geopolitical partner.³⁷ He thus began to relax Truman’s embargo in a calculated manner, using each concession to boost Sino-US diplomacy. In June 1971, for example, while appreciating that trade would remain small in *absolute* terms, he unfettered a long list of nonstrategic trade items as an amity gesture before Kissinger’s trip in July.³⁸ As Nixon explained in a conversation in April 1971, “the relaxation of trade that we are planning is mostly symbolic.”³⁹ It was, indeed, mostly symbolic in the context of overall levels of foreign trade, but a highly important symbol in the context of geopolitics.

Nixon, in conversation with Alexander Haig and Bob Haldeman in May 1971, also opined that “releas[ing] some more items for trade with China” could send a political message to the USSR.⁴⁰ Nixon understood that the Soviets were closely monitoring American trade concessions to China. Partial liberalizations, signaling warming Sino-US relations, could push the Soviets into greater cooperation on détente. Yet Nixon was also aware that moving too quickly with concessions for China would be “galling” to the Soviets, risking détente altogether.⁴¹ The issue was particularly delicate given the ongoing Strategic Arms Limitation Talks (SALT) in Helsinki, which had commenced in November 1969. Nixon considered the agreements a potential capstone of his presidency. The State Department thus proved cautious about the issue, informing him that he must do nothing to “irritate” the Russians, given the overarching push for détente.⁴² While Nixon ridiculed what he considered the State Department’s timidity, his actions on trade nevertheless adhered to its basic advice.

Nixon proceeded by unwinding the trade embargo in “small steps”—a three-tiered approach suggested by Kissinger.⁴³ Seeking leverage over the Soviets in Helsinki, he approved a list of nonstrategic trade items for China.⁴⁴ This first foray into triangular diplomacy seemed to profit “As Nixon and Kissinger had hoped,” writes Daniel Sargent, “their China opening ‘improved Russian manners’ and invigorated Soviet-American détente with new urgency,” leading to a successful conclusion of SALT in May 1972.⁴⁵ Nixon triumphantly concluded, “Let me tell you something: without China, they [the Soviets] never would have agreed to the SALT.”⁴⁶ Securing the Anti-Ballistic Missile Treaty temporarily depressed concerns of Russian irritation, opening a path to greater liberalization of Sino-US trade policy.⁴⁷ Though America’s trade with China remained small in

economic terms, the SALT experience validated its importance as a geopolitical chess piece.

In the American estimation, the Chinese shared a similar basic perspective on the significance of trade: while trade might provide economic benefits political concerns outweighed monetary values. In Kissinger's second visit to Beijing in October 1971, Zhou swept aside discussions of "subsidiary issue[s]" like trade.⁴⁸ In Zhou's view, trade distracted from more pressing geopolitical concerns. Discussing such a "technical" matter also "serve[d] to make relations look more 'normal' than they really" were.⁴⁹ Zhou, in Kissinger's words, thus "airily dismissed the subject of trade."⁵⁰

Auxiliary talks between Kissinger's and Zhou's entourages reinforced the blasé attitude the Chinese projected regarding trade. On October 22, the State Department China hands John H. Holdridge and Alfred Jenkins sat down with Zhou's aide, Xiong Xianghui, to discuss bilateral exchanges. When Jenkins broached the subject of trade, Xiong reiterated three times that he was "not interested in this question."⁵¹ Not only were the "present conditions . . . not yet right" for trade, but Xiong also boasted that he was thankful for the American embargo, as it had "enabled us to carry out Chairman Mao's policy of self-reliance even more rapidly."⁵²

Summing up these views around March 1972, the National Security Council (NSC) stated,

the PRC [People's Republic of China] has made it clear that trade could be expected to grow only slowly and hinted that the rate of growth would be determined politically. . . . The PRC looks on trade as a means of obtaining items essential to its economy and exports only items which it must in order to get the hard currency for vitally needed imports. It also uses trade as a means of encouraging people-to-people relationships and influencing policies of other countries concerning such issues as Taiwan."⁵³

Nixon's public visit to China in February 1972 made only marginal gains in forwarding the Sino-American trade agenda. The Shanghai Communiqué, a statement of mutual understanding issued by Nixon and Mao at the end of Nixon's first visit, tepidly endorsed bilateral trade at the document's end: "Both sides view bilateral trade as another area from which mutual benefit can be derived, and agreed that economic relations based

on equality and mutual benefit are in the interest of the peoples of the two countries. They agree to facilitate the progressive development of trade between their two countries.”⁵⁴

While Chinese and American diplomats would reference the communiqué throughout later negotiations, its trade provisions had no immediate effect. Kissinger, appreciating both Chinese poverty and Chinese diplomatic subtlety, privately expressed his skepticism: “The maximum amount of bilateral trade possible between us, even if we make great efforts, is infinitesimal in terms of our total economy. And the exchanges, while they are important, will not change objective realities.”⁵⁵ Kissinger later said of the communiqué’s agreements, “We both know that basically they don’t mean anything.”⁵⁶ Though Kissinger’s comments seem pessimistic given our current knowledge of China’s economic ascent, they were a reasonable stance at the time, given the immense obstacles to bilateral trade.

THE ACUTE WEAKNESS OF CHINA’S ECONOMY

Globally, the Chinese economy had been in decline since the turn of the twentieth century, in both relative and absolute terms. While in 1860 China had accounted for about 20% of global GDP, by 1950 it produced less than 5% of global GDP.⁵⁷ As the Western economies had grown dramatically, reducing China’s relative share of global wealth, China itself had also stagnated for decades. From 1913 to 1950 overall, and particularly from 1927 to 1949, when the Chinese Civil War and Japan’s simultaneous invasion wracked the Chinese mainland, China’s economy grew only 1.5% over thirty-seven years.⁵⁸

After Mao consolidated control of China and ejected the Nationalists, he temporarily reversed some of this profound economic stagnation, at least in nominal terms. From 1952 to 1959, Chinese official figures reported that GDP per capita expanded at about 3% per year.⁵⁹ As many economic historians have shown, there is good reason to doubt these official statistics. The Chinese government’s accounting, in the first instance, relied on inaccurate and inflated price statistics to calculate GDP, which systematically overestimated industrial values.⁶⁰ As in the Soviet system, prices were not determined by market rates, but rather were set by artificial governmental estimation. Moreover, Soviet injections of capital and

technical assistance before the Sino-Soviet split helped to mask the systemic weaknesses of Chinese industry.⁶¹

Even in official estimation, however, the Chinese economy suffered devastating setbacks with the advent of Mao's Great Leap Forward, beginning in 1958. In this frenzied push for modernization, local cadres came under extreme political pressure to report positive, even if fictitious growth rates in everything from agriculture to steel production. The fantastical yield estimates they provided to Beijing led the central government to requisition local goods, including food supplies, at an unsustainable level that caused major local resource deficits.⁶²

By about 1960, the contradictions of the Great Leap reached a critical point. Following Mao's political break with Moscow in the Sino-Soviet split, the USSR withdrew all investments and technical advisors on extremely short notice, arresting the development of Chinese factories.⁶³ Industrial growth would not recover to its former levels for at least five years.⁶⁴ Mao's rapid collectivization experiment had also failed to meaningfully increase the production of such crucial items as steel and grain. Backyard furnaces, in the attempt to create high-quality steel, had smelted thousands of tons of useless pig iron. Furthermore, governmental requisitions of grain left the provinces with little or no surplus harvests.⁶⁵ The barrage of mismanagement combined with drought in 1958, the Yellow River flood in 1959, and further drought in 1960 to create a serious resource crisis, leading to the Great Chinese Famine in which somewhere between twenty-five million and forty million Chinese died.⁶⁶ The tragedy was compounded not only by the fact that China remained a net grain *exporter* through the famine, but also by Mao's consistent refusal to accept international food aid.⁶⁷ Even according to China's official numbers available to observers at the time, the Great Leap Forward had devastated China's economy. From 1960 to 1962, its GDP contracted more than 20%.⁶⁸ More modern estimates have suggested that "grain output fell 26% and cotton output by 38%" following the Great Leap, making it "a very expensive disaster" on the whole.⁶⁹

By 1970, China's economic situation was not much more encouraging. The political chaos of the Cultural Revolution, lasting from 1966 to 1976, gave Americans the impression that China was a risky investment. The Cultural Revolution caused further economic slowdowns in 1967 and 1968. Even by Beijing's contemporary estimates, the economy contracted at least -5.7% and -4.1%, respectively, in these two years.⁷⁰ As Nixon's

opening neared, China remained poor in both total and per capita GDP. China's national GDP in 1970 was about \$91 billion, falling far short of the United States' \$1.07 trillion.⁷¹ Though China had a population in 1970 four times larger than America's, its GDP was ten times smaller. Perhaps most telling was the GDP per capita figure. Americans earned approximately \$5,246 per year in 1970 (the highest per capita income in the world), while the average Chinese took in a meager \$113 annually.⁷² China's abysmal per capita income produced the corollary of virtually no Chinese consumer demand, betraying the myth of the China market.

Mao's philosophy also impeded foreign trade. Recalling the "Century of Humiliation" at Western hands, he remained focused on tightly controlling the foreign trade apparatus to prevent the development of trade imbalances. While other newly industrializing economies (NIEs) such as Taiwan, South Korea, and Singapore had emerged as global competitors given their low labor costs and openness to foreign direct investment (FDI), Mao took a strong stand, both rhetorically and in practice, against this trend. In a characteristic exchange, when Nikita Khrushchev asked to use Chinese workers for a 1958 logging project, Mao responded: "For years it's been a widely held view that because China is an underdeveloped and overpopulated country, it represented a good source of cheap labor. But you know, we Chinese find this attitude very offensive. Coming from you, it's rather embarrassing."⁷³

Mao continued his resistance to FDI, privatization, and the emerging "East Asian model" up until his death in 1976. Even if Mao had allowed FDI, there is the further question of what the Chinese themselves could have done with it.⁷⁴ During the Cultural Revolution, the CCP had gutted the Chinese university system, and particularly science and engineering. Mao abolished the entrance exam and replaced concerns for scientific rigor with the priority of political education for the "proper classes," dampening China's technical innovation and industrial capacity.⁷⁵ Only after Deng Xiaoping's ascent to power would China make significant gains in restoring its science and engineering regime.

"CHINA WAS SIMPLY AN INTELLECTUAL ABSTRACTION IN MY MIND": THE PROFOUND GULF OF KNOWLEDGE ON THE NEW CHINA

Another factor that cannot be ignored was the contemporary gulf of cultural understanding. While there is allegedly an American tendency to-

ward cultural insularity (and such a tendency in Chinese culture as well), in the 1970s a special confluence of factors forced even America's most sophisticated diplomats and China hands to admit their deep ignorance of China's culture and society. And in the reverse, Chinese ignorance of American culture and custom would create substantial work for the National Council as it facilitated bilateral exchanges.

Michel ("Mike") Oksenberg poignantly described this dilemma in a 1977 interview with China trader Julian Sobin. Oksenberg, who was then serving as a China expert in President Jimmy Carter's NSC, had, on the eve of his first visit to China, studied the nation for more than a decade.⁷⁶ He was a professor of political science at the University of Michigan and worked for its Center for Chinese Studies.⁷⁷ Yet the night before he entered mainland China for the first time, he found himself awestruck:

MO: I think that after all, 25 years, we had been without direct contact with China and a study of China for many academics is sheerly an intellectual exercise. I remember very well the night before I went into China for my first time .

JS: When was that, Mike?

MO: Summer, excuse me, December of 1972. And I had taken my tape recorder as we all do and I was sitting in the hotel room in Hong Kong and I decided that I would tape on the evening before I went in what I thought I was going to see in China so that I could compare.

JS: Aren't you disciplined? That's wonderful.

MO: So I sat down, and this is a very sobering experience. I had studied China then for 12 years. I had begun graduate school in 1960 and I turned the tape on and normally I have no problem of talking, and all of a sudden I had nothing to say, and I realized that China was simply an intellectual abstraction in my mind and that the range of possibilities for me as to what I really was going to see was so great that I really had very little idea precisely what I would see. I knew some of the cities that we were going to, so I thought, "well if I didn't have anything of a general nature to say, I would at least say what did I think Canton or Shanghai would really be like." All that came on in

that television screen in the back of my mind was the letters C-A-N-T-O-N, with nothing to fill in. I realized I had been a huge fraud.⁷⁸

Oksenberg's modicum of knowledge, as both a professor and a China specialist, was still presumably much vaster than that of the average American. Dwight Perkins, then the associate director of Harvard's East Asian Research Center, similarly recollected to Sobin that "there was a tremendous level of ignorance about how to deal with China in the early years."⁷⁹

Undoubtedly one of the greatest contributors to Sino-American cultural ignorance had been the ban on traveling to China that Washington imposed from 1950 to 1970. While President Lyndon Johnson, in 1965, had made limited concessions by allowing medical personnel and scientists to apply for visas, real change did not come until 1970.⁸⁰ In anticipation of an overture to China, Nixon "remove[d] all aspects of the travel ban" and allowed unrestricted American application for Chinese visas.⁸¹ Even with the ban removed, travel still remained problematic. Of the one thousand Americans who applied for Chinese visas in 1970, only three received them.⁸² Unsurprisingly, "no Chinese applied for entry to the United States."⁸³ The cumulative and incredible result of the two-decade travel ban was that from 1950 to 1970 only an average of seventy-five Americans *per year* had set foot in mainland China.⁸⁴ Such miniscule exchanges stand in stark contrast to current American travel to China: in 2015 alone, Americans made about 1.2 *million* visits to the mainland.⁸⁵ The embargo and travel ban, in turn, meant that a generation of American businessmen had had no meaningful interaction with the Chinese economy.

Further, the Chinese American diaspora remained relatively small and marginalized in this period. By the 1970s, the diaspora had not developed its later levels of sophistication and entrepreneurial capacity. Though Chinese exclusion had ended in 1943, the Immigration and Nationality Act of 1952 had established a tiny 105-visa quota for every "Asian" country.⁸⁶ The Immigration Act of 1965 represented the first major liberalization, expanding the quotas to 20,000 immigrants per nation, with a 270,000-immigrant cap annually.⁸⁷ Under this arrangement, the United States counted Hong Kong, Taiwan, and mainland China as separate "nations," for a total of 60,000 immigrants per year.⁸⁸ Additionally, Chinese now could immigrate to the United States for the purpose of "family reunification," creating an uptick in Chinese arrivals.⁸⁹ While the new arrivals bolstered Chinese American numbers from about 240,000 in 1960 to 436,000

in 1970, they did not substantially enhance bilateral trade.⁹⁰ As Wellington K. K. Chan has documented, the first generation of post-1965 immigrants

generally came from the working or lower-middle class and lacked college education or managerial experience in modern business. When they engaged in retail business, it tended to be of the traditional type—small groceries selling Chinese goods, tourist gift shops, restaurants, laundries, and the like. The majority among this group did not possess sufficient independent resources to start their own businesses; they simply found employment within the ethnic community or in locations nearby.⁹¹

These initial arrivals differed sharply from Chinese American immigrants in the 1980s and 1990s, who tended to be wealthy and well educated, and who had substantial trans-Pacific ties that benefited trade.⁹² Additionally, the diaspora of the 1960s predominantly sympathized with the Nationalists; the Taiwanese embassy “spent a lot of time . . . trying to reassure them” of America’s continued support for Chiang Kai-shek.⁹³

This lack of cultural, political, and economic ties to the mainland in the wake of the trade and travel bans created unique and interesting problems for bilateral trade. Eugene Theroux, first vice president of the National Council, recounted such misunderstandings in a 1978 interview. Once, while at the Canton Trade Fair, he encountered some Chinese merchants unsuccessfully peddling sewing machines. Theroux was surprised to discover their brand name: “Typical Sewing Machine.” Theroux then asked the sellers why they had chosen to call their product “Typical Sewing Machine,” as it seemed like an “undistinguished” name.⁹⁴ The Chinese retorted that if America had “Standard Oil,” why should they not call their product “Typical Sewing Machine”? Theroux then had to explain to the Chinese that while “standard” connotes a measure against which all others are judged, “typical” connotes an undifferentiated or boring product.⁹⁵

Theroux recalled other issues that arose with Chinese manufacturers and cultural misunderstandings. Why should they have to produce their products under American brand names? Why must they specify that a garment be hand-washed? (Few Chinese owned washing machines, and thus hand washing was the only method they had considered.) They also asked Theroux why they had to sew button-eyes on stuffed panda bears so tightly. Theroux replied that it was a consumer product safety measure

so that a child would not eat them. The sellers then asked him why a child would eat the eyes when they were plastic and not made for eating. Theroux also recalled some of the issues that translation introduced. Occasionally, Chinese brand names made no sense to Americans. In other instances, “their brand names just wouldn’t work here—like White Elephant Auto Parts, Pansy Men’s Clothing, Junk Chemicals, Fang Fang Lipstick, Fuking Pliers.”⁹⁶

While such issues arise often in international business, the twenty-year cut-off meant that by the 1970s American traders were effectively starting *de novo* in China, with access to few institutional resources. Indeed, mutual cultural ignorance proved a systemic obstacle to bilateral trade. The American business community did not understand what China wanted, had few Chinese-speaking Chinese Americans to act as mediators, and remained ignorant of what the Chinese could supply. As Perkins would later recall, getting trade into full swing would require “*basic* education on the nature of China.”⁹⁷

THE LACK OF NORMALIZED RELATIONS: A MAJOR OBSTACLE TO TRADE

The dual absence of diplomatic recognition and most-favored-nation (MFN) status for China presented two of the most pernicious handicaps to renewed trade. MFN, also called “normal trade relations,” implies that if “a country gives favorable treatment to one country regarding a particular issue, it must treat all [other MFNs] equally with respect to the same issue.”⁹⁸ Essentially, after making a nation an MFN, the United States cannot subsequently offer that country less favorable terms of trade than it has offered all other MFNs. While MFN remains a bedrock principle of international trade, Truman had (somewhat redundantly) revoked MFN for China in 1951, shortly after his general Chinese embargo.⁹⁹ Without MFN, Chinese goods entering the United States after Nixon’s relaxation were subject to the infamous Smoot-Hawley Tariff of 1930, which had radically hiked import duties at the onset of the Great Depression.¹⁰⁰ The United States would not reinstate MFN for China until January 24, 1980, creating special problems for bilateral trade in the 1970s.

In practical terms, the lack of MFN made many Chinese imports uncompetitive on the American market. While the tariffs for non-MFN

nations were non-standardized, a few items demonstrate the impact of MFN's absence. Kites, for example, faced a 17.5% import tariff if coming from an MFN, but a 70% tariff when coming from mainland China.¹⁰¹ Americans paid only a 9.3% tariff on T-shirts from MFN nations, yet paid 17% on Chinese T-shirts; 13.5% on Chinese bed sheets versus 7.5% on MFN sheets; and 50% on Chinese bamboo versus 25% on MFN bamboo.¹⁰² These restrictions undoubtedly prevented Chinese exports to the United States from expanding to their full capacity.

Tariff discrimination against Chinese products, aside from simply hindering the development of American demand for such goods, enabled a substantial trade imbalance to accrue in favor of the United States. From 1972 to 1973, China's trade deficit with the United States grew from -\$27.9 million to -\$693 million.¹⁰³ As the Chinese became increasingly wary of the growing deficit, they lodged their concerns with American diplomats. Not only did they wish to even out the trade imbalance, but the American failure to offer MFN also undermined Nixon's pledge about treating China as an equal geopolitical partner.

American diplomats soon identified the gravity of the MFN issue. On June 9, 1972, a little over three months after the Nixon opening, Richard Solomon forwarded Kissinger a note emphasizing "MFN status and tariff barriers" as key concerns.¹⁰⁴ Chinese Foreign Minister Ji Pengfei also objected to Kissinger about the "growing [trade] imbalance with" America.¹⁰⁵ Trade, characteristically, became not just an economic issue, but also one of political symbolism. Indeed, a 1977 memo from Secretary of Commerce Juanita Kreps to Zbigniew Brzezinski reiterated that

extension of nondiscriminatory tariff treatment (MFN) to China, now governed by the requirements of the Trade Act of 1974, including the Jackson-Vanik Amendment, would assist Chinese exports, but the removal of this stigma of second-class status as perceived by the Chinese would be an *even more significant stimulant* of Chinese decisions in favor of placing more orders with American suppliers.¹⁰⁶

In practice, however, the reinstatement of MFN was a complex problem, taking eight years after Nixon's opening to finally resolve.

Two global issues dampened progress on normalizing Sino-US trade relations: relations with the Soviet Union and relations with Taiwan. Regarding the Soviet Union, which also lacked MFN, American diplomats

believed that to retain the global balance of power, they could not show lopsided trade favoritism toward the Chinese. The United States could not extend something to China it was not similarly prepared to grant to the Soviets. Conversely, the Chinese held that they were uninterested in trade concessions if the conditions they received were not as favorable as what Washington offered Moscow.¹⁰⁷ Too obviously preferential treatment of China could threaten détente, while too restrictive a China policy could alienate Beijing. Thus, the United States had to pursue a policy that placed both powers “on an equal footing.”¹⁰⁸

Yet domestic US politics eventually complicated the balancing act by blocking extension of MFN to the Soviets. The Jackson-Vanik Amendment to the Trade Act of 1974, signed into law by President Gerald Ford on January 3, 1975, forbade the United States from conducting any “commercial agreement” with any “non-market economy” that did not respect the right of free emigration.¹⁰⁹ The original amendment aimed at punishing the Soviet Union for its controversial measures against Jewish emigration. The amendment enjoyed bipartisan support, as liberals appreciated the human rights aspect while conservatives saw it as tough on communism.¹¹⁰ By extension, however, American politicians often problematically misapplied it to all nonmarket economies, including China’s. The China application was as tenuous as it was damaging. Kissinger, Nixon, and Cyrus Vance thought the act absurd, antagonistic to the Soviets, and overly restrictive of diplomatic options.¹¹¹ Even Senator Henry Jackson, who co-sponsored the bill, eventually became convinced that it had no application to China.¹¹² In practice, those who seized on the human rights issue were those preexistingly opposed to Sino-US relations—that is, conservative Taiwan lobbyists and liberal labor advocates. Nevertheless, the issue of Sino-Soviet trade parity remained broadly compelling throughout the 1970s. Détente seemed too vulnerable to preferentially offer China MFN.

While the lack of MFN hindered Sino-American trade, it was only a component of the larger problem of broken diplomatic relations. The two issues, in fact, were deeply entangled. While the National Council once suggested that a trade agreement might precede diplomatic relations, the Chinese never took the idea seriously.¹¹³ In their view, any legal trade framework had to come after the broader achievement of formal relations. And at a time when the United States did not recognize the legitimacy of the mainland’s communist government, had no ambassador in Beijing, and maintained a longstanding defense treaty with Taiwan, bilateral legal trade

frameworks remained impossible. Indeed, America's recognition of Chiang Kai-shek's Nationalists in Taipei throughout the 1970s continued to annoy Beijing and preclude full relations.

TAIWAN: THE BÊTE NOIRE OF SINO-AMERICAN RELATIONS

In the beginning phases of Nixon's opening to China, when both sides treaded lightly for fear of derailing rapprochement, the Chinese had downplayed their preoccupation with the Taiwan issue. Mao and Zhou spoke of Taiwan in breezy terms. "We can do without them [the Taiwan issue] for the time being, and let it come after 100 years," Mao promised. "Why such great haste? . . . This issue [Taiwan] is not an important one. The issue of the international situation is an important one. . . . The small issue is Taiwan, the big issue is the world."¹¹⁴ Kissinger also recalled Zhou telling Nixon, "We, being so big, have already let the Taiwan issue remain for twenty-two years, and can afford to let it wait there for a time."¹¹⁵

When it came to negotiating the Shanghai Communiqué, however, Mao and Zhou drove a harder bargain. The Chinese side stated, "The Taiwan question is *the crucial question* obstructing the normalization of relations between China and the United States."¹¹⁶ It appears that the Chinese expected the imminent de-recognition of Taiwan, faster even than by Nixon's pledged date of 1976. Indeed, as US recognition of Taipei continued, Sino-US relations noticeably ebbed. In analysis briefings published as early as 1974, the Central Intelligence Agency (CIA) concluded that Mao was "*personally disappointed* with the pace of US moves in respect of Taiwan," that is, America's failure to immediately abandon the Nationalists.¹¹⁷

Compounding the recognition issue, since 1954 the United States had maintained a pact with Taiwan called the Sino-American Mutual Defense Treaty. The treaty pledged that the United States would regard any attack on Taiwan as "dangerous to its own peace and safety," and thus would respond with force to protect Taiwan's integrity.¹¹⁸ Economically, it also contained pro-Taiwanese trade stipulations that annoyed the Chinese. Negotiating their way out of the formal Taiwanese alliance, while also finding a formula to preserve some guarantees for Taiwan, would prove a tedious project for American diplomats.

As the goodwill of Nixon's initial opening subsided, the Taiwan problem became increasingly rancorous. Non-recognition and the Mutual

Defense Treaty with Taiwan dominated bilateral talks during Kissinger's 1974 visit to Beijing. Deng reminded him, "Of course, if we are to achieve the normalization of relations between our two countries and abide by the course set in the Shanghai Communiqué, then the treaty you have with Taiwan must be done away with."¹¹⁹ When Deng further pressed Kissinger, he forced Kissinger to admit that the United States had "not worked out a legal formula" facilitating the abolition of the Mutual Defense Treaty.¹²⁰ Kissinger reflected his own pessimism on the Taiwan issue in a pre-trip briefing with President Ford before Ford's visit to China in December 1975. Kissinger admitted to Ford that there was no clear resolution to the Taiwan alliance issue and that without one, Ford's visit was unlikely to make meaningful progress.¹²¹

The American side was hesitant to dump the relationship with Taiwan for a number of reasons. The American public entertained both romantic and strategic attachments to Taiwan, creating the threat of a domestic backlash against treaty cancellation. Internationally, cancellation of the Taiwan treaty in light of the Vietnam withdrawal would further impugn the value of American foreign policy commitments. Taiwan also seemed the more promising economic opportunity, especially when comparing its nascent industrialization to China's disorganized collectivism. The domestic Taiwan lobby also vocally opposed de-recognition of the Nationalist regime.

American attachment to the Nationalists was longstanding, dating back to the massive aid packages Washington supplied Chiang's armies in the Chinese Civil War. Barbara Tuchman damaged Chiang's reputation to some extent in her Pulitzer Prize-winning book *Stilwell and the American Experience in China, 1911–1945*, which she published, perhaps significantly, during the initial phase of Nixon's opening in 1971.¹²² Recalling the American postwar disappointment in Chiang's regime, Tuchman portrayed him as recalcitrant and wrathful, the bane of her gritty yet beleaguered protagonist, General Joseph Stilwell.

On balance, however, American public opinion continued to favor Taiwan, especially in comparison with the PRC. Gallup polling in 1972 revealed that 53% of Americans held favorable views of Taiwan—much higher than the PRC's 23%.¹²³ American conservatives, in particular, romantically considered Taiwan an isolated democracy bravely standing alone in a sea of communist aggression—a view that endured into the 1980s. It was thus America's duty to support a democracy and a noncom-

munist ally. In the fallout of the Chinese Revolution, Dwight Eisenhower's head of China Affairs, Walter McConaughy, argued that there was "reason to hope that the government at Taipei will continue to grow in strength, in devotion to the cardinal principles of democracy, and in international prestige."¹²⁴ At a 1960 dinner in honor of infamous Taiwan lobbyist Alfred Kohlberg, William F. Buckley Jr. counted among "those few symbols of hope for the Far East that are left to us" the non-recognition of the PRC, the preservation of "Free China" (Taiwan), and "the continued independence of little Quemoy and Matsu."¹²⁵ When Chiang died in 1975, Representative Walter Judd, the unofficial dean of the Taiwan lobby, eulogized Chiang as "one of the greatest men of the century on the record of achievements."¹²⁶

The reality, of course, was different from the image American Taiwan lobbyists cultivated. Chiang had kept tight-fisted controls on Taiwan since the 228 Incident on February 28, 1947, when Kuomintang (KMT) troops massacred several thousand Taiwanese following a protest.¹²⁷ Taiwan's period of martial law, from May 19, 1948, to July 15, 1987, was, at that time, the longest imposition of martial law in world history.¹²⁸ Chiang made it illegal to criticize the government and join any political party other than the KMT and gave the "military wide censorship powers."¹²⁹ During this period of "white terror," Chiang's secret police arrested more than 100,000 Taiwanese and executed tens of thousands.¹³⁰ They were also known to use both physical and psychological torture, coerced confessions, and forced labor.¹³¹ If Chiang's government could not match Mao's in scale, it imitated certain abuses at least in spirit. Regardless, Chiang and particularly the Taiwanese ambassador to the United States, James C. C. Shen (Chen Jianhong), propagandized Taiwan as "Free China," which held a natural appeal for American conservatives.¹³²

Other Americans, while entertaining less romantic views of Taiwan, saw the island as a strategic asset and an anchor of American influence in an unfriendly region. During the Vietnam War, it had served as "an important forward logistics and R[est] & R[ecuperation] center for American forces," hosting a substantial military presence.¹³³ In the 1970s, there still remained in Taiwan several thousand American troops, two squadrons of F-4 Phantoms, a US Army Communications Command, and a War Reserve Matériel depot.¹³⁴

Geopolitical considerations also supported the Taiwanese alliance, or at least complicated dissolving it. Japan, a key economic partner and home

to thousands of American troops, strongly favored the Sino-American Mutual Defense Treaty, as it guaranteed the security of Japanese commercial assets in Taiwan.¹³⁵ American official—particularly Richard Solomon of the NSC, feared that leaving Taiwan would create a power vacuum that would open Taiwan to Soviet influence and alliance.¹³⁶ Ambassador to Taiwan Leonard Unger suggested that after cancelling relations with Taiwan, Taiwanese “independentists” might try to reestablish the Republic of China (ROC) by invading the mainland, leading to a military conflict with the communists that would destabilize the region.¹³⁷

Economically, Taiwan appeared to be the more obvious place for American investment. With American aid and guidance, the Taiwanese had established an investment center in downtown Taipei, at which potential investors could indicate their needs “in way of utilities, labor, [and] raw materials,” and expeditiously resolve business disputes.¹³⁸ Given the friendly investment environment, American corporations had injected millions of dollars of capital into the island by the time of Nixon’s opening. In 1972, for example, Ford Motor Company opened a multimillion-dollar plant, Lio Ho Motors, in Taoyuan.¹³⁹ More broadly, Taiwan had cemented itself as a “newly emerging economy” with explosive growth rates that averaged 9.2% annually from 1965 to 1981.¹⁴⁰ Despite its comparatively small population (14.5 million versus ~ 850 million on the mainland), per capita productivity in Taiwan vastly exceeded that of China. One contemporary estimate put the figure at \$192.50 contributed to bilateral foreign trade per capita in Taiwan, versus \$5.50 in bilateral foreign trade per capita in China.¹⁴¹ From the economic vantage point of the 1970s, then, Taiwan seemed the logical bet for American business.

THE GLOBAL 1970S AND THE DECLINE OF AMERICAN HEGEMONY

As this chapter has shown, the United States and China faced extensive systemic obstacles to bilateral trade. Far from an inevitable, magnetic attraction of their two economies, it seemed unlikely that a major Sino-American trade relationship would develop in the foreseeable future. In addition to these specific difficulties—Taiwan, MFN, cultural ignorance—the global 1970s also harbored a landscape of instability that greatly com-

plicated United States-China relations. As Deng reminded President Ford during his 1975 visit to China, "There is great disorder under heaven. . . . The basic contradictions in the world are sharpening daily. The factors for both revolution and war are clearly increasing."¹⁴² While the perceived Soviet threat had driven together the United States and China, managing this delicate balance of power continued to dominate the foreign policy agenda.

A number of recent works have reconstructed the destabilizing political landscape, for example, the anthology *The Shock of the Global: The 1970s in Perspective*. As its editors Niall Ferguson, Charles S. Maier, Erez Manela, and Daniel J. Sargent have commented, the 1970s saw the "breakdown of the postwar economic order" as the "authority of superpowers diminished."¹⁴³ Non-state actors, terrorist organizations, and cartels began to compete with the traditional hegemony of the nation-state. The decade, in short, "transformed international politics."¹⁴⁴ Domestically, it produced great distractions from Sino-US diplomacy, including the eruption of the Watergate scandal in mid-1973. Globally, it harbored crisis. On October 6, 1973, the Yom Kippur War broke out in the Middle East. In response to American support for Israel, the Organization of Petroleum Exporting Countries (OPEC) began the Arab oil embargo from October 1973 to March 1974 that quadrupled energy prices.¹⁴⁵ The negative oil supply shock precipitated the energy crisis of 1973 and American stagflation. Nixon, hamstrung by the Watergate revelations, resigned in August 1974, rather than face impeachment. In April 1975, Saigon fell to the North Vietnamese, capping two decades of America's failed intervention in Indochina. By 1976, President Ford would face the worst economy since the Great Depression, ushering in economic malaise and a full-blown crisis of capitalism. For the first time in four decades, America was in decline.

In China, Zhou, the crucial negotiator in the American rapprochement, would fall gravely ill by 1974 and begin to recede from public life. Simultaneously, Mao succumbed to Lou Gehrig's disease and increasing paranoia. He purged key officials including Deng, and suffered a series of debilitating strokes in mid-1976. His death on September 9, 1976, ushered in a domestic power struggle that would determine China's political future.

Instability in the international system had brought together the United States and China in 1972. Yet it also threatened to tear the budding

relationship back apart. As the Americans and Chinese got down to brass tacks, it became increasingly clear that formal diplomacy, especially in light of the lack of diplomatic recognition, was underequipped to handle the multifaceted problems of the Sino-American relationship. To realize the full benefits of rapprochement, the United States would have to look to nontraditional forms of diplomacy to grapple with these issues, including the question of bilateral trade.