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OPENING UP TRADE WITH CHINA  
BY  
CONGRESSMAN LES AuCOIN  
FIRST DISTRICT, OREGON

Before the fall of the Nationalist government on the Mainland of China, there was a flour mill in Astoria, Oregon that exported its product to China.

Shortly after the United States broke diplomatic and commercial relations with the new regime in China, that mill closed down and a new mill was constructed in Vancouver, B.C. It also exported flour to China.

That footnote of history illustrates why it is to our benefit in the United States to restore a trading partnership with one of the major nations in the Pacific Rim. Such a partnership would inject new lifeblood into the economies of our two countries. It is in this context that I have introduced modest legislation aimed at removing barriers to increased Sino-U.S. trade.

Aside from the practical value of fostering increased trade, my legislation also has symbolic value. It symbolizes that the United States has not cooled in its desire to normalize relations with China. By passing this legislation, the United States would say that while larger steps are not possible right now, we are still moving toward normalization.

My legislation comes at a time when Sino-U.S. relations are, for all intents and purposes, paralyzed.

We talk of the Chinese national patience. They are patient, but not forever. We cannot afford to loll. We must demonstrate our resolve. We must show some movement, however slight.

In my view, there is no better vehicle at hand than promoting trade and, indeed, constructing a foundation on which to build extensive commercial relations later on.

Japan, the Common Market, Canada and others already are active in establishing market footholds in China. The Japanese and Chinese recently negotiated a major \$20 billion, eight-year trade pact. China also signed a five-year agreement with the European Community to import foreign technology. Canada and Australia have enjoyed steady agricultural exports with China over the past several years.

Meanwhile, the United States and its exporting community are being left behind.

There are a number of reasons for this, but chief among them is the unavailability of credit for major U.S. exports on terms competitive with foreign entrepreneurs.

For example, the Sino-Japanese trade agreement just approved calls for supplier credits for Japanese exports on fixed terms. The U.S. Export-Import Bank is our only finance agency that offers fixed terms as a general rule.

However, the U.S. Export-Import Bank is not allowed under law to extend credits, credit guarantees or loan insurance for U.S. exports to the People's Republic of China.

The net result: We lose potential sales to the Chinese and, consequently, lose out on job-creating economic activity. As a nation, we also lose out on a means to cut our staggering trade deficit.

My legislation--HR 8196 and HR 8197-- would remove this restriction on the U.S. Export-Import Bank. (The Bank, incidentally, engages in no activity to promote imports into the United States. Its activity is limited exclusively to financing exports from the United States.)

Candidly, some have questioned the need for this legislation, claiming that the Chinese shun debt because of their longstanding national policy of self-sufficiency.

It is true the Chinese avoid running up debt. But the Chinese, no matter how cloaked it is, rely heavily on foreign credit in the form of deferred payments. Of the \$2.5 billion worth of plant and equipment sold to China between 1973 and 1977, at least \$1.3 billion, or 54 per cent, involved supplier credits from foreign equivalents of the U.S. Export-Import Bank.

This reality is well known. In fact, many U.S. companies, facing the lack of credit avenues at home, sell to China through U.S. licensees abroad, thus depriving American workers of jobs.

I point this out with no satisfaction. But it is a hard, cold fact.

In the past five years, 84 per cent of Japan's major plant sales to China have involved Japanese credit in some fashion. How are we going to compete for that business unless we can provide U.S. exporters with competitive tools?

The stakes are high. In Oregon alone, we are talking about sizable markets: Wheat and other agricultural commodities; wood products; machinery; oil drilling and production equipment;

turnkey projects involving planning, design and construction of plants; and farm equipment.

*in comments  
useful  
only*

Business and groups interested in increased China trade range from large firms such as Caterpillar and Brown & Root (soon to locate an oil drilling platform assembly yard in Warrenton) to others such as the Oregon Wheat Growers League, electronics firms and a variety of wholesalers.

This is not surprising since 100,000 Oregonians owe their jobs to international trade, which constitutes 25 per cent of Oregon's gross state product.

Nationally, the list of firms with a keen interest in improved Sino-U.S. trade reads like the Fortune 500: Boeing Company, Coca-Cola, FMC Corporation, John Deere & Company, Ford Motor Company, IBM, Kaiser Engineers, Pullman-Kellogg and RCA. It also includes the likes of the Ports of Portland and Seattle and the Port Authorities of New York and New Jersey.

Whenever the issue of improving China relations arises, so do questions about human rights.

Unquestionably, the Chinese government is repressive. However, the issue facing us is whether we should trade with the Chinese or ignore them. When we signed the Shanghai Communique in 1972, I believe we said we no longer would ignore the Chinese, no matter how much we disagreed with them, or disapproved of their actions.

One portion of my legislation tackles a specific provision of law, commonly called the Jackson-Vanik Amendment. That amendment was borne of rightful U.S. indignation over restrictive Soviet emigration policies for Jews. However, the amendment is written to cover

all non-market nations, not just the Soviet Union, subjecting all to an emigration test.

On all of these scores, there is reason for measured optimism. The National People's Congress has just ratified a new constitution that reverses the practice of oppression of the past decade and restores a semblance of rule by law. The document bans coerced confessions, guarantees accused criminals the right to a public trial and provides for secret ballots in legislative elections.

This new attitude also appears to have carried over to the cultural sphere, as many Western books banned for a decade have been returned to library bookshelves.

Perhaps these are at best democratic stirrings. But they are stirrings nonetheless.

Senator Ted Kennedy also was optimistic when, on his recent visit to China, he was told of a more lenient emigration policy for Chinese seeking to visit relatives overseas. This dovetails with reasonable family reunification pacts in force between China and certain nations with which it enjoys diplomatic relations.

Finally, Senator Henry Jackson, on his return from China in late February, reported a new spirit in Peking. Jackson was quoted in the media as expressing pleasure at the news that the Chinese were allowing greater movement to and from the Mainland for overseas Chinese people.

More to the point of my legislation, there are encouraging signs that the Chinese are courting improved commercial relations with the United States.

On the very day of a hearing on my legislation in a House Banking subcommittee earlier this year, the First National Bank of Chicago announced it had established a fuller correspondent relationship with the Bank of China. The new relationship enables it to handle contracts for commercial transactions. Only four other U.S. banks have even a limited correspondent relationship that applies just to U.S. visitors to China.

An intriguing and promising sign brought to my attention in the last two weeks centers on inquiries made by high level Chinese officials about the status of frozen U.S. claims resulting from the takeover of industry in China following Mao's assumption of power. The Chinese officials probed especially into the \$40 million-plus claim of Boise-Cascade for a seized utility. What this suggests is a renewed recognition that the unsettled claims issue must be dealt with to open the way for increased trade.

Finally, the Chinese, who have been able to register their trademarks in the United States for two years, now have reciprocated and will allow U.S. firms to register trademarks in China retroactive to January 1, 1978. A small step, but a significant one. It places us one step closer to dealing with industrial rights and patent protection, key elements in a lasting trading relationship.

What this suggests strongly to me is that the time is right for us to move. Indeed, we must move now or run the risk of allowing all our initiatives to date to languish, thus possibly inducing new instability in the Far East, a proven powder keg in the world.

In this context, my legislation can be employed as a constructive instrument to show our good faith. As former Under Secretary of State George W. Ball said in testifying in support of my legislation at hearings earlier this year:

"If normalization does not appear as an imminent possibility, it seems foolish to maintain niggling discriminatory measures against the People's Republic of China, particularly when they work against the economic and commercial interests of Americans."