tively little competition in international export markets, may induce investment at home with high multiplier effects. One may speculate why the export tariff is rarely used by the developed nations. Perhaps this may be explained by the relatively greater competition in manufactured products vis-à-vis raw materials such as diamonds and copper. In the case of raw materials, it is more difficult for new producers to enter the market place unless the entering countries are by chance endowed with the same chance factors — presence of minerals, in the case of diamonds or copper, or the right climatic and natural circumstances, in the case of agricultural goods. On the other hand, modern technology is highly exportable. It is much more difficult for a country to corner a technique. These differences in the composition of trade between developed and less developed nations explain the relative confinement of the export tariff to the developing nations.

Trade Relations Between the US and China

by Bernd Kunze, Hamburg

President Nixon's intention to visit Peking is attracting tremendous interest all over the world. The present article discusses past developments of US/Chinese trade and its possibilities in the future.

Washington's foreign trade policy is primarily determined by two fundamental Acts of Congress: the Export Control Act of 1949 and the Mutual Defense Assistance Control Act (known as "Battle Act") of 1951. The former, being administered by the Department of Commerce, prohibits exports of so-called strategic goods, as defined by the United States and its allies. The latter, for whose application the State Department is responsible, authorises and instructs this Department to institute measures against such foreign nation or alliances of nations which trade with other states that threaten the US or its own allies.

The Embargo Policy of the US

Principally in response to the demand of the United States, the mounting tensions between East and West have led to the creation of a multilateral system of trade controls, in 1949, at a conference in Paris, directed against the "Sino-Soviet Bloc". A Consultative Group, consisting of two separate committees, was set up, of which the first one came into life in 1950 and was known as the Coordinating Committee, COCOM, to deal with trade with the countries of the Soviet Bloc in Europe. The second one was the child of worldwide reorientation induced by the Korean War. It saw the light of day in 1951 and was called the China Committee, or CHINCOM, designed to control trade with Asian communist countries. With the sole exception of Iceland, all the member governments of NATO and that of Japan are represented on these two committees.

In order to prevent shipment of strategic goods, four embargo lists were drawn up containing the description of goods whose exports are either totally prohibited or subject to special permission. List No. 4 is the "China List" which names all the goods that must not be shipped to either Red China or North Korea. It took till 1957 before the special China List was abandoned, and the two former COCOM and CHINCOM committees were merged. At the same time, all exports to Far Eastern Communist states were transferred to List No. 3, which contains names and descriptions of goods whose shipments are being restricted through controls imposing a modified embargo. In 1958, export controls were further reduced through adopting only two lists, known as the Embargo List and a further list naming controlled exports.

This meant that both the states of Western Europe and Japan were able to resume "normal" trade relations with the People's Republics of China and North Korea, which were only subject to the rules and regulations of the supra-national agreement. But the United States, during all this time and later, did not participate in this general loosening of restrictions, keeping in being their strict trade embargo against China. The formal reasoning behind this abstention from trade with China was that the Korean War had not been terminated by a true peace treaty but merely by a general truce.

A Period of Reorientation

For a couple of years, Washington refused all talks with Red China till, at last, in 1955, US representatives started to deal with those of China in
Geneva. Then the Formosa crisis intervened, and nothing further was done for another two years. Talks were resumed during September, 1958, in Warsaw. In 1960, the schism between the Soviets and China broke out. In 1961, President Kennedy attempted to use the differences between the Soviet Union and China for mollifying the intense hostility between the US and the People's Republic of China. No immediate success was granted this endeavour, but it was of major importance for a future policy towards China that the "old China hands" were removed from key positions for determining US attitudes.

But again, from 1964 onwards, the mutual attitudes of the US and China came progressively under the shadow of their growing engagement in Vietnam. As the fight there escalated, from 1964 to 1967 there was always a risk of war breaking out between the two big powers. One major effect of this was that the Great Debate on Vietnam, whose focus were the hearings of the US Senate's Foreign Policy Committee, expanded into a general Debate on China.

For the March, 1966, hearings of the Senate's Foreign Policy Committee, the guiding idea was that of "containment without isolation". One of the witnesses heard, Professor Fairbank, specifically recommended to work for China's eventual integration, by making it take part in international conferences, cooperate in international organisations, and by drawing the country into international trade with all other nations. However, in order to prevent potential Chinese attempts to expand, all American measures would have to be accompanied by a firm military and defence posture. Professor Barnett went even further and suggested recognising Peking's jurisdiction over all continental China de facto, reducing existing foreign trade legislation to an embargo for strategic goods only, and striving for both the People's Republic of China and the National Republic of China (Taiwan) becoming voting members of UNO.

On March 16, 1966, Dean Rusk, the then Secretary of State, put on record for the first time officially the new China policy of the Federal Administration. This was set out in a programme of ten points, culminating in the proclamation that the Government wanted to "contain China without isolating her". 2

The Failure of the Embargo Policy

The total embargo which the United States had imposed on trade with China in 1950 was not dismantled in all the following years, and it came progressively under more and more severe criticism 3.

The main argument against this policy was that the embargo of the US had been shown to be ineffective and was losing its impact gradually, in time, since such an attempt to isolate another power made sense only if and when this power was on the brink of total breakdown. There had been a point, during the early sixties, when the People's Republic of China was nearing such a calamity, because the Soviets had then begun to reduce deliveries of supplies under the impact of the quarrel between Moscow and Peking and, at the same time, China was suffering from the effects of several bad harvests, but the United States' allies jumped into the breach and aided Red China. Naturally, there was also widespread discontent about American businessmen being prevented from having a share in potential business deals with China, from which America's allies were profiting. It was stated that the creation of a united front of all western countries vis-à-vis Red China had proved not to be feasible, and this again would lead to cracks and weaknesses in the western system of alliances. Moreover, continuing the embargo would spread a false picture of real conditions among the US public.

From the end of November, 1967, Washington made it clear that it had developed a more flexible policy towards Red China 4, but only in the third quarter of 1968, Red China began to turn its interest again to foreign policy, as a completely new beginning, after the disorders of the Cultural Revolution had passed 5. The main change was that ideas about potential "peaceful coexistence" with the US were put on record. However, the reaction to this innovation was much stronger in Moscow than in Washington.

It was not before February, 1969, that Will Rogers, the new Secretary of State, suggested, inter alia, mutual exchanges of journalists and scientists. In July of the same year, Washington for the first time unilaterally withdrew certain restrictions on travelling to, and trading with, China. US citizens got general permission to import into the United States goods to a maximum value of $100, and certain groups of US citizens were granted conditional permission to visit Red China 6.

But only in October, 1969, it was reported that the Americans were willing and prepared to resume Chinese-American talks on the ambassa-

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4 For details see International Herald Tribune, Paris, No. 25 400, Nov. 11, 1967.
