

February 9, 1979

INCREASE CHINA TRADE. . . KEEP JACKSON-VANIK FRAMEWORK

Dear Colleague:

China's bold modernization program is dominating the U.S. and world press. The new regime in the People's Republic of China, after the fall of the "Gang of Four," has made it unmistakably clear that it intends to bring China into the 20th Century economically.

Already China has signed a \$20 billion trade pact with one of our chief trading competitors, Japan. China has made other major transactions as well -- and more are in store with America's other major trading competition -- France, West Germany, England, and others.

China represents a potential market of one billion people. It will require massive purchases from foreign countries to meet its modernization objectives.

The question is: Will the sale of American products be a part of the picture? Or will sales go by default to other aggressive trading nations?

The question also is: Will America forego the opportunity to create export-related jobs; will it miss the chance to help overcome a trade deficit that reached \$30 billion last year; will it ignore an opportunity to strengthen the dollar and fight inflation at home?

These questions can be answered in ways that are positive to the interests of the American people if U.S. trade laws can be changed to equip our economy and its exporters with the tools needed to compete effectively in the world of international trade.

This week I introduced legislation to do this. It is a companion to legislation introduced in the Senate on the same day by the distinguished Senator from Illinois, Mr. Stevenson.

My legislation amends the waiver clause in Section 402 of the Trade Act that restricts certain trade benefits to non-market countries including China unless those countries exhibit satisfactory emigration policies. The waiver clause is now constructed negatively. My legislation would make it positive.

Instead of demanding physical assurances from a country that it will abide by our emigration standards (a requirement a major sovereign nation finds repugnant especially when there are no comparable requirements imposed by our trading competitors), my legislation would empower the President to make a determination that granting a waiver to this section and opening up restricted trade benefits would "lead substantially to the achievement of the free emigration objectives" this section seeks.

The bill also would add flexibility to the waiver section by limiting first-time waivers to non-market nations to 12-months to allow for adequate and timely Congressional review, then allowing subsequent waivers to be granted for up to five years.

My legislation complies with the objectives of the President and many members of Congress: To deal even-handedly with both the Chinese and the Soviet Union. It would, therefore, remove the existing \$300 million limit imposed exclusively on credits the U.S. Export-Import Bank could extend to the Soviet Union, replacing it with a ceiling of \$2 billion on credits to all non-market nations.

My interest in this legislation grows out of an active role in the House Banking Committee's Subcommittee on International Trade where in the last session of Congress I authored an amendment that would have exempted the People's Republic of China from Section 402 of the Trade Act, opening up credits from the Eximbank for sales to China. My purpose in introducing that amendment was to combat the paralysis that had set in since the 1972 Shanghai Communique in our relations with China. I reasoned that movement on the trade front would enable U.S. businessmen to enter more forcefully into blossoming Chinese markets and also keep the normalization process moving.

Now it's time for the U.S. to move decisively. The strength of this bill is that it (1) modernizes U.S. trading tools generally; (2) equips us to compete effectively for the China market; and (3) does so within the framework of the Jackson-Vanik Amendments to the Trade Act of 1974.

I hope you will join me in co-sponsoring this legislation at a time of great international economic importance for America. Attached is a copy of the RECORD statement I made in introducing the bill, which fully explains the bill's provisions. To co-sponsor, please call either Michael or Dian at 5-0855.

Sincerely,

LES AuCOIN
Member of Congress

Attachment