

*Les AuCoin*

CONGRESSMAN LES AuCOIN  
RECORD STATEMENT  
U.S. - CHINA TRADE AGREEMENT  
October 23, 1979

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Mr. Speaker. Today, the President sent to the Congress for approval the trade agreement between the United States and the People's Republic of China. I rise in support of that agreement and to urge my colleagues to approve it without delay.

This treaty, which signals the end of a 30-year trade hiatus with the People's Republic of China, is a great opportunity for our international trade community. It comes at a time when our trade deficit has reached record levels, when American firms are being outbid in the international marketplace, and when our competitiveness abroad is being eroded daily.

As such, I endorse this agreement and pledge all of my efforts on behalf of its approval. At the same time, however, I think it is appropriate for us to review the requirements of the law that this and most other agreements with non-market countries must meet to secure most favored nation status and Eximbank credits.

Section 402 of the Trade Act of 1974 now restricts the extension of trade benefits to a non-market country, unless it exhibits a satisfactory emigration policy. Specifically, it is required to submit assurances to the United States that it adheres to a liberal emigration policy as a prerequisite for receiving either trade credits or MFN. This is a tall order for any sovereign nation and any nation that is a trading "partner" with us.

While I applaud the goal of this provision in attempting to promote free emigration around the world, I question not only its effectiveness but whether this kind of law is becoming of us as a mature, sophisticated trading nation.

It assumes that American goods, American products, and American technology is so overwhelmingly superior, the other nations of the world have no place else to shop. It assumes a leverage on Eastern bloc nations that does not exist. Perhaps there was a time when the U.S. held such a commanding position in world trade. But if it were ever true, it is manifestly not true today.

As my colleagues know, I have long been an advocate of expanded trade with the PRC, from the days even before recognition. My interest grows out of an active role in

the House 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 credits from the Eximbank for sales to China. My purpose in introducing the amendment was to signal the Chinese our interest in normalizing relations and enable U.S. businessmen to enter more forcefully blossoming Chinese markets.

This year, I have pursued this concern and proposed legislation to modify Section 402 of the Trade Act for all non-market countries. My proposal addresses the whole framework of our trading relations with these countries, seeking to make this provision of the law not only a more effective trade tool but also a more effective tool of our international human rights policy. Instead of demanding assurances from a country that it will adhere to certain emigration standards, my legislation empowers the President to determine that granting a waiver to SECTION 402 and granting MFN and Eximbank credits would "lead substantially to achievement of the free emigration objectives" we all seek.

In sum, it removes the onerous requirements unbecoming of trade partners while strengthening the linkage between trade and free emigration. It remains

true to the intent of Section 402 but strengthens its practical effect. It extends a carrot, not a stick.

While I firmly believe that there will be no stability in our trading relations with non-market countries and no effective leverage in human rights until this legislation is passed, I also believe we must move ahead as changes are being considered.

Mr. Speaker, let me say again that this agreement has my full support and let me underscore its importance to us.

Last year, our trade deficit was more than \$30 billion; and currently, it is running at a rate of \$24 billion, only a slight improvement. Moreover, between 1957 and 1977, our share of worldwide exports dropped from 21 percent to less than 12 percent.

This decline has important implications for our domestic economy. Currently, about 14 percent--\$1 out of every \$7--of all U.S. goods produced are exported. Moreover, better than one out of every nine Americans employed in manufacturing are producing goods for export. Almost as important, however, is the estimate that for every additional \$1 billion in international trade that we

generate, more than 40,000 jobs are created and another \$2 billion added to the gross national product.

But even these figures belie the very important role that export trade plays as one of the great growth sectors of our economy. Between 1960 and 1970, U.S. exports in current dollars increase annually at 8.5 percent. But between 1970 and 1975--just half the time--they grew at a rate of 18.7 percent. When we realize that only 30,000 firms, or less than ten percent of all manufacturing concerns in the country are responsible for this growth, the potential for American trade assumes dramatic proportions.

Since relations between the United States and the People's Republic of China were normalized last January, there has been much speculation about the vast market opening up in the East and what it will do for American exports and our trade deficit. While our optimism about the prospects for the China market is justified, we must recognize that it is not the cure-all for our international trade woes and the treaty will not reverse our long decline overnight. But it will help.

According to the Department of Commerce projections, U.S. exports to China are expected to rise between 35 and 70 percent this year alone to \$1.1 to 1.4 billion. The long-range prospects, while subject to many

factors, could reach \$3.5 billion in 1985 with imports at \$1.5 billion. Even with downward revision of these figures to accommodate the changing modernization targets of the Chinese, this is hardly a market we can ignore.

Beyond the potential of the China market itself, we must also recognize that there are other benefits to be derived from ratifying this agreement. One of them is stability in our important Pacific Rim trade.

In 1977, U.S. trade with Pacific Rim countries--China and her neighbors bordering on the Pacific Ocean--surpassed our trade with Europe for the first time. Today, Pacific trade equals 25 percent of the U.S. total. An approved trade pact with the People's Republic of China will not only encourage this vital flow of American goods and services, it will enhance the climate for American investment in the Pacific region. Expanded trade will bring expanded shipping and air cargo routes and further help to stimulate this exchange.

In conclusion, Mr. Speaker, let me reiterate my strong support for this agreement and pledge my efforts on behalf of its approval. I remind my colleagues of the importance of this pact to American interests in the Pacific and to American trade. It is a sound treaty and should be approved.