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U.S. Economic Policy Towards the People's Republic of China: 1948-1950

The economic and trade relations between China and the United States have assumed a heightened level of attention and significance since the onset of their trade war in 2018. Accordingly this event also rekindled many's interest in this subject, although its early years were paid less attention than what is due. This lack of scholarly investigation may be attributed to the unrewarding nature of the topic itself, for between 1950 and 1972 there was a total embargo between these two powers, a product of the Korean War. This embargo severed all noticeable economic ties that once existed, and trade came to an abrupt halt.¹ Admittedly this imposition itself, alongside its geopolitical and economic effects, has been the central theme of a highly praised research,² but other aspects of this important bilateral correspondence remain largely untapped. In order to add to our knowledge on this matter, my paper seeks to focus on one particular piece of U.S. legislation, the Foreign Aid Appropriation Act of 1949, and use it as a lens to examine the expectations American government had regarding its economic and commercial dealings with the People's Republic.

¹ Xin-zhu J. Chen, "China and the US Trade Embargo: 1950-1972," *American Journal of Chinese Studies* 13, no. 2 (2006), 169-186. Also see Robert B. Semple Jr., "President Ends 21-Year Embargo on Peking Trade," *The New York Times* (June 11, 1971), The Times's Print Archive.

² Shu Guang Zhang, *Economic Cold War: America's Embargo Against China and the Sino-Soviet Alliance, 1949-1963* (Stanford University Press: 2001).

This Act is significant for three major reasons, the first of which is its timing. The bill itself was introduced to the Congress on June 28, 1948, and the preparations preceding it started at least as early as mid-April that year. Therefore, chronologically it corresponded exactly to the fall of Nanking (now Nanjing), *de jure* capital of the Nationalist regime, and thus the beginning of what the U.S. later would call “the loss of China”. Under such circumstances, the U.S. must have been able to foresee the Communists eventually prevailing and assuming control over China’s land, populations, and its economic potential, a realization that would make any further pro-Nationalist assistance prescribed by the Act a waste. This contradiction has been duly noted by the scholarly world, and conventionally explained by the necessity to appeal to a substantial voting bloc sympathetic to the Nationalist cause, rather than a strategically well-versed evaluation.³ Nonetheless, after probing into the Act and its relevant attachments, I propose that it was also designed to “brace for the impact”, aiming more at a smooth transfer of economic power to the communist regime than revival of the already chaotic Nationalist market.

A second peculiarity of this legislation concerns its scope and emphasis on institutional support. In order to fulfill the China Aid Act, the Foreign Appropriation Act agrees to provide for this purpose \$400,000,000, but states explicitly that \$125,000,000 of it must “exclusively” go to the United Nations and its sub-institutions for technical cooperation.⁴ Compared to direct grants and funding, this roundabout way of assistance was likely to take longer and be of less effectiveness, as the United States could not as easily oversee or regulate such organizations as it

³ John H. Feaver, “The China Aid Bill of 1948: Limited Assistance as a Cold War Strategy,” *Diplomatic History* 5, no. 2 (1981), 107-108. The Foreign Appropriation Act of 1949 expanded on the existing terms of this China Aid Bill, so it can be assumed that they shared largely the same purpose and consideration.

⁴ U.S. Congress, House, *An Act Making Appropriations for Foreign Aid, and for Other Purposes*, H.R. 6801, 80th Cong., 2nd sess., introduced in House June 28, 1948, <https://www.loc.gov/law/help/statutes-at-large/80th-congress/session-2/c80s2ch685.pdf>.

could its own agencies. Moreover, such programs tend to be long-term and gradual, outcomes of which might become visible only years after their implementation. These observations further strengthen my claim that this Act was to buffer between a sudden Nationalist collapse and subsequent communist takeover, paving the way towards an economically feasible Sino-American relationship.

Finally, the Act is a much helpful source of information because its preliminary hearing, which took place on April 27, 1949, contains many valuable resources. To brief the House Committee on Appropriations on Chinese economic situations and, for some, to justify the sum designated, the legislators called for several experts who presented their views on the future of trade with China. They also displayed great curiosity regarding China's industry, cultures, political and religious traditions and other more general issues.⁵ Based on these records we are able to see the true intentions and expectations of the Congress and the administration behind the Appropriation Act, and test the validity of my thesis.

First we must scrutinize the exact contents of the Appropriation Act and the China Aid Act that was its foundation, especially their overarching goals. In the latter, the Congress expressed its wishes clearly as “the establishment of sound economic conditions and... stable international economic relationships,”⁶ not necessarily the continuity of its contemporary government. In fact, the Act avowedly disclaimed U.S. unconditional support for the Chiang kai-shek regime by suggesting that its assistance “shall not be construed as an express or implied assumption... of any responsibility for policies, acts, or undertakings of the Republic of China”

⁵ U.S. Congress, House, Committee on Appropriations, Special Subcommittee on Foreign Aid Appropriation, *Hearings Before the Subcommittee of the Committee on Appropriations*, 81st Cong., 1st sess., April 27, 1949.

⁶ U.S. Congress, Senate, *Foreign Assistance Act of 1948*, S. 2202, 80th Cong., 2nd sess., introduced in Senate April 3, 1948, <https://www.cia.gov/library/readingroom/docs/1948-04-03b.pdf>. See pg. 158.

or any other political crisis that was to “prevail in China”, an uncloaked reference to the defeat of Chiang administration. The funds appropriated were also primarily civilian, as within the approximately \$450 million approved by the Congress, only \$125 million was reported to be “of a military character”.⁷ Other than that, a specific clause of this Act was entirely devoted to the rural reconstruction of China under a joint commission, a lengthy process that included “research and training activities” without immediate feedback.⁸ This overall pattern persisted through the 1949 Appropriation Act, and even had its termination date postponed in February 1950, even though by then the Nationalists had surrendered the entirety of mainland China.⁹

Notably, all these Acts must be viewed against the backdrop of deteriorating Nationalist prestige and legitimacy to the U.S. leadership, and an accompanying trend of rising acceptance towards the Chinese communists. Even before the China Aid Act was proposed, in multiple reports delivered by the Economic Cooperation Administration (ECA) we find grave predictions. As early as in the first quarter of 1948, the ECA has been telling the Congress that “military and economic conditions in China deteriorated considerably,”¹⁰ which by the end of summer has “made the conduct of the [aid] program exceedingly difficult.”¹¹ This attitude of gradual apathy found its way to the top administrators in early 1949. When the “Chinese bloc” Congressmen began to lobby for the Foreign Appropriation Act and additional funds for China, they were

⁷ E. Harrison Clark, “The Foreign Assistance Act of 1948,” Research Department, I.B.R.D. (April 8, 1948), 15, <http://documents.worldbank.org/curated/en/314911468317959538/pdf/erm850R198000430BOX251024.pdf>.

⁸ *Foreign Assistance Act of 1948*, 159.

⁹ U.S. Congress, Senate, *Far Eastern Economic Assistance Act of 1950*, S. 2319, 81st Cong., 2nd sess., introduced in Senate February 14, 1950, <https://www.loc.gov/law/help/statutes-at-large/81st-congress/session-2/c81s2ch16.pdf>.

¹⁰ U.S. Department of State. *Third Report to Congress on the United States Foreign Relief Program for the quarter ended March 31, 1948* (September 1948), 67. <https://babel.hathitrust.org/cgi/pt?id=mdp.39015039638286&view=1up&seq=75>.

¹¹ U.S. The Economic Cooperation Administration. *Fourth Report to Congress on the United States Foreign Relief Program for the quarter ended June 30, 1948* (October 1948), 28. <https://babel.hathitrust.org/cgi/pt?id=mdp.39015039638294&view=1up&seq=36>.

fiercely opposed by Truman's Secretary of State Dean Acheson, who believed that such "would not alter the pattern of... developments" and that further assistance requests can hardly be justified.¹² Later during the hearing in April, many witnesses and legislators, such as J. Vaughan Gary, Representative of Virginia and Robert West, Paul G. Hoffman, director of the ECA, and Robert West, deputy to assistant Secretary of the Army, all expressed similar sentiments. To West, an expert on Far Eastern affairs, "the fruits of victory" had been utterly lost in mainland China, and its blow on American prestige in Asia cannot be exaggerated, while Vaughan and Hoffman feared that the terrible defeat of Nationalists may destabilize and reduce the morale of American allies in Europe.¹³ It is conceivable that this loss of faith eventually materialized in the form of Acheson's *China White Paper* of August 1949, in which the Truman administration withdrew its military support for the Nationalists, for "the ominous result of the civil war in China was beyond the control of the government of the United States."¹⁴ Of greater interest was its mounting criticism of Chiang's administration, which can be interpreted as a moral reproach and a willingness to compromise with the communist regime for pragmatic benefits.

As the defeat of Nationalists was imminent and "inescapable", which Acheson had convinced Truman and the Congress to be the case, legislators must consider whether the aids to China could provide any long-term, sustainable economic benefits to the United States. This question centered mostly on three issues: the willingness of Red China to trade with the West, its capability to do so, and how both its willingness and capability could be enhanced by the Appropriation Act plus other affiliated policies and institutions.

¹² See Gardner Patterson, *Surveys of U.S. International Finance, 1949* (Princeton University Press, London: 1950), 45.

¹³ *Hearings Before the Subcommittee*, 717, 823.

¹⁴ U.S. Department of State, *The China White Paper* (Stanford University Press, Stanford: 1967), xvi. Originally *United States Relations with China with Special Reference to the Period 1944-1949* (August 1949).

Regarding its willingness, General Robert Eichelberger, then consultant to assistant Secretary of the Army and previously a commander of the occupation forces in Japan, was confident. He told the Congress that “in world foreign trade, the Reds, who will try to control that milling mass called China, will find an almost impossible job unless trade with other countries is resumed.”¹⁵ This assumption was not groundless, since official diplomatic papers displayed an urgent wish on the communist side to keep the Sino-American trade going. On June 7, 1949, the U.S. Consul General at Hong Kong reported to Acheson that the communist representatives “indicated strong desires Communists for US trade,”¹⁶ which was recognized and treated carefully by the U.S. diplomatic mission. The Consul General at Tientsin told the State Department early in May that if the communist troops in occupied Northern China acted recklessly he would threaten to remove himself from their premises, thus placing “serious obstacles in way of such trade through absence of [his staff] to issue consular invoices.” From the same correspondence we also learn that “thus far US Government has placed no restrictions on US trade with North China,” demonstrating its hope that business would keep its due course.¹⁷ In June the Nationalist government even began a propaganda campaign against the United States for its seeming appeasement, arresting the Vice Consul at Shanghai under the charge of “seeking trade with Communists.”¹⁸ In fact, as late as in November 1949, the Communist-controlled city of Tientsin has become the only major Chinese port where “a relatively small but active foreign

¹⁵ *Hearings Before the Subcommittee*, 824.

¹⁶ *The Consul General at Hong Kong (Hopper) to the Secretary of State* (June 7, 1949) in *Foreign Relations of the United States, 1949, The Far East: China, Volume VIII*, <https://history.state.gov/historicaldocuments/frus1949v08/d442>.

¹⁷ *The Consul General at Tientsin (Smyth) to the Secretary of State* (May 17, 1949), in *Foreign Relations of the United States, 1949, The Far East: China, Volume VIII*, <https://history.state.gov/historicaldocuments/frus1949v08/d1349>.

¹⁸ *The Minister-Counselor of Embassy in China (Clark) to the Secretary of State* (July 11, 1949), <https://history.state.gov/historicaldocuments/frus1949v08/d490>.

trade” could be carried out, given that all other coastal areas were under a Nationalist blockade. Acheson confessed that a majority of these foreign trade vessels bore a British flag, but it still showcased a degree of communist tolerance of trade with the West. In the end, he recommended against a unilateral termination of such commercial links, considering it not only breaching international law but also burdensome on a fragile Chinese economy.¹⁹

The most promising piece of information was sent, however, on June 13 from John Leighton Stuart, the U.S. ambassador, describing an in-depth conversation with Chen Ming-shu, a high ranking Nationalist moderate who was to join the Communist coalition government in Peiping. During this exchange Chen “recognizes need for [CCP’s] friendly relations with USA” as well as its “conscious need of technical workers”, a sign of the new regime’s firm focus on sustainable long-term economic prospects. His point of view was then reciprocated by Stuart who deliberately presented to him “Sino-American trade figures showing importance to China of trade with USA” and hinted his expectation of a coherent communist foreign policy in the near future. This wish was more than compensated when Chen’s deputy notified him of remarks made by a Gen. Liu Po-cheng in the communist army, “that economic outlook CCP territory was so serious he saw no solution” but to cooperate with foreign countries.²⁰ Therefore, it is reasonable to conclude that during the transitional years of 1948-1950, the CCP was acutely aware of its economic plight, since it needed more than mere subsistence but technological and industrial developments. The realization that these objectives could only be achieved with a prosperous foreign trade directly contradicted its dogmatic opposition against Western imperialism,

¹⁹ *Memorandum by the Secretary of State to the President*, November 21, 1949, in *Foreign Relations of the United States, 1949, The Far East: China, Volume VIII*, <https://history.state.gov/historicaldocuments/frus1949v08/d1252>.

²⁰ *The Ambassador in China (Stuart) to the Secretary of State* (June 13, 1949), in *Foreign Relations of the United States, 1949, The Far East: China, Volume VIII*, <https://history.state.gov/historicaldocuments/frus1949v08/d902>,

producing a stagnation that could go either way. As suggested by the documents cited above, at least by December 1949 there had been little sign of trade ceasing, a positive sign to the U.S.

However, although the communists of China were seen as potential trade partners, their capability to engage in a productive international trade regime was in much doubt in the late 1940s, and the U.S. officials at all levels were more than forthcoming on its insufficiency. Their suspicions mostly clustered around three aspects of Chinese economy: food supply, rural rejuvenation, and public opinion on trade. Arguably other than these three dimensions the U.S. investigators also paid particular attention to Chinese currency and inflation, but these were only important in their connection to the accounting of specific costs and expenditures, not the substantial effects of the aid programs.²¹ Those three points of focus suggested an explicit vision of the U.S. to learn about China's potential of trade. Without adequate foods, there would be no purchasing power, and since China was a predominantly rural country in the 1940s, the well-being of its countryside can be roughly equated to its general welfare, not to mention the implication it had on transportation and commodity distribution, all essential for developing a mature modern economy from which the United States could benefit.

The commitment of U.S. officials to obtain critical information on these topics was best exemplified by the establishment of a Joint Commission on Rural Reconstruction (JCRR) in October 1948, four months after passing the Appropriation Act. This program was for a time the favorite of ECA administrators, who proudly proclaimed it "the outstanding example of a new American approach to helping citizens of underdeveloped countries to help themselves."²² It was

²¹ For example, in ECA Congress reports articles on local currency are mostly administrative in nature, including tables of specific amounts spent in local currency amounts. See *Fourth Report to Congress*, 30-32.

²² U.S. The Economic Cooperation Administration. *The Program of The Joint Commission on Rural Reconstruction in China* (1950), 3. [https://babel.hathitrust.org/cgi/pt?id=uc1.\\$b77039&view=1up&seq=9](https://babel.hathitrust.org/cgi/pt?id=uc1.$b77039&view=1up&seq=9).

prized for its self-reliance, because its funding did not have to be checked or approved by the Nationalist government and seemed to have long-lasting effects in modernizing an agricultural way of life, practiced by “more than 80 percent of the population in Asia.” On top of this tailor-made venture, the ECA also kept a close eye on the Chinese food supply system in major cities, a topic recurring in every report it delivered to the Congress. During the aforementioned Nationalist blockade, U.S. diplomats in China even showed a certain degree of relief that the Chinese populations suffered little. Acheson later wrote to Truman explaining this phenomenon: “Nevertheless, in view of the basic self-sufficiency of the Chinese economy at present low standards of living, such action could not create an economic crisis in the Chinese Communist regime.”²³ Similarly repeated in those reports were “publicity”, which became a legitimate concern if the U.S. was indeed planning to cultivate a commercially and economically familiar Chinese people, whose collective needs may pressure the communist leadership to continue its trade relationship with the United States.

Despite different opinions were put forward by the Nationalists, the answer to whether the Chinese people, regardless of its leadership, would be capable of resuming trade and economic production on their own had been sealed by the U.S. in early 1948. If any hope had existed before, it must have been shattered by Gen. Albert Wedemeyer and his delegation to China in late 1947. In his many transmissions back to Washington, he painted a summarily pessimistic picture. In July 1947 he admitted that “current conditions [in China] are strikingly... confused” and that “confidence in the Government has been severely shaken” since the economic depression had no end in sight while the Nationalist prestige had gone bankrupt. He

²³ *Memorandum by the Secretary of State to the President*, November 21, 1949.

concluded by saying a “complete collapse” in political, social and economic situations should be foreseen.²⁴

Founded on these grave predictions, and determined to maintain ties of commerce with the successive regime in China, the United States must enhance its inadequate infrastructure systems, facilitate the speedy distribution of supplies and show its goodwill to the Chinese communist leaders. Nonetheless, as said before, the presence of an uncompromising congressional “China bloc” would oppose any softening of measures. Therefore, the exact selection of aid programs and their application must be carefully arranged to reach the administration’s expectations without taking a legitimacy hit. This was accomplished most successfully by its focus on local instead of national, agricultural-infrastructure instead of industrial, and cultural instead of military projects.

One prime example can be located again in JCRR’s agenda. By October 1949 it had completed “a total of 160 projects in agriculture, irrigation, education, rural industries and rural health”, “land tenure reform programs”, “programs of vaccination for the control of [animal pests]” and the purchase of farm animals in Taiwan and several mainland provinces.²⁵ Even the regular ECA aids, which in 1947 predominantly fashioned direct food supplies under a “definite... distribution plan” dictated by Chinese representatives, began to proliferate their efforts in mid-1948.²⁶ No longer were their activities confined to the five major port cities.²⁷

²⁴ *General Wedemeyer to the Secretary of State*, July 29, 1947, in *Foreign Relations of the United States, 1949, The Far East: China, Volume VIII*, <https://history.state.gov/historicaldocuments/frus1947v07/d562>.

²⁵ *The Program of The Joint Commission on Rural Reconstruction in China*, 8-9.

²⁶ U.S. Department of State. *Second Report to Congress on the United States Foreign Relief Program for the quarter ended December 31, 1947* (October 1947), 36. <https://babel.hathitrust.org/cgi/pt?id=osu.32435064005127&view=1up&seq=5>.

²⁷ “Shanghai, Nanking, Canton... Peiping and Tientsin.” See *Fourth Report to Congress on the United States Foreign Relief Program for the quarter ended June 30, 1948*, 28.

Instead, the ECA, during the second quarter of 1948 alone, conducted programs “designed mainly to provide employment for refugee agricultural workers on... reforestation projects... agricultural production projects, and... soil erosion program[s].”²⁸ In the third quarter their presence further expanded, commanding “agricultural projects... distributed over 25 Provinces,” including the purchase of CN\$1,000,000,000,000 worth of seeds, fertilizer, pesticides, farm tools and animal epidemic medicines. Two times that amount were also invested into ECA’s new “public-works project”, such as “land reclamation through dyke repair and construction, road repair, flood control and irrigation, harbor dredging, and well drilling.”²⁹ These accomplishments were thus geographically dispersed and politically indiscriminately, for when these aids were executed its 25 target provinces could not have all been under the Nationalist government, whose domain contained at the time no more than 17 of them.

The same localization can be seen in medical assistance as well, so that their effects could be widespread and buttress the popular image of the United States. The ECA committed 301 medical programs, such as the rehabilitation of hospitals and the establishment of provisional refugee-oriented camps, from July to October 1948, adding to its existing aids for “refugees... dependent children and adults [and] the handicapped” in 26 Chinese provinces, some of which were at the time firmly communist.³⁰ This was carried on by the JCAA into 1950, when it sent selected drugs and other medical supplies to “479 Hsien (county) Health Bureaus” in Southwestern China, facilitating the modernization of its public health system.³¹

²⁸ *Third Report to Congress on the United States Foreign Relief Program for the quarter ended March 31, 1948*, 77.

²⁹ *Fourth Report to Congress on the United States Foreign Relief Program for the quarter ended June 30, 1948*, 34.

³⁰ *Ibid.*

³¹ *The Program of The Joint Commission on Rural Reconstruction in China*, 9.

Regarding publicity, all aforesaid programs came with a special packet to popularize their goals and impacts. This coincided with another China Aid focus, which is the heightened attention paid to the Chinese people instead of its government, may it be communist or Nationalist. As previously noted, this can be seen both as a gesture of compromise and a veiled threat or pressurizing scheme. Without morally backing Chiang kai-shek's regime, the United States could avoid extinguishing the possibility of economic cooperation with the Communists, while a population friendly and familiar to doing business with the Americans may in the future exert its influence when Red China sets its foreign policy and trade agenda. A detailed list of publicity tools was provided by the ECA in September 1948. In coastal cities of high population density and literacy rates, its staff created three basic posters in early 1948 and twenty-two further variants "in both South and North China" later that year, once again appealing to both sides. Samples of these posters showed extensive details of U.S. aid programs and their qualifications, depicting the American flag alongside the Chinese one.³²

The Americans also made extensive use of the local press and festivities, providing "news-worthy" photographs to Chinese newspapers in less-developed areas and exploiting the New Year ceremonies as a perfect time to showcase the American goodwill. In 1947 the ECA field staff wrote to the Congress, stating that "[i]t is traditional in China that all indigenous food reserves are marshaled out for distribution through the Chinese New Year", and therefore it would be optimal to start the aids "by March 1, when the bulk of indigenous stocks will have been distributed."³³ For even longer-term considerations, the head of JCRR moreover planned for

³² *Third Report to Congress on the United States Foreign Relief Program for the quarter ended March 31, 1948*, 77-78. For samples of posters, see pg. 72, 74, 76.

³³ *Second Report to Congress on the United States Foreign Relief Program for the quarter ended December 31, 1947*, 37.

a permanent system of agricultural education and training in rural China, even at the localities where a communist takeover would be inevitable. Combined with such technical assistance was a special “audio-visual education” in which farmers were to be given “information on citizenship education which will help [them] comprehend more intelligently what is going on around them, and the part they can play in improving conditions.”³⁴ “The program should center around a slogan,” the JCRR representatives continued, “[because] with a catch phrase before the people, they are more conscious that something specific is being done.” In justifying this need for a slogan it even brought in the example of the Soviet Union, whose “Five Year Plan” accordingly “gained [them] a psychological advantage.”³⁵

Therefore, summarily the United States had been successful in planning the future trade resumption with a communist China, and it had been preparing its population for this upcoming transition. The Communists, at first, were happy to reciprocate it. After they took control of Shanghai in April 1950, its new mayor who was soon to become the Foreign Minister expressed his belief that the United States was among the only viable trade partners “to help China with enough of the technical material needed for long-term industrialization on a large scale” and approved Sino-American trade as long as “sovereign equality” was respected.³⁶ Considering that the JRCC and other U.S. aid projects were permitted to continue their operations in North China at that time, it could be safely concluded that as late as mid-1950 both sides intended to stay on amicable terms. By examining CCP documents this assertion is further attested to. For example, the Party had its seventh Central Committee meeting in June 1950, where economic and financial rehabilitation was the pronounced priority, and decided to restore its economic

³⁴ *The Program of The Joint Commission on Rural Reconstruction in China*, 31.

³⁵ *Ibid.*

³⁶ See John Gitting, *The World and China, 1922-1972* (New York: Harper & Row, 1974), 170.

activities before 1952.³⁷ Mao Zedong himself made the directive for the economic front to embrace some capitalist elements and not “attack whatever targets it can get its hands on,” setting a general tone of moderation and openness, allowing foreign trade so that the then-ineffective state-owned enterprises could have time to adjust.³⁸

It is with this evidence that I propose my alternative explanation regarding the intent of U.S. aid to China during the Chinese Civil War, especially in its last three years (1948-1950), that these programs were not designed to bring hope to the Nationalist market, nor were they introduced to slow down the political ascent of the Communist Party. Instead, I argue that they sought specifically to rebuild its economy so that its status as a U.S. trade partner would not be lost, to show its willingness to work with the new regime with good faith, and to build for itself popular support in the country which can be commercially advantageous. However, this interpretation sets forth a prediction that is historically false, and this conflict should be resolved for my theory to stand. There are two factors at play.

The most obvious cause of Sino-American relationship collapse was the Korean War, an incident whose scale was unforeseen by either party. On the one hand, the Chinese government, even if aware of the North Korea decision to invade the South, must have “anticipated an easy victory... provided that the United States would not rapidly intervene”.³⁹ This expectation made any trade disruption temporary and thus insignificant. On the other hand, the United States did

³⁷ U.S. International Trade Commission. *China's Economic Development Strategies and Their Effects on U.S. Trade* (February 1985), 5. <https://www.usitc.gov/publications/332/pub1645.pdf>.

³⁸ See, for example, “Directives on business adjustments set forth by the 7th Central Committee meeting of the CCP,” *News of the Communist Party of China* (in Chinese), <http://cpc.people.com.cn/GB/64107/65708/65722/4444983.html>. Also see Chi Ai-ping, “The Historical Contributions of Chen Yun to Chinese Economy,” CCP Archives and History (March 16, 2020), <https://www.dswxyjy.org.cn/n1/2020/0316/c423731-31634480.html>.

³⁹ Ohn Chang-II, “The Causes of the Korean War, 1950-1953,” *International Journal of Korean Studies* 14, no. 2 (2010), 20.

not see the likelihood of war breaking out in June 1950, as the North Korean guerilla fighters in the South had just suffered greatly.⁴⁰ On a larger picture, Acheson, mastermind behind the U.S. Far Eastern policies, had always insisted that China would be too embroiled in conflicts with the Soviet Union that its military deployment against the U.S. would be unlikely, a point of view that supported trade buildup but prevented military preparations.⁴¹ Thus, we can assume that without this sudden disturbance, both countries would be willing to maintain their ambiguity on trade, and pragmatically keep their bilateral commercial ties.

The other factor is ideological and concerns domestic politics. For the Chinese communists to consolidate their control of domestic dissidents and unify its diverse populations, it is necessary to find a common enemy, especially after the Korean War inadvertently erupted into a full-scale conflict. To appease the United States under such circumstances can be politically suicidal, and the Soviet assistance projects, which were set into motion in February 1950 by the *Sino-Soviet Treaty of Friendship, Alliance and Mutual Assistance* partially compensated for the loss in trade with the U.S., making the severance of ties a more feasible option. However, this should not deny the fact that before this other trade partnership was soundly founded, China and the United States did enjoy a short period of commercial reciprocity, and that the U.S. did, as its documents suggest, attempt to put ideology aside and conduct a liberal foreign economic policy towards the People's Republic.

⁴⁰ James F. Schnabel and Robert J. Watson, *History of the Joint Chief of Staff, Vol. III, Part 1* (Washington D.C.: Office of the Chairman of the Joint Chiefs of Staff, 1998), 22.

⁴¹ David S. McLellan, "Dean Acheson and the Korean War," *Political Science Quarterly* 83, no. 1 (1968), 16.