THE EMBASSY OF THE PEOPLE'S REPUBLIC OF CHINA
2300 Connecticut Avenue, N.W.
Washington, D.C. 20008

September 21, 1983

Senator Bob Dole
Kansas
United States Senate
Washington, D.C. 20510

Dear Senator Dole:

It is my great pleasure to acknowledge receipt of your letter dated September 19, 1983 in which you have shown your concern about the current bilateral grain supply agreement between our two countries.

I wish, first of all, to express my sincere appreciation for what you and a number of Congressmen have done to urge your Government to resolve the quota problem over export of Chinese textiles and apparel to the United States. We treasure all the amicable efforts you and your friends have made in seeking a mutually acceptable solution over the disputes on the textiles agreement.

As you are aware that China formally announced, on September 6, 1983, a lifting of the purchase freeze of U.S. agricultural products in view of the current situation. In addition, the U.S. Department of Agriculture will soon send a delegation to China to discuss the issue, and as scheduled, a Chinese buying group in this respect is to visit the United States in November this year for further talks on purchasing U.S. grain. Actually we have resumed buying U.S. agricultural products as well as synthetic fibres recently.

It is my belief that a mutually satisfactory settlement can be worked out with joint efforts that will, no doubt, enhance the mutual understanding and the bilateral trade relationship between China and the United States in the years to come.

Sincerely yours,

Zhang Wenjin
Ambassador of the People's
Republic of China

U.S.-PRC TEXTILE DISPUTE: BACKGROUND NOTES

- U.S. national interest is to settle the dispute--Value of wheat and corn exports to the PRC has been from $500 million to over $1.0 billion in last three years. Value of disputed textiles and apparel last year was under $50 million. With the trade deficit estimated at $110-$120 billion, we can't afford to lose positive trade balances where exports are ten times imports.

- Economic impact of lost farm exports is as serious as impact of increased textile imports--Jobs and economic activity are at stake in Kansas and Iowa as well as in southern textile states.

- Dispute settlement should not focus only on terms of U.S.-PRC grain and textile agreements--The grain pact, hurriedly negotiated in October 1980, was a political coverup for the Soviet grain embargo in January 1980. It never has made much economic sense to the Chinese, whose grain harvests are more stable and who have other sources for wheat imports.

- Need for grain and textile (cotton) representatives to sit down together and try to work their differences out--Agriculture should not be caught in an internal battle over trade protectionism on the eve of the 1985 farm bill debate. I would be glad to made my office available for such a meeting.

- Further discussions needed with the PRC--Exchange of letters with Ambassador Zhang helped clarify Chinese intention to meet LTA minimum import commitment of 6 million tons. Subsequent meetings have improved understanding of importance to PRC that trade be a two-way street. Regulatory changes and import restrictions are no substitute for discussion and negotiation.

- Outlook for PRC grain purchases--They feel no obligation to honor remaining grain import commitment of about 4.0 million tons this year if the U.S. proceeds to restrict textile and apparel imports after October 31. The PRC has little interest in any long-term grain agreements, and may be allowing them to lapse after this year. Other pacts are with the EEC, Australia and Canada.

BOB DOLE
KANSAS

STANDING COMMITTEES:
AGRICULTURE, NUTRITION, AND FORESTRY
FINANCE
JUDICIARY
RULES

United States Senate

WASHINGTON, D.C. 20510

August 10, 1984

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

In July 1983, I wrote you to urge resolution of the dispute over textile import quotas between the United States and the People's Republic of China (PRC). Thanks to your personal intervention, a new textile agreement was quickly negotiated and PRC purchases of U.S. wheat, suspended for nine months during the dispute, were resumed.

In the last year, China has continued to be a good customer for our agricultural products. PRC wheat purchases from the U.S. this year now total 4.3 million tons, over half of the minimum commitment, including a shortfall caused by last year's suspension. At the same time, imports of textiles and apparel from China and other origins have continued to increase due to the strong Dollar and other anti-competitive factors.

On August 3, the U.S. Customs Service announced modifications in the rules relating to "substantial transformation" that are expected to sharply curtail imports of textiles and apparel from several Far Eastern countries, including the PRC, after September 7. This unexpected and imminent action could again trigger retaliation against U.S. farm exports by China and other countries, undercutting the improvement in trade relations over the past year.

The U.S. textile industry has every right to protection against unfair competition from subsidized foreign imports, or when regulations governing import quotas are circumvented. For this reason, the new regulations should be given full consideration, and should be enforced if they correct an abuse and fairly reflect the Administration's trade policy.

However, implementation of these modifications without a sufficient period for adjustment and public comment would have two undesired consequences. First, the unanticipated change would cut across import contracts negotiated prior the announcement, penalizing companies which had assumed that government regulation would remain constant. These firms could at least be allowed to fulfill their international commitments through the end of the year.

Second, any major adjustment in regulations affecting imports should be carefully examined to assess its possible negative impact on U.S. exports. There is a strong perception among many U.S. farmers, and particularly wheat producers, that one of their most important foreign markets is again to be held hostage in a dispute over textile imports. The Administration should emphasize that protecting our export markets is as important to sustaining economic growth and recovery as protecting the viability of our domestic industries.

I strongly encourage that the announced change in customs regulations be modified to permit existing textile import contracts to be honored, at least through 1984. This action would serve to reduce the possibility of foreign retaliation against U.S. exports. The additional time could also be used as a comment period for agriculture groups to have input on the possible consequences of the announced regulations on their industry.

Sincerely yours,

BOB DOLE
United States Senate