Introduction

Making "Made in China"

AT FOUR O'CLOCK in the morning on July 9, 1971, Henry Kissinger and a handful of his closest staff boarded a plane in Pakistan, bound for China. Coming after months of back-channel diplomacy, the flight was arranged in utmost secrecy. Even the US State Department was unaware of their journey. As far as they knew, Kissinger had food poisoning and was lying low in Pakistan. Kissinger was perfectly healthy, but the deception allowed the national security advisor to spend two days meeting quietly with China's premier, Zhou Enlai. Working on behalf of Chairman Mao Zedong, Zhou would determine with Kissinger whether their two nations would be able to begin the process of reestablishing diplomatic relations. Given the historic depths of animosity and the uncertainty about how successful the talks would be, both sides kept the trip strictly confidential. "There were James Bond aspects of this trip," recalled one advisor, Winston Lord, "since it was totally secret."[1]

Yet on the flight from Chaklala to Beijing, Kissinger suddenly realized that, in the excitement of the early morning subterfuge, he had forgotten to pack extra shirts. John Holdridge, another advisor, offered his. Holdridge, however, was over six feet tall and his shirts did not quite match Kissinger's shorter, fuller figure. The ill-fitting shirts were less sophisticated than the occasion demanded, but there was a further diplomatic sensitivity too—sewn onto their collars were labels reading "Made in Taiwan." At the very moment the United States and China sought to pave the way for renewed political ties, Kissinger wore a shirt spelling out the single biggest hurdle to normalization. Writing later about the incident, Kissinger quipped, “I was telling the literal truth when I told our hosts that Taiwan was a matter close to me.”[2]

The “saga of my shirts,” as Kissinger dubbed it, has been remembered as a humorous moment of forgetfulness. Lord later joked that Kissinger “looked like a penguin” when he wore them. Holdridge mused, “The episode showed that Kissinger, too, was human.” The labels simply added an ironic twist, they suggested.[3]

More than just an amusing anecdote, however, this incident reveals the material outcomes of East Asia’s changing economic landscape since the start of the Cold War. In 1971 it was becoming increasingly more common for shirts sold in the United States to be made in Taiwan. Textiles were Taiwan’s largest export, constituting more than 30 percent of its total exports in 1970, the bulk of which went to the United States.[4] The entry of Taiwan-made goods was a recent and rapid trend, but it followed on from Japanese exports that had entered the United States in increasing numbers since the late 1950s. And in this, Taiwan joined other nations in the region, particularly South Korea and Hong Kong, that had also recently begun increasing their exports of textiles and other consumer goods to the United States.

By the early 1970s, manufacturing processes were becoming internationalized, with East Asia emerging as a central hub. Thirty years later, as the twentieth century came to an end, it was “Made in China” that could be found on the undersides of coffee mugs or stitched on the labels at the necks of dress shirts. The labels had become the ultimate symbol of globalization. Behind them lay cheap labor, cheap goods, globalized supply chains, and, increasingly, deep historical tropes of a Chinese threat.

There was nothing natural or inevitable about the shift from “Made in Taiwan” in 1971 to “Made in China” just a few decades later. While there were noticeable continuities between the two countries—most particularly, low-paid Asian workers who made the goods—there were also crucial differences. The foremost difference was that China was a communist nation. China’s communism had been the core factor driving US support for industrial development in Japan, Korea, Taiwan, and elsewhere early in the Cold War. In the 1950s and 1960s the United States actively sought to assist these countries’ export-oriented development by lowering trade barriers and providing vast sums of aid. Bolstering the economies of noncommunist nations was part of the United States' wider fight against China and the Soviet Union, both of which in the early 1950s had sought to build an international socialist world economy.[5]

China was not only a communist nation; it was also extremely poor, with a weak industrial base—another key reason the emergence of "Made in China" was not inevitable. The country was still recovering from the brutal devastation and widespread starvation that Mao's agricultural reforms of the late 1950s had caused. Between 1958 and 1962, tens of millions of Chinese citizens died from starvation, exhaustion, or torture.[6] Just a few years later, in 1966, Mao launched the Cultural Revolution, a new system of terror that once again violently overhauled China's economic and social structures. Thousands of families were forcibly separated, and students were sent from cities to rural areas to work in agricultural production. When the head of China's armed forces, Lin Biao, mysteriously died in 1971, martial law was lifted yet the country remained mired in the throes of the Cultural Revolution. The extraordinary growth that China consequently experienced in the span of just one generation was, to many observers within and beyond China, inconceivable in the 1970s.

How and why, then, did China converge with global capitalism? And when did this convergence begin? A vibrant body of scholarship is starting to explore these questions, focusing on the debates between, and experiments by, Chinese policymakers and businesspeople. An earlier debate among scholars sought to understand what Kenneth Pomeranz memorably described as the "great divergence" in industrialization between Northwest Europe and East Asia since the mid-eighteenth century.[7] By the late nineteenth century Europe was transformed by the Industrial Revolution, but China's economy languished, exacerbated by Japanese, European, and American imperial competition. Another century later, however, China's place in the global economic system had changed dramatically. In distinction to the great divergence, a group of economists have put forward the notion of "convergence" as a means of understanding China's integration with global capitalism in the latter part of the twentieth century.[8]

As scholars have turned their attention to what might be labeled the "great convergence," Deng Xiaoping's reforms, announced in December 1978, loom large in many accounts. Scholars disagree, however, on the extent to which these reforms marked a new beginning in China's engagement with global capitalism. One group of scholars do see them as a starting point, tracing the origins of China's extraordinary economic growth to Deng's leadership. It was in the 1980s that China escaped the debt trap that ensnared other developing nations and that ultimately led to the Soviet Union's collapse. In these scholars' telling, the reform era of the 1980s and 1990s enabled China to develop its own unique form of political economy that converged with the global capitalist system and enabled China to lift so many of its people out of poverty.[9]

A second group of scholars, however, emphasize continuity between the Mao and Deng eras. Experiments with marketization and trade, they argue, occurred from the very founding of the People's Republic of China (PRC).[10] One scholar goes so far as to suggest an "unending capitalism" in China even at the height of communist rule. In his telling, consumerism—which persisted in small pockets of the country—was a sign that Mao's economy was, in fact, a variety of capitalism. The PRC was therefore never the socialist haven Mao strove so hard to achieve.[11]

In this book I similarly blur the "1978 divide," but unlike scholars who emphasize continuity throughout the Maoist era, I see the major turning point in China's convergence with capitalism to lie in the late 1960s and early 1970s. I join a third group of scholars who locate the sources of China's twentieth-century convergence with capitalism in the latter years of the Cultural Revolution.[12] Exploring Maoism at the grassroots as well as from above, these scholars situate the Cultural Revolution as a critical moment in China's political economy. The paradox of the Cultural Revolution, this body of literature shows, is that by causing such extreme social and political upheaval, it unintentionally opened the way for new institutions and reform policies to emerge.[13] Amid the social and political chaos of the 1970s, Chinese leaders within and beyond the elite levels of politics experimented with economic reorganization that laid the groundwork for the reform and opening that came afterward.

I add two overlooked dynamics to these conversations among scholars of China, both of which are crucial to understanding China's convergence with global capitalism. The first is China's foreign trade, which began to rapidly expand in the 1970s. Throughout the 1950s and 1960s, China had maintained small levels of trade with foreign nations, especially the Soviet Union and the Third World. From the late 1950s, China also began to trade with some capitalist nations, such as Japan, Britain, and West Germany.[14] But it was only during the 1970s that Mao began to increase China's overall levels of trade for the first time since the communists' vic-

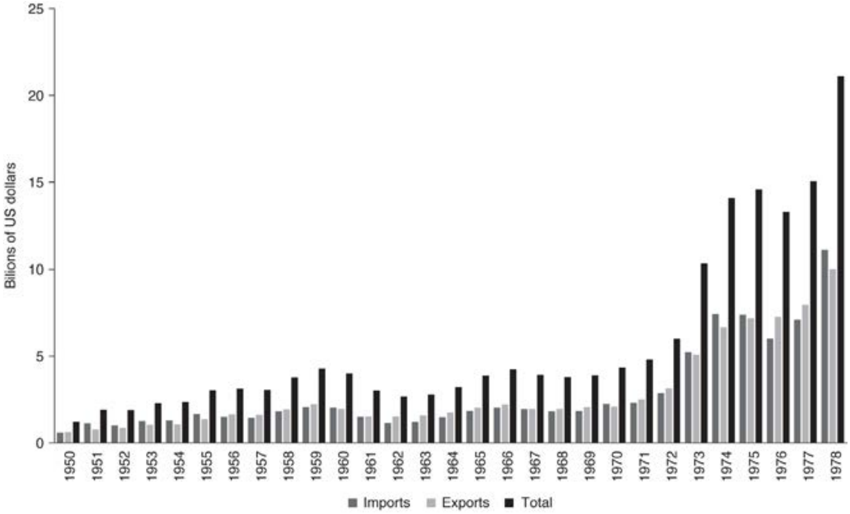

Figure I.1. China's foreign trade, 1950–1978.

tory in 1949. And it was China's engagement with advanced capitalist democracies—not members of the socialist world—that drove this growing trade. At first these changes were only slowly perceptible. In 1969 China's total trade stood at $3.8 billion, about the same as throughout the 1950s and 1960s. In 1971 this rose to $4.8 billion. By 1974 the value of trade skyrocketed to $14 billion. China's total trade remained around this level until 1978, when it jumped to $21 billion. From there it continued to rise, persisting well into the twenty-first century.

China's growing trade in the 1970s was central to its convergence with the capitalist world. It provided China with technology. It assisted China's economic development. It led China to expand its trade institutions, such as trade fairs and advertising outlets. And, most importantly, it was entwined with the second dynamic I focus on in this book, often taken for granted by scholars whose primary focus is on China: changes within US capitalism itself. In order for China to converge with global capitalism, the United States and its economy needed to accommodate China's needs.

For twenty years the US economy had been underpinned by Cold War divisions between capitalism and communism. In fact, US-China trade was the ultimate casualty of the economic Cold War, blocked by a strict embargo since the outbreak of the Korean War in 1950.[15] The small amount of trade that did flow between the United States and other communist nations was understood in binary terms—as East–West trade—not in integrated terms.[16] In the 1970s this binary remained in place, but elements of it began to soften when it came to trade with China. In 1971 the United States finally lifted its twenty-one-year trade embargo, and China began to be seen, not through the Cold War lens of communist threat, but instead through the lens of capitalist profit. This was often despite the fact that profit did not always, or readily, materialize for many businesspeople in this decade.

In most parts of the world, the Cold War ended in the late 1980s when the Soviet Union dissolved and the US-led vision of neoliberal capitalism became the key organizing principle for social development.[17] But in the case of US-China relations, the Cold War ended without systemic collapse in either nation. Instead, Cold War divisions between these two nations fizzled out during the 1970s through a gradual convergence between the Chinese state and US capitalists.

In addition to asking why China converged with global capitalism, then, I am interested in the reverse, too. Why did US capitalists start to incorporate China—the world's largest communist nation—into their visions of the future? And what did these visions look like?

THE ANSWERS TO these questions require us to look at China's convergence with global capitalism as a multidirectional process that involved decisions both within and beyond China itself. Scholars are beginning to show the importance of neighboring countries, such as Hong Kong and Singapore, to this integration. Many emphasize the role of overseas Chinese people in bringing China into the capitalist system.[18] But in order to understand these dynamics more fully, we need to look also at the largest and most powerful player in the capitalist economy at the time: the United States. The capitalist system with which China began to converge was not static but instead a shifting, dynamic arrangement that itself underwent significant transformations in the 1970s—and the changes within the United States lay at the heart of many of these developments.

By drawing together China's expansion of trade with the economic changes happening within the United States, I argue that China's convergence with global capitalism took shape in the 1970s because some US businesspeople, with the encouragement of Chinese policymakers, began to see trade with China as a means of accessing cheap labor rather than a place to absorb US goods. In the process, they reconfigured what it meant to even speak of "US-China trade."

Over the course of the 1970s, businesspeople from the United States and policymakers in China worked together to transform the very meaning of the China market: from a place to sell US goods to a site instead of cheap labor. This was a significant reimagining of how trade should operate, and it lay at the heart of China's integration with the capitalist order. It was a transformation that was profoundly shaped by the wider economic and political changes occurring in both nations during the 1970s. As the patterns of global trade shifted and US corporations increasingly outsourced their manufacturing to cheaper overseas labor, some business leaders saw China as holding the potential to not only join but also assist in this process. For their part, pragmatists within the Chinese politburo experimented with ways of increasing their exports to fund their purchases of industrial goods.[19] Both groups, as we shall see, were met with considerable opposition from within their nations, but their efforts nonetheless prevailed.

For hundreds of years US-China trade had looked very different. Since first contacts in the eighteenth century, US merchants had understood trade with China to mean expanding their exports.[20] Throughout the United States and Europe, the imagined possibilities of a vast landmass teeming with potential customers compelled businesspeople to trade with China.[21] Mid-nineteenth-century British milliners selling cotton fantacized about the profits they would make if each Chinese person would only increase the length of their coats by one inch. One economic historian later labeled these projections "a little game, which we may call 'count the customers.'"[22] In the late 1890s the United States' Open Door policy, with its exuberant rhetoric promoting economic expansion, reinforced the idea that the China market could yield huge profit by absorbing surplus American goods.

By 1937 Carl Crow, an American journalist turned adman, crystalized these ideas in his best-selling book *400 Million Customers*. The intrepid Missourian had spent twenty-five years living and working in Shanghai. A swashbuckling account of his experiences selling US goods to consumers in China's emerging metropolis, the book was wildly popular. By the end of its first year alone, *400 Million Customers* had won the National Book Award and gone through four editions. Crow's evocative title quickly saw "four hundred million customers" become a metonym for the potential profits to be made from trade with China.[23]

Yet the China market never reached its fabled heights. Around the same time that Crow published *400 Million Customers,* Japan invaded Manchuria, triggering the start of years of warfare that would escalate into the Second World War. Immediately after the war, the United States did become China's largest trading partner, although the value of trade was low.[24] And when US and Chinese troops came to battle during the Korean War in the early 1950s, trade ceased altogether as the United States imposed a complete embargo on bilateral trade.

It was in the 1970s that businesspeople from the United States and China began to trade with one another after more than twenty years of isolation. The allure of wealth that had drawn foreign businesspeople to China for hundreds of years reemerged among the new generation of American traders. Fascination, hope, excitement, frustration: emotions guided their decisions as much as hardheaded economics—often more so. They were driven by feelings similar to those of American businesspeople in the Open Door era, but US merchants in the 1970s also began to see something new in the China market. Working alongside businesspeople in China, they reframed the meaning of trade. What had once been a fantasy of 400 million customers slowly started to become one of 800 million workers instead.

This was a halting and incomplete process: many American corporations and businesspeople who turned to China still saw the old dream of new export markets. But over the course of the decade, some began to see China as a potential labor source. Importers worked with Chinese businesspeople not only to buy premade clothing and shoes but also to outsource the production of goods designed in the United States and made by Chinese workers.

Just thirty-odd years after Crow published his best-selling book, US businesspeople and Chinese pragmatists began to transform the centuries-long vision of the China market. To understand how and why this occurred, I focus on the new generation of US businesspeople who traded with China in the 1970s and the relationships they formed with Chinese traders, Chinese policymakers, and US diplomats.

For the first time since World War II, businesspeople from across the United States began to jockey for visas and insights into a trade market to which their European and Japanese rivals had had access for years.[25] Some were Chinese American, children of missionaries, or longtime students of Chinese language and history, but others were executives from large corporations who knew little about China. By the end of the twentieth century, the corporations most associated with US-China trade were large multinationals like Walmart and Apple, yet their way was paved by a motley group of businesspeople in the 1970s, including Veronica Yhap, Charles Abrams, and David Rockefeller.

Following this new generation of traders, I unpack the decisions they made, the trade organizations they created, and the consumer cultures they engendered to facilitate the entry of Chinese goods into the US market. Maverick entrepreneurs and suited executives from huge American corporations are not the usual protagonists in histories of 1970s US-China relations. Instead, President Nixon and Chairman Mao, and the elite policymaking they represent, have dominated the narratives of bilateral relations in this era. Scholars have written extensively on Kissinger's secret diplomacy of the early 1970s, but few have paid much notice to businesspeople like Veronica Yhap who rebuilt trade ties in the same period.[26] Just as Nixon and Kissinger quickly turned their gaze back to geopolitics after adjusting trade rules, so too have historians devoted only passing interest to the trade relationship that unfolded.[27]

This lack of attention to US businesspeople who traded with China in the 1970s is partly because the value of trade was tiny—only around \$2 billion by the end of the decade. It is partly also because archives of US corporations and businesspeople are often closed to scholars. But I have drawn on thousands of never-before-used internal corporate papers that document the dealings of hundreds of American businesses that traded with China during this decade. Filed away in the Gerald R. Ford Library in Michigan, they reveal the significant cultural and political importance of trade, regardless of its minor economic value. When we look at trade in qualitative rather than quantitative terms and focus on businesspeople and corporations, we see a fundamental transformation in the bilateral relationship that ultimately had long-term repercussions for global capitalism and labor.

As we shall see, however, the transformation of the China market was a fraught and contested process. The newly developing trade partnerships between the United States and China were met with resistance from Taiwan traders and diplomats as well as manufacturers, labor leaders, and workers across the United States. Bringing these different groups together reveals that there was nothing natural or inevitable about the way the trade relationship unfolded: it relied, at every step, on the decisions—and shared visions—of those with more political and economic power than others.

THE TRANSFORMATION OF the China market from 400 million customers to 800 million workers was enabled by three interconnected factors: cultural, diplomatic, and economic. It relied upon a cultural change that saw the two nations move from Cold War foes to amicable trade partners; from Red China to Made in China. It was propelled by differing diplomatic approaches to how trade could be used to assist geopolitical negotiations. And it was underpinned by economic transformations in both nations. All three of these factors intersected in ways that ultimately reconfigured the very meaning and practice of US-China trade.

The first of these factors led to a cultural reimagining of China. For decades a whole generation of Americans had seen the PRC as Red China. Since the Chinese Communist Party (CCP) came to power in 1949, US policymakers from both parties galvanized the threat of "Red China" to justify an expanded military and economic presence in East Asia. When US and Chinese troops battled during the Korean War, hostilities between the two nations soared. By the mid-1960s, President Lyndon Johnson escalated the war in Vietnam in an attempt to contain communism in Asia, which he attributed to China's aid to North Vietnam. But some Americans saw in Maoism not threat but revolutionary hope. Black civil rights activists, including Huey Newton, Mabel Williams, and W. E. B. Du Bois, turned to China's communism for answers to the racial injustice they experienced at home.[28] By the mid-1960s, in the context of the ongoing devastation of the war in Vietnam, even policymakers in Washington began to reconsider just how threatening Red China was.[29]

In the 1970s, US businesspeople—hardly communist sympathizers—played a pivotal role in recasting China from Cold War foe to trade partner. Some turned China's communism into a purchasable revolutionary fashion statement. They capitalized upon the 1960s countercultural adoption of Maoist clothing and the Little Red Book by putting sky-high price tags on goods that had once symbolized anticapitalist revolution.[30] Others simply rendered China's communism unremarkable, neither radical nor threatening. Still others marketed and profited from China's ancient past, selling antiques and porcelains or goods that harkened back to Americans' eighteenth- and nineteenth-century fascination with chinoiserie.[31]

Through advertisements, department store displays, and internal advice to others within the US business community, the China traders of the 1970s diluted the politics of China's communism. In the process, they transformed the ways consumers throughout the country understood China's communism: as apolitical and unthreatening. From Fifth Avenue fashion elites to Mao-coat-wearing university students, American consumers were offered a celebratory commodification of China—one in which the Chinese origins of imported goods were a central component of their desirability.

These cultural changes helped importers sell Chinese goods of all kinds. By the middle of the decade several companies used consumer interest in an exotic China to advertise everyday imports—shirts, shoes, and gloves—whose only connections to China were labels declaring "Made in China." As US business and fashion elites exoticized their new trade partner, they helped promote a cultural acceptance of the word "China" appearing on the labels on everyday consumer goods. But this was not a linear change. In 1978 the leading US business organization for China trade still had to remind its own members that the term "Red China" was "unacceptable to the Chinese."[32] Some US consumers, moreover, protested the changes they noticed taking place in their local department stores. The transition from Red China to Made in China was uneven. Yet throughout the 1970s, US capitalists set in motion a remarkable evolution in how US consumers understood the erstwhile Cold War enemy.

The second factor that was crucial to the reworking of the China market was the difference in the two nations' visions of the relationship between trade and diplomacy. The first years of US-China trade developed in the highly charged political period of rapprochement, which was unexpectedly protracted. Kissinger's secret diplomacy was successful enough to lead to the dramatic meeting between President Nixon and Chairman Mao in Beijing in 1972, but the two nations soon became caught in diplomatic limbo. They ended more than two decades of Cold War isolation yet struggled to achieve full diplomatic relations. Throughout the 1970s, US and Chinese leaders shuffled back and forth, negotiating recognition and debating the issue that lay at the heart of their delay: the nature of America's military and political relationship with the Nationalists in Taiwan. It took until two new leaders—Jimmy Carter and Deng Xiaoping—came to power for the two countries to finally reestablish diplomatic relations, which they announced in December 1978.

Throughout the decade, American policymakers saw the immediate political benefits of trade as more important than the economic benefits, the value of which was negligible. Most policymakers were focused on the geopolitics of the bilateral relationship, especially given that the value of trade with China was so low relative to other US trading partners. Indeed, John Negroponte, a foreign service officer who accompanied Kissinger to China in 1972, argued that the US State Department did not consider trade with China economically important at all. Members of the State Department would see China's limited manufacturing facilities and ask, "What are we going to buy from these people?" Negroponte recollected in an interview decades later.[33] The subsequent Ford and Carter administrations also saw trade as providing more political than economic benefits.[34] Those policymakers who did consider trade more closely—and they were far outnumbered by those focused on geopolitical concerns—did so by drawing on a long tradition of viewing trade as a tool of statecraft, wielded in order to assist the diplomatic process.[35] They understood trade to be another form of people-to-people ties, akin to the cultural, scientific, and educational ties that were also being reestablished in this era.[36]

Chinese leaders, however, approached the relationship between trade and diplomacy differently. Their strategy was deliberate: increases in the level of trade would come only after progress had been made on geopolitical issues, especially negotiations over Taiwan.[37] Unlike the United States, China did not see increased trade ties as something that should come before diplomatic negotiations had been settled. Rather, China held out the promise of increased trade as a carrot—as something that would come only after improvements in political relations. This approach had an outsized impact on the way the trade relationship unfolded. Throughout the decade, the contours of the trade relationship were determined by whether or not China chose to purchase goods from the United States, a decision deeply connected to the state of diplomacy. When total trade was high, it was a consequence of high levels of Chinese imports of US goods. Similarly, when the value of total trade diminished in the mid-1970s, it was a result of Chinese decisions to cut back on its imports from the United States.

Both the United States and China treated trade as an incentive—but one to be offered at different points of the negotiation process. The United States used it as an incentive *prior* to full diplomatic normalization, as an indication of its commitment to the rapprochement process. China used trade as an incentive to be provided *after* improvements in geopolitical

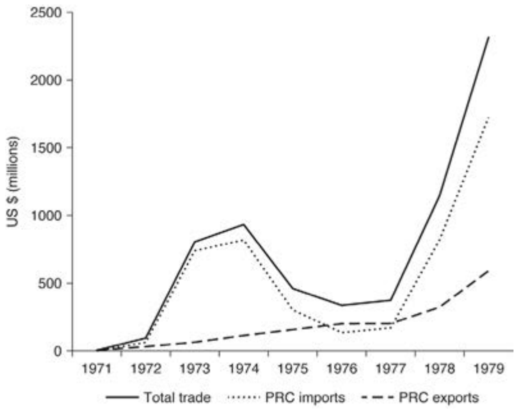

Figure I.2. US-China trade, 1971–1979.

negotiations. These diverging attitudes came to complement one another in a surprising way: Chinese exports to the United States took on diplomatic importance. One of the major economic problems that emerged in this decade was a trade imbalance in the United States' favor. The total value of China's imports was greater than its exports to the United States and, especially as diplomacy began to stall in the middle of the decade, Chinese officials wanted this redressed. In response, American diplomatic and business leaders worked to increase US purchases of Chinese goods. They did so precisely because of their own assumptions that good trade relations were important for assisting the parallel diplomatic efforts. The National Council for US-China Trade—established by the Nixon administration in 1973 but privately run by American businesspeople—led these efforts to help Chinese exports enter the United States.

Some of the titans of American business therefore found themselves purchasing rugs and tea rather than selling cars or factories. Chinese businesspeople made it clear to the new generation of China traders that they would not be able to sell China large industrial goods until after the diplomatic situation improved. By and large, then, during the era of rapprochement Chinese politics set the agenda and American businesspeople responded.[38] American diplomats and businesspeople might not always have seen it that way, but Chinese political priorities played a pivotal role in determining the trade ties that unfolded.

The third factor that enabled the transformation of the China market from 400 million customers to 800 million workers was the economic transformations occurring in both countries at the time. In the United States, corporate executives increasingly turned to overseas sources of manufacturing.[39] Corporations had long been multinational in scope, but for centuries they focused on extracting resources, such as bananas, cotton, or oil, dependent on the forced labor of enslaved peoples.[40] In the nineteenth century, manufacturing-based multinational corporations became increasingly more common, especially in the United States and Europe.[41] These corporations often manufactured in a host country in order to sell to consumers within that market and thereby avoid the tariffs their exports would have otherwise faced.

But during the Cold War, a new kind of manufacturing multinational began to emerge: one that outsourced production, and therefore labor, to low-wage economies to sell to customers across the globe, including back home. They were aided by developments in technology, such as containerized shipping and aircraft that could move goods farther and faster; but they were reliant most of all upon political choices that supported their emergence.[42]

These shifts remained contested in the 1970s, including in Congress, which repeatedly introduced legislation aimed at limiting tax incentives for corporations' offshore manufacturing.[43] But ultimately Congress could not pass the legislation, and as the decade drew to a close, US imports of manufactured goods increased dramatically.[44] These imports did not complement but instead replaced domestic production. By the end of the decade the value of imports as a percentage of domestic production reached 40 percent. In 1970 the figure had been 14 percent.[45] Historian Charles Maier evocatively captured the changes of this decade, writing that the United States had pivoted from an "empire of production"—sustained by its expansion of goods to overseas markets—to an empire, instead, of consumption.[46]

Over the course of the decade, some American businesspeople began to look at China through this prism of a global search for offshore production. As American corporations expanded their manufacturing operations in other parts of the world, they began to see China as offering the potential to join—and assist—in this process.[47] For most of the decade China did not permit foreign direct investment, but it did offer cheap labor. Americans had long associated Chinese people with low-cost labor. The nineteenth-century congressional debates about Chinese immigration—and labor unions' push to exclude Chinese workers from entry into the United States—had reinforced the notion that Chinese people offered inherently cheaper labor.[48] Echoes of these ideas reemerged in the 1970s and became entangled with the changing manufacturing processes that were beginning to take shape.

These changes in US capitalism were aided by Chinese pragmatists who increasingly experimented with using exports to fund their development efforts. As they found ways to increase their sales to US businesspeople, Chinese traders encouraged the trope of hardworking Chinese laborers. They created advertisements that featured not only the goods for sale but the diligence and care the Chinese workers had applied in making the goods. Chinese traders sold their workers as much as they sold their products.

Yet China's increasing trade and engagement with capitalist nations came at a time of considerable political instability. Mao's health deteriorated in the first few years of the decade, and he suffered multiple heart attacks. His ailing condition intensified the power struggles among rival political factions. Political moderates such as Zhou Enlai and Deng Xiaoping favored a more open approach toward the capitalist world, including the United States. But radicals, led by Mao's fourth wife, Jiang Qing, vehemently opposed such deviations from the Maoist principle of self-reliance. In late 1974 and 1975 these radicals gained control of most of the levers of elite power. Under their leadership, trade, which had so recently and rapidly expanded, began to slow down. This plateau was exacerbated by a global economic recession that had been triggered by the 1973 oil crisis.

In early 1976, Zhou Enlai died and by September of the same year, Chairman Mao did too. In the political turbulence that followed, Mao's successor, Hua Guofeng, arrested Jiang Qing and the other members of the "Gang of Four." The moderates were back in charge, this time led by Hua and Deng. From October 1976 until December 1978, they and other leaders of the CCP debated how best to accelerate trade with capitalist nations. By the end of December 1978 Deng Xiaoping had emerged as China's chief leader and declared the formal start to China's Four Modernizations, the core principles of the reform and opening period.

By then, however, the foundations of the budding US-China trade relationship had been laid. The American businesspeople who traded with China in the 1970s were neither soothsayers, foreseeing and pioneering limitless trade with China, nor simply part of the inevitable integration of China into the global system. While many saw themselves as groundbreakers—particularly given that the Chinese economy was still only developing its manufacturing capacity—they faced a considerable number of challenges. These very challenges help explain why the trade that developed with China was not inevitable: trade was difficult and profit was far from certain.

THE CONTINGENCIES AND uncertainties of US-China trade in the 1970s were significant, and few predicted that the relationship would boom anytime soon. Throughout the decade, most Americans interested in trade focused their attention not on China but on Japan and its impact on the United States.[49] One economist, reflecting in the early twenty-first century on the projections of his peers in the 1970s, noted, “China is remarkable by its absence in these books . . . no one took notice of China yet.”[50]

But there was, in fact, one key group of Americans who loudly and consistently paid attention to China’s economic potential well before economists and policymakers of the twenty-first century did. From the very reopening of trade ties in the early 1970s, organized US labor representatives and workers, especially in the textile industry, warned of the impact that trade with China would have if greater industry safeguards were not implemented. Their concerns came in a volatile context when US imports of manufactured goods were rising, manufacturing employment was decreasing, and the combined effects of skyrocketing inflation and unemployment spurred a new concept, stagflation. As workers and organized labor in the United States protested the ways the increasingly globalizing world was emerging, they saw China as holding the potential to exacerbate these dynamics.[51]

Their efforts culminated in a landmark petition launched in late 1977 calling for quotas on imported Chinese goods. This was the first time US manufacturers had attempted to limit Chinese goods since the CCP came to power in 1949. As American workers began to mobilize against Chinese imports, their efforts quickly became a diplomatic problem. US diplomats repeatedly sidelined or silenced workers’ concerns out of fear that they would delay diplomatic efforts toward normalization. These diplomats not only failed to envisage a strong Chinese economy; they also could not see how US workers—especially women of color in the textile industry—mattered to the regeneration of the United States’ place in the world after its retreat from the war in Vietnam. To them, the far more important issue was easing the Cold War estrangement that had separated the United States and China and leveraging the rapprochement to assist détente with the Soviet Union.

The 1977 petition for quotas on Chinese textiles failed, largely due to US political interference. The loss not only revealed a political prioritization of geopolitics over domestic workers. It also revealed the changing practices of US companies that were importing low-cost Chinese goods as part of their slow adjustment toward offshore manufacturing. As they altered their own production processes, domestic manufacturers themselves began to see the China market as a source of inexpensive labor.

The chapters that follow examine the intersection of trade, labor, diplomacy, and culture in these early years of US-China trade. Each explores roughly a year in the life of the trade relationship. We begin with the Nixon shocks of 1971 and conclude in February 1980, when the two nations finalized their first trade deal. Following the story in this way highlights the uncertainties, contingencies, and ebbs and flows in the newly developing trade relationship. It anchors bilateral trade itself at the center of the narrative, tracing the slow transformation of the China market from 400 million customers to 800 million workers.

The key policies and legislation that defined how the trade relationship would develop structure the narrative arc of this book: Nixon's 1971 ending of the trade embargo; China's 4-3 Program of 1973; Congress's passage of the 1974 Trade Act; Mao's Three Worlds Theory of 1974; Zhou Enlai's Four Modernizations of 1975; Hua Guofeng's 1977 industrialization program; US glove workers' petition for quotas on Chinese imports in 1977; Deng Xiaoping's reiteration in 1978 of the Four Modernizations; and, finally, the 1980 bilateral US-PRC Trade Agreement. Interspersed throughout are the stories of the many people who built or resisted the new trade relationship.

As we explore the depth and pace of change in this rapprochement moment, we see the uncertainty with which American businesspeople and the Chinese state rebuilt trade ties. This story reveals the often unintentional—but ultimately momentous—transformations they put in motion. The end result of this messy process was that American capitalists and the Chinese state worked together, with assistance from US diplomats, to alter the very meaning of the China market: from 400 million customers to 800 million workers.