America & China, Part 1: Rockefeller Origins

With this blog, I am beginning a series that will highlight and explain some poorly understood and overlooked aspects of the relationship between the United States and the People’s Republic of China. We often read about the US-China relationship in discrete components of the whole: just the tensions in the South China Sea, or just the trade imbalance, just Nixon’s China trip, just the yuan valuation controversy. We rarely see the whole thing as a gestalt, with an overarching narrative. This is problematic, because this prevents people for seeing the US-China relationship for what it actually is. In short, it is true that the United States and China are increasingly rivals for domination of the Asia-Pacific region, but, on a deeper level, the two countries prop each other up and are so integral to each others’ finances, as presently constituted, that they need each other for survival. This situation was the deliberate result of American policies that I’m going to describe here. Understanding the evolution of the co-dependent US-China financial relationship is the key to understanding China’s present economic situation and the strategic future of the Asia-Pacific. Like two leaning towers of Pisa placed side by side, the United States and China hold each other up, even as they press upon each other. A close look at history will reveal that this system of mutual support was the result of a careful process of wise strategic planning, conducted with judiciousness and foresight. This is a story of the triumph of business and capital over politics and culture. I want readers to appreciate the full majesty of this great work, so let’s not skip the earliest days of America’s China project.

I. Origins
The Rockefeller dynasty is more responsible for the creation of the twin-engined US-China financial system than any other group of people. The family saw China’s potential as a market early on. John D. Rockefeller Sr., the family’s patriarch and founder of the Standard Oil monopoly empire, sold his first kerosene to China in 1863 and made his first charitable donation to Christian missionary efforts in China that same year. Commerce and philanthropy would come to define the next several decades of Rockefeller engagement in China. The synergy between trade and charity was strong and definitely intentional.

The man himself, John D. At the time this picture was taken, he was probably the wealthiest man who ever lived.

**Entering the Asian Market**

Rockefeller philanthropic institutions and biographers have portrayed the family’s interest in China during the early 20th century as a hobby, driven by nothing more than an idle fascination with Chinese culture and history and a
generic desire to “do good”. But when we look at the activities of their commercial empire in China during this time, it’s clear that they were investing, not just donating. You don’t get to be the richest man in the history of the world, with a family fortune equal to about 1.5% (http://www.forbes.com/fdc/welcome_mjx.shtml) of total annual US economic output, unless you’re always looking for an angle. During the early decades of the 20th century, the United States was transitioning to a coal-generated electric power grid. But China was desperately poor and would not be electrified for decades. The country was a market of 400 million people who mostly relied on vegetable oil lamps to light their nights.

The Rockefeller-owned Standard Oil monopoly, which was the largest company in the world at that time, made large capital investments to capture that market and provide “Oil for the Lamps of China (https://en.wikipedia.org/wiki/Oil_for_the_Lamps_of_China_%28film%29)“. The company gave away (http://www.evancarmichael.com/Retail/6790/Freebie-Marketing-Case-Study--Standard-Oil-In-China.html) at least 8 million new kerosene lamps, branded with the “Mei Foo” name under which Standard Oil sold kerosene in the Chinese market, and sold millions more at ultra low prices, to create a demand for Standard Oil kerosene.
Millions of kerosene lamps just like this one were distributed to Chinese peasants in the early 20th century by Stanvac

The venerable Harvard IR historian Ernest May gives us a sense of the scale of the Rockefeller empire’s investment in China:
The inflow of American kerosene grew to an annual volume of 12 million gallons in 1887 and 200 million gallons on the eve of World War I...Standard Oil attempted to crush its competitors in China by resorting to dramatic price reduction. The low Chinese price was subsidized by Standard Oil’s above-normal profits in other markets. The company did this in order to acquire an opening wedge in the fabled China market...From the very beginning the oil companies considered the exploitation of the Chinese market to be a long-term project. They established schools in New York to train carefully selected personnel [for China]. Standard Oil’s selection process was far more rigorous than that of the US Foreign Service...Standard resorted to bulk tanker shipments to importing centers, where the oil was stored in tanks. Near the tanks, the kerosene was tinned and cased for transhipment to the interior. These container factories required a substantial investment by Standard Oil. [Source (https://books.google.com/books?id=dCbinCF4C&pg=PA213&lpg=PA213&dq=standard+oil+china+kerosene&source=bl&ots=dC5LG4L4lID&sig=Pa32RSsPbMBryRkL1_hjncQ5zgE&hl=en&sa=X&ved=0CDQQ6AEwA2oVChMIvtrZuqHixgIVUXu5Ch2j_cQHv#v=onepage&q=standard%20oil%20china%20kerosene&f=false)]

The Standard Oil presence in East Asia was the largest (http://press.princeton.edu/titles/34.html) American direct investment in the region prior to World War II. Although the company was broken up in 1911 due to anti-trust action, the family retained control of most of its constituent parts and operations in China were not affected. Stanvac, the company’s main operating subsidiary in China, owned hundreds of river vessels to bring its products to market in China’s interior, including 13 large tankers. After 1932, Standard took a hit to its market share by entering into a voluntary market allocation agreement with Royal Dutch Shell, Texaco and the Soviet owned Kwang-Ha oil company, but China remained an important market for the Rockefeller petroleum empire.
You Gotta Spend Money to Make Money

Concurrently with this massive investment of capital and expansion of operations in China, the Rockefeller family’s philanthropic institutions were spending lavishly in the country. Rockefeller funded philanthropic institutions spent tens of millions of dollars in China between 1900 and the Second World War. Rockefeller money created the China Medical Board (http://www.chinamedicalboard.org/who_we_are) and Peking Union Medical College (https://www.youtube.com/watch?v=XFwAqIqdbaA#t=24), which essentially introduced modern Western medicine to China, as an adjunct to a concurrent effort by Rockefeller-funded organizations to totally transform the American health system (http://www.whale.to/b/brown_b.html). The Foundation’s attempted a total transformation of the lives of hundreds of millions of rural Chinese peasants, by introducing modern technological agriculture methods via the North China Council for Rural Reconstruction (http://rockefeller100.org/exhibits/show/agriculture/china). The agricultural program was cut short by the Japanese invasion in 1937, but over the course of the 20th century, the Rockefeller Foundation would dedicate well over $1 billion (http://asiafoundation.org/in-asia/2011/10/12/the-oil-princes-legacy-rockefeller-philanthropy-in-china/) to “change China (http://www.amazon.com/To-Change-China-Western-Advisers/dp/0140055282)”. 
And changing China was indeed the goal. In 1933, the Foundation trustees issued an internal statement on their activities in China that found the country to be “bound by few hampering traditions” with “plastic conditions in her life and institutions at the present moment” that invited an effort to transform them. They openly hoped that “China might become a vast laboratory in the social sciences”. Down the generations, the family’s abiding interest in China continued. Richard Rockefeller, the great grandson of John, the dynasty’s founder, and son of the family’s current leader, David, stated:

The sentiment that my grandfather, grandmother and other family members of that generation had for China, very positive feelings for the country, passed through the generations to all of us. So China in a way wasn’t really as foreign of a place as it was for a lot of Americans.

So why were America’s richest philanthropists so interested in the future of China? The key to understanding all of this lies in Standard Oil’s distribution of free kerosene lamps to the peasant farmers of rural China in the early 20th century. From their first dealings in the country, the family came to understand the importance of deploying capital up front, to change Chinese society in ways that would increase Chinese demand for Rockefeller empire products in the future. To change China into a nation of kerosene consumers, they saw fit to donate millions of lamps. To
change China into a nation of consumers of other products, they decided to deploy their vast wealth to effect a more complex change. A China populated by peasant farmers could only offer so many potential revenue streams. A China enriched by modern agriculture methods, with increased per capita productivity resulting from modern sanitation and health, could offer so many more. The Japanese invasion in 1937, the civil war and the communist takeover would hamper these efforts for decades, just as they were gathering steam. But the fact is that the first three generations of the Rockefeller family and their administrators were ambitious, with tremendous business acumen and an attention to detail. They foresaw China’s potential. For most of human history, China had accounted for the largest portion of global GDP. The Rockefellers knew the great strength that lay beneath the temporary weakness of China at the turn of the 20th century. They understood that it just needed capital investment, and that capital investment would reap great rewards.

So, why is any of this important? It’s important because the later generations of the Rockefeller family would not forget the lessons of these early encounters in the new era after the Second World War. At a time when the fear of communism prevented most Americans from thinking clearly about China, the Rockefeller empire would remember China’s great potential as a market and the great harvests that could be reaped there from a comparatively small sowing of capital investment. Their careful orchestration of China’s opening to the West during the 1970s and 80s, informed by the lessons learned in the pre-WWII era, would form the basis of the modern US-China relationship and thus the entire global economy. We’ll hear that story in Part 2.
Get in, we’re headed for Part 2

5 thoughts on “America & China, Part 1: Rockefeller Origins”

1. America & China Part II: Interregnum | T. Jack Mulcaire
   August 13, 2015 at 12:48 am  □ Reply
   [...] This is part 2 of a continuing series on the strategic and financial relationship between China and the United States: how it came to be, how it works, and where it’s going. You can see part 1 here. [...]  

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3. America and China Part IV: The Big Balance Sheet | T. Jack Mulcaire
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America & China Part II: Interregnum

This is part 2 of a continuing series on the strategic and financial relationship between China and the United States: how it came to be, how it works, and where it’s going. You can see part 1 here (https://jackmulcaire.wordpress.com/2015/07/20/americachina-part-1-rockefeller-origins/).

II. Interregnum

In the last installment, I covered the Rockefeller family’s considerable business interests in pre-Second World War China and their extensive philanthropic activities in the country that were designed to develop China into a more lucrative market. China was indeed beginning to see some agricultural growth and industrialization in the 1930s. But then the war came, and all of that went up in smoke.
The war came.

Squeezing the Juice from the Ashes

It’s difficult to get a sense of just how awful the Sino-Japanese War was. China had already been a war-torn and violent place, where human life was cheap, for many decades before the Japanese launched their war of enslavement in 1937. But the new war brought human degradation and annihilation on a scale even exceeding Genghis Khan’s invasions. Economic activity beyond subsistence agriculture, military production, opium manufacture and smuggling ceased. By 1940, China was cut off from the outside world and the Rockefeller family’s China dreams seemed to be over. The isolation didn’t end with the war. Mao Zedong and his Communist Party won the next round of the fight for the heap of rubble. From 1949 onwards, China was under the sole control of the Communist Party, and this might be surprising to you, but communist dictatorships don’t take too kindly to multinational corporations run by American capitalists. But, dear readers, something incredible happened: just when it seemed most unlikely, the Rockefeller’s Chinese dream was reborn.
You see, the new communist regime and the Rockefellers had one thing in common: they both wanted to see a more developed and industrialized China. Prior to WWII, Rockefeller institutions had been attempting to gently modernize China’s economic, medical and educational systems with some relatively small but important programs here and there. Mao’s regime took the same general idea—top down modernization and industrialization of China—and implemented like only 20th century Marxists could. Turning a whole country of hundreds of millions into an ant army; paying for thousands of new steel mills, factories and petrochemical facilities with executions and famines. For the low, low price of just about 25 million people dead from violence and famine, China experienced double digit growth in industrial and agricultural output for much of the 1950s and 1960s. You just don’t get that kind of work ethic from people nowadays.
“What, did you think I was gonna build all this? Get to work peasants.” – Mao

This wasn’t the kind of “economic growth” that today’s management consultants, investment bankers and global bureaucrats worship; there was no demand for the industrial products being supplied. But, by brute force, Mao had created an industrial base where none existed before. In the ashes of the 1940s, China didn’t really have any of the expensive, sunk-capital stuff you need for a modern industrial economy: big factories with complex machines, lots of skilled engineers and technicians, hydroelectric dams and the like. Mao threw the rules of supply and demand aside and just built all of that with forced labor, and hoped everything else would work out. Maybe that’s not the way the Rockefellers would have liked it done when they dreamed of a China of developed consumers back in the 1920s. But Mao had taken a big step towards making their dream real, even if he didn’t realize it. China now had the beginnings of a productive and capital-rich economy.

His efforts were not unnoticed back in America. Beginning in the Nixon Administration, the Rockefeller family began a new phase of their plan to develop China, and it would succeed beyond their wildest dreams. But first, I must introduce a new character in our story.

Meet Henry

No man was more responsible for the success of the Rockefeller empire’s China policy during the Nixon Administration than Heinz “Henry” Kissinger. Kissinger is Jewish, so his family moved to New York from Frankfurt, Germany with his family in 1938. He was 14, he couldn’t speak English very well, and he was shy to a fault. In the evenings he worked in a shaving brush factory. In Manhattan, the number of your street says a lot about your status. Henry, living above 155th Street, was a member of the anonymous working masses. The Rockefellers kept their main New York residence over one hundreds blocks south at 10 West 54th Street, the largest private residence in Manhattan at that time, in the heart of the city. Worlds separated them.
David’s childhood home under construction in 1912. Pretty dope spot if you ask me.

But then the war came. Kissinger was a smart young man, and he could speak German natively. So quickly he found himself in military intelligence, where his career really began. By summer 1945 he was leading Army Counter Intelligence Corps de-Nazification efforts in recently captured German towns and collecting wanted Nazi personnel. Not bad work, if you can get it. From there, Kissinger quickly received his elite credentials from Harvard and joined the growing national security state. Lavish sums were being spent on the creation of an entire ecosystem of intelligence agencies, planning staffs, public and private think tanks and organizations to be America’s brain for the Cold War. Heinz, now “Henry”, fit right in and distinguished himself.
He might have remained a bright but unknown apparatchik, but he acquired a wealthy and powerful patron. The turning point in Henry’s career came in 1955 when Kissinger was the director of a Council on Foreign Relations-funded study on nuclear weapons and foreign policy. The Rockefeller Foundation had been the primary donor to the CFR since the 1930s. David Rockefeller (the grandchild of John D., and patriarch of the family empire) was director of the CFR, and head of Chase Manhattan Bank’s foreign department at the time of the study. While working on the study, Henry met David, and David’s brother Nelson Rockefeller (Governor of New York 1959-1973). A lasting alliance was formed. Kissinger was brought onboard as director of the Rockefeller Brothers Foundation’s “Special Studies Project (https://en.wikipedia.org/wiki/Special_Studies_Project)”, which was basically a strategic plan for the next several decades of American foreign policy, published in 1957. The report was a smash hit: it warned that the United States was falling behind the Soviet Union militarily and technologically and called for a major increase in military spending. It didn’t matter that the study was almost totally wrong when it came to the facts; it formed the basis of much of President Eisenhower’s 1958 State of the Union address and was another huge boost to Kissinger’s career. Parts of the report are still not accessible to the public. The Special Studies Project also formed the core of Nelson Rockefeller’s foreign policy platform during his multiple Republican presidential campaigns in the 1960s. Kissinger
was a private consultant on foreign policy for all of these efforts. In 1968, he left the Rockefeller payroll, and went directly into office as Secretary of State and National Security Advisor (an unprecedented concentration of power) in the Nixon White House. He was there thanks, mostly, to Nelson and David.

Kissinger would use his power to bring about a vision he shared with his bosses: China, fully integrated into the global commercial and political system the America had built since the Second World War. The beginning of industrialization under Mao and the ascent of Kissinger to a position of unmatched power in America’s foreign policy apparatus had set the stage for the beginning of one the greatest strategic partnerships of all time: Corporate America and the Chinese Communist Party.

Coming in Part III: he Rockefellers and the CCP make a deal

4 thoughts on “America & China Part II: Interregnum”

1. America & China Part III: The Great Deal | T. Jack Mulcaire
   September 3, 2015 at 7:29 am   □ Reply
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T. Jack Mulcaire

America & China Part III: The Great Deal

This is part 3 of a continuing series on the strategic and financial relationship between China and the United States: how it came to be, how it works, and where it’s going. You can see part 1 here (https://jackmulcaire.wordpress.com/2015/07/20/americachina-part-1-rockefeller-origins/) and part 2 here. (https://jackmulcaire.wordpress.com/2015/08/13/americachina-part-ii-interregnum/)

When Richard Nixon became President of the United States in 1969, the stars of geopolitics aligned in a rare way to allow the creation of a pact between the United States and China that would change the world. China was opening to a relationship with the United States, at just the same time that the United States was opening to a relationship with China. In the United States, a highly capable, Rockefeller family ally named Henry Kissinger was in full control of foreign policy, while his boss, President Nixon, was fully committed to a policy of rapprochement with China, and he had just won one of the most crushing election victories in American history. China was in fear of the Soviet Union and in internal turmoil. In both countries, everything was falling into place for the resurrection of the Rockefeller family’s dream of an industrialized China integrated into their cherished international system.

The pairing of Kissinger’s mind and the unfettered power of the American Empire was cold and calculating, yes (https://www.foreignaffairs.com/articles/bangladesh/2014-06-16/what-really-happened-bangladesh); but more than that it was wise and effective. Kissinger oversaw the creation of the two economic columns that upold the Pax...
Americana: the petrodollar (https://en.wikipedia.org/wiki/Petrodollar) and US-China trade. The petrodollar system will be the subject of future posts; you can also read about it here (http://28sherman.blogspot.com/2013/10/kissinger-saudis-and-birthing.html). For now I focus on Kissinger’s master work: clearing political obstacles to the forging of the US-China joint venture. After his work was complete, David Rockefeller, scion of the family’s diversified financial empire, stepped in and negotiated the terms for the deployment of hundreds of billions of dollars of American capital over the coming decades.

Just the Right Moment

As we have seen, Kissinger was a Rockefeller man through and through. And as we have seen, the Rockefeller dynasty desired a closer relationship between the United States and China. One that would remove ideological obstacles to their investments, which could then earn beautiful returns by accessing and developing China’s virgin markets and cheap labor. In the 1970s, China was ready for that alliance. In fact, so many things came together just right during the early 1970s that it’s hard not to see the hand of Providence in it all. A full accounting of the complex and difficult diplomacy behind China’s opening to the United States is beyond the scope of this effort (you’d need to write a big fat hardcover book) but I’ll tell the story in brief.

Mao had tried to face the United States as an adversary. He took us on directly in the Korean War, where Chinese forces forced the US Army into its longest-ever retreat, and managed to secure China’s strategic buffer zone. Mao certainly was determined, considering he stated his willingness to lose half of China’s population in a nuclear war at least once. Sheer psychotic determination worked throughout the 1950s and early 1960s but ultimately it was not enough. Mao couldn’t beat geopolitical facts. By the late 1960s, the Soviet Union had become an enemy to China, Mao’s economic policies were costly failures, and he faced an increasingly treacherous (https://en.wikipedia.org/wiki/Lin_Biao#Lin_Biao_incident) internal elite. Mao needed help to shore up his position.
Mao: There’s probably going to be a nuclear war, and you’ll all die, but that’s ok with me, because there’s a lot more of you. [CROWD CHEERS IN JOYOUS UNISON]

If Mao needed help, so did Nixon and Kissinger. Nixon had been elected in 1968 on the strength of his promise to end American involvement in the Vietnam War. To do that, he needed to cultivate closer relationships with China in order to put pressure on North Vietnam, which depended on China for aid and support in its war effort. Both countries had an interest in isolating and frustrating the ambitions of the Soviets. Thus for a brief window of time, reconciliation and a new partnership were imperatives for both China and the United States.

Kissinger Enters the Red Chamber

This allowed Kissinger to get to work. But he couldn’t just call up Mao and ask if he wanted to be allies. China and the US had no diplomatic contacts whatsoever at that time, and just communicating with China was physically difficult given the country’s state of self-imposed isolation. Kissinger started passing notes like a crush-stricken schoolgirl, via every back channel he could think of— including the murderous and egomaniacal communist dictator of Romania, Nicolae Ceausescu (http://nsarchive.gwu.edu/NSAEBB/NSAEBB66/ch-04.pdf), Mr. Yahya Khan (http://nsarchive.gwu.edu/NSAEBB/NSAEBB66/ch-03.pdf), a noted whoremonger (http://www.newslinemagazine.com/2002/05/night-of-the-general/) and President of Pakistan, the Polish Foreign Ministry and even some of Nixon’s personal friends. One can only imagine the consternation these messages created inside the Chinese leadership. Eventually Chinese Communist Party Premier Zhou Enlai responded to
Kissinger’s note-passing via Yahya Khan, and invited him to China. Thus, in the summer of 1971, Kissinger arranged for a visit in complete secrecy by creating a cover story about a visit to the UK (http://www.theguardian.com/world/2012/feb/17/kissinger-downing-street-visit-1971-untrue) for meetings with the Prime Minister.

Henry doesn’t know what to do with his chopsticks (not many Americans did in 1971) but Zhou is an obliging host.

Once he was in China, with the media and the Russians unaware, he was free to hammer out the issues with Zhou Enlai. The discussion (http://nsarchive.gwu.edu/NSAEBB/NSAEBB66/ch-34.pdf) ranged across all kinds of matters: Chinese history, the Vietnam War, and especially the status of Taiwan. These were matters of war and peace that had to be resolved before an economic relationship could begin, and they were wrapped up when, after a bit of ping-pong diplomacy (http://www.smithsonianmag.com/history/ping-pong-diplomacy-60307544/?no-ist), the bosses (Nixon and Mao) got together to ratify the understandings that Zhou and Kissinger had reached.

The “Gold Mountain” Acquires a Stake in the Middle Kingdom
Most people are familiar with this story up to this point. But what people aren’t aware of is that the political negotiations between Kissinger, Zhou, Mao and Nixon were just half of the opening of China during the early 1970s. There was another set of negotiations, between representatives of the Chinese government and representatives of America’s leading banks and industrial corporations, that began soon after the Kissinger-Zhou talks. Indeed, barriers to trade between the US and China were coming down even before Kissinger visited China. The Chinese were already subtly reaching out to American diplomats in Hong Kong to discuss “terms of eventual trade with US firms (http://nsarchive.gwu.edu/NSAEBB/NSAEBB66/ch-01.pdf)” and facilitate business travel between the US and China in 1970, and Nixon ended legal restrictions on the use of US dollars and shipping companies (http://nsarchive.gwu.edu/NSAEBB/NSAEBB66/ch-14.pdf) by Chinese firms. Both sides clearly had joint investment on their minds.

Kissinger’s diplomatic success kicked the economic developments into high gear. Remember that Kissinger was a former protege of the Rockefeller family. It only makes sense then, that his former patron, David Rockefeller, began a series of “business trips” to China in 1973, the aftermath of the Mao-Nixon summit. His objective: to begin working relationships between Chinese and American banks, in order to facilitate American investment in China.

David Rockefeller and Zhou Enlai

By the 1970s, David was CEO of Chase Bank (today known as JP Morgan Chase), America’s largest bank. Rockefeller’s 1973 trip to was extremely successful. He accomplished his main goal: Chase Bank became the first international “correspondent bank (http://www.investopedia.com/terms/c/correspondent-
bank.asp)” for the Bank of China, China’s largest commercial bank. Yes, dear reader, I know I used the word “bank” a lot in that last sentence, so let me explain further. Rockefeller signed an agreement (https://www.jpmorgan.com/pages/jpmorgan/china/eng/about/history) to create a formal relationship between Chase Bank and the state-owned Bank of China. They would now be “correspondent banks” – Chase would contract with Bank of China so that its American clients could store money, change currency, and make investments in China through the offices of the Bank of China. Rockefeller had opened the sluice gate to an irrigating flow of international capital to the untilled fields of China.

Upon his return, he published a very enlightening article in the New York Times that gives us a lot of insight into Mr. Rockefeller’s thought process towards China. In “From a China Traveler (https://jackmulcaire.files.wordpress.com/2015/09/b76b7-davidrockefellerchinamao1973nytimes.jpg)”, we see that David Rockefeller, the arch-capitalist, is not averse to praising Chairman Mao, the ultimate communist:

“One is immediately impressed by the sense of national harmony...Whatever the price of the Chinese Revolution, it has obviously succeeded not only in producing a more efficient and dedicated administration, but also in foster high morale and community of purpose...The social experiment in China under Chairman Mao’s leadership is one of the most important and successful in human history.”

At this point, any remaining worries that corporate America’s would feel anxiety about doing business in China because of ideological differences were gone. But there was one last obstacle. The full deployment of American capital into the Chinese economy had to get approval from the top, but Mao was old, feeble, and unable to exert any such decision over the entirety of the Chinese state, whose leadership was in a state of turmoil due to the Cultural Revolution. Fortunately for the everyone involved, Mao obliged and died in 1976, and was succeeded in 1979 by Deng Xiaopeng.

**Mr. Rong is Actually Mr. Right for Mr. Rockefeller**

Deng Xiaopeng was a pretty cool guy in my opinion. As a young man he lived in France for a time where he worked as a “fitter”, fabricating and fitting together metal parts in a steel mill. He rose through the ranks and survived the
turmoil of anarchy, civil war and Japanese invasion, to become a high ranking member of the Communist Party. Then he ended up on the losing side in the Cultural Revolution and was singled out by Mao as the focus of the “Criticize Deng Campaign”, wherein all the millions of members of the Chinese Communist Party had to think of nasty things to say about him in order to prove their loyalty. From the heights of power, he was demoted to work as a lowly fitter again, in a tractor factory. But then Mao died and Deng took over the Communist Party in a couple of years anyway. He’s definitely one of the few modern leaders that it’s easy to admire.

Deng didn’t “care if the cat was red, so long as it catches mice”. One of his first acts [http://www.bloomberg.com/news/articles/2014-06-02/citic-once-courting-rockefeller-to-go-global-in-hong-kong] after taking power was to call upon Rong Yiren, known as the “Red Capitalist”, to lead the newly created China International Trust and Investment Corporation (CITIC). Rong was a wily pre-revolution industrialist who had somehow managed to stay alive and keep hold of a good chunk of his money throughout the long decades of Mao’s rule. I don’t know how he did that, I haven’t been able to find out even though I tried, and, well, maybe I don’t want to know. The fact that he accomplished this feat should tell the reader all they need to know — Rong Yiren was a serious operator. The purpose of his new state-owned CITIC venture was to attract foreign investors for commercial projects in China.
When you’re Rong Yiren, you can sit when Jiang Zemin greets you.

Rong led a delegation of CITIC officials to Rockefeller Center in Manhattan in 1980. I’ll let Mr. Mikhail Chussodovsky, author of “Towards Capitalist Restoration?: Chinese Socialism after Mao” (http://www.barnesandnoble.com/w/towards-capitalist-restoration-michel-chossudovsky/1114595140?ean=9780312811341&itm=1&usri=9780312811341) explain:

The 1979 visit of Deng Xiaoping to the US was followed in June 1980 by the equally significant encounter in Wall Street of Rong Yiren, chairman of CITIC, and David Rockefeller. The meeting, held in the penthouse of the Chase Manhattan Bank complex, was attended by senior executives of close to 300 major US corporations. A major agreement was reached between Chase, CITIC, and the Bank of China, involving the exchange of specialists and technical personnel to ‘identify and define those areas of the Chinese economy most susceptible to American technology and capital infusion’.

In other words, Mr. Rong and Mr. Rockefeller brought together corporate America and the Chinese government, so they could be co-investors in projects to develop China’s economy. Only David Rockefeller could have brought together such a large and influential group of investors.

This project was such a success that it led directly to China’s rise to become the world’s largest economy. Foreign direct investment in China (https://www.piie.com/publications/wp/01-3.pdf) surged from essentially nothing under Mao to the low billions by the early 1990s, and then exploded to today’s annual figure of about $130 billion. This capital largely paid for the new factories and infrastructure that industrialized China’s mostly agricultural economy, beginning in the 1980s.

Not all of this investment was coming from American mega-capitalists like the Rockefellers and their friends in the Big Four American banks. Many projects were also funded through CITIC by wealthy “overseas Chinese”, Japanese zaibatsu and other players. But much of it was funded by American investors. Kissinger was in the midst of it. Beginning in the late 1980s, his firm (http://www.larouchepub.com/eiw/public/1989/eirv16n39-19890929/eirv16n39-19890929_033-che_scandalo_mr_kissinger.pdf), China Advisers, did
brisk business assisting Fortune 500 clients in gaining CITIC’s approval for investment projects in China. Thanks to his connections with China’s leadership, the Rockefeller family and, through them, CITIC’s boss, Rong Yiren, Kissinger had the guanxi to make it happen for Americans looking to earn good returns in China.

Pictured: lower level guanxi in action

The Rockefeller family’s flagship institution, Chase Bank, also made out handsomely on the influx of foreign direct investment to China. Remember, all they ever wanted was for China to grow economically, so that China could become a nation of reliable consumers of Rockefeller empire products. In 1997, that dream, which the family had nursed since the 1910s, finally became a reality, when the Chinese government issued $500 million of bonds (https://www.jpmorgan.com/pages/jpmorgan/china/eng/about/history) on the international capital markets. Chase Bank (now known as JP Morgan & Chase) was the joint underwriter. The wealth being generated by the investments that Rockefeller, Kissinger, Deng and Rong Yiren had facilitated had now enriched the Chinese state enough that it could be a reliable client to international creditors like the Rockefeller financial empire.

That, dear reader, is why investing in the development of entire countries can be a smart business move. Too bad the barriers to entry on that particular investment strategy are just a wee bit too high for me.
All this business stuff just isn’t meant for a poor blogger like me. Guess I’ll just have to have some of this damn fine coffee with ol’ Dick. You kinda got left behind too, didn’t you Dick? Well, at least we got coffee and donuts.

2 thoughts on “America & China Part III: The Great Deal”

1. America and China Part IV: The Big Balance Sheet | T. Jack Mulcaire
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