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**Record Group/Collection:** George H.W. Bush Presidential Records  
**Collection/Office of Origin:** Scowcroft, Brent, Collection  
**Series:** China Chronological Files  
**Subseries:** Non-Tiananmen Files

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**OA/ID Number:** 91134  
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**Folder Title:**  
China: Non-Tiananmen (February 1989)

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# Withdrawal/Redaction Sheet

## (George Bush Library)

| Doc. No. / Type | Subject/Title                                                                                                                              | Date    | Restriction | Classification |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------|---------|-------------|----------------|
| 01. Memcon      | Re: Welcoming Banquet in Beijing, China (2 pp.)                                                                                            | 2/25/89 | (b)(1)      | <del>S</del>   |
| 02. Memcon      | Re: President Bush's Meeting with Premier Li Peng of the People's Republic of China (20 pp.)                                               | 2/26/89 | (b)(1)      | <del>S</del>   |
| 03a. Memcon     | Re: President Bush's Informal Tea with Premier Li Peng of the State Council of the People's Republic of China (5 pp.)                      | 2/25/89 | (b)(1)      | <del>C</del>   |
| 03b. Memcon     | Re: President Bush's Informal Tea with Premier Li Peng of the State Council of the People's Republic of China [Starting on page 2] (4 pp.) | 2/25/89 | (b)(1)      | <del>C</del>   |

Page 1 of 1

**Collection:**

**Record Group:** Bush Presidential Records  
**Office:** Scowcroft, Brent, Files  
**Series:** China Chronological Files  
**Subseries:** Non-Tiananmen Files  
**WHORM Cat.:**  
**File Location:** China: Non-Tiananmen (February 1989)

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**OA/ID Number:** 91134-001  
**Date Closed:** 5/1/2009  
**FOIA/Sys Case #:** 2009-0275-S  
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THE WHITE HOUSE

WASHINGTON



MEMORANDUM OF CONVERSATION

SUBJECT: Welcoming Banquet in Beijing, China

PARTICIPANTS: U.S.  
The President  
Vivian Chang, Interpreter and Notetaker

China  
President Yang Shangkun  
Premier Li Peng

DATE, TIME: February 25, 1989, 7:40 p.m. - 9:00 p.m.  
and PLACE: Great Hall of the People, Beijing, China

Pakistan

The President asked Yang's and Li's opinions on Bhutto's ability to remain a strong leader.

Yang and Li both agreed that she can stay in power as long as she can get along with the military.

The President remarked that it was encouraging to see that Yaqub Khan has remained her foreign minister despite his past closeness to Zia.

Yang disclosed, however, that she had another foreign policy advisor seated next to her when she visited China. This person (name not mentioned) was apparently jailed during Zia's rule.

The President mentioned his concern with his ability to certify to Congress that Pakistan was not building a nuclear weapon, but was encouraged by Bhutto's assurances in Tokyo.

Soviet Union

The President spoke at some length about Gorbachev's ability to succeed at Perestroika.

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Yang and Li both hoped he succeeds, but Yang predicted it would be at least ten years before they will see any results because it has taken China that long (since the 1978 Third Plenum) to see results. Yang noted that Kissinger was just in China to see him and as very pessimistic about Gorbachev.

The President said he was aware of Kissinger's views.

The President pointed out one major problem the Soviet Union has that China does not in carrying out reforms, i.e., Soviet satellite countries like Poland and Hungary wanting to reform more quickly than the Soviets would like.

Li remarked that China would not welcome the kind of labor problems that Poland is experiencing with Solidarity.

The President said that his senior advisors are undertaking a review to determine what steps to take next vis-à-vis the Soviet Union. His aim is to devise an attractive proposal to cut back on personnel in order to save on the defense budget.

#### Intelligence Cooperation

The President expressed appreciation for China's cooperation in the sensitive intelligence area.

Yang said he was familiar with the joint efforts that were quickly built out of prefab parts from the U.S. in order to detect a Soviet "apparatus." Later Yang specially pointed out General Xu Xin as the man in charge of the project.

#### Toast

Li remarked that he enjoyed the President's toast, but would point out just one thing -- that China is not a nuclear power on the same footing as the U.S. (referring to page 2, last paragraph). He said China has nuclear "power" (as in nuclear energy), but does not have a lot of nuclear weapons.

The President said he would be careful next time with the word "power" if it might be misinterpreted in Chinese.

[Interpreter's note: In general, the atmosphere during the dinner was very cordial. Both Li and Yang seemed interested and participated in the conversation equally.]



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THE WHITE HOUSE

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2/26/89

MEMORANDUM OF CONVERSATION

SUBJECT: President Bush's Meeting with Premier Li Peng  
of The People's Republic of China

PARTICIPANTS: U.S.  
The President  
James A. Baker III, Secretary of State  
Winston Lord, American Ambassador  
John Sununu, Chief of Staff  
Brent Scowcroft, Assistant to the President  
for National Security Affairs  
Andrew Card, Deputy Chief of Staff  
Marlin Fitzwater, Assistant to the President  
and Press Secretary  
Robert Zoellick, Counselor Designate,  
Department of State  
Gaston J. Sigur, Assistant Secretary of State  
for East Asian and Pacific Affairs  
Margaret Tutwiler, Assistant Secretary of  
State, Public Affairs (Designate)  
James A. Kelly, Senior Director, Asian  
Affairs, National Security Council  
J. Stapleton Roy, Deputy Assistant Secretary  
of State  
Peter Tomsen, Deputy Chief of Mission,  
Embassy Beijing  
Karl Jackson, Director, Asian Affairs,  
National Security Council  
Ray Burghardt, Political Counselor, Embassy  
Beijing  
F. Maerkele, Political Officer, Embassy  
Beijing (Notetaker)  
James Brown, Department of State  
(Interpreter)

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SCS 10/17/13

China  
Premier Li Peng  
Vice Premier Wu Xueqian  
Foreign Minister Qian Qichen  
Vice Foreign Minister Zhu Qizhen  
Han Xu, Ambassador to the United States  
Assistant Foreign Minister Liu Huaqiu  
MFA Protocol Director Wu Minglian

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MFA Information Director Li Zhaoxing  
Deputy Director Zha Peixin, USA Department  
Counselor Wang Li, USA Department  
Division Chief Ma Zhengang, USA Department  
Deputy Division Chief Liu Xizheng, MFA  
Protocol  
First Secretary Zhu Luchang, MFA Protocol  
Other Participants (2)  
Notetakers (2)  
Interpreter

DATE, TIME February 26, 1989, 9:00 a.m. - 11:00 a.m.  
AND PLACE: Great Hall of the People, Xinjiang Room,  
Beijing, China

SUMMARY: In a cordial and relaxed two hour meeting, President Bush and Premier Li Peng exchanged views on a wide range of international and bilateral topics including Sino-U.S. relations, relations with the Soviet Union, Cambodia, the Philippines, the Korean Peninsula, Japan, the Middle East, anti-terrorism, diplomatic reciprocity, science and technology, Third World debt, the Indian sub-continent, Afghanistan, Eastern Europe, missile sales and the Peace Corps. The President began with a statement giving his views on many of the above issues. Premier Li Peng then responded with his prepared text and additionally commented on issues raised by the President.

In the Premier's presentation, plus the subsequent discussion, the Chinese made comments about foreign intervention in Chinese domestic affairs. The Premier characterized Soviet domestic political liberalization (a topic that he termed "more to the taste of Americans") as dangerous and concluded that the Soviets should devote their effort to economic reform, a statement with implications for China's domestic policy. Later, commenting on bilateral relations, he pointedly remarked that "some Americans," such as members of Congress, try to influence China's domestic policy and he warned against any such actions by U.S. executive branch officials.

In significant comments on international affairs, Li said that China would improve non-government and trade relations with South Korea in the future. Li said China would be very displeased at any increase in the level of official U.S. contacts with Taiwan. He indicated that once current agreements expire, the PRC would cease weapons deliveries to the Afghan resistance forces. Discussing bilateral affairs, the Premier termed Sino-U.S. relations as "good," and hoped to see continued development of

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relations. Responding to the President's concerns about proliferation of intermediate range ballistic missiles, the Premier made a clear statement that China would "no longer sell such missiles." END SUMMARY.

President Bush: I am sorry for being a few minutes late.

Premier Li: I represent the Chinese government in warmly welcoming you to China. We want a broad and in-depth exchange of views on bilateral and international questions of mutual interest. We think the talks should be full and frank so that we can get to know each other's viewpoints and thus further the development of Sino-American relations. Our talks today are brief and some time will be taken by interpretation. I see two possible ways to proceed:

- in accordance with our practice, you can make an opening statement, and then we can consider issues one by one; or
- we might divide the issues into two categories -- bilateral and international -- and first discuss all aspects of one category before moving to the second.

President Bush: The first method is agreeable. I have some matters to raise and would like to make an opening statement. After your opening statement, we could go to a frank exchange of questions and answers so that the meeting will have more substance.

Premier Li: Good, I agree.

#### Basis of U.S. Policy Toward China

President Bush: Thank you for the lovely banquet that you and President Yang hosted, and for the warm welcome back to China. From my standpoint, this is a very important visit to China and its people. The relations between the U.S. and China are as important as any in the world. At the start of my administration, we are engaging in a total review of many policies, including arms control negotiations with the Soviet Union and what to do in the Middle East. China is an exception: we already know where we are, where we want to go, and what we want to do. We want to continue strengthening and developing our bilateral relations. This relationship stands on its own and

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will not be affected by rapid changes on the international stage. As I said last night, I am glad that General Secretary Gorbachev is coming to China. We have passed the stage of worrying about this type of event. The Joint Communiques of 1972, 1979 and 1982 will continue to form the basis of my administration's China policy.

#### Administration's Firm Commitment to One China Policy.

We are firmly committed to a policy of one China. We have stated so publicly in ways designed to deter separatist elements. The future of Taiwan must be worked out by Chinese on both sides of the Taiwan Strait without interference and certainly without our mediation. We have big problems with Taiwan in trade areas, but we have trouble acting on them because we are inhibited in discussing these areas with them because of our arrangements with you. We will continue these arrangements, but we wish we could find a better way to lean on them in the trade area. A solution of the trade problems would benefit ourselves and benefit China. This is your business, but we welcome your growing contacts with Taiwan. Our policy is aimed at fostering further progress in these areas and good relations based on our Communiques.

#### Bush Administration's International Policies

On the Sino-Soviet-U.S. front, as I have indicated, we welcome the recent progress in the Sino-Soviet relationship, what appears to us to be progress. We would like to feel that this will result in improved prospects for durable global and regional stability. When I last met Gorbachev, when he came to New York City just before I was sworn in as President, there had been discussion of his coming to China but there were no firm arrangements at the time. I told him, "I am pleased you are going to China and that you will see Deng Xiaoping who has a broad global view unmatched by other foreign leaders."

#### U.S.-Soviet Relations

On U.S.-Soviet relations, my position is that we want to continue our basic policy toward the Soviet Union, but I am cautious. Everyone on this side of the table is cautious. I have ordered a comprehensive review of our overall relationship and what steps to propose in arms control and in other areas. We want to see

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perestroika continue and be successful. To be very candid, although we are pleased with the Soviet withdrawal from Afghanistan and the recent arrangements in Angola, there are several areas of Soviet international behavior that disturb us. Therefore, I view our relationship with hope and caution. It is important for the Soviets to understand that our review is not a stalling tactic or foot-dragging. I personally made that point to Mr. Gorbachev. Needless to say, we would welcome Chinese views on the Soviet domestic political situation. We are watching it and would like to compare notes with you. We will continue our standard agenda of emphasizing human rights, arms control, regional, and bilateral issues. We want to expand our talks with them on other issues of growing concern, such as the global environment, anti-terrorism and narcotics.

#### Cambodia

May I say a few words on Cambodia. We want to keep the focus on a comprehensive settlement, which would include:

- complete and rapid withdrawal of Vietnamese troops from Cambodia;
- a coalition government headed by Prince Sihanouk;
- an international presence with "teeth" in it;
- effective safeguards against a Khmer Rouge return to dominance, including reduction of outside military aid to the Khmer Rouge and arrangements for the relocation of unacceptable Khmer Rouge leaders to a place outside of Cambodia.

This is the U.S. position. My intention is to step up our support for the Sihanouk forces. We hope others will do the same. We are pleased that until recently the ASEAN countries have stayed close together, though we are concerned at Thai Prime Minister Chatchai's going it alone in meeting with the puppet government from Phnom Penh.

#### Philippines

With regard to the Philippines, we have a strong historic relationship. We are committed to its economic recovery and are working closely with Japan in this regard. I must confess to a certain worry about the Philippines, but we will work with Mrs.

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Aquino to try to achieve economic recovery.

#### Korean Peninsula

On the Korean peninsula, we are encouraged by recent overall trends there. Of course, I recognize that no one has great influence over Kim Il-sung. But to the extent that China has greater influence there than we do, we hope you will encourage the North Koreans to engage in a meaningful dialogue with South Korea. From our standpoint, we believe that the links China has developed with Seoul help reduce tensions on the Korean peninsula. We welcome that. Trade offices would be a good further step and would help. I also want to express my appreciation to China for its help in arranging U.S. diplomatic contacts with North Korea.

#### Japan

We think our relations with Japan have a key role to play in maintaining regional stability. We will keep working at these relations, but we have some major trade problems with Japan that disturb us and Congress. We feel that increased China-Japan ties would also be good for Asian stability. I have wondered whether Japan might at some time in the future try to shift its interest toward the Soviet Union by stressing economic relations, but I feel that until the Northern Islands issue is solved, such a move is most unlikely.

#### Middle East, the PLO, International Terrorism

I know that we have had differences with you on the Middle East and that they will continue to some degree. We are committed to pursuing a comprehensive peace and will try to engage in dialogue with all regional parties to that end. I welcome Arafat's recent statement which resulted in our dialogue with the PLO. To the degree that China has close ties to the PLO, I hope that you will urge the PLO toward moderation. I worry very much about elements to the left or radical side of Arafat.

We continue to be concerned about international terrorism. In countering terrorism, we would like to see China as actively involved as possible. To the extent that China has influence with Pyongyang, I hope that you could encourage them to take some positive steps. Incidentally, with regard to the radical elements in the PLO, Secretary Baker has asked me to express our

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concern that certain anti-Arafat elements in the PLO will try to disrupt our dialogue with him through radical action. We recognize that we have a unique role to play in helping in the Middle East, but we do not want to move so precipitously that the move goes up in smoke, and nothing happens. Having said that, the recent steps with the PLO offer some promise. We will not stall, but we are not now ready to move forward and get out front with a new American plan.

## U.S.-CHINESE BILATERAL ISSUES

### Diplomatic Reciprocity

There are a couple of other matters I would like to raise, more on the bilateral side. I strongly urge you to consider our recent request for reciprocity for diplomats on such matters as communications systems, offices, housing, travel, and ability to meet with officials. Back in 1974, on instructions from Washington, I made a pitch that we be allowed to use the Skylink communications system. I hope that our Embassy can soon gain the ability to use that system.

### China's Economic Reform Achievements

In connection with our bilateral economic and S&T issues, let me say that we continue to be impressed, very impressed, by China's bold initiatives on economic reform. It is amazing how people in the United States -- Ambassador Han Xu can confirm this -- are aware of these changes and are impressed by them. We are not unaware of pending problems, but the results in terms of increased output, expanded trade, increased investment, and improved living standards represent major achievements for which we have great respect.

### Need for Increased Reliance on Markets

Yesterday, I had an agonizing talk with President Sarney of Brazil about the Third World debt issue, another major question that concerns us. I urged market reform on him -- that is, that he base his economy as much as possible on markets. This is true not just for Brazil, but for all countries -- that there should be an increased role for markets. I have great respect for your achievements in stimulating economic growth and increasing trade and investment with the U.S. and Europe. I congratulate China for its progress in this regard.

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### Fight Against Protectionism

I will continue to resist protectionist pressure in the U.S. and will do my best to insure that U.S. markets remain open. But trade has to be a two-way street. I and my administration oppose protectionist pressure, but I cannot overemphasize the pressure rising in the country and in the Congress for reciprocity. Many powerful elements which previously were anti-protectionist are now willing to go that route. I will resist these pressures, and the U.S. will resist them, but the pressures are great, and the answer is greater access to foreign markets. I hope to enlist the help of Chinese leaders to increase protection of intellectual property rights, reduce import duties, and improve implementation of contracts with foreign firms. In turn, we will do our best to liberalize export controls and to act favorably on issues of interest to China, such as GATT membership. It would also be worthwhile to study intensively the possibility of a bilateral investment treaty.

Mr. Premier, you are expert on this but I like to think that U.S. firms have made a contribution to China's development, especially in the fields of energy and transportation. I hope that you will support continued cooperation with U.S. firms in these areas, and also in telecommunications.

### Renewal of the Science and Technology Agreement

In science and technology, we have got to work together in coming weeks to resolve differences and renew the S&T cooperation agreement. It is an important agreement and should be renewed without interruption to permit the continuation of cooperative activities under it.

### European Issues

There are many other areas that I have not touched on. I have just touched the top of the iceberg with respect to Third World debt. We are very concerned about coming up with a plan for sharing the debt with other significant lenders that will be helpful. I don't want to bore you with my opinion on West European developments in Germany and elsewhere. But I do want to say that I intend to keep the alliance as strong as possible. We have some problems there because of Gorbachev's ability to appeal to the West with his peace offensive, which is very attractive to people there.

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### South Asian Sub-continent

You probably are more closely identified with issues in the sub-continent. I am optimistic about the new leadership in India and Pakistan. Rajiv Gandhi and Prime Minister Bhutto seem to be off to a good start. We have some special concerns about Pakistan, which I mentioned last night, but we are pleased with Pakistan's help in Afghanistan.

### Eastern Europe

My last point relates to Eastern Europe. As the Soviet policies of perestroika and glasnost move forward, they create new challenges and opportunities for all of us in our relations with the East European countries. There is enormous potential for progress, but also enormous potential for danger.

Thank you for the opportunity to present my views. I would be glad after your presentation to take any questions you may have.

### PRESENTATION OF PREMIER LI PENG

#### General Remarks

Premier Li: Mr. President, I have listened carefully to your presentation on the international situation and our bilateral relations. China is pleased with the relaxation of tensions in the world recently. With the signing of the INF treaty between the U.S. and the Soviet Union, some hot spots in the world have been settled and others are in the process of being settled. We hope to see a continuation of this trend and that the two big countries will reach a further agreement on the reduction of strategic nuclear weapons and other types of nuclear weapons. China is now engaged in the four modernizations, but we still have a poor and backward economy. We need modernization and put modernization at the center of our efforts. We need a peaceful international environment and stability at home. So we will work for relaxation worldwide.

#### Normalization of Sino-Soviet Relations

It can be said that the process of Sino-Soviet normalization has

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already begun and will be furthered at the high-level meeting this May. This is all based on the premise that significant progress has been made in the three major obstacles posed by the Soviet Union. The Soviet Union has agreed to China's conditions or most of our conditions, on the three major obstacles. What we want to restore is normal state relations -- that is, the situation was abnormal before. For a long time, China and the Soviet Union were locked in confrontation, but now we want relations to be normal again. A higher goal is for China and the Soviet Union to become good neighbors, but not to have an alliance relationship. Proceeding from China's own security interests, we do not want an alliance with any country in the world. To be frank, to what extent the Soviet Union changes its policy we will have to wait and see.

#### Soviet Problems in Implementing Perestroika

As I discussed with you at dinner last night, there is a possibility that to develop its economy, the Soviet Union will have to decrease its military expenditures. This would be conducive to the relaxation of tensions in the world. But the Soviet Union is encountering enormous difficulties in implementing perestroika. We feel that the Soviet difficulties have occurred because the Soviet people have not gained any practical benefits from perestroika, there has been more rhetoric than benefits, so the people are not enthusiastic about perestroika. For a time, the Soviets emphasized economic reform, but now they are emphasizing political reform and the process of democratization. This latter emphasis may suit the taste of the U.S. However, the effect of the latter approach may be rather limited and may provoke ethnic problems in the Soviet Union. At best it may only arouse the enthusiasm of the intellectuals for perestroika. In my view, the Soviet Union should mainly concentrate on the economic problems of the country.

#### Party-to-Party Relations

You might be concerned at the possibility that China will restore party-to-party relations with the Soviet Union. In fact, we have established party relations with a great many countries in the world, which is no more than having contact with party delegations. That's what we mean. As a matter of fact, we intend to establish such relations with the Republican and Democratic parties in the U.S., that is, there will be relations between your parties and the Chinese Communist Party's International Liaison Department.

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During his visit to Beijing, Gorbachev will meet Party General Secretary Zhao Ziyang. Both are Party General Secretaries, and that will accomplish restoration of party-to-party relations. They will talk, but you don't have to worry about that. We will not emphasize party-to-party relations. That aspect is not so important.

#### Relations Are Independent of Social System/Ideology

One of China's basic views on international relations is that the state of relations between countries does not depend on similarities or differences in social systems or ideologies. Of course, in approaching Sino-Soviet relations we will also consider possibilities for expanding science and technology and economic cooperation with the Soviet Union. However, the potential in that respect for expansion of these relations is much less than between our two countries.

After these general remarks, I would like to respond to the point you raised.

#### Afghanistan

We welcome the Soviet withdrawal but are concerned about the possibility that civil war will break out after Soviet troop withdrawal. Pakistani Prime Minister Bhutto told me that the resistance forces in Afghanistan have firm determination and are optimistic in their outlook, that is, that feel they can defeat the Kabul regime by force in a few months. While China is not entirely clear about the situation there, we think the above estimate is too optimistic. We feel that after the Soviet troop withdrawal, China has lost the basis for continuing military assistance to the resistance forces. The original purpose of the Chinese assistance was to force the withdrawal of foreign troops and let the Afghan people solve their problems themselves. Now that Soviet troops are gone, continued support of the Afghan resistance forces would be tantamount to support of a civil war. However, for that portion of assistance to the Afghan resistance which has been committed under an agreement, we will carry out the agreement, and the balance of material will be delivered to the Afghan side.

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### Kampuchea Question

On the Kampuchea question, there are two core questions:

- First, withdrawal of Vietnamese troops. You probably know this, but some Vietnamese soldiers are changing uniforms to those of the puppet troops so as to stay on in that country. This represents de facto control of Kampuchea by the Vietnamese. We are very much concerned about this.
- Second, a quadripartite coalition government headed by Prince Sihanouk. Such a government should be established after Vietnamese withdrawal, and everyone should support Sihanouk. China will not support a monopoly of power by the Khmer Rouge.

China has made three proposals that explain our approach to this issue:

- All candidates for positions in the new coalition government should be submitted for approval to the other parties. If another party objects, then that candidate cannot participate in the government. If there is disagreement on Pol Pot, then obviously he cannot participate.
- Troop reductions should be made on a reciprocal basis. Each faction should reduce its armed forces to 10,000 soldiers, thus creating a unified national defense force of 40,000 troops.
- There should be international control and supervision, and the dispatch of an international peacekeeping force to Kampuchea.

All of these moves show support for Prince Sihanouk and will not only restrain the Phnom Penh regime but also the Khmer Rouge. But we should also address another tendency, i.e., the possibility of a monopoly of power by the Phnom Penh regime to the exclusion of the other three parties. If the Khmer Rouge is excluded, then there is no force available to restrain the forces of the Phnom Penh regime; in that case the Phnom Penh regime would have an effective monopoly. Perhaps Thai Prime Minister Chatchai has overestimated the role of the Hun Sen regime.

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Actually, it does not have much of an independent say but is rather at the beck and call of Vietnam.

#### Korea Policy -- North Korea

We attach great importance to developments on the Korean peninsula because they are directly related to China. It is a good proposal to encourage direct dialogue between North and South Korea. China's relations with North Korea are good but our influence is rather limited. Our friend over there has great confidence in himself. Now North Korea is somewhat isolated in the international community. So we think that they should be allowed to have more contacts with the international community which might encourage them to adopt more flexible policies. The more that North Korea is isolated the worse the consequences. For instance, North Korea is very sensitive to joint military exercises between the U.S. and South Korea. In our view, why should such exercises be held to irritate North Korea?

#### Korea Policy -- South Korea

For all practical purposes, we have already achieved a breakthrough in our relations with Seoul in South Korea in the non-official and commercial area. For example, we attended the Seoul Olympics. With the expansion of economic ties between China and South Korea, to protect our economic interests and to make representations, it is appropriate and necessary for us to set up a trade office in South Korea. However, this has not been done up to now. But we are not prepared to let relations with South Korea develop into normal official relations. Rather, relations will remain at a non-governmental level.

#### Japan

We know that you are on excellent terms with Japan, although we are aware of a number of problems. On the whole, Sino-Japanese relations are not bad. Japan remains our number one trading partner if you exclude the Hong Kong area. Japan has outstripped the U.S. in that regard. Of course, there are some problems in China's relations with Japan, mainly because of the revival and existence of militaristic elements in Japan. Japanese military expenditures now exceed one percent of GNP, and the actual figure exceeds U.S. \$30 billion, a figure that is much greater than China's military expenditures.

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### Middle East and the PLO

We express appreciation for the recent U.S. announcement of its readiness to enter into dialogue with the PLO. The Middle East is a big hot spot which should be settled. Recently, Mr. Khadumi, the chief of the political office of the PLO, a person who is equivalent to their foreign minister, visited China. In our talks with him, we encouraged the PLO to take a more flexible policy. He is a top PLO official. He indicated readiness to go along that line. The U.S. has a big influence on Israel. You should encourage Israel to change its intransigent policy. One should give people a way out. The PLO is still an exile government.

### BILATERAL RELATIONS

#### Sino-U.S. Relations Are Good

Sino-U.S. relations are good. Relations are developing steadily. China's leaders are pleased and hope to see continued development of relations. The problems you have mentioned -- reciprocity, housing, communications, travel -- are of secondary importance. They can be solved by the Departments concerned under the coordination of the Ministry of Foreign Affairs and on the basis of mutual understanding. I have confidence in these departments.

#### Sino-U.S. Economic Trade and Investment Relations

You also talked about the need to strengthen Sino-U.S. relations through the conclusion of agreements in the economic area. We also attach importance to a bilateral investment treaty and to intellectual property rights. We already have a patent law in China and are now drafting a copyright law which will soon be submitted for discussion. We would also like to continue improving the investment climate in China. We hope to see increased U.S. investment. The percentage of U.S. investment in comparison to total investment is quite high. We appreciate that and want more. We are improving China's investment climate to protect the ability of U.S. investors to exercise their normal rights under bilateral agreements.

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#### Opposition to Taiwan's "Elastic Diplomacy"

We attach great importance to the Taiwan issue. We listened to your reiteration of the importance of the three Communiques and we express our appreciation. Recently, Taiwan has relaxed its policy to an extent, and there has been increased interchange of people across the Taiwan Strait. This is a good thing. On the other hand, there is also a trend toward independence in Taiwan which is also developing. For instance, Taiwan is now practicing its so-called "elastic diplomacy" which is a bid to return to the international community, which in essence is trying to create two Chinas. We are very much concerned about that. We hope that the U.S. will not support the so-called "elastic foreign policy" on the part of the Taiwan authorities.

#### U.S. Contacts with Taiwan Should Be Unofficial

The U.S. has many economic and trade ties with Taiwan, and this we understand. Since the ties are already there, there must be contacts, but the contacts should be non-governmental. This is stipulated in the Sino-U.S. agreements. But if such contacts should be revised to a level of an official nature, i.e., contacts involving high-ranking officials of the U.S., including even department secretaries and cabinet members, then we would be most displeased.

#### Opposition to U.S. Interference in Domestic Politics

Another question is that some Americans try in one way or another to influence China's policy. To be more blunt, this smacks of interference in China's internal affairs, and we are not happy about it. Of course, in the past, this phenomenon came mainly not from the U.S. Government, but from various walks and circles including members of Congress and others who make trouble on this or that question. We are not pleased. We would be even more unhappy if this were raised to the level where there was interference by government officials. We have no business to interfere if the U.S. observes developments in China from its own point of view, but if it tries to impose this view on us, we will oppose this.

#### Reform Requires a Strong Chinese Government

As you know, Chinese society is entirely different from U.S.

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society. We are at entirely different development levels. China is a developing country and is still very poor. One should not look at Beijing. In other areas there is real poverty. Some people do not have enough food to eat. China is engaged in economic development and reform. Reform, itself, is a big transformation and the situation is very complicated. We thank you for your support of our reform. On the other hand, we hope that you will also support our view that to improve the domestic economic environment we need a strong government in China. We hope to see the continuation of a good trend in the development of relations between our two countries, so I particularly stress the above points. As old friends, I feel I can talk in this very frank way. With others I might not approach the question in this manner.

#### Anti-Protectionist Position

We know that the Reagan administration and you have resisted U.S. trade protectionist pressures in the U.S. Regardless of whether one says that Sino-U.S. trade was U.S. \$14 billion, as you asserted, or U.S. \$10 billion, as China asserts, the point is still the same that Sino-U.S. trade is a small percentage of total U.S. trade. In the final analysis, our dollars earned from trade with you go back to the U.S. when we buy advanced American technology and equipment, including military equipment. All these things cost money, including the military equipment, the prices of which in the U.S. are very high. So it is really an exchange of money, and ultimately the money from the U.S. goes back to the U.S.

#### China to Adopt Measures to Protect U.S. High Technology

On the question of transfer of sensitive high technology to China, we understand that the U.S. has concerns. The Chinese government will adopt even stricter measures to ensure that there is no proliferation (sic) [i.e., no further dissemination of such technology].

Perhaps we should set aside some time for deeper discussion of these questions.

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### Agreement on the Peace Corps in China

President Bush: Thank you for your full and frank presentation. There are a couple of items which I forgot to mention in which I have a personal interest. One is the Peace Corps. We are very pleased that China has agreed to receive Peace Corps representatives. I strongly urge that we get on with the practical details and the exchange of letters. We would like a response to our draft proposal. The whole concept of teaching English in Sichuan is good. China is so big that it is a drop in the bucket, but it is a good symbol of our improved relations. So I hope that we can get on with that.

I have a couple of more comments on what you said. I made some notes as you were speaking, so with your permission, I will make some comments in no particular order.

### Afghanistan Resupply

On the question of Afghan resupply, the Soviet Union said they were not happy with my recent statement on Afghanistan, in which I said that they had left a large amount of military equipment behind in Afghanistan. I said that we could not permit an imbalance in military strength to result. We have incontrovertible evidence that after the Soviets left, they are resupplying the Najibullah government. So I am pleased China will do what you said it would do. I listened very carefully to what you said. We don't want to throw a lot of arms into Afghanistan and to undermine peace. But we do not want to allow an imbalance to develop that would cause the resistance to lose in peace what they gained through fierce fighting.

### Cambodia/Vietnam

One comment on Cambodia and Vietnam. Some in the U.S. feel that we should dramatically improve relations with Vietnam, but I am very wary of that action. Even if Vietnam does the right thing in Cambodia, we will still proceed very cautiously with Vietnam. I just wanted you to know that. There is the question of the motive for Chatchai's move toward the puppet government. The answer may be in trade, in the desire to be out in front of the other ASEAN countries, or in the desire to go down in history as the man who paved the way for improved relations with Cambodia. We think he made a mistake. We think we should all stay together as much as possible and not go off on separate tracks.

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Premier Li: Incidentally, from March 15, Prime Minister Chatchai will visit Beijing at my invitation.

President Bush: Good. He is a good man; we have good relations with him. But we are worried about that step he took.

The North Korean Leader with "Great Confidence"

Forgive me for smiling when you said that the leader of North Korea has "great confidence in himself." That is a classic understatement. (Amused laughter among both the American and the English-speaking members of the Chinese delegation.) But I want to say that the U.S. sees no use in a direct dialogue with North Korea on this question. The dialogue must be direct, North-South dialogue.

Renewed Imperialist Designs in Japan

On Japan and its military expenditures, I am curious whether you worry about military expenditures as a step toward renewed imperialism or imperialist designs? Some in the U.S. say that "Japan is rich, and got extraordinarily rich off of one-sided trade with the U.S. so we should make them do more in the military sphere." I do not share that feeling. I am cautious. We are torn because for the common good we would like to see as much cooperation as possible, but we are sensitive to concerns, particularly in Asia, about possibilities for future military expansionism.

Commitment to Three Communiques Position on Taiwan

On Taiwan, let me reiterate that we will do nothing to encourage an independence movement or discussion or rhetoric with regard to this question that so concerns China. I noted your response regarding official contacts. We will live by the three Communiques. But I repeat that we are in less good shape than if we could make clear to Taiwan our dissatisfaction with their enormous trade surplus. But nonetheless, I have made my point, and we will live by what I said we would do. They are clearly taking advantage of a lot of their trading partners. If you need examples, Secretary Baker would be happy to provide them. We are fighting with one hand tied behind our back, but we will live by what we said. I just want to reiterate our commitment to the three Communiques.

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### Chinese Missile Sales

The last matter concerns the question of missile sales. I wonder if it would be useful to form some kind of group to discuss this sensitive matter. I think you know that we are concerned about missile proliferation. We have been discussing it in meetings between delegations from both sides, but if you think that this small group would be useful, we could organize something. We are very concerned about this.

Premier Li: On the missile question, last year Chairman Deng Xiaoping assured then-U.S. Secretary of Defense Carlucci that China would no longer sell intermediate-range ballistic missiles to other countries. Actually, the sale of missiles to Saudi Arabia occurred before the signing of the INF Treaty. We appreciate the relaxation of tension from the INF Agreement so we will no longer sell intermediate-range missiles. This is our commitment, and we will live by it. You are aware of the fact that except for the sale of IRBMs to the Saudis, China has not provided such missiles to any country. Under such circumstances, perhaps it is not necessary to have a special group set up to discuss this question. We can discuss this topic at any time, whenever you have any new ideas.

President Bush: This question is not just one with China. We have problems with other nations as well. But we can leave it at that. It is not just Chinese missiles, but that is agreeable with us.

### Peace Corps to Be Called "Sino-U.S. Friendship Volunteers"

Premier Li: You mentioned the Peace Corps. Agreement has been reached for these people to be called "Sino-U.S. Friendship Volunteers." This name sounds better in China. We will respect the agreement. The technical details can be solved. After the initial small group of volunteers has worked to gain credibility among the Chinese people, then we can consider expansion of the program. The Chinese have a saying; "The beginning is the hardest part."

This afternoon you will meet Communist Party General Secretary Zhao Ziyang. Now there is no time to discuss economic reform and development, but he will brief you as you suggested last night.

At 11:00 a.m. you will be meeting Deng Xiaoping. That will be

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the climax of your visit. He remains China's paramount leader. His habit is to talk about his subjects such as the international scene and the norms governing bilateral relations, but he leaves the details to us.

#### The President's Appreciation of Deng Xiaoping

President Bush: I would not say this to him directly because he would think that it is excessive flattery, but the respect level for Deng Xiaoping around the world is high. People do not agree with him, of course, on all issues. But the way he addresses broad issues has gained him tremendous respect, at least among the countries we deal with.

It is funny how little courtesies are long remembered. When Barbara and I left China, I was not an ambassador because we did not have diplomatic relations. Though we did not meet on a day-to-day basis, I think that he sensed our deep friendship for China and the Chinese people. So when we were leaving, we came in through a side door of the Great Hall of the People, where he gave an unprecedented small luncheon for us, which he hosted himself. This was a very significant gesture. In the U.S., we have a saying: "What goes around comes around." So I have come back as President and in my heart is the memory of this extraordinary courtesy.

Premier Li: There is a long-term friendship between you and Chairman Deng. The news media in China has already reported that.

While expressing general appreciation for the President's remarks, Premier Li then stood up and escorted President Bush to the door of the Xinjiang Room.

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THE WHITE HOUSE

WASHINGTON

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MEMORANDUM OF CONVERSATION

SUBJECT: President Bush's Informal Tea with Premier Li Peng of the State Council of the People's Republic of China

PARTICIPANTS:

U.S.

The President

The First Lady

James A. Baker III, Secretary of State

Winston Lord, Ambassador to China, and

Mrs. Lord

John Sununu, Chief of Staff

Brent Scowcroft, Assistant to the President

for National Security Affairs

Marlin Fitzwater, Assistant to the

President for Press Relations

Andrew Card, Deputy Chief of Staff

Robert Zoellick, Counselor-Designate,

State Department

Gaston J. Sigur, Assistant Secretary of State

for East Asia and Pacific Affairs

Margaret Tutwiler, Assistant Secretary of

State, Public Affairs (Designate)

Notetaker

Interpreter

China

Premier Li Peng and Mrs. Li

Foreign Minister Qian Qichen and

Mrs. Qian

Vice Foreign Minister Zhu Qizhen and

Mrs. Zhu

General Cheng Shaoling

Vice Premier Wu Xueqian

PRC Ambassador to the U.S. Han Xu

Assistant Foreign Minister Liu Huaqiu

Ministry of Foreign Affairs Protocol

Director Wu Minglian

Ministry of Foreign Affairs Information

Director Li Zhaoxing

Ministry of Foreign Affairs Deputy Director

for American and Oceanian Affairs

Zha Peixin

Ministry of Foreign Affairs Counselor Wang Li

Interpreter

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AS AMENDED

2000-0429-F

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DATE, TIME: February 25, 1989, 5:15 p.m. - 5:25 p.m.  
and PLACE: Diaoyutai State Guest House, Beijing, China

SUMMARY: President and Mrs. Bush were greeted at the Diaoyutai State Guest House by Premier and Mrs. Li Peng. They had a brief, informal tea and then exchanged gifts.

Premier Li extended President and Mrs. Bush a warm welcome and recalled his being hosted by the President during his visit to the United States in 1985. Premier Li said that the Chinese side was looking forward to extensive and in-depth discussions on bilateral issues and international matters, and the Premier offered to bring President Bush up-to-date on the situation in China in a meeting the next day.

President Bush expressed his pleasure in being back in China. He said that he was looking forward to the visit of National People's Congress Chairman Wan Li to the United States. Noting Chairman Wan's interest in tennis, President Bush observed that as our relationship started with ping pong diplomacy, it might as well continue with tennis diplomacy. END SUMMARY

President and Mrs. Bush were warmly greeted by Premier Li Peng and his wife upon their arrival at the Diaoyutai State Guest House. Also greeting President and Mrs. Bush on arrival were Foreign Minister and Mrs. Qian Qichen; Vice Foreign Minister and Mrs. Zhu Qizhen; and General Cheng Shaoling. After greeting Guest House staff members, President and Mrs. Bush joined Premier Li and his wife in a brief informal welcome tea.

Premier Li: It is such a pleasure to see you again.

President Bush: It is an honor and a pleasure to be back.

Premier Li: We saw each other in 1985.

President Bush: I remember that very well.

Premier Li: I remember at that time you gave me a tour of the White House. At that time you were not the "owner" of the White House. Now you are the "owner." At that time you gave me a tour of the Oval Room.

President Bush: You must come back to visit. I never thought when I came here in 1974 that I would be President someday.

Premier Li: I remember when I visited the Vice President's residence, you told me it had a tennis court.

President Bush: That's right.

Premier Li: If my memory serves me right, you said it was the Naval Observatory.

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President Bush: Exactly right. It has a clock that is accurate to a billionth of a second. You are an engineer and understand that is called a nanosecond.

Premier Li: A very warm welcome to Beijing. On behalf of Chairman Deng Xiaoping, Party Secretary General Zhao Ziyang, and President Yang Shangkun, please allow me to extend to you our greeting and warm regards. Welcome.

Tonight, I will jointly host a dinner with Yang Shangkun in honor of you and Mrs. Bush and your entourage. Tomorrow, you will have meetings with Deng Xiaoping, Zhao Ziyang and myself.

President Bush: I am looking forward to that very much.

Premier Li: During your stay we will have extensive and in-depth discussion on bilateral issues and international matters. We can also brief you on developments on the "home front."

President Bush: I have a lot of interest.

Premier Li: At present we have some economic difficulties, but they will not have any effect on our policies of reform and openness.

President Bush: I'll make a deal. I'll not tell you about my economic problems at home, and you don't tell me about your economic problems.

Premier Li: Well, there could be a deal like that, but if you have some interest in what is going on here, I'll be glad to tell you.

President Bush: I would be interested. When I was here, I remember our bilateral trade was not even a billion dollars, maybe even less than 800 million dollars a year. Now it is 14 billion dollars, isn't that right, Win?

Ambassador Lord: Yes.

Premier Li: According to our figures it is 10 billion dollars.

President Bush: Oh yes, I forget. We can talk about that.

Ambassador Lord: The Chinese don't count exports through Hong Kong.

President Bush: I remember that.

Premier Li: Hong Kong won't come under China until 1997.

President Bush: We are looking forward to Chairman Wan Li's visit to the United States. I particularly want to take him on the White House tennis courts.

Premier Li: This time in China you have a chance to meet Chairman Wan Li. He is disappointed that your stay here is short and you won't have a chance to play tennis with him.

President Bush: He hits the ball with a lot of spin.

Premier Li: I said to tell him that he mustn't feel too sorry, that maybe soon he will realize his hope and that a game can be arranged in the United States.

President Bush: Definitely. That is a commitment. After all, it all started with ping pong diplomacy. We might as well continue with tennis diplomacy.

Premier Li: Ping pong diplomacy began in 1971. When we talk about ping pong diplomacy, we still talk about and remember Zhou Enlai, President Nixon and Kissinger.

President Bush: President Nixon is still in good health. Kissinger is still very active. I have one regret that when I was here I never had the opportunity to meet Zhou Enlai. I saw him once at the Great Hall but never shook his hand. Han Xu would know. We didn't have formal relations and did not attend the functions at the Great Hall, except that one time.

Premier Li: Maybe it had to do with your means of transportation - by bicycle.

President Bush: Yes, a Flying Pigeon. A very good one.

Premier Li: I'll present you with bicycles later. By the way, since you were last in China, there have been changes in Beijing. This building is a case in point. This will be your first chance to stay here. Villa 18 has been remodeled. The first guest after it was remodeled was Queen Elizabeth II of Great Britain.

Since you must be fatigued and will dine soon, I will say farewell momentarily. But I hope you will introduce your party to me. I can see this is Secretary Baker.

President Bush: Yes. He has been Secretary of Treasury and the White House Chief of Staff. The gentleman wearing a red tie is John Sununu, the new White House Chief of Staff, who used to be a governor of one of our states. Many of you know Brent Scowcroft. Betty (Mrs. Lord). Gaston Sigur -- whom many of you know. Margaret Tutwiler, who is the new State Department Assistant Secretary for Public Affairs. Next is Marlin Fitzwater, White House Press Secretary.

Premier Li: A very important job and a difficult one.

President Bush: And, of course, this is my wife. How is the widow of Zhou Enlai? Is she in good health?

Premier Li: Yes. She is 84 now. When Mrs. Bush came to China last time, she met with her.

The informal tea ended, and President and Mrs. Bush and Premier and Mrs. Li went to the anteroom to exchange gifts.



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