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FOIA MARKER

**This is not a textual record. This is used as an
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Record Group/Collection: George H.W. Bush Presidential Records
Collection/Office of Origin: Scowcroft, Brent, Collection
Series: Special Separate China Notes Files
Subseries: China Files

OA/ID Number: 91136
Folder ID Number: 91136-002

Folder Title:
China 1989 (Sensitive) [2]

Stack:	Row:	Section:	Shelf:	Position:
G	34	3	5	1

Withdrawal/Redaction Sheet

(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01a. Note	Douglas Paal to Brent Scowcroft Re: Conversation with Chinese Diplomat (1 pp.)	6/26/89	(b)(1)	S
01b. Report	Re: [Discussion of US-China Relations with NSC Director of Asian Affairs Paal] [FOIA restrictions redacted] (3 pp.)	n.d.	(b)(1)	S
02a. 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)	S
02b. Memcon	Re: Welcoming Banquet in Beijing, China (2 pp.)	2/25/89	(b)(1)	S
02c. Memcon	Re: President Bush's Meeting with President Yang Shangkun of the People's Republic of China (7 pp.)	2/25/89	(b)(1)	S
02d. Memcon	Re: President Bush's Meeting with General Secretary of Central Committee of the Communist Party Zhao Ziyang of the People's Republic of China (12 pp.)	2/26/89	(b)(1)	S
03a. Memcon	Re: Memorandum of Conversation (9 pp.)	2/26/89	(b)(1)	S
03b. Memcon	Re: President Bush's with Premier Li Peng of the People's Republic of China (20 pp.)	2/26/89	(b)(1)	S

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Collection:

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Files
Series: Special Separate China Notes Files
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WHORM Cat.:
File Location: China 1989 (Sensitive) [2]

Pinksheet Number: cap1127
OA/ID Number: 91136-002
Date Closed: 5/6/2009
FOIA/Sys Case #: 2009-0275-S
Re-review Case #:
P-2/P-5 Review Case #:

True Fall 2

The dilemma we face in China

RICHARD NIXON

The worldwide revulsion against the brutal repression of demonstrators for democracy in China is unquestionably justified. It is critically important, however, that we not let our revulsion lead us to adopt policies of reprisal that would isolate the Chinese government. Such policies would not be in the interests of the Chinese people. They would not be in the interests of the hundreds of thousands of Chinese in China and all over the world who have demonstrated for political reform. And they would not be in the interests of the United States.

In view of the cruelty and stupidity that led the Chinese government to resort to repression, lashing back with punitive policies would be politically popular and emotionally satisfying for the great majority of the American people. But while such policies might make us feel better,

they would dash the Chinese people's chances for further economic progress and eventual political reform. If in our anger we drive China back into the shadows of the Soviet

Union and the oppressive economic system Deng Xiaoping has tried to reform, those who fell in Tiananmen Square will truly have died in vain.

To see where we should go in our policy toward China, we should first look back and see where we have been.

When I went to China in 1972, I was criticized by the far right and praised by the far left, both for the wrong reasons. The far right believed I had betrayed my anti-communist principles. The far left rejoiced because they thought I had outgrown them. In fact, my decision had nothing to do with my attitude toward communism.

The first reason I went to China was the Soviet threat. Both the Soviet Union and China had communist governments. Both were supporting our enemies in North Vietnam. But there was a crucial difference. The Soviet Union, as a nuclear superpower, was a potential threat to the United States. China was not. It had broken away from the Soviets and was in the position to play a more constructive international role. It made both moral and strategic sense for the United States to have relations with any nation that did not threaten our fundamental interests.

The second reason I went to China had nothing to do with the Soviet Union. Even if there had been no Soviet threat, it was essential that we have relations with a government that was a member of the nuclear club. And today, how can we launch a worldwide attack on the environmental crisis without the cooperation of a government ruling over one-fourth of all people on earth?

Today, a strong, stable China is as vital as ever to the security interests of the United States and to peace in

the Pacific. A weak, fractured China would leave the Soviet Union as the dominant military power in Asia and Japan as the dominant economic power. Whatever happens in the future, it is imperative that Sino-American relations remain strong so the United States can help maintain the balance among China, Japan and the Soviet Union.

President George Bush will be pressured to take harsher action by a strange coalition of China-bashers. Those on the far right who oppose any relations with China will demand economic and diplomatic sanctions. So will the human rights lobby, which calls for punishing every regime that does not live up to our standards, regardless of our interests or those of the millions living under those regimes whom sanctions would hurt the most. The Bush administration should continue to ignore these extremist voices and stay the prudent course it has already set.

Many who criticized the president's measured response to the

Beijing crackdown were strangely quiet about the deafening silence from Mikhail Gorbachev. He may have refrained from condemning the Chinese leaders because he fears that he too will continue to be faced with pro-democracy and anti-Moscow regional movements, such as the one in Georgia this spring where hundreds were massacred by troops using poison gas. In stark contrast to the massive coverage of the tragedy in Tiananmen Square, American television cameras and reporters were not present for that massacre, which is one reason Mr. Gorbachev's popularity rating in the West remains high while Mr. Deng's is plunging. But the Soviet leader cannot push his luck by condemning Mr. Deng for taking steps that he has taken already and may have to take again.

Mr. Gorbachev also knows a freeze between Washington and Beijing will hasten the thaw between Moscow and Beijing. Nearly forgotten in the aftermath of Tiananmen Square is an equally important event that occurred in Beijing just days before: the normalization of relations between Moscow and Beijing. Hardline Communist leaders in

Beijing, some of whom were suspicious of the Americans to begin with, are probably saying today that if the United States adopts further sanctions, in effect closing the door to China that we opened in 1972, the Kremlin gates now stand open.

China's leaders want to continue to have economic progress, and they know the best way to achieve that is through continued access to Western technology and investment. They neither like nor trust the Russians, and the Russians have little to offer them compared to the West. But political factors can override economic realities. The Chinese got along without the West for a quarter-century, and they could do so again. If we force them back into their angry isolation from the West, we risk prompting a potentially disastrous entente between the two great communist powers that would be in nobody's interests but Mr. Gorbachev's.

Despite the fundamental national self-interest behind our rapprochement with China, many Americans have gone overboard and turned it into a romance. China has a limitless capacity to fascinate. But it is not Disneyland. It is, as it has been since 1940, a communist dictatorship held together by brute force. No one who knows China should be surprised when its leaders turn to violence to pursue their political goals. They have done far worse before Tiananmen Square.

One overly excited journalist wrote that the crackdown transformed "the Woodstock-like encampment of young students... into the bloodiest killing ground in Communist China's history." He apparently was not aware that many times more people died — hundreds of thousands, and some Chinese claim millions — in Mao Tse-tung's Cultural Revolution.

Twenty million died in the wake of the brutal forced collectivization known as the Great Leap Forward. Attacks on unarmed civilians are never justified. But in condemning them, we should not pretend that we did not know that China's leaders were capable of using violence for political purposes.

Since Tiananmen Square, some pundits have noted with irony that the same Deng Xiaoping who beguiled millions during his state visit to the United States in 1979 is the man who ordered the crackdown. What is more ironic is that many of the same pundits were willing to believe that the dedicated Communist who had fought his way through the Long March and the bloody Chinese civil war was just a cuddly teddy bear with a cute smile.

Those who insist on romanticizing relations between nations will always be disappointed when the realities of national interest and survival inevitably intrude.

But while we should be realistic about China, its leaders and about the strategic reasons our relationship must continue, we should not lose sight of the benefits the Chinese people have derived from that relationship, particularly the economic

progress that has come along with it. If we can restore a close relationship with China, the greatest beneficiaries will be the people of China themselves.

Some of the Beijing demonstrators carried banners reading, "In the Soviet Union they have Gorbachev — who do we have?" They have leaders who have made life better for hundreds of millions of Chinese. In the 10 years since Mr. Deng instituted his economic reforms and an intensive campaign to attract Western investment, the income of the average Chinese has doubled. In the five years since Mr. Gorbachev came to power in the Soviet Union, despite the rave reviews he has received for his political reforms, the income of the average Russian has stagnated or even gone down.

In 1972 there were no Chinese students from the PRC studying in the United States. Since that time, 62,500 have gone to school here. In that same period only a few hundred Russian students have studied here. Mr. Gorbachev's glasnost, or "openness," notwithstanding, television and press coverage of the events in Tiananmen Square has been far greater than that of comparable events in the Soviet Union.

On June 2, two days before the crackdown, a Chinese student who is studying in New York City mailed a letter to my office. He wrote, "Please tell President Nixon that we young people from China really appreciate what he has done to open up China to the outside world. Just look at the Statue of Liberty that the Chinese students carried when demonstrating on the streets for democracy. It would be impossible without his courageous visit to China."

As events later unfolded, I took little comfort from his message. China's new fascination with the West and the dramatic economic reforms Mr. Deng adopted were both welcome developments. But they also entailed great dangers. By giving

their people a better life economically and permitting their brightest young people to study in the United States and other Western countries, China's leaders ran the risk that the people's rising expectations would eventually lead to demands for political reforms that would challenge the authority of the Communist Party. The further tragedy is that the suppression of the pro-democracy challenge has dealt a massive setback to Mr. Deng's economic policies.

A fundamental goal of our China policy should be to influence its leaders to get the economic reforms back on track and also to go forward with peaceful political reforms. Our influence will be squandered if we make pious pronouncements in public about what the Chinese leaders should or should not do. It would be far better to urge them, through private channels, to show restraint in dealing with pro-democracy activists and eventually to find a way to accommodate dissent within the system.

In 1972 I met with a group of congressmen and senators who opposed our new relationship with the Soviet Union because of its policies against Jewish immigration. I said, "The walls of the Kremlin are very thick. It is difficult to be heard even when you are inside the walls. It is impossible to be heard when you are outside." When we opened lines of communication to the Kremlin and made our views known privately, the number of Jews allowed to leave the Soviet Union increased from 600 the year before I came to office in 1969 to 37,000 in 1973.

We face a similar dilemma in China today. The Great Wall of China is very thick. We may not always be heard when we are inside. If we withdraw back outside the wall again, we will not be heard at all, and the Chinese people's dreams of more democracy and a better life will almost certainly die.

Dilemma We
Face in China....

~~SECRET~~

~~SECRET~~

NATIONAL SECURITY COUNCIL

June 26, 1989

NOTE FOR BRENT SCOWCROFT (EYES ONLY)

FROM: DOUGLAS PAAL 

SUBJECT: Conversation with Chinese
Diplomat

Attached for your information is a draft cable of a conversation I had on Friday with an officer of the PRC Embassy.

Not included in the cable draft is a comment the officer made about how much China appreciates your continuing conversations with Han Xu last week.

Attachment

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PER E.O. 13526

2010-2779-MR
9/19/2013 MM

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Declassify on: OADR

~~SECRET~~

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01b. Report	Re: [Discussion of US-China Relations with NSC Director of Asian Affairs Paal] [FOIA restrictions redacted] (3 pp.)	n.d.	(b)(1)	S

Collection:

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Files
Series: Special Separate China Notes Files
Subseries: China Files
WHORM Cat.:
File Location: China 1989 (Sensitive) [2]

Document Partially Declassified
(Copy of Document Follows)
 By MM on 3/13/2023

Date Closed: 5/6/2009	OA/ID Number: 91136-002
FOIA/SYS Case #: 2009-0275-S	Appeal Case #:
Re-review Case #:	Appeal Disposition:
P-2/P-5 Review Case #:	Disposition Date:
AR Case #:	MR Case #: 2009-1158-MR(500.01)
AR Disposition:	MR Disposition: Released in Part
AR Disposition Date:	MR Disposition Date: 1/19/2016

RESTRICTION CODES

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- (b)(2) Release would disclose internal personnel rules and practices of an agency
- (b)(3) Release would violate a Federal statute
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- (b)(6) Release would constitute a clearly unwarranted invasion of personal privacy
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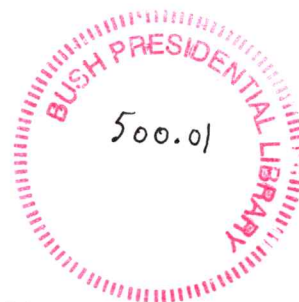
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- P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]

~~SECRET~~ EXDIS



3.3(b)(6) discussed US-China relations, the situation in China, Fang Lizhi, and the affiliations of Chinese leaders 3.3(b)(6) with NSC Director Of Asian Affairs Paal 3.3(b)(6)

3. Principal point 3.3(b)(6) sought to make is that Deng Xiaoping remains in charge in Beijing. This means that he will not permit destruction of China's relationship with the US. Proof that Deng remains in charge was his June 9 speech, in which Deng defended the opening to the outside world. 3.3(b)(6) said that the other elder leaders deeply oppose the opening to the outside world, and particularly to the US, because the political values of the West are seen as a direct threat to their rule. For Deng nevertheless to make the speech he did indicates he retains the upper hand in foreign affairs at least.

4. 3.3(b)(6) said that so long as Deng believes the US will not set back the basic US-China relationship, he will not permit Fang Lizhi to be removed from the US Embassy. Deng controls the situation around the embassy through the forces dispatched there. (In an aside, 3.3(b)(6) recommended that the US not protest the presence of police and troops near the embassy because they are there to meet Deng's objective to maintain control.) Deng will not want Fang to leave the embassy, 3.3(b)(6) because if Fang were freed to a third country, he and the US would be free to criticize China again. If he is sent to a Chinese jail, the world will criticize China. If he stays in the Embassy, the US will say nothing and Fang will say nothing. Meanwhile, by associating Fang with foreigners and portraying him as a coward in hiding, the regime will discredit Fang and his ideas.

5. 3.3(b)(6) added that if the US downgrades the US-China relationship, Deng will see no particular reason to stand in the way of removing or killing Fang and his wife.

6. 3.3(b)(6) described "three big miscalculations" by the US with regard to the recent events in China. He said the US greatly underestimated the strength of the hardliners in the leadership.

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PER E.O. 13526

2009-1158-ML

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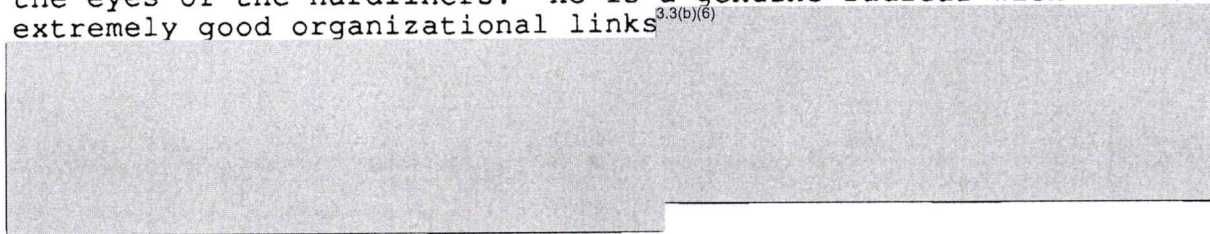
The US also overestimated the depth of support for the students in Beijing. And the US misestimated the content of the students protests and their ability to organize themselves. On the last point, (b)(6) said that the students do not really advocate democracy as it is known in the west. Furthermore, as the demonstrations wore on in Beijing, the character of the participants changed, with more unemployed youths and "ruffians" joining in.

7.. (b)(6) continued that by voicing support for the students "calls for democracy" the US is playing into the hands of the hardliners. These people, he said, detest western political values and seek to root them out. When the US directly connects its values with those of the students, the hardliners are presented with a pretext to attack the students as tools of foreigners. (b)(6) recommended that the US confine its remarks about democracy to statements of principle regarding its own values.

8. (b)(6) sought to point out that Qiao Shi is misunderstood in the West. Although Qiao heads the security apparatus, he is not a hardliner. Rather, he is skillful at adapting to the dangerous political circumstances of life at the top in Beijing. Qiao, (b)(6) said, emerged from the Shanghai underground, long home to the Communist Party's internationalist and reformist wing. Qiao is very different from Li Peng and the elders Chen Yun, Yao Yilin and Peng Zhen. As a biographical note, (b)(6) said Qiao was introduced into his party cell by Zhen Senyu (NFI), who was close to Wu Xueqian.

9. Asked whether Qiao would fall into a trap by allowing himself to be selected as next Party General Secretary at a time when the job seemed to offer short tenure, (b)(6). Asked about Jiang Zemin's chances to succeed Zhao Ziyang, (b)(6) the US seems to have good intelligence, suggesting he expected Jiang to be selected.

10. (b)(6) then digressed at length on Zhao Ziyang's aide Bao Tong and his connections, saying that Bao must be suppressed, in the eyes of the hardliners. He is a genuine radical with extremely good organizational links (b)(6)



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11. 3.3(b)(6) said Bao Tong had enraged the hardliners when he served on a special commission investigating corruption among highly placed cadre children. Bao and Wang Zhaoguo chaired the party commission, and they agreed to prosecute Hu Qiaomu's son. In a move that inflamed the tempers of the hardliners, Bao authorized Hu Qiaomu's house to be searched for evidence without the former leader's permission. This led, 3.3(b)(6) to a strong attack on Bao at Beidaihe last August. Hardliners tried to replace Bao as political secretary of the politburo with Deng Liqun.

12. 3.3(b)(6) concluded that the situation remains obviously dangerous and unstable in Beijing. He believed the leadership has consolidated itself for the moment and will conduct an extensive purge, especially of Zhao and Bao's associates. He also said that he believes the executions are basically over, having made their point to the mass of workers and peasants. The outcome for Foreign Ministry personalities is not clear, but he assesses their chances of ouster relatively low. He noted that even now, the Foreign Minister is not passing on all the critical commentary from the West. 3.3(b)(6) is confident that Deng receives only partial and manipulated information about the true situation.

13. Comment: It is unclear how much direct knowledge of the thinking of the leadership 3.3(b)(6) but his assessment of the calculations that may be behind China's commentary on US-China relations and on the issue of Fang Lizhi appear worth consideration. End Comment.

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

~~CONFIDENTIAL~~

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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Declassify on: OADR

~~CONFIDENTIAL~~

DECLASSIFIED
PER E.O. 12958,
AS AMENDED
2000-02-29-F
EJ 82109

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DATE, TIME
AND PLACE:

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

All Caps Underlined 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 on the situation in China in a meeting the next day. *up-to-date* —?

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. *ALL Caps Underlined.*

President and Mrs. Bush were warmly greeted by Premier Li Peng and his wife upon their arrival at the Diaoyutai State Guest House ~~at Diaoyutai~~. 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.

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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 -- who 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.

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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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THE WHITE HOUSE

WASHINGTON

~~SECRET~~

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 Yagub 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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DECLASSIFIED
PER E.O. 13526

2009-1150-MR

MM 9/6/2016

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Yang and Li both hoped he succeeds but Yang predicted it would be at least 10 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 was 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 ~~is~~ 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-a-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

WASHINGTON

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MEMORANDUM OF CONVERSATION

SUBJECT: President Bush's Meeting with President Yang Shangkun of the People's Republic of China

PARTICIPANTS: U.S.
The President
James Baker III, Secretary of State
Winston Lord, Ambassador to China
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 for Press Relations
Gaston J. Sigur, Assistant Secretary of State for East Asia and Pacific Affairs
Robert Zoellick, Counselor-Designate, State Department
Margaret Tutwiler, Assistant Secretary of State, Public Affairs (Designate)
James A. Kelly, Senior Director of Asian Affairs, National Security Council
J. Stapleton Roy, Deputy Assistant Secretary of State
Peter Tomsen, Deputy Chief of Mission, Beijing
Karl Jackson, Senior Director of Asian Affairs, National Security Council
Ray Burghardt, Political Counselor, Embassy Beijing
Mark Mohr, Notetaker
Vivian Chang, Interpreter

China
President Yang Shangkun
Vice Premier Wu Xueqian
Ambassador Han Xu
Assistant Foreign Minister Zhu Qizhen
MFA Protocol Director Wu Minglian
MFA Information Director Li Zhaoxing
USA Department Deputy Director Zha Peixin
USA Department Counselor Wang Li
USA Department Division Chief Ma Zhengang
MFA Protocol Deputy Division Chief Liu Xizheng
MFA Protocol First Secretary Zhu Luchang
Other participants (2)
Notetakers (2)
Interpreter

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

Summary: In a warm and cordial forty-minute meeting, President Yang called President Bush's first trip to China since taking office "very significant" and said that his meetings with China's top leaders would further promote the development of Sino-U.S. relations.

President Bush promised Chairman Wan Li a warm welcome to the U.S. in May. He characterized the Sino-U.S. relationship as very strong.

President Yang fully agreed, noting that high-level visits contribute to this process. Yang expressed satisfaction that relations between China and the U.S. have been developing steadily.

President Bush stated he was not worried about the Gorbachev visit to China. He characterized the U.S.-China relationship as standing on its own merits, rather than being a facet of U.S.-Soviet relations. He assured President Yang that the U.S. would not enter into any agreements with the Soviet Union that would be to the detriment of China or Sino-U.S. relations.

President Yang assured the President that Sino-Soviet normalization would not harm any third country, and that a military alliance or military relationship with the Soviet Union would be "out of the question." On the issue of Cambodia, Yang said the attitude of the Vietnamese and Phnom Penh puppet regime has gone from bad to worse, and it remained to be seen whether the Soviets would make good on their consensus with China that all Vietnamese troops should withdraw from Cambodia by September 30. End summary.

President Yang: How is your health?

President Bush: I've had a cold, but I feel better now.

President Yang: You must be very busy these days.

President Bush: Yes, we had a very busy trip in Japan, and I've been occupied with the economy and the budget.

President Yang: We are very glad to have you in China. You, Mr. President, are familiar to Chinese leaders and even to the Chinese people. Recently, our press has published a picture of you and Mrs. Bush riding bicycles.

President Bush: Yes. Premier Li Peng just gave me a pair of beautiful bicycles.

President Yang: I'm afraid the quality might not be very good.

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President Bush: The bicycles are very fine.

President Yang: All of us were glad to learn of your trip to China. I understand you served here for almost two years as Chief of the U.S. Liaison Office.

President Bush: Yes.

President Yang: And since then you've been here on four occasions, not including this trip.

President Bush: Yes, and Mrs. Bush has been here five times. This is her sixth visit.

President Yang: She has come once more than you. Every time you come, you discuss major issues with Chinese leaders. So you've made great contributions to the development of Sino-U.S. relations and to cooperation between our two countries. As this is your first trip to China since you've taken your present office, it is very significant. I think this shows that you, Mr. President, pay much attention to our bilateral relationship. This also shows the friendly sentiments you cherish for the Chinese people. Although your stay this time is short, all top Chinese leaders will meet you. This will promote the further development of Sino-U.S. relations. When you lived in China, Chairman Deng was a good friend of yours. Our present General Secretary, Zhao Ziyang, is also an old friend. In addition, present Premier Li Peng paid a visit to the United States and was received by you. He says that he once dined at your home.

President Bush: Yes, that's correct.

President Yang: You also know Chairman Wan Li well. You've played tennis with him. He says he frequently lost to you.

President Bush: Wan Li will be very welcome as the highest ranking Chinese official to come to the U.S. this year. We will give him some good tennis action too.

President Yang: Originally, we would have been pleased to arrange a tennis match between you and Wang, but your visit is too short.

President Bush: I'll be too busy.

President Yang: So we will let him go to the United States to play tennis.

President Bush: There is good weather in May. His visit will be symbolically important. I will tell him tomorrow that we will give him a very warm welcome. Officially, because of protocol, Vice President Quayle will be his host. But, on a personal basis, I want him to know that I will be his host too.

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President Yang: He will be very pleased to hear this. This is the third time I am meeting with you. The first time was in Manila, and the second was in 1987 when I led a Chinese government delegation to the United States as your guest.

President Bush: It was a wonderful visit.

President Yang: On that visit, I was warmly received by U.S. leaders and the arrangements were very considerate. You and I had over a four-hour talk on the Presidential yacht. The talks were warm, friendly and frank.

President Bush: Yes, it was not diplomatic; it was very frank and good.

President Yang: It was just like talks between good friends.

President Bush: From our side we feel the bilateral relationship is very strong. We hope you agree.

President Yang: I fully agree. The reason why I recalled our previous meetings was to illustrate that frequent top-level visits are not only beneficial to our bilateral relations but also to world peace.

President Bush: I think some of our top military leaders are coming to China this year. For example, Chief of Staff of the Air Force Larry Welch, and some others. That's a good thing. With your background, you can understand the importance of such military visits.

President Yang: In recent years, there have been frequent exchanges of visits by military leaders of our two countries. In that sense, your visit is very timely and good for an exchange of views. I think the relationship between our two countries has been developing steadily. There are broad areas for cooperation between our two countries. Naturally, we hope to promote further such cooperation through your visit. This visit comes at a time that is very important for both our countries. The current international situation is developing and undergoing drastic changes. In this light our two countries should step up consultations on many issues. We should carry out in-depth analysis and observations on many developments. And we should take corresponding actions to accord with the current trend toward relaxation of tensions.

President Bush: I agree.

President Yang: Just now I said relations between our two countries have been steadily developing over the past decade. But I think we should sum up past efforts, and look to the future. I think the deepening and expansion of cooperation between our two countries serves the interests of our two peoples. Therefore, the leaders of our two countries should carry out frequent exchanges of views. Now the general

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international situation is moving toward the resolution of problems, but there are still many outstanding issues, so it is necessary to exchange views. Naturally, you are giving consideration to these issues, and we are doing the same. In our own bilateral relationship, I think we should also exchange views on many issues. Therefore, I want to reiterate that we warmly welcome your visit. This is not just an ordinary welcome. We are old friends.

President Bush: I agree.

President Yang: I think international developments in the world today should not weaken, but rather strengthen, the importance of our bilateral relationship. We are two big countries, located on opposite sides of the Pacific Ocean. So the friendly cooperation between our two countries will promote cooperation in the Pacific region and in the world as well. This is most important for the maintenance of world peace, stability and security. All these questions will be discussed in detail in your talks tomorrow with Li Peng, Zhao Ziyang and Deng Xiaoping. Therefore, we are very glad to receive you in Beijing at such a crucial moment. I have one more remark. When you were campaigning for President, we closely followed the elections. Once in talking to former Secretary of Defense Carlucci, Chairman Deng also revealed his desires. Personally, as I have told Ambassador Lord many times, if I could vote, I would vote for Bush.

President Bush: When I was behind, I thought of calling you and asking for 30 million votes.

President Yang: I once told Ambassador Lord that it was a pity I could not vote. I would have voted for you.

President Bush: Although China was never an issue in the campaign, the fact that I have some feeling for China may have affected the elections because this relationship is broadly supported in the U.S. There was a subtle feeling from the American people that they wanted someone who could move relations with China and other countries forward, someone who had foreign affairs experience. Let me make one point about our relationship now which I will deal with in depth tomorrow. Some of the press travelling with us say: Mr. President, do you worry about Gorbachev going to Beijing? I say: I don't worry at all about it. When I saw Gorbachev in New York before I became President, and before his visit was announced, I said: I hope you go to China. I feel the relationship we have now is not based on some facet of Soviet relations, but on its own merits. For example, we now have cultural, educational and trade relations. It is not just based on worry about the Soviets, although we still do to a degree. We are undertaking a high-level review now about what steps we should take with the Soviet Union. We welcome the changes in the Soviet Union, such as glasnost and perestroika, although they still have their problems. We have documents which define Sino-U.S. relations. In the three communiques, we have

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the underpinnings that define the U.S.-China relationship. We will build on those three documents, the communiques. And just as in the INF agreement, where we would not enter into an agreement that was bad for China and thus for Sino-U.S. relations, I can assure you that what we do with the Soviets in the future in arms control or other agreements will not be to the detriment of China. This relationship stands on its own and is strong. And I assure you as President that there will not be a deal on arms that will work to the disadvantage of China.

President Yang: We believe this. The Sino-Soviet summit will soon take place, but the idea of the summit was first proposed by Chairman Deng, not by the Soviets. The key issue at the time was Cambodia. It was natural that in trying to solve the Cambodian question there should be consultations. We had talks with the Soviets at the Vice Foreign Minister and Foreign Minister levels. We hope through the summit we can promote a genuine peaceful and just settlement. The last time the Foreign Ministers met, there was a consensus that Vietnamese troops should be withdrawn by September 30 of this year. But now the attitude of the Vietnamese and the Phnom Penh puppet regime has gone from bad to worse and has not improved. So we have to wait and see whether the Soviets can put into practice the consensus reached with China. Also I can assure you that normalization of Sino-Soviet relations will not be like in the 1950s.

President Bush: No.

President Yang: Also any military alliance or military relationship with the Soviet Union is out of the question. So I request that American leaders understand this. We will on no account imperil the interests of any third country in improving relations with the Soviet Union. In a word, we must watch the deeds of Mr. Gorbachev and not just listen to his words. All Sino-Soviet negotiations, beginning with the Khrushchev years, have been led by Deng Xiaoping. All Chinese delegations to international conferences or between parties have been led by Chairman Deng. I also participated in some of the negotiations. Therefore, I think a Chinese saying is applicable to the Soviets: We will not only listen to his words, but watch his deeds. I think when meeting with Chairman Deng, he will give you a systematic elaboration on this.

President Bush: I am eager to hear his views.

President Yang: He has the richest experience in dealing with the Soviets.

President Bush: In the 1950s did Deng deal with the military aspects of Sino-Soviet relations?

President Yang: No. At that time he was Vice Premier. Later, when he became the General Secretary of the Party, he was in charge of Party military affairs. He was elected General Secretary of the Chinese Communist Party at the Eighth Party

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Congress. Soon after that, relations with the Soviets began to worsen. There are many old friends of yours here who were glad to hear of your visit. Please take a few minutes for a short cocktail party that we have arranged so that they can meet you.

President Bush: But we were just getting started, like on the boat.

President Yang: We will have more opportunity to talk at dinner. Now we have planned a very short, 15-minute cocktail party. Vice Premier Wu Xueqian and Foreign Minister Qian will accompany you to the cocktail party.

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THE WHITE HOUSE

WASHINGTON

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MEMORANDUM OF CONVERSATION

SUBJECT: President ^{Bush's} Meeting with General Secretary of the Central Committee of the Communist Party Zhao Ziyang of the People's Republic of China

PARTICIPANTS:

U.S.

President Bush
James A. Baker III, Secretary of State
Winston Lord, Ambassador to China
John Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President
for National Security Affairs
Marlin Fitzwater, Assistant to the President for Press Relations | Check title
Stephen Studdert, Assistant to the President,
Special Activities and Initiatives
Robert Zoellick, Counselor-Designate,
State Department
Gaston Sigur, Assistant Secretary of State
for East Asia and Pacific Affairs
Margaret Tutwiler, Assistant Secretary of
State, Public Affairs (Designate)
James A. Kelly, Senior Director of Asian
Affairs, National Security Council
J. Stapleton Roy, Deputy Assistant Secretary
of State
Peter Tomsen, Deputy Chief of Mission,
→ Embassy Beijing
Karl Jackson, Senior Director of Asian
Affairs, National Security Council
Ray Burghardt, Political Counselor, Embassy
Beijing
Mr. J. Larocco, Embassy Beijing, Notetaker
Mr. James Brown, Interpreter

China

General Secretary Zhao Ziyang
Vice Premier Wu Xueqian
Foreign Minister Qian Qichen
Vice Foreign Minister Zhu Qizhen
Han Xu, Ambassador to the United States
MOFERT Vice Minister Lu Xuejian
AFM Liu Huaqiu
MFA Protocol Director Wu Minglian
MFA Information Director Li Zhaoxing
USA Department Counselor Wang Li
Other participants (2)
Notetakers (2)
Interpreter

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AS AMENDED

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DATE, TIME February 26, 1989, 4:00 p.m. - 5:40 p.m.
AND PLACE: Great Hall of the People, South Reception
Room, Beijing, China

AUG 1989

Summary: During a cordial one hour and forty minute meeting, President Bush and General Secretary Zhao Ziyang discussed the general state of Sino-U.S. relations, Chinese domestic reform efforts, and a variety of bilateral and international issues, including Sino-U.S. economic and commercial concerns, Sino-Soviet relations, Sino-Indian and Sino-Pakistan ties, nuclear nonproliferation in South Asia, and the roles of China, the United States and the Soviet Union in reducing tensions on the Korean Peninsula.

General Secretary Zhao characterized Sino-U.S. relations as having reached a level of significant mutual understanding; both sides know the great potential for increased cooperation while recognizing where our differences lie.

The President agreed with this assessment, noting that one area where we can certainly do more is in improving the climate for trade and investment between our two countries. He stressed that he did not see any foreign policy barriers standing in the way of developing further our already substantial bilateral economic relationship.

General Secretary Zhao endorsed the view that the improvement of Sino-Soviet relations would not adversely affect Sino-U.S. relations. Zhao noted that Gorbachev would be visiting China primarily in his capacity as President of the Supreme Soviet. His visit would have the effect of reestablishing party-to-party relations, but the principal purpose would be to restore normal state relations.

In response to the President's question on the state of Sino-Indian ties, General Secretary Zhao called Prime Minister Gandhi's recent visit to Beijing very successful in that Gandhi modified India's longstanding policy of refusing to make progress in other areas of the bilateral relationship as long as the Sino-Indian border dispute remained unresolved. He cautioned, however, that because of the boundary dispute there were limits on how far Sino-Indian cooperation could proceed.

The President stressed the need for Pakistan to adhere to its nuclear nonproliferation obligations.

General Secretary Zhao noted Pakistan's repeated assurances of the peaceful nature of its nuclear program, and cited the inconsistency of the international community in criticizing Pakistan while refraining from censure of India, which already possessed a nuclear capability.

General Secretary Zhao said he would visit the DPRK in late April.

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The President emphasized that the U.S. genuinely wanted a reduction of tensions on the Korean Peninsula; urged China to influence the DPRK to moderate its policies; stressed the importance of direct North/South dialogue; and expressed pessimism about the nature of North Korea's leadership.

General Secretary Zhao replied that Soviet influence over the DPRK, while also limited, is greater than China's. He said China would open a trade office in South Korea, welcomes the more relaxed U.S. posture toward North Korea, urged further steps in this direction, and noted this would enhance China's ability to moderate DPRK policies. Zhao promised to pass to the U.S. any message from the DPRK.

In an extended monologue that closed the meeting, General Secretary Zhao emphasized China's commitment to carry domestic reforms through to completion and characterized the current retrenchment as a temporary adjustment to curb inflation and cool the economy. Zhao contended that the active minority who favored a Western political system in China could create chaos and disrupt reform. He said U.S. support for such people would hurt reform and adversely affect Sino-U.S. friendship. End summary. All Caps

General Secretary Zhao: There's a lot of press here.

President Bush: There is much interest in America in this visit.

General Secretary Zhao: Some reporters came with you, and some are stationed here in Beijing. Is that right?

President Bush: Yes.

General Secretary Zhao: Have you been in this room before?

President Bush: I don't think so. It's a beautiful room.

General Secretary Zhao: It is the reception room of the Great Hall of the People where Ambassadors present their credentials.

President Bush: What is its name?

General Secretary Zhao: (After discussion among the Chinese present) It is just called the Reception Room. As you know, every province and municipality under the control of the Central Government has a room in this building. This is not one of those rooms.

President Bush: Yes, I know.

General Secretary Zhao: How was the weather in Tokyo?

President Bush: You should be glad you were not at the funeral. It was so cold. There was icy cold rain, and the wind was all

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the way from Moscow, and cut right through you. I thought we would lose a King who was sitting near us.

General Secretary Zhao: The weather here recently has been quite good.

President Bush: I expected colder weather, but it is like home.

General Secretary Zhao: A characteristic of this winter is that it has been on the warm side. It is hard to say whether this is a good or bad omen.

President Bush: Let's consider it a good omen.

General Secretary Zhao: If a warm winter doesn't usher in a Spring drought, then it's OK.

President Bush: There was a bad drought in the U.S. last year. It was a real cause for concern.

General Secretary Zhao: That's why international grain prices are up.

President Bush: How is agricultural production?

General Secretary Zhao: Pretty good two years ago...not good last year. Since 1985, agricultural production has been stagnant. There was a great expansion of production from 1981 through 1985. This was the result of our reforms, especially the linking of output to household responsibility. But that has achieved as much as it can. We need new steps now. But stagnation has only been from grains; other crops are doing well.

It is a great pleasure to welcome you, Mr. President. Without counting your time here as Liaison Office Chief, this is your fifth trip to China. During this period, despite some difficulties and setbacks, Sino-U.S. relations have developed in a steady manner and marked progress has been made. Mr. President, you are the best witness to the development of Sino-U.S. relations over the last decade. Of course, we must not be complacent; there is still great potential to be tapped in our bilateral relationship.

As you are well aware, China attaches great importance to our bilateral relations. We regard development of Sino-U.S. relations as a long-term strategic decision of the Chinese government. I also noted with great pleasure what you said in your letter to Chairman Deng Xiaoping last September. You said that if elected you would do your best to consolidate Sino-U.S. relations. Both of us understand the great significance of Sino-U.S. friendship. Both sides know the great potential and broad prospects for developing friendly relations and cooperation; we also know where the differences and obstacles lie. That is why we place great hopes on your new administration. We hope that through joint efforts we can make new progress in

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economic, political, and military fields. We hope the critical issues in our bilateral relationship can be properly settled so that in the new period our bilateral relationship can reach new heights.

President Bush: We are on the same general wave length. I share your assessment of where we stand right now.

Let me first talk a bit about the trade and investment climate between our two countries. This is an area where we can move forward more. I mentioned at an earlier meeting today that there are a couple of areas where we would like to work on improving. If we resolve some areas of difficulty for our business people, we can open the way for great progress.

I raised the issue of intellectual property rights with Premier Li Peng. He said that a patent law had been worked out and that you were working on a copyright law. These are very important steps. I want to say that this is not just a Sino-U.S. issue, but is an issue with other countries as well. For example, I think we have this kind of problem with Canada. I urge close cooperation on intellectual property rights.

I believe Li Peng, or perhaps it was Deng, talked about the U.S. being the largest investor in China. We want that to grow. I think a bilateral investment treaty would be helpful in this regard.

Generally, you are familiar with the GATT. We generally support your entry into the GATT. We have been discussing reforms in your trading system with you and can keep on discussing that.

There are ongoing discussions in our bureaucracy about export controls. Our policy is designed to allow U.S. companies to make the greatest possible contribution to your development. We must keep controls in certain highly sensitive areas. But we can discuss areas of special interest to you. If we can work out a deal for the launching of American satellites on Chinese rockets, we should be able to work out anything. This is a very technical subject. We are still having a lively debate in our government - among State, Defense, and Commerce -- on liberalizing export controls on high technology items. We have supported liberalization in areas such as computers and fiber optics. I hope this has been of assistance to you. We will continue to work with other Western countries to provide the tools needed for China's modernization.

But putting these technical points aside, we are generally on the right track on trade. We want to keep building on that. I don't see any barriers in a broad foreign policy sense to the development of this relationship.

I listened carefully to Chairman Deng today. We are not concerned about the upcoming Soviet visit to China. We work with the Soviets in lots of areas. There is nothing in the change in

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your or our relations with the Soviets that will affect our relationship. We do not work with the Soviets in ways that will adversely affect China. We do not link the two in any way.

General Secretary Zhao: We also noted that not only you but others in political circles and the press in America clearly understand that the improvement of Sino-Soviet relations will not adversely affect Sino-U.S. relations. This is an entirely correct interpretation.

There might be some people in America who have apprehensions on how Sino-Soviet party relations will develop. The Gorbachev visit to China, the Summit meeting, and the normalization of state relations will naturally lead to the restoration of party relations. Future party relations will by no means be as they were in the 1950s. There will be a new relationship on a new basis.

You might have noticed that as far as party relations are concerned, we not only have party relations with other communist parties, but also with socialist parties and nationalist parties in developing countries. Our understanding of party-to-party relations is now entirely different from our understanding in the 1950s.

Take Pakistan, for example. We established party relations with Prime Minister Junejo's Muslim League. When Benazir Bhutto came recently, we established party relations with the Pakistan People's Party led by her.

We apply four principles to relations with other parties; whether communist, socialist, or national: independence, equality, mutual respect and noninterference in internal affairs.

President Bush: Is the Soviet visit a party visit? Will you host the visit as a party visit or as a party and government visit?

General Secretary Zhao: This time Gorbachev will come to China primarily in his capacity as President of the Supreme Soviet. He has been invited by President Yang. His meeting with Deng will be the high-level meeting. I will also meet him. This meeting will mean the establishment of party relations.

President Bush: This is very complicated. We have not dealt so much on party relations. There is a new development, involving Dick Allen, in which the Republican Party is dealing with lots of European parties in the International Democratic League. This has nothing to do with the government.

General Secretary Zhao: Of course the establishment of party relations between two ruling parties will be beneficial to the promotion of state-to-state relations. But relations between two countries are primarily state relations. That is why I say that the purpose of the high-level Gorbachev meeting with Chinese

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leaders is primarily to normalize state relations. Normalizing state relations will naturally mean the restoration of party relations, but party relations will not have any special significance.

President Bush: We have covered lots of ground in my three previous meetings. One area I have not inquired about in my meetings here has been Sino-Indian relations.

General Secretary Zhao: The Gandhi visit was very successful. This visit solved one problem. On the Sino-Indian boundary dispute, we agreed that it is difficult to reach a mutually acceptable solution in a short time. Previously, Indian leaders always insisted the boundary question must be settled before cooperation in other areas could proceed and that it was an important condition for improvement of relations. But the fact is the problem cannot be solved in a short time. We have proposed some ideas, but the problem still cannot be settled quickly. Because of the Indian attitude, it is hard to make progress. Gandhi agreed that while we are discussing the border, we could make progress in other fields. This is a good step and is significant.

Nevertheless, because of the boundary dispute, there is a limit on how far cooperation and friendly relations can develop. There is this inhibition. Besides, we have all along been critical of the Indian approach to its neighbors in South Asia. It is the big bullying the small. So far, India has not abandoned this approach.

Since Gandhi became Prime Minister, U.S.-Indian relations have improved. Is that correct?

President Bush: Yes. I asked about this issue because Gandhi and Bhutto seem to have established good relations. There have been some differences, but they are close generationally. Their relations seem to be off to a good start. To the degree that they were divided over Afghanistan, with India closer to the Soviets, things should improve with the Soviet pullout.

Pakistan still worries about India in the nuclear field. And we still worry about Pakistan in the nuclear area because we have rigid Congressional certification requirements. It is a very serious question in terms of our ability to give the support we want to Pakistan. I made a clear presentation about this to Bhutto the other day in Tokyo, emphasizing that Pakistan must keep to its nonproliferation obligations. She anticipated my approach and took the initiative because she knew I would raise the matter. She gave lots of assurances. I do not want to burden you with this but it is a very serious matter. If Pakistan goes ahead with a nuclear device, we have to cut off our aid. I do not want this to happen. In any event, I think we should all work together for peace on the subcontinent. I knew of your visit with Gandhi. We may be on the edge of a new era in Indo-Pakistan relations. This would be good for all of us.

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General Secretary Zhao: Both President Zia and Bhutto have said again and again that Pakistan is not seeking nuclear weapons. They are engaged in peaceful uses of nuclear energy. We have often told our American friends that China-Pakistan cooperation is confined to peaceful uses of nuclear energy. Pakistan is participating in IAEA safeguards. So do we. We will continue to carry out our commitments to IAEA. However, our American friends should know that Pakistan leaders have one complaint: they have given assurances that they will not go for nuclear weapons, but they feel that the international community has a different policy toward India. There are two big countries in South Asia. One has a nuclear device and no one says anything about it. The other has no device and is only engaged in nuclear energy research, but the press and the United States exert big pressure on Pakistan.

President Bush: They have made the same points to us. I wish I could be relaxed that they are only engaged in peaceful nuclear energy research. But we are not. President Zia said the same thing. But we have pretty good evidence to the contrary. We hope that she will work on this. On the second question of unequal treatment by the international community, we are indeed concerned about India, and Pakistan has legitimate concerns. But we cannot look the other way. We must guard against further proliferation. We hope India and Pakistan can sign a nuclear agreement. But India thinks it has an advantage. We will work with it, but we have no influence with India.

General Secretary Zhao: I would like to tell you that in late April I will visit the DPRK. Do you have any advice?

President Bush: Good luck on your visit! (Laughter) Secondly, the fact that China has started to have relations with the South is an extraordinarily good thing. Third, I think China more than any other country can help convince North Korea to moderate its policies a bit. We appreciate the fact that you helped facilitate some low-level contacts for us with them. I would ask you on our behalf to convince North Korea not to seek to engage us in conversation about the South, but to engage the South directly in discussions about peaceful reunification on the Korean Peninsula. Lastly, we would genuinely welcome reductions of tensions on the Korean Peninsula. It would be wonderful for us. It's very expensive. We would like to see our role reduced, or even eliminated, by a peaceful resolution among the parties. Otherwise, we don't have much of a role. We welcome your views.

General Secretary Zhao: For my visit this time, I am mentally prepared to listen to criticism by the comrades in the DPRK. They have lots of complaints about our direct and indirect economic and trade ties with South Korea. On my part, I will elaborate on why we are moving to develop certain ties with South Korea. It is impossible for our relations with the South to go too fast or too far. On the other hand, we cannot do things entirely according to the North's opinions, but we must take into

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account what North Korea can bear. Maintaining stability on the Korean Peninsula is in our interest, your interest, and the region's interest. We will continue to do what we can and will use our influence whenever possible. It seems to me, however, that China's influence is limited in encouraging North Korea to be more flexible. The role played by U.S. policy is more important. We noted with great pleasure that the U.S. has adopted a more relaxed approach to North Korea and that this has achieved good results. We hope the U.S. can take an even more relaxed approach. The more relaxed the U.S. approach, the less isolated North Korea will feel. Hence, our influence will increase. To a great extent, our influence on North Korea is affected by U.S. policy.

It would appear from Gorbachev's new thinking that the Soviets also wish to see a relaxation on the peninsula.

Soviet influence on the North is greater than ours, but it is also limited. All of us should do something to promote relaxation of tensions on the peninsula.

The North on many occasions has asked us to convey messages to the U.S. hoping to improve relations. The U.S. has taken some steps already toward more relaxed relations with North Korea. We hope for more steps.

President Bush: We need to identify people who have influence who are more reasonable than the two top people in North Korea, Kim Il-sung and his son. I hope this does not offend you. They have a stake in hostility toward the U.S. We need to find other people who are more reasonable to deal with. Is this unfair?

General Secretary Zhao: In my view, if you want to improve relations with North Korea, you must deal with the two people you don't like.

President Bush: It's not a question of our not liking them. We don't think they want to deal. There is a performance barrier. They do not accept norms of civilization. They slip drugs and arms into diplomatic pouches. The leadership views are unacceptable. If I am being unreasonable, you tell me. We really are pessimistic about productive dealings because of the way the leadership views the U.S. Maybe they can change.

General Secretary Zhao: I favor the view that the nature of policy pursued by leaders has something to do with the set of circumstances they find themselves in. If the circumstances change, if the conditions change, so will the policies being pursued. I hope you are open-minded. After all, isn't it true that Khomeini accepted the UN Security Council resolution?

President Bush: Yes...but then he went and put a murder contract out on that writer. Look. I am serious. We sincerely welcome your advice. We honestly don't know these people in the North. If there is anything you can share, if you sense any flexibility,

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after your visit, we would welcome this and would like to hear about it. You will have difficulty convincing me he is a noble human being. But relations are not based on that. We are open-minded. We want to be a catalyst for peace on the Korean Peninsula.

General Secretary Zhao: If they have any message, I will convey it to you.

President Bush: Aren't you encouraged by feelers between the North and South? Isn't that a good sign?

General Secretary Zhao: Yes. There are some good trends. We hope they will continue. In my view, changes in the international climate and trends toward relaxation of tensions will help in the settlement of various regional issues, though the timing may be different from case to case.

Since you have discussed international issues at length at your other meetings with Chairman Deng, Premier Li, and President Yang, let's change the subject. Let me briefly take this opportunity to talk about the domestic situation in China. After my briefing, I would be interested in your views on the domestic scene in China.

President Bush: I am very interested.

General Secretary Zhao: Ten years have elapsed since reform was launched in China. The steps taken have not been small. However, we are only halfway through. We will unswervingly continue until the end of the road is reached. However, it is indeed a tough pursuit to transform the Chinese economy from a highly centralized system to a planned commodity system. It is a long process that cannot be done in a short period of time, particularly in a large country like China.

I have two points to stress: We must be firm in moving forward to complete the reform process, but we must also adjust to the actual conditions in China and gradually carry out reform. As you know, China has made progress in the last decade, which is primarily attributable to the reform steps taken. Recently, the Wall Street Journal carried articles comparing reform in China and the Soviet Union. They quoted CIA statistics. These statistics noted that Soviet average annual GNP growth in the 1980s was 1 percent while China's was 8 percent. Although this figure is slightly lower than ours, these statistics illustrate the big progress China has recorded during the ten years of reform. Our national strength has increased, and the quality of life for the Chinese has improved as well.

In view of the tremendous beneficial changes brought by reform, and the improvement in living standards, there is no reason or basis for changing current policies. Our view is that the reform trend is irreversible in China.

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In September 1988, we announced a program to improve the economic environment and restore economic order. Some people in China did not understand the program, and there was talk abroad that China was retreating from or abandoning reform. This doesn't tally with the facts. Rectification is mainly designed to solve problems related to an overheated economy. It is a common approach in Western countries to have alternating policies to deal either with inflation or recession. The correction in China is to curb inflation and dampen the overheated economy. The Chinese people do not have as much capacity as in the West to bear the effects of inflation because we pursued a low wage system, and also because of certain historical reasons and traditional ways of thinking. In fact, problems of inflation have long been with us in China, although they used to be in hidden form. The main manifestation of inflation in the 50s, 60s and 70s was not higher prices for commodities, but rather the unavailability of goods, the use of coupons, rationing, and standing in lines. That is inflation.

During the 34 years from 1951-1984, the average annual increase in the commodity price index was never more than 3 percent except in 1961 when it reached 16 percent. However, from 1985-1987, because of the gradual decontrol of prices, inflation averaged 6-8 percent. These rates were no real problem; the people could bear them. In 1988, however, the consumer price index shot up to 18.5 percent. That caused uneasiness. //

President Bush: Are you referring to consumer prices or producer prices?

General Secretary Zhao: These are market prices not production prices.

We could not continue with reform with this rate of inflation. So we concentrated on austerity in financial expenditures, credit, and capital investment to curb demand. The main reason for this inordinate increase in commodity prices was the overly rapid issuance of money to support rapid economic development, excessive capital investment and too much consumption. The task of improving the economic environment and rectifying the economic order cannot be done in a short period. It may take two years, or a little longer. But rectification does not mean stopping reform. Rather, we must stabilize the economy so reform can press ahead according to the original plan. In analyzing the situation in China, I would emphasize two points: First, the Chinese people are both participants and beneficiaries of reform. On the whole, the Chinese people support reform. Second, quite a number of people in China are not adequately prepared mentally for the extent of the difficulties and the complexities of reform, especially the adjustment of interest. So they complain. Concerning this second point, when things go smoothly, the complaints are few. When things do not, the complaints are many. //

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In China, there exist two erroneous and extreme ideas. First, because there are so many difficulties with reform, some people think that reform is infeasible and that China should go back to the old road. These people are few and have no appeal. Second, there are also a small number who think there are so many difficulties in reform because China is lagging behind on political reform. They stand for a multi-party parliamentary system -- the introduction of a Western political system. These people may be few, but they are vocal and active. Let's put aside the ideological question entirely. The above proposition does not tally with the realities of China. If it is carried out, chaos will result, and reform will be disrupted.

Some press people in the West and the U.S. feel warmly toward those in China who advocate a Western political system and have great interest in them. These forces want to influence current and future U.S. policy. In our view, if there are Americans who support those Chinese people who are opposed to the current policies of the Chinese government, they will hurt reform as well as Sino-U.S. friendship. Mr. President, you know that it is the Chinese government and people who are promoting reform in the light of the actual conditions of China. It is not these others. Mr. President, you know well China's history and its realities. I know you understand the above analysis. I hope the U.S. government will pay attention to this question for the sake of Sino-U.S. friendship, the stability of China, and the success of reform. NOTE: It was 5:45 p.m. The meeting had been scheduled to conclude at 5:25 p.m.

President Bush: That was a fascinating exposition. They tell me I am to be on live TV at 6:00 p.m. Let me say that I am very interested in what you said about reform. We strongly support reform and what the Chinese government has done. We know there are ups and downs. The U.S. also has its own economic problems, and I will do my level best to get our deficit down, which will benefit China and help you on your interest rates. I am glad to be here in China because I have escaped some of my own critics of my economic efforts. Don't worry about these critics. We want to see your reform succeed. We want to use our economic clout to be part of that success. I apologize for running. Thank you for your exposition.

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WASHINGTON

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MEMORANDUM OF CONVERSATION

PARTICIPANTS:

U.S.

President Bush
James A. Baker III, Secretary of State
Winston Lord, Ambassador to China
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 *Check title*
for Press Relations
Gaston J. Sigur, Assistant Secretary of State
for East Asia and Pacific Affairs
Robert Zoellick, Counselor (Designate) ~~to~~ STET
Department of State
Margaret Tutwiler, Assistant Secretary of
State, Public Affairs-Designate
James A. Kelly, Senior Director of Asian
Affairs, National Security Council
J. Stapleton Roy, Deputy Assistant Secretary
of State
Peter Tomsen, Deputy Chief of Mission,
Embassy Beijing
Karl Jackson, Senior Director of Asian
Affairs, National Security Council
Ray Burghardt, Political Counselor, Embassy
Beijing
Mark Mohr, Notetaker
Vivian Chang, Interpreter

China

Chairman Deng Xiaoping
CCPPCC Chairman Li Xiannian
Vice Premier Wu Xueqian
Foreign Minister Qian Qichen
Vice Foreign Minister Zhu Qizhen
Han Xu, Ambassador to the U.S.
MFA Protocol Director Wu Minglian
MFA Information Director Li Zhaoxing
USA Deputy Director Zha Peixin
USA Deputy Counselor Wang Li
MFA Protocol Deputy Division Chief Liu Xizhen
MFA Protocol First Secretary Zhu Luchang
Interpreter
Notetakers (2)

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DATE, TIME
AND PLACE:

February 26, 1989, 11:00 a.m. - 12:00 noon
Great Hall of the People, Fujian Room,
Beijing, China

SUBJECT:

President Bush's
Meeting with Chairman Deng Xiaoping of China *the People's Republic of*

SUMMARY: Chairman Deng warmly welcomed the President and called his short working visit more important than an official visit. He expressed his personal hope that the bilateral relationship would develop in a "new pattern," based on mutual trust, mutual support, and minimizing as much as possible mutual problems. He characterized the overall pattern of the relationship as one of steady progress. President Bush pointed out those who say he had come to China because Gorbachev was coming were wrong. The President said that Sino-U.S. relations stand on their own merits and are not based on changes in Soviet policy. He noted that support for the bilateral relationship has never been stronger in the U.S.

Turning to Sino-Soviet relations, Deng emphasized the deeply rooted historical difference between China and the Soviet Union that would continue to affect the relationship. He noted that over the past 150 years, two countries had done the greatest damage to China: Japan and Czarist Russia/Soviet Union. Deng noted, however, that the Soviet Union got the most tangible benefits in the form of the three million square kilometers of territory that had been cut off from China, although he acknowledged that much of this acquisition has now been formally accepted by the PRC. Deng cited the tearing away of Outer Mongolia and Khrushchev's policy of encircling China to underscore the unfavorable strategic situation that continued to make the Soviet Union the main threat to China. Deng said he had cited these factors to demonstrate that China's opening to the U.S. and the West had been a strategic decision and not a question of expediency. This is why, concluded Deng, China's relations with the Soviet Union will not revert to what they were in the 1950's.

Turning to internal problems, Deng said China's overwhelming need was to maintain stability. He noted, "We hope our friends abroad can understand this point." End Summary. *I Make capitalization agree with beginning.*

Chairman Deng: You have had a long journey.

President Bush: But I am not tired. I have even been riding my bicycle.

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Chairman Deng: Yes, you have so many hobbies. One of them you have in common with me - bridge.

President Bush: But you are too good for me.

Chairman Deng: That is hard to say. We have not played together. Even if we play, it will be friendly.

President Bush: I gave up bridge a long time ago. It was too difficult and complicated. You're the expert.

Chairman Deng: Nowadays, it is even more difficult to find time to play bridge. You have a difficult job, being President of the United States. You could be champion of the world in terms of the busyness of your schedule.

President Bush: I have been busy, but it is very interesting. Although the time here is short, I am having a good visit. I have just had a very interesting talk with Premier Li Peng, and last night I had a wonderful banquet hosted by President Yang.

Chairman Deng: Mr. President, because this is a working visit, we've simplified some protocol arrangements. I hope that you will pay an official visit to China at a time you think appropriate.

President Bush: I would love to do it. I appreciate the invitation, especially the opportunity to look around the countryside again.

Chairman Deng: In my view, although this is only a working visit lasting two days, it is more important than an official visit.

President Bush: There is so much change in the world, so many big things happening. I have come at an interesting time of opportunity and challenge. I am delighted that the Soviet leader is coming here. That is a good thing. I think he can learn from you.

Chairman Deng: Gorbachev will come to Beijing on May 15. So far, I don't know how many gifts he will bring. I don't even know what will happen regarding Vietnamese troop withdrawal from Cambodia. When you served as Chief of the Liaison Office, you contributed to the promotion of Sino-U.S. relations. After that, you visited China four times. During the two times you visited as Vice President, you brought happy tidings with regard to the expansion of Sino-U.S. relations. This time, you've taken time out of your busy schedule to first come to Beijing. This in itself represents an important development in Sino-U.S. relations. I believe the above judgment of mine is a sound one.

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This does not necessarily mean that we see eye-to-eye on all matters, nor does it mean that disputes will not crop up between us. However, I can say that both the Chinese and American sides want to see the further development of Sino-U.S. relations. I am speaking not just for myself but for other Chinese leaders as well, and you are speaking for the U.S. side. My personal hope is that during your tenure as President, Sino-U.S. relations will develop in a new pattern. I am not talking about a strategic relationship, but rather a relationship of mutual trust, mutual support, and minimizing as much as possible the problems (in Chinese - ma fan) between us. Problems after all will be there, but they can be reduced.

President Bush: Some have said in the world press: "The U.S. President is going to China because Gorbachev is going to China." That's crazy, that's wrong. I wanted to come because I agree with you on where the relationship stands, and that the prospects for our two countries to advance the relationship have never been greater. Support for this relationship has never been stronger in my country. So the China-U.S. relationship must stand on its own feet. After that we can talk about the broad challenges that face all of us because of changes in the Soviet Union, the unification of the European common market in 1992, and the Third World debt. We can discuss these problems. But I was anxious to come as President to make the relationship stronger and better. I can guarantee that in my Administration our bilateral relationship will be stronger and better. Yes, we can fight about our differences, but the differences are far outweighed by our common points, so the differences are a small matter.

Chairman Deng: Just now, you talked about the Soviet Union. China, like the U.S., is improving its relations with the Soviet Union. We think this will make a major contribution to the maintenance of world peace. However, the fact is that a great many problems exist in the U.S.-Soviet relationship. This is also true of Sino-Soviet relations. What's more, the many problems that exist are not those that can be easily solved. For instance, the U.S. and Soviet Union were successful in solving the INF question, and we expressed our welcome. Why? Because relaxation of tension between the U.S. and the Soviet Union is beneficial to world peace. This does not mean that peace has already arrived. Recently, the question of short-range nuclear missiles cropped up. Also, the question of long-range nuclear missiles has hardly been touched. Nor have the U.S. and the Soviet Union dealt with the question of conventional weapons. The most that can be said is that you have had some contacts on this question. We hope that the U.S. and Soviet Union will follow up on the INF treaty and proceed to settle other major questions.

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Likewise, there are piles and piles of problems in the relationship between China and the Soviet Union. As a matter of fact, China and the Soviet Union cut off contact in 1963. A good 25 years have elapsed since then. Sino-U.S. contacts were cut off in 1949 and resumed in 1972, a period two years shorter than for Sino-Soviet relations. Another special feature of Sino-U.S. relations is that President Nixon and Dr. Kissinger visited China in 1972. This essentially restored relations between our two countries, and that was 16 years ago. We have continued to make progress. There have been quarrels, disputes, and mutual criticism, but the overall pattern has been one of steady progress. It has always been our view that Sino-U.S. relations have developed steadily. More importantly, this continued development shows a great potential for a new pattern to emerge. I deeply believe that leaders in both China and the U.S., including leaders of the Democratic and Republican parties, all hope that the Sino-U.S. relationship will make even better progress in a new pattern.

With regard to the Sino-Soviet relationship, if talks with Gorbachev prove to be successful, and Sino-Soviet relations are normalized, then what will follow? Personally, I think it is still an unknown quantity. The fact is there are many accumulated problems. What's more, they have deep historical roots. The Chinese people pay great attention to history. In China, it is a question of China's having been subjected to humiliation and invasion of foreign powers interfering in China's internal affairs. This went on for a hundred and fifty years, since the outbreak of the Opium War in 1840. In that century and a half, foreign powers each inflicted great losses on the Chinese people. But taken together, there were two countries that did the most damage. The first is Japan, and the other is Czarist Russia and the Soviet Union. However, in terms of who got the most tangible benefits from these wars with China, it was Czarist Russia and the Soviet Union. Japan did the most damage. Tens of millions of lives were lost, and the damage is incalculable in financial terms. However, in the end Japan didn't get any Chinese territory. In terms of territorial questions between China and Japan, there is only the Diaoyutai Islands, which the Japanese call the Senkakus. We've proposed to shelve this problem for the time being, and anyway there are no inhabitants to speak of on these islands. Speaking historically, Japan started to invade China several hundred years before the Opium War. There are historical accounts of Japanese bandit invasions starting from the Ming Dynasty. Finally, Japan failed to gain any Chinese territory.

The situation is different with respect to Czarist Russia and the Soviet Union. What the Soviets gained after World War II was Chinese territory -- more than 3 million square kilometers. In

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the Czarist Russia period, the Russians gained 1.5 million square kilometers or more of Chinese territory. They have this in their hand now. During the Stalinist period, what the Soviet Union gained in territory was Outer Mongolia, which had been Chinese territory for hundreds of years. It was split off and is now the Mongolian People's Republic, which is under Soviet control. Outer Mongolia covers an area of 1.5 million square kilometers, about the same as the territory occupied by Czarist Russia. So all together this comes to 3 million square kilometers. I would like to add that one of the results of the Yalta Conference held by the Soviet Union, Great Britain, and the United States at the end of World War II was to divide up China. I don't think Churchill played a significant role. This matter was mainly between the U.S. and the Soviet Union. However, because Chiang Kai-shek was defeated in China, the U.S. didn't gain anything. I am speaking historically and am not trying to offend you.

President Bush: You are not offending me. I don't like Yalta either. In retrospect, Yalta did not turn out so well. It pledged free elections for Eastern Europe, and they still haven't occurred.

Chairman Deng: Yalta not only severed Outer Mongolia from China, but also brought the Northeastern part of China into the Soviet sphere. Sovereign rights to the Changchun railroad were given to the Soviet Union, and also sovereign rights to Port Arthur. After the founding of the PRC, our first demands to the Soviet Union were to recover Chinese sovereignty over the Changchun railway and Port Arthur. Only then was PRC authority in northeastern China confirmed. Only the question of Outer Mongolia remained. We raised the question of Outer Mongolia, but the Soviets didn't respond. At present, the Soviet Union has an anti-Stalin campaign. But after the founding of the PRC, Stalin did some good things for China. He helped us with economic development. For example, there were 156 industrial projects. Soviet experts also genuinely had the intention of helping us. However, after Khrushchev came to power, he scrapped several hundred Sino-Soviet contracts overnight. What's more, Khrushchev's strategy, besides trying to counter the U.S. and others, was to encircle China. All along the Sino-Soviet boundary line, in the west and the east, the Soviet Union stationed one million men and deployed about one-third of all its nuclear missiles.

Mr. President, you are my friend. I hope you will look at the map to see what happened after the Soviet Union severed Outer Mongolia from China. What kind of strategic situation did we find ourselves in? Those over 50 in China remember that the shape of China was like a maple leaf. Now, if you look at a map, you see a huge chunk in the north cut away; the maple leaf has

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been nibbled away. I hope Ambassador Lord will show the President a map of China. It's very interesting. The strategic situation I have mentioned is very unfavorable for China. The Soviet Union used this strategic advantage in its war with Japan, i.e., as a pincer movement from the west and the east to cut East and Northeast China right in half. This encirclement of China has continued from the Khrushchev period through Brezhnev to the present.

On the northern and western borders of China the Soviets have massive numbers of troops and missiles. India was added, and then Vietnam. Now the Soviets have military air transit rights over North Korea which allows them to connect to Cam Ranh Bay. Their planes can now conduct air reconnaissance over China. How can China not feel that the greatest threat comes from the Soviet Union? That's why in addressing the question of the normalization of Sino-Soviet relations, we have raised various obstacles to be removed, the danger posed to China by encirclement must be removed.

It is precisely because of the above that China in the time of Chairman Mao and Premier Zhou Enlai paid attention to the development of China's relations with the United States, Western Europe, and Japan. I have said all this to show that it was from a consideration of China's own interest that China came to this strategic decision. It was not a question of playing cards, and it was not a question of expediency. I have explained this passage of history to give people a clear point of departure to understand China's foreign policy and economic development. In the last few years, we haven't done a good job in educating young people in China. They don't understand this point. We have started to pay attention to this problem, but it will be difficult to show immediate results.

Just now I said we're not clear what will happen after Gorbachev comes to Beijing. The most important question is whether the Soviets will dismantle their encirclement of China. In this regard, Afghanistan and Cambodia are the most important questions. We share a border with Afghanistan, though it's very short. Another question is what should be the basis for Sino-Soviet normalization. Because of this past history, can anyone really write an article saying that China and the Soviet Union will restore close relations, similar to what they were in the 1950s? No, this cannot be done. Recently, when Shevardnadze came to China, I asked him: To what extent can anyone believe what the Vietnamese say? He said: The decisions made by top Vietnamese leaders are largely credible. I said: One should not be naive. China has had more experience in dealing with the Vietnamese than the Soviets. So people do not need to worry that Sino-Soviet relations will revert to what they were in the 1950s.

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Nor is this possible. There are current and future reasons for this not to happen. The historical reasons are the most important ones.

President Bush: This is extremely interesting.

Chairman Deng: Another question is the timing of the strategy mapped out by Khrushchev, which he implemented exactly at the time when China and the Soviet Union enjoyed their best relations. In the 1950s, we were not clear about that, but after reading Adenauer's memoirs, we came to understand. Back in 1955, Khrushchev warned Adenauer concerning the danger of the Yellow Peril. I have given you this background to let people see the prospects for Sino-Soviet relations. Relations will develop, especially in areas such as people-to-people exchange and trade. However, there is a limit. It is not easy for the Chinese people to forget that the Soviet Union occupies 3 million square kilometers of Chinese territory. We have recognized the treaties signed during the Qing Dynasty which stipulate this Soviet occupation of 3 million square kilometers of Chinese territory. The treaty giving up Outer Mongolia was signed during the Nationalist period. In fact, Chiang Ching-kuo actively participated in the negotiations for the agreement that was signed by T.V. Soong (Song Ziwen) in Moscow. Since that agreement, we have decided to let bygones be bygones. We have concluded a boundary agreement with the Mongolian People's Republic (MPR) so that portions of the Sino-Soviet border has been settled by an agreement with the MPR. I am sorry I have taken almost an hour.

President Bush: What you have said is very important. This hour has been very valuable for me and everyone here. It is essential that we understand this. We will be facing major decisions regarding the Soviet Union. I want to assure you that no decision will be taken -- whether on strategic arms, conventional weapons, or whatever -- that will benefit the West, but be detrimental to Chinese interests. Gorbachev is a charming man, and the Soviet Union is in a state of change. But the byword for the U.S. is caution. This is an interesting and challenging time. We are not afraid to move forward, but we will exercise caution. Your presentation has been extraordinarily helpful for my thinking and I thank you for it.

Chairman Deng: We hope that good results will come out of the U.S.-Soviet strategic arms talks because this is in the interest of mankind. We also hope that Gorbachev's reforms will gradually become fruitful. Our own experience tells us that it is not easy to get fruits.

President Bush: Our experience tells us that you cannot make

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broad foreign policy decisions based on the personality or aspirations of one man. You need to consider the trend of the whole society and country.

Chairman Deng: Yes. With regard to the problems confronting China, let me say to you that the overwhelming need is to maintain stability. Without stability, everything will be gone. even accomplishments will be ruined. We hope our friends abroad can understand this point. 

President Bush: We do.

Chairman Deng: We don't have any more time. Let's continue this discussion at lunch, if that's alright with you.

President Bush: That's fine with me.

Chairman Deng: All right, then, let's have lunch.

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THE WHITE HOUSE
WASHINGTON

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Fig. 10

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

indent → for National Security Affairs

Andrew Card, Deputy Chief of Staff

Marlin Fitzwater, Assistant to the President ^{for Press Relations Secretary} *correction
Tab B too.*

Robert Zoellick, Counselor Designate,
Department of State

Gaston J. Sigur, Assistant Secretary of State
for East Asia and Pacific Affairs

Margaret Tutwiler, Assistant Secretary of
State, Public Affairs (Designate)

indent → James A. Kelly, Senior Director, Asian
Affairs, National Security Council

indent → J. Stapleton Roy, Deputy Assistant Secretary
of State

Peter Tomsen, Deputy Chief of Mission, ^{Embassy} Beijing

indent → Karl Jackson, Director, Asian Affairs,
National Security Council

Ray Burghardt, Political Counselor, Embassy
Beijing

indent → F. Maerkle, Political Officer, Embassy
Beijing (Notetaker)

indent → James Brown, Department of State
(Interpreter)

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
AND PLACE:

February 26, 1989, 9:00 a.m. - 11:00 a.m.
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:

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-- 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

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people there.

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 points 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, they 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, the balance of material will be delivered to the Afghan side. ^{and}

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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. | spacing
- There should be international control and supervision, and the dispatch of an international peacekeeping force to Kampuchea. | spacing

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.

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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 phenomena 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. | fix

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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