

F99-004 # 52

NSC Meeting

*11/14/01*

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September 20, 1983  
11:00 - 12:00  
Cabinet Room

SUBJECT: Review of U.S.-China Relations

PARTICIPANTS:

The President  
The Vice President

Minutes

Judge Clark - This is a good opportunity to review U.S. relations with the Peoples Republic of China in preparation for Secretary Weinberger's trip to China and Foreign Minister Wu Xueqian's visit to the United States. There no specific issues that really need a Presedential decision today, but there are a number of issues in relationship which we should cover in preparation for these trips.

Secretary Shultz - We have made quite a bit of headway in our relations with China in the last year, and our relations are in reasonably good shape with them right now. This has been brought about by working out our problems with them in aspiring to do much in relationship and staying away from the fluctuations from euphoria and depression which have characterized earlier periods with our relations with China. In the process we have shown them that we have certain principles and commitments and that we are going to stick by them. Just because the Chinese want us to change does not mean we are going to change. The Chinese have welcomed the shift in our technology transfer policy. That decision is very important to them. Since that decision was relayed to them by Secretary Baldrige during his trip in May the Chinese have responded in a number of ways:

1. They extended the invitation to Cap for his forthcoming trip, and by nailing down this visit which we have been discussing for a long time. During my visit to China last January the Chinese were very cool in their military discussions with Rich Armitage here. So, I see this visit of Caps as a very encouraging sign.

2. The setting of dates for Foreign Minister Wu's visit here is also a good sign. The Chinese place great store on these high-level visits.

3. We were able to work out a textile agreement just recently. After much acrimony, these long and difficult negotiations were finally settled. Moreover, we didn't give much

ground in these negotiations; the Chinese did and we settled close to the position from which we started out.

4. This textile agreement freed up Chinese purchase of American agricultural products which the Chinese had cut off since last January as part of their bargain to obtain a better textile agreement. Now it appears that they will not be able to purchase enough grain in the remaining months of 1983 to meet their minimum requirement for purchases under the grain agreement we have with them. I should say here that I think we should be tough on this issue and not countenance any backsliding from the Department of Agriculture which I understand does not feel we should pursue this matter strongly with them. Dick Ling may want to address some remarks to this subject when he speaks. We at State feel, however, that an agreement is an agreement and that we should hold the Chinese feet to the fire to meet their commitments under this agreement.

(President Reagan interjects: "You mean our position should be 'no ticky, no laundry'?" )

5. Chinese reaction to the announcement of our large package of arms sales to Taiwan was relatively moderate until our own press played up the theme that it was moderate. The Chinese then stepped up their reaction to make more of an impact with our media.

6. On the Hu Guang Railway bonds -- these were some old (1911) bonds floated to raise money for railway construction in China, and some speculators have recently brought suit in U.S. courts to have the present Chinese government make good the value of these bonds plus the accumulated interest. Only recently the Chinese finally did what they should have done earlier in this long, drawn-out case, i.e. hire a U.S. lawyer to represent them in the U.S. courts. The Chinese had not done this earlier because they had not acknowledged the validity of U.S. courts in the matter on the grounds it would upon Chinese sovereignty. The Chinese have difficulty understanding our system of government just as we have difficulty understanding theirs. They do not understand the independence of the Supreme Court and have great difficulty comprehending why the U.S. President cannot tell the Supreme Court what to do. They ask, "Is the President President or isn't he?"

(President Reagan interjects: "I agree with them.")

7. On the Asian Development Bank issue the Chinese have been rather quiet recently. Possibly this too is part in reaction to our technology transfer policy decision and the general moderation of their earlier strident policy towards us.

Our position on potential Chinese membership in the Asian Development Bank has been to tell them that we would welcome them in the bank but not at the price of expelling Taiwan. At the moment we are encouraging an "Oriental solution" to the problem, something everyone can agree on. These discussions are quite sensitive and I don't want to go into them much here. Secretary Reagan may also wish to address this problem. Suffice it to say this is a thorny issue but we may work our way through it.

These are all matters which have given us a fair amount of trouble in the last year but on which things have been looking better in the last few months. The Taiwan issue, of course, is still a major problem and it will continue to be until it is settled -- whenever that may be. The important thing is that we have been firm in holding to our own course and saying we will do our thing while they also have been firm in doing theirs; but we are managing our relations on both sides and the prospects have definitely been looking better in recent months. This does not mean the Taiwan issue will go away. China will continue raise this with everybody -- with all our important visitors to China. In my mind our response should be as you instructed me to say in my January trip to China, to say firmly that we will live up to our August 17, 1982 communique. We will live up to our commitments. The Chinese not only raise the Taiwan issue with us but they also raise it with many important foreign visitors. For example, they will slip a visiting foreign minister from another country the hot dope that if only the U.S. would modify its attitude on the Taiwan issue than our relations would be better.

The Chinese talk firmly against "playing cards" in their relations with us and the Soviet Union, and we have taken the same approach. Nevertheless, there is an obvious complimentarity in our relations with China and with the USSR. The Chinese despite their statements do have a card mentality. It is clear that that is what they are doing at present with the U.S. in respect to their talks with the USSR. We are very unhappy about their abstention in the vote on the Korean Airline tragedy at the U.N. From what we can tell the Chinese do not appear to be getting too far in their talks with the Soviets. Further, on foreign policy purposes these two emphasize their own independent foreign policy. They have made accusations against both the Soviet Union and the United States as "hegemonist powers". They used to criticize us quite strongly on these grounds. In recent months they have toned this down somewhat after we complained to them that we were not at all in the same category with the Soviet Union. We have many areas around the world where our foreign policies //?// but also a number of key areas where they differ. For instance, the Chinese criticize our policy in Latin America. Even where we disagree with them we are nevertheless able to have a meaningful discussion with them and exchange views. This is quite different than our relationship with the USSR. With respect to Afganistan our views are quite similar in criticizing Soviet intervention.

The Chinese have taken a number of steps in the economic area which we would like to encourage. They are experimenting with the rudiments of a market system. They have also introduced private incentives into the communes and into industry.

These are all some of the areas where our relations with China have improved because we have worked on the issues in a practical way and continued our rhetoric even though we have stuck by our own principles.