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NFAC No. 2181-79

THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

27 April 1979

National Intelligence Officers

MEMORANDUM FOR: Deputy Director, National Foreign Assessment

X1 FROM: [redacted]
National Intelligence Officer for China

SUBJECT: PRC Meeting on US-China Economic Relations, 30 April, at 0930 hours

1. Action Requested: Review attached materials on issues to be discussed at the PRC meeting, which deal with some of the subjects to be addressed by Secretary Kreps during her trip to China.

2. Background: Secretary Kreps will be visiting China May 7-17 as part of our program to normalize US-China economic relations. The major issues in this regard were reviewed at the 13 March PRC meeting (see Summary of Conclusions of this meeting at Tab B), in which it was noted that Secretary Kreps might:

a. Continue negotiations on a trade agreement, though progress was likely to be slow with no final agreement anticipated during the Kreps visit;

b. Initial an agreement on business facilitation;

c. Undertake discussions with the Chinese on other economic matters as well as on science and technology-related elements in the US-China relationship.

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3. The Treasury memorandum on the 30 April PRC meeting (Tab A) states that the purpose is once again to review the status of US-China economic relations, with focus directed on a US-China maritime agreement. The status of trade, textile, and civil aviation agreements will also be reviewed and are described in the Treasury memorandum. It is anticipated that all these subjects will be raised by one side or the other during Secretary Kreps' visit. There is some difference of opinion on what position we should take regarding certain aspects of the maritime agreement (see Options, p.4 of Treasury memo), and the PRC will be asked to sort these out. Secretary Kreps will be prepared to request the Chinese to resume early negotiations on an aviation agreement, but will not engage in the textile negotiations (which are being conducted separately) except to refer to them.

4. The maritime and aviation agreements are not, however, basic elements in US-China economic relations. Much more crucial are China's desire for MFN (most recently expressed by Deng Xiaoping to two Codels), and, to this end, willingness to move ahead rapidly on a trade agreement. Secretary Kreps is now prepared to initial such an agreement in Beijing, ad referendum to Washington, if one can be worked out prior to or during her visit by a special team which leaves for China this weekend. There is one US priviso: completion of the claims-frozen assets agreement, regarding which the Chinese have been asking for textual revisions that we cannot accept; namely, a listing of all persons in the US with claims against China. Nor will we finalize the trade agreement until the Chinese come to terms with us on limiting certain categories of their textile exports to the US. Our position on trade/claims versus assets/textiles was worked out privately last week by Secretaries Blumenthal, Vance and Kreps, but was considered too sensitive to discuss before the full cast of characters attending the 30 April PRC meeting.

5. There is no specific intelligence input, but in the event the subject arises a selection of NID items on China's revision of its economic priorities and related questions (foreign exchange situation and energy developments) is at Tab C.

25

Attachment:
A - Treasury Memo
B - Summary of Conclusions
C - NID Items

Approved For Release 2004/12/22 : CIA-RDP83B00100R000300010002-1

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TAB A

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