

- At the present time, we have more than enough room in the Liaison Office for everyone to live here. But living in the suburbs is now under study.
- I think the American system of industrial management is very impressive. And the American people are very friendly.
- I think each city I have visited in the United States

has its own merit. Since I live in Washington, D.C. I think it is a very good place. However, I also like the scenery in San Francisco very much.

- I think I also like San Francisco the best. (Washington)
- New York is a key industrial and commercial center. From a trade point of view, it's very impressive. It's crowded and busy, though, and everyone's in a rush.

CAREERS OF CHINESE COMMERCIAL STAFF AT INTERVIEW

Peng Jinbo

Mr. Peng, Commercial Counsellor since mid-1977, presides over the largest department staff of China's new embassy in Washington, DC—one which he predicts will grow even more as trade increases in the post-normalization era. Sixty years old and a native of Hunan Province, Mr. Peng has been thrust into a vortex of activity in his year and a half in the United States, a period which has corresponded with China's accelerated "new long march" toward modernization. He has traveled extensively in this country to see American companies on their home turf, and has met frequently in Washington with US businessmen.

Prior to his US post, Mr. Peng was Deputy Director of the Third Bureau of the Ministry of Foreign Trade in Peking. During his tenure in the Ministry, he visited France, Holland, Germany, Greece, Austria, Romania, Chile, Peru, Venezuela, Canada and other countries. In 1960, he was Commercial Counsellor in Burma. Before the establishment of the PRC in 1949, he was a member of the Eighth Route Army, well-known in recent Chinese revolutionary history.

A soft-spoken man with some facility in English, Mr. Peng is married to Li Guozhe, a graduate of Peking's college of foreign trade, who accompanied him to Washington. They have three children, two boys and a girl, who have remained in China to continue their studies.

Wang Tianming

Mr. Wang is the only remaining member of the Liaison Office who came with the first wave of Chinese diplomats back in July, 1973. At that time, they set up temporary quarters in the Mayflower Hotel before moving into the former Windsor Hotel at 2300 Connecticut Ave., NW.

Born on February 22, 1934, in Zhejiang Province, Mr. Wang was promoted in mid-1977 from 3rd Secretary to 2nd Secretary for economics and liaison. During the early part of his tour here, he concentrated on PRC exports to this country, but since his promotion has become more involved in economic analysis. In connection with his duties, he has traveled extensively throughout the US and has met frequently with US businessmen. Fluent in English, Mr. Wang serves as interpreter for Mr. Peng.

From 1959 to 1965, Mr. Wang was secretary to the Commercial Counsellor and an interpreter at the PRC Embassy in Pakistan. He has also been an inter-

preter and guide for US businessmen at the Chinese Export Commodities Fair in Canton.

An outgoing, vivacious individual, he is renowned among American businessmen as "the Chinese with the longest memory." They are amazed at his ability to remember all whom he meets and his recall of even minor details of past discussions with them.

Mr. Wang is married to the very personable Jin Zhuguang, who joined him in Washington in late 1974, and currently works with him in economics and liaison. The couple's two children attend primary school in Peking.

Ren Zhijie

Mr. Ren, currently 2nd Secretary for economics and liaison, joined the Liaison Office staff in 1974. Born in Hubei Province 46 years ago, he has represented the interests of the China National Technical Import Corporation (TECHIMPORT) as well as MACHIMPEX and MINMETALS. At the present time, he appears to be the leading commercial section specialist on American exports to China, and as he comments himself in the interview, assists US businessmen in surmounting problems which arise in the sale of their products to China.

Mr. Ren has been very active in coordinating the visits of technical survey delegations to the US, and has traveled extensively to US company facilities. Just this month, he joined the entourage of Vice Premier Deng Xiaoping in his tour around this country.

Prior to his assignment to Washington, Mr. Ren spent a year in East Germany. In the early 1970s, he served as an interpreter for some MACHIMPEX delegations which visited Europe. From 1963-66, he was posted in London and traveled throughout Britain. In 1961 he lived in Bern.

Mr. Ren is married to Shang Zhixian, who joined him here in late 1975. Mrs. Shang majored in mathematics, and currently handles business for the CEROILS corporation, particularly in foods and oils. They have two children who have remained in China.

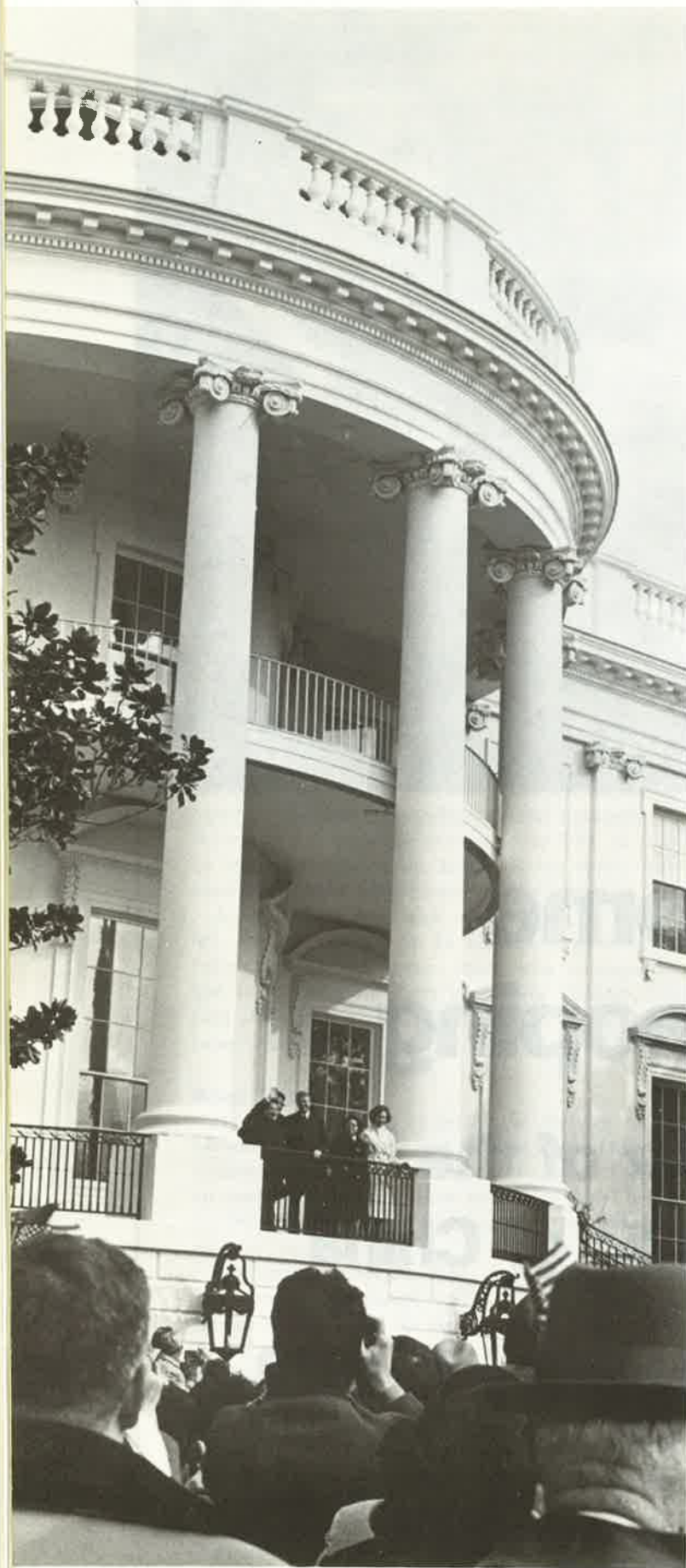
Lo Xin and Fang Xingtong

Mr. Lo and Mr. Fang are the two newest members of the Liaison Office, having arrived only last November 11 to take up their duties. Mr. Lo is concentrating on widening exports of Chinese light industrial products to the US market, and Mr. Fang is an assistant in economics and liaison, working with Mr. Ren.



Ron David: News Photo

**Welcome
Deng Xiaoping
Vice Premier of the
People's Republic of China
January 28 to February 5, 1979**



Deng Xiaoping waving to wellwishers at the White House



Vice-Premier and Madame Deng with President and Mrs. Carter

The historic official visit of Vice Premier Deng Xiaoping to the United States began with an intensive round of ceremonies, press conferences, and summit meetings in the nation's capital.

The main events, which were compressed into the three-day period beginning Monday, January 29, included a formal welcoming ceremony on the White House south lawn, Monday morning, followed the evening by a state dinner and performing arts gala at the Kennedy Center, and culminated Wednesday afternoon in the White House East Room where President Carter and Vice Premier Deng signed two agreements promoting scientific and cultural exchange.

While in Washington, Vice Premier Deng also attended luncheons with Secretary Vance, members of the Senate Foreign Relations Committee, and met privately with Senate Majority Leader Robert Byrd and House Speaker Thomas P. "Tip" O'Neill. Thursday morning the Vice Premier wrapped up the Washington portion of his historic tour at a Washington Monument farewell ceremony.

It was only after leaving the nation's capital, however, that Deng and his entourage accompanied by Commerce Secretary Juanita Kreps, really got down to business. In Atlanta, his first stop outside Washington, Deng was led on a tour of a Ford assembly plant by Henry Ford. At a luncheon in his honor, Deng heard Mayor Maynard Jackson put in a pitch for a Chinese consulate general in Atlanta. Deng then flew on to Houston, where he inspected facilities of the Hughes Tool Company and also took a simulated spaceship ride at the Johnson Space Center.

At a breakfast meeting in Houston with newspaper editors and publishers, Deng said negotiations with US companies to develop China's oil resources were progressing. He also reportedly stated that China will need billions of dollars in foreign exchange, possibly scores of billions, for its modernization program over the next few years. But Fang Yi subsequently remarked



Deng Xiaoping with Henry Ford II at Atlanta's Ford assembly plant

that China's imports of technology will be considered in light of "our ability to pay."

Deng's last stop in the US was Seattle, where he visited the Boeing plant that is assembling three SP 747s for the PRC. Although Deng himself was sick and had to rest, most other members of his delegation took a hydrofoil tour of the Port of Seattle, the world's second largest container port after Rotterdam, according to Port officials. Deng spent several hours in Seattle with Transportation Secretary Brock Adams. The two leaders discussed possible ways in which the US could assist the Chinese in civil aviation, primarily through improved air traffic control facilities.

Vice Premier Fang Yi's Houston itinerary included the Texas Medical Center, where he observed a coronary bypass operation. Fang then made a side visit to Los Angeles, where he toured a McDonnell Douglas plant and also paid a visit to Disneyland. Fang, the man charged with overseeing China's science and technology, discussed China's modernization plans with a reporter on his flight from Houston to Los Angeles. Asked about constraints on China's ability to import advanced foreign technology, Fang said, "We have to consider whether or not we have technicians and skilled workers to handle these sophisticated technologies."

Noting that China will not import technology blindly, Fang said, "We will import only those features which are useful to us, and not those which do not suit the conditions in our country." Asked whether he saw a possible contradiction between the concepts of "self-reliance" and "learning from abroad," Fang responded, "Our policy is one of relying mainly on our efforts, while seeking, if possible foreign assistance." Referring to ecological problems caused by industrialization in the West, Fang said, "We want to absorb those things from you which are good and advanced and try our best to avoid the unfortunate aspects."



Deng with the Osmond Brothers and Marie at Washington reception

At NASA briefing on space shuttle





Madame Zhuo Lin sees Smithsonian neons



Vice Premier Fang Yi at Georgia Tech

Charles Forsyth of Douglas Aircraft toasts Fang Yi at Long Beach reception for China's State Science and Technological Commission chief



Deng Xiaoping, Fang Yi inspect Hughes drill bits in Houston



Fang Yi receives official welcome from Los Angeles

Deng Xiaoping with Boeing Chairman Thornton Wilson inside one SP 747 bound for China



THE WHITE HOUSE
WASHINGTON
February 21, 1979

To Christopher Phillips

I want to express my thanks to you and your colleagues at the National Council for U.S.-China Trade for sponsoring the Performance of American Arts at the Kennedy Center on January 29 in honor of Vice Premier Deng Xiaoping of the People's Republic of China.

We greatly appreciate this important contribution made by the National Council and its member firms to the success of Vice Premier Deng's visit to Washington.

I wish the Council every success in its continuing efforts to expand mutually beneficial trade between the United States and the People's Republic of China.

Sincerely,

Mr. Christopher H. Phillips
President
National Council for
U.S.-China Trade
1050 Seventeenth Street, NW,
Washington, D.C. 20046

Letter from the White House to
the National Council

Council Activities

Normalization of Sino-US relations resulted in an explosion of interest and activity for National Council members and staff during the weeks following New Year. Amidst a period when the Council's telephones were ringing as never before, arrangements were being made for the Gala Performance of Performing Arts sponsored by the Council at the Kennedy Center in honor of the official visit of Deng Xiaoping. And schedules for some twenty-five delegations to and from the PRC were being set up.

TRADE EXPECTATIONS SOAR WITH NORMALIZATION

The feverish pace of China trade activity during the second half of 1978 reached a climax on December 15 with the announcement that the United States and China would officially normalize relations on January 1. The announcement prompted a deluge of telephone calls to the National Council during the next six weeks from member companies eager to take advantage of the new relationship between the two countries, as well as from other firms.

This activity reached a peak on January 29 with the arrival of China's Vice Premier Deng Xiaoping in Washington. A gala celebration at the Kennedy Center in honor of Deng and his entourage was hosted by President Carter and sponsored by the National Council. The performance followed a state dinner at the White House. In addition to about 800 representatives of National Council firms, attendees included most members of Congress and the Cabinet, along with key White House aides and other members of the executive branch of the government.

William Hewitt, chairman of the National Council's Board of Directors from 1975 to 1978, served as program chairman for the Kennedy Center event. The National Council regrets that some member companies did not receive invitations due to the shortage of space. The Council's Washington office was flooded with telegrams from member firms in the week after National Council President Christopher H. Phillips cabled all members advising them of the strict limitations on seating. All invitations were allocated within two working days of his cable.

The highlight of the Kennedy Center show was a surprise showing by the Harlem Globetrotters, introduced, as Sen. John Glenn explained, because of the vice premier's well known love for the sport. Country singer John Denver and pianist Rudolph Serkin gave renditions of two very different aspects of the American musical tradition—country pop and Schubert. A rollicking display from the Joffrey Ballet dancing "Rodeo," to music by Aaron Copland and Agnes de Mille's choreography, and "I love Beijing's Tian An Men Square," sung by the National Cathedral Children's Choir, completed a joyous presentation. MCs for the event included Dick Cavett, Senator Glenn, Shirley MacLaine, and I. M. Pei.

Directors of the National Council attended a reception at the White House in honor of Deng prior to the Kennedy Center performance. After the show, the National Council hosted a reception for 1,500 people upstairs at the Kennedy Center in the Atrium. Deng's entourage included Fang Yi, Minister in charge of the State Scientific and Technological Commission, Foreign Minister Huang Hua, and Ambassador Chai Zemin. Ambassador Leonard Woodcock, chief of the US Liaison Office in Peking, accompanied Deng to the reception and throughout Deng's eight-day tour of the US.



William Hewitt with Council President Phillips, George Krieger, and David Rockefeller at State Department

CABINET BRIEFING ON TRADE IMPLICATIONS OF NORMALIZATION

In order to answer businessmen's questions about post-normalization policy toward US trade with China and Taiwan, the State Department arranged a high-level briefing for businessmen in Washington one month after the decision to normalize relations with China was announced. All member firms of the National Council were invited to send a representative to the meeting at the State Department on January 15. About 800 businessmen attended the meeting.

Secretary of State Cyrus Vance gave the keynote address, in which he discussed events leading up to normalization and the specific concerns voiced by the Carter Administration in negotiations with the Chinese prior to the establishment of full diplomatic relations. In urging the businessmen to support President Carter's normalization decision, Vance cited several important economic benefits that would flow from the establishment of full relations with Peking.

"These include our participation as a regular supplier of agricultural commodities to China, the ability of US exporters to compete on an equal basis with our suppliers, and the resumption of shipping, air, banking, and other normal economic relations with China," Vance said. The Secretary also discussed the unofficial organization to be called the American Institute in Taiwan which will handle economic, cultural, and other relations with Taiwan on a nongovernmental basis once the necessary legislation is passed by Congress.

Also speaking at the briefing were Treasury Secretary W. Michael Blumenthal, Commerce Secretary Juanita M. Kreps, and National Security Adviser Zbigniew Brzezinski. Richard Holbrooke, Assistant Secretary of State for East Asia, joined Kreps and Blumenthal in a lengthy question-and-answer session.

In his prepared remarks, Blumenthal noted that the US now has the opportunity "to begin making up lost ground" in competing with other industrialized countries for the China market. Blumenthal stated, however, that "we still have many obstacles to overcome," and cited the claims/assets problem and the

absence of most-favored-nation status and credit facilities as problems hindering the full development of trade between the US and China.

He said the visit of Vice Premier Deng would lead to an ongoing dialogue on these matters that would be continued during his own trip to China in late February and by Secretary Kreps on her mission to the PRC in late April. Blumenthal also said the Carter Administration gives the highest priority to maintaining its commercial commitments with Taiwan, which he described as "one of the most striking examples in the world today of successful rapid economic development."

Secretary Kreps estimated that Chinese import of complete plants alone will total \$50 billion between 1978 and 1985. She added that the full capital equipment bill for the same period could run \$70-85 billion and that US exports over the next five years may total \$10 billion. But Kreps also urged businessmen to be realistic about the China market. "Under the best conditions this trade will be highly competitive, and other industrial trading countries, utilizing in some cases extremely low-interest credits, already have won a significant share of the market," she said.

Kreps also stated that there are marked limitations on Chinese hard currency earning capacity. She said the primary goal of her China trip in April "will be to obtain Chinese agreement on the conditions under which private and governmentally-sponsored commercial operations will be conducted." Kreps said she hopes to discuss the possible establishment of a Governmental Business Development Center in Beijing (Peking).

The overall geopolitical implications of America's new relationship with China was the subject of Dr. Brzezinski's talk. Brzezinski described normalization "as having long term, historic significance. For the first time in decades," he said, "we can enjoy simultaneously good relations with both China and Japan."

Zbigniew Brzezinski briefs business leaders in Washington



During the ninety-minute question-and-answer session, Secretaries Blumenthal and Kreps, along with Assistant Secretary Holbrooke, fielded a wide range of questions from businessmen eager to learn about administration plans for handling such issues as export controls, MFN, banking arrangements and Taiwan. Kreps told the audience that normalization would not alter the administration's position regarding export controls. Blumenthal noted that the 1974 Trade Act requires a bilateral trade agreement before a country can be eligible for most-favored-nation status, while Holbrooke handled a number of questions concerning the future status of American relations with Taiwan.

In response to a question from National Council President Christopher H. Phillips, Blumenthal said he expected to discuss the possibility of joint equity investments between US companies and the Chinese. Blumenthal said it is "in our interest to encourage such developments."

The obvious interest of both businessmen and the press packing the large auditorium prompted State Department spokesman Hodding Carter, who moderated the three-hour session, to observe that the meeting had achieved a response rate "400 percent higher" than any other briefing he had conducted in his two years with the government. Secretary Vance hosted a reception for the businessmen after the briefing.

CONSTRUCTION DELEGATION A BOOMING SUCCESS

Members of the National Council's first construction equipment delegation didn't exactly have fireworks on their mind as they entered China on December 1, but they certainly went out with a bang. Celebrating both the normalization of US-China relations and a successful series of meetings with Chinese officials, including one with Vice Premier Ku Mu, the 28-member team entertained their Chinese hosts with a sumptuous banquet and fireworks celebration in Guangzhou (Canton) on December 17, the group's final night in China.

The focus of the visit, sponsored by the China Council for the Promotion of International Trade (CCPIT), consisted of technical seminars in Beijing (Peking) attended by over 150 Chinese end-users from all over the country.

The delegation from the National Council's Construction Equipment Committee was hosted at the Great Hall of the People in Beijing by Ku Mu, Chairman of the State Capital Construction Commission (SCCC). The SCCC is charged with the detailed planning, and overseeing of the 120 major projects in the PRC's current modernization program.

The SCCC accepted an invitation from the National Council to visit the US in the fall of 1979. The dialogue between the American construction industry and the Chinese will be carried on during the spring



Secretary of State Vance giving keynote address at January 15 State Department briefing on normalization

by three Council-sponsored construction equipment delegations, each consisting of seven companies. The delegations are scheduled to visit China in March, April, and May, while the Council may also send a fourth such mission to the PRC later.

Meetings were held in Beijing with officials of the State Planning Commission, the SCCC, the CCPIT, and the East Special Equipment Corporation.

Members of the delegation also met with officials of China's Ministries of Coal, Metallurgical Industries, First Machine Building, Railways, and Water Conservation and Power. Most group members had meetings with senior representatives of MACHIMPEX and TECHIMPORT.

While in China the delegation gained valuable insight into the characteristics and organization of China's construction equipment and construction industries. Industrial management and organization were discussed at several of the factories visited by the group.

At some of the place toured, solid output target figures for 1980 and 1985 were disclosed by the Chinese.

The group, which included 19 senior engineers from 10 US companies, was impressed by the standard of engineering design of the excavators and hydraulic truck cranes. Members of the delegation discussed various types of technology transfer, including licensing and joint ventures. Possibilities for equity joint ventures were of particular interest to the Chinese authorities.

The group, which was led by Stewart Roberts, Jr., of Clark Equipment Company, visited Shanghai, Guangzhou (Canton) and Guilin after leaving Beijing.

Other companies participating in the mission were Caterpillar, FMC, Harnischfeger, International Harvester, JI Case, John Deere, the Terex Division of General Motors, and WABCO. Nicholas Ludlow of the National Council staff escorted the delegation.



The National Council's Construction Equipment Delegation with Ambassador Woodcock on front steps of the Peking Hotel, December 9

PETROLEUM CORPORATION VISITS US

Zhang Wenbin, president of the Petroleum Corporation of the People's Republic of China, led a nine-person delegation for a two-week visit to the US beginning March 3. Expressing particular interest in seismic data centers and exploration and production research facilities, the delegation visited the following companies: Allied Chemical, AMOCO, ARCO, Caltex, Continental Oil, Exxon, Gulf, Hunt-Sedco, McDermott, Mobil, Natomas, Pennzoil, Phillips Petroleum, Pre Corporation and Union Oil. The group was also scheduled to meet with Secretary of Energy James Schlesinger, and to discuss tax questions with Treasury Department officials. Stephanie Green of the National Council escorted the delegation.

COMPUTER MISSION

The Yan Shan Corporation sent a trade mission to the US on February 26 for the specific purpose of investigating and buying computers and related peripheral material. The delegation, led by Li Qian ming, also was interested in image display systems, alphanumeric display systems, and Chinese display terminals. Companies visited by the mission included Aydin Controls, General Electronic, Honeywell, ITEL, Memorex, Tektronix, and Wang Laboratories.

TELECOMMUNICATIONS TEAM VISITS

A 10-member team from the Posts and Telecommunications Equipment Corporation arrived in the US February 24 for a visit that included the Intelcom 79 Exhibition in Dallas and visits to selected members of the National Council's Telecommunications and Electronics Committee. The corporation is under the jurisdiction of the Ministry of Posts and Telecommunications.

CANNED FOODSTUFFS GROUP

CEROILS was expected to send a canned foodstuffs selling mission to the US in late February or early March.

WOOD PROCESSING DELEGATION

The National Council hosted a 14-member wood processing technical survey team from TECHIMPORT from January 25 to February 17. The delegation, led by Yang Yansen, deputy general manager of the China National Forestry Machinery Equipment Corp., was interested in production technology and equipment, plywood, particle boards, and fiberboards.

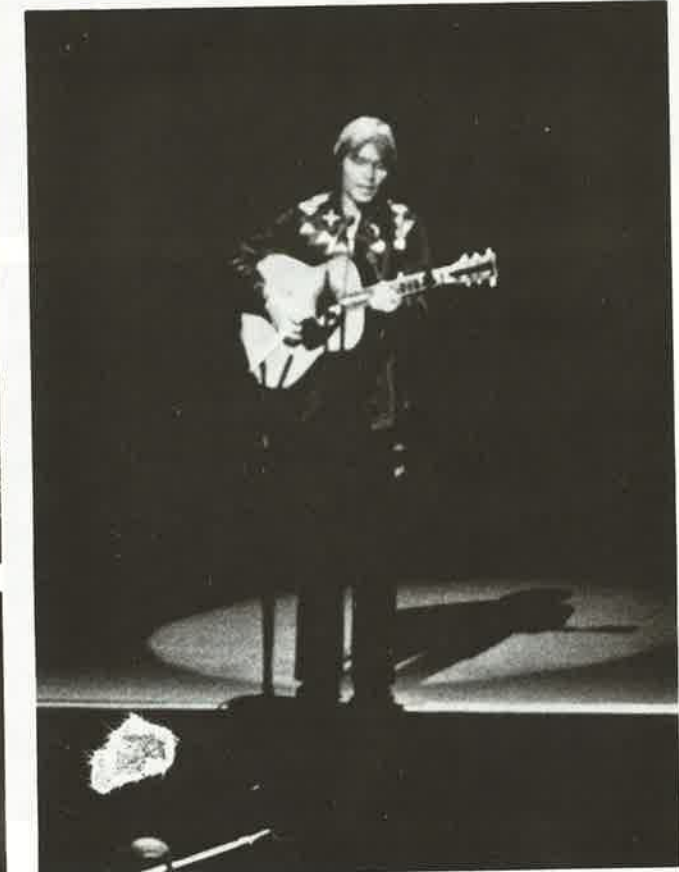
A herbicides delegation sponsored by the China National Chemical Construction Corporation arrived in the US March 20 for a four-week inspection tour of US technology in herbicides, pesticides, and insecticides.

The Chinese are also expected to send pharmaceuticals, textiles, and light industry teams in March, non-ferrous mining and petrochemicals delegations in April, while an agricultural machinery mission is tentatively set for a September visit to the US. The ministry of Communications has been invited to send a delegation in April.

In addition to the three construction teams that the Council will send to China this spring, the Council is planning petroleum and mining missions in May, pharmaceuticals and animal husbandry groups in June, and a petrochemicals delegation in July.

COMMITTEE MEETINGS

The various industrial committees of the National Council responded to President Carter's normalization announcement with a full schedule of meetings during the early months of 1979.



Seated in the Presidential box with President and Mrs. Carter are (from left to right) Vice Premier Fang Yi, Vice President Mondale, Madame Deng and Vice Premier Deng, Chinese Foreign Minister Huang Hua, and House Speaker Thomas P. "Tip" O'Neill. At center left the Harlem Globe Trotters unfurl Chinese banner welcoming Vice Premier Deng. The Monday evening performance also featured John Denver, whose music is heard on Peking Radio, and the cast of "Eubie"



Ron David: News Photo



Clockwise from top left Sponsor and Host: William Hewitt, former National Council Board Chairman, greeted by President Carter at pre-gala White House reception. Opening the program Li May Phipps, Director of the National Council's Translation Services, with George Stevens, Jr. producer of the show. At reception after gala: Council President Christopher Phillips with Charles Rostov, President of Trans-Ocean Import Company. Waving farewell: Deng and President Carter center stage with the full cast. John Brizendine, Chairman of the National Council's Board of Directors at reception. Vice President Mondale and Chinese Foreign Minister Huang Hua greeting guests at reception following gala



An Interview with W. Michael Blumenthal, Secretary of the Treasury



Treasury Secretary Blumenthal

"I get the impression that he has no illusions about the problems that have to be overcome . . . I think he's the kind of person that Americans can do business with."

Secretary of the Treasury W. Michael Blumenthal on China's Vice Premier Deng Xiaoping.

Secretary Blumenthal, who spent part of his early years in China, is now in China discussing a range of issues relating to the normalization of our economic relations with China, including claims/assets, Exim Bank financing, joint ventures in the PRC, and a Sino-US trade agreement.

While emphasizing China's seriousness in wanting to open up trade with the United States, Secretary Blumenthal cautions that "no market explodes. Markets grow gradually . . . I think we will see the numbers increase at a good rate (but) they will not be fantastic, they will not go into the sky."

He talked about these issues and prospects for Sino-US business relations with CBR editor Nicholas Ludlow and deputy editor Stephanie Green before his departure for Peking.

What are your impressions of Deng Xiaoping? We understand you had two hours with him today.

I am very impressed by the openness, and directness of his approach. He seems to be a man who is practical and positive. He wants to confront problems and try to solve them. He is intent on moving his country for-

ward on the path to modernization and development as quickly as is feasible.

I get the impression that he has no illusions about the problems that have to be overcome. He wants to move ahead in trying to overcome some of them; so it's very easy to talk to him in discussions. And I think he's the kind of person that Americans can do business with.

The principal items on your agenda have to do with economic relations with the People's Republic of China. What form of claims/assets settlement do you expect to reach?

One that provides the maximum benefits to US claims, in the context of removing a thorny and difficult issue which has been unsettled between the People's Republic and the United States for many years. In that context, I obviously want us to reach the best possible deal from the point of view of the US claimants, and one that is politically acceptable within the Congress and to the business community, and the other interested parties. We're quite flexible on the form that it takes, but what counts is the end result.

Generally speaking, there are a number of possibilities for reaching a claims/assets settlement. We have concluded claims/assets settlements with five East European countries and each one is different. It's really premature to tell whether we'll do it in one form—through an assignment of mutual claims or use some other means—whether we'll use as a model what we did with the Soviets or what we did with the Yugoslavs, or the Hungarians. I have had a couple of discussions with my Chinese counterparts and the matter