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Luncheon Meeting
Vice President Mondale and Vice Premier Fang Yi
Monday, August 27, 1979

PARTICIPANTS:

US

Vice President Walter F. Mondale
Assistant Secretary Holbrooke
Richard Moe, Chief of Staff
James Johnson, Executive Assistant
Denis Clift, Assistant for National Security Affairs
Charles Freeman, Director, EA/PRCM
Roger Sullivan, Deputy Assistant Secretary of State
Ambassador Leonard Woodcock
Robert Hormats, Deputy Assistant Secretary of State
Mike Oksenberg, NSC Staff
Ben Huberman, NSC/OST Staff

PRC

Vice Premier Fang Yi
Huang Zhen, Minister of Culture
Li Qiang, Minister of Foreign Trade
Qian Zhengying, Minister of Water Conservancy
Qin Wenchai, Vice Minister of Petroleum Industry
Wu Heng, Deputy Commissioner of State Scientific and
Technological Commission
Ji Chaozhu, Deputy Director
Mr. Chen Hui, Interpreter
Xu Chi, Vice Minister of Metallurgical Industry
Li Dajing, Vice Minister

The Vice President welcomed Vice Premier Fang and escorted him to lunch. They exchanged general pleasantries and discussed the Vice Premier's visit to the U.S. and the Vice President expressed his appreciation for Chinese hospitality.

Mondale: I am looking forward to my afternoon speech at Beijing University. It is an honor. You may know the President of the University. He is a renowned nuclear physicist, isn't he?

Fang: He does not specialize in nuclear physics but in the flow and he had studied in the U.S.

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Mondale: He told me last night Cal Tech, California, Did he teach at Cal Tech?

Fang: Don't really know the school, thought Stanford perhaps.

Mondale: We are very pleased about the resumption of exchange students and scholars between our two countries. I personally would like to see it expanded much more.

Fang: Not long ago a dozen or so top US scholars came to visit China, including Mr. Reese and Mr. Pinovski.

Mondale: (turning to Min. Huang Zhen) Do you miss the U.S. as much as we miss you?

Huang: Yes, I do have my friends there.

Mondale: You should come back, you would be given a hero's welcome.

Huang: I had planned to go on a cultural program but it is decided I will go next year because we have already made appointments with some 6 countries in East Europe.

Mondale: You will stop by and visit me in the White House when you visit the U.S.

Huang: I will surely.

Mondale: As my friend _____ said, the test of a good diplomat is to be able to pronounce both of Zbigniew Brzezinski's names. It took him about a month to handle it, but he did it.

Mondale: When we were coming in we noted a story from Senator Jackson reporting on your oil finds that sounded quite hopeful. Estimates were that China may have 100 billion barrels oil reserves. Is this a new development in the oil situation for China?

Minister Qin Wenchai: We have an exploratory well in South China Sea and many American oil companies have gone there to see this well. But there are varying estimates as to the reserves it may hold. We are still making geophysical surveys to determine the extent of it. The estimates vary.

Mondale: Did you see Jackson's statement?

Qin: I haven't read the report of what he said. When he was here I had a chance to discuss this with him.

Mondale: He was quite optimistic about the survey.

Qin: In my talks with him I told him about this data and the figure he gave was probably his conclusion on the basis of what I told him.

Mondale: We have learned the hard way about the difference between hopes and proven reserves.

Qin: I gave him some figures and daily output was some 2 million barrels a day and he may have reached his figure on the basis of that figure.

Mondale: Is daily production 2 million barrels a day? Do you have a published estimate of China's proven reserves?

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Qin: We have not yet published any figures of our overall reserves because many continental oil fields remain to be explored and we are still cooperating with foreign countries to make surveys but a general survey has to be made before we can publish figures.

Mondale: How long will it be before you publish this survey?

Qin: On the basis of discussion we have had with some companies they say they can complete the general survey on offshore reserves by the last half next year. What I refer to is the general survey of the area of the South China sea, the Yellow Sea and the mouth of the Pearl River, does not include the East China Sea.

Mondale: Are you recently satisfied with the quality of work American companies are providing?

Qin: We can take lessons from the American companies in geophysical surveys. They have better and more advanced equipment in the gathering of geophysical data and they have more experience in analyzing the data with computers. Our contracts with them, there is always a provision subject to the approval of the US company - a written limit or point to our mining. Any way, on all our contracts they add the proviso subject to the area approved by the US company and you determine what area it applies to. Of course, we believe that along with the future developments in Sino-American relations that these problems can be worked out.

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Mondale: I used to give a speech when I was a Senator that the big oil companies own most of the oil, they own most of the coal, they own most of the shale, they own most of the gas and if solar energy looks hopeful, they will buy the sun.

I would be glad to discuss any matters of interest to you or any of the people in your party. We had an excellent meeting this morning and a few things of interest to your speciality. One is that we announced the determination that China will now be included in the friendly nation category. This now makes reimbursable credits available for hydroelectric power as well as funds for managerial contracts for American engineers working with you on hydroelectric projects. Now this determination should accelerate help from the American financing and business community.

Fang: We are interested in these aspects. We are interested in developing hydroelectric power.

Mondale: Mr. Ben Huberman is with us, and it might be well if your specialists and Ben sat down and help prepare for Frank Press' trip in January (He will be coming here to Beijing?).

Fang: We welcome the visit by Dr. Press to China next year.

Fang: He is the Chairman of the Joint Commission on the US side and I am the Chairman on our side and we have Mr. Wu who is the Vice Chairman of the Scientific Commission who will deal with these matters. As you are aware we had a visit from some scientists from the US. At that time it was agreed that you could send some people to China and we should send people to the US. Yesterday we received a long distant call from the scholars we have sent to the US. Apparently this project has not yet been approved by the U.S. We hope the Vice President will look into this matter.

Mondale: Ben, would you look into it. We will get an answer to you right away.

Qin: According to the agreement, people on both sides can go to each others countries. The question arises as to the filling in of certain forms. Two of the questions were, "Have you ever been a member of the communist party? And, have you been a member of the Red Guard?" The questions are not quite appropriate.

Mondale: You must admit though that we are alert.

Fang: Our people are very surprised -- the ones we sent were quite along in years. How can they have been Red Guards?

Mondale: I had a friend that in the non-communist propaganda Joe McCarthy era, they had a real thing with Chinese history. When _____ fell they claim it was the influence of disloyal people to Chiang Kai-shek. Anyone who worked for the federal government had to sign an affidavit saying that you were loyal. I had a friend who was an instructor in a small college in South Dakota. They wouldn't give him his check for teaching unless he signed the non-communist oath. His wife was getting mad at him - he was teaching but never got a check. What he did was he made up his own non-communist affidavit and gave it to the grocer and the gas station saying he couldn't pay them unless they signed saying they were not communists. They fired him for enforcing anti-communism.

Fang: They were very surprised that they had to testify that they were not part of the Red Guard. They were surprised that part on the Red Guard was included. It is no longer allowed.

Mondale: We will check on that right away.

Mondale: How many Chinese students will be studying in the US this coming year? How many will be studying around the world?

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Fang: We plan to send some 1,000 to all countries around the world. It will not exceed 2,000. Mostly they will be visiting scholars and post graduate students. These people have graduated from Chinese schools and have worked.

Mondale: Do you anticipate in the years ahead to be able to increase that number substantially?

Fang: There are difficulties in expanding the figure too rapidly.

Mondale: How many American students are studying here?

Fang: The original plan was to send more than 100. The first group that are coming number 49, 44 of which we have already found places for them to study.

Mondale: We also have some over here who are faculty.

Fang: They are here on contract with us.

Mondale: Do you have many in that category?

Fang: Not very many. We hope to have more soon because the teaching of English can best be done by other Americans or British. There seems to be some kind of difference in the pronunciation of American English and British English. But American English seems to be quite generally accepted around the world.

Mondale: It's superior.

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Woodcock: The majority of the number of Chinese students are those sponsored by Chinese-American relatives in the US. This is at all levels - high school, college, etc.

Mondale: I wish we could expand those numbers - getting that young generation to learn about each other. The young see and learn better and friendships that are reached last forever.

Fang: Yes, we intend to send students.

Holbrooke: We are very struck by the significance of the increase in the number of students the Chinese had talked about to Dr. Press.

Fang: There are more than 100.

Mondale: We should have 10,000. Leonard Woodcock has millions of dollars in un-named Petty Cash funds you could use to finance these students. (laughter)

Fang: That will be fine.

Mondale: That is really good news, isn't it.

Fang: We would welcome that.

Mondale: It is sad. I wish we had more. It is so important.

Fang: The figure can gradually increase. It is difficult to have an increase occur too rapidly. Because there is more than 1,000 people-they must be spread over a large number of countries -- France, West Germany, even in Scandinavia. We will increase the number.

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Mondale: Dick, do we have programs for working with these students in the US?

Holbrooke: The IIE in New York takes some responsibility for a general assistance.

Mondale: Private volunteers? The kind of thing you are talking about is not part of a government program.

Fang: You have much larger figures because you included among those students who have come from Hong Kong, Malaysia, overseas Chinese who have come to the US. We are aware that you have a large number of Chinese students coming to the US.

Mondale: You are just talking about those from the PRC?

Fang: Yes.

Woodcock: Dr. Press discussed this one afternoon, the number 500 was formed.

Fang: But later we found that on our part it was not possible to send that many.

Holbrooke: You brought experts from the Electric Power Commission. We would be interested in hearing your plans in that field. Directly related to some of the issues the Vice President talked with Vice Premier Deng this morning.

Fang: You mean hydroelectric power generation or thermal generation?

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Holbrooke: Thermal and coal -- your coal research -- coal is playing an increasingly important role in our plans. What are your plans in that field?

Fang: We have ample supplies of coal. In Shanxi province alone up to 500 meters we have 400 million tons. Only about 500 meters, not below. Of course, there are some 30 provinces including Taiwan and _____ and every province has coal with the exception of a few. And, of course, we have very abundant resources in hydro-electric systems. As Vice Premier Chen said this morning, if a dam were built on the Yangtse just east of _____ we would have a generation capacity of 25 million kilowatts. Theoretically, the country as a whole can have an overall capacity of 500 million kilowatts.

Mondale: When you complete that, I suggested to the Vice Premier that we run a high voltage line to the US. We could use it.

Fang: So far we have only expanded 1 to 2% of this potential.

Holbrooke: Do you have a problem as we do in our country on environmental controls and pollution controls?

Fang: The main pollution problem is the burning of the coal by fuel companies once it has been dug up.

Mondale: Is the coal high in sulphur?

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Fang: Generally speaking, the sulphur content is low. In some places it is high. In Shanxi Province the coal is low in sulphur.

Holbrooke: Mr. Vice Premier, one of our posts asked about discussions during Bob Strauss' trip. The issue of US-China trade is so central to our other issues, it interested me very much _____ that issue developed in light of the other issues discussed this morning.

Huang: We had a very good discussion with Secretary Kreps and we initialed the trade agreement with her. The American side said we should formally sign as soon as possible - submit to Congress 60 days before. As you know I came back from my trip in Western Europe, I met with Amb. Woodcock and signed the agreement. And the passage of MFN by your Congress will have a very important impact in the development of trade between our two countries.

Mondale: We understand it is essential.

Huang: Because this affects our ability to export, and that affects our ability to buy goods. I am planning to visit the U.S. in October this year.

Holbrooke: Do you have any estimate of what the passage of MFN would mean to your credit situation.

Fang: We understand that MFN is central to the trade agreement. Because if you want to export more fairly with the

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Chinese, then China will have to increase her ability to pay.

Holbrooke: Are there any goods that would be competition in the US market as result of MFN that are not competition today?

Huang: That could be developed only step by step. On the question of textiles, however, there is no agreement of quotas.

Mondale: We would like to move ahead on overall textile agreement. There are certain occult areas of public life I will not attempt to master and one of them is the textile agreement. It is awful.

Huang: It is not that we want the US to close down any of its factories because of buying Chinese goods - we want a fair and reasonable quota. And because we must trade with many other countries _____ of amounts you import from other countries and from us.

Woodcock: _____ from other countries, don't forget you are cutting up our pie too. As to how you divide the pie is your business, but it should be reasonable and should also consider our ability to import your goods.

Huang: It is of course, bearing in mind there are only 4 outlets.

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Mondale: Now we are trying to improve on the quality of our goods so to increase our competitive ability. Another thing we think should be considered on deciding the quotas with regard to textiles which we ourselves will finance and the raw materials we will import to the US. These textiles should not be _____.

Fang: We thought you had a perfect match for Ambassador Strauss. Always logical. Always reasonable.

Mondale: I feel sorry for the Middle East. Ambassador Strauss is now dealing with the Middle East. That is what I am talking about.

Fang: He is one negotiator who might lead them to prefer war to peace. It might be as well.

Mondale: We saw some recent press that the Soviets have a submarine that can dive very deep. They use an alloy of titanium. The entire submarine is rather light.

Fang: We are aware of that.

Mondale: David Aaron, of our team knows what that is. If you are interested in the briefing he can describe the speed and depth. I think our final appraisal is that they are not as _____ as the earlier report. There is less than meets the eye. It is a significant step. It is not substantially superior to American submarines.

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Fang: We are very abundant in some raw materials - titanium, pit _____. There are some 40 elements among the raw earths. We have abundant resources in that area which are vitally used in military, electronics.

Mondale: Today we import many of those materials from you.

Fang: You have started to buy some.

Mondale: We used to get all our titanium from Russia.

Fang: We have a very large area where titanium has been found contained in iron ore. If you have needs in this respect, we can cooperate with you and work out some compensatory transaction. We have a lot of raw materials. The Russians are concentrating on weapon production so they don't export these materials any more. Europe is more lacking in these resources. They are very interested in cooperating on this.

Mondale: Let's make a report on this -- I should go and work on my speech. You may recall Mo Udall. He said he was a textile deviate. I am not.

Holbrooke: You will never be able to translate that.

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