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THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Wan Li, Chairman of the Standing Committee of the National People's Congress and Member of the Politburo, People's Republic of China (C)

PARTICIPANTS: The President
James A. Baker, III, Secretary of State
John Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President for National Security Affairs
Richard Solomon, Assistant Secretary of State-Designate
Douglas Paal, Director of Asian Affairs, NSC staff and Notetaker
Vivian Chang, Interpreter

Wan Li, Chairman of the Standing Committee of National People's Congress (NPC) and member of Politburo
Cao Zhi, Deputy to the National People's Congress, Deputy Secretary-General of the Standing Committee of the NPC
Zhu Qizhen, Vice Foreign Minister
Gu Ming, Member of the Standing Committee of the NPC, Vice Chairman of the Law Committee of the NPC
Han Xu, PRC Ambassador to the United States
Shi Guobao, Director of the Foreign Affairs Department of the Standing Committee of the NPC
Zhang Yijin, Director of the Department of American and Oceanic Affairs of the Ministry of Foreign Affairs
Yang Jiechi, Counselor of the Translation and Interpretation Department of the Ministry of Foreign Affairs, Interpreter

DATE, TIME May 23, 1989, 2:30 p.m. - 3:45 p.m.
AND PLACE: Oval Office, Cabinet Room, and Residence

The President greeted Wan Li in the Oval Office at 2:30 - 2:40 p.m. and they then went into the Cabinet Room for the plenary session for about 30 minutes and then the President invited Wan Li and Vice Foreign Minister Zhu to the Residence for tea with Mrs. Bush. They remained there for about 30 minutes. (U)

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After an exchange of pleasantries during a photo opportunity in the Oval Office, the President invited Chairman Wan to join him for a short meeting in the Cabinet Room and then to proceed to the Residence. (U)

Chairman Wan agreed to the President's proposal and said that he wanted to finish all the topics that they have to cover during those discussions. He said he would also very much like to meet with Mrs. Bush. (U)

Upon arrival in the Cabinet Room, the President extended an official welcome to Chairman Wan. He said he was delighted that the Chairman could be in Washington. He referred to the Chairman as an old personal friend. The President said he considered the visit to be very constructive -- and friendly -- for the bilateral relationship between the United States and the PRC, one that is so very important. He then offered to turn the agenda over to Chairman Wan. (U)

Chairman Wan said that it is a great pleasure and a heartwarming occasion to meet his old friend the President in Washington. He extended greetings from the Chinese leaders Deng Xiaoping, Zhao Ziyang, Li Peng, Yang Shangkun, and Li Xiannian. He said they all extended cordial and friendly greetings from the party and government leaders. He then handed a letter to President Bush sent by President Yang Shangkun. He noted that this letter had been written before the President's letter recently sent to Chairman Deng Xiaoping. Chairman Wan explained that he had been traveling in the time since the letter had been written. (U)

Chairman Wan said that the United States President's visit to China was a complete success. Although it was brief, it played an important role in enhancing Sino-U.S. friendship. China always attached importance to Sino-U.S. relations. It viewed the relations from the long term perspective, in light of the global situation. Under the present international situation, these relations are of vital importance whether in terms of the two countries or in terms of promotion of a relaxation of international tension. Deng Xiaoping said China-U.S. relations should progress in a new pattern. The two countries should trust each other and work to minimize their troubles. (U)

Chairman Wan said to the President that he would basically like to discuss two major events in China -- first, the unrest among the students and second, the Sino-Soviet summit meeting. Chairman Wan said that Deng Xiaoping and the Communist Party of China and the government of the People's Republic of China have two considerations in mind in their strategy to modernize China. First, China wants a peaceful international environment. In recent years there has been a tendency to relaxation of tensions, due to the joint efforts of China, the United States, the USSR, and the peoples of the world. The second, unity and stability have been demonstrated within China. Chairman Wan said to the

President that he is an old friend of China, and knows a lot about China. The reasons for the current unrest are, first, problems in economic reforms. After a decade of reform, there have been great successes, doubling growth. In recent years, that growth has reached double digit, but it has become overheated. There is too much currency in the system and prices are rising. At present, China is in a transitional period from a product economy to a commodity economy. China follows a two-tier price system, with two kinds of markets. This has caused confusion in the economic order. This gives ground to embezzlement, graft, corruption, and official racketeering. That is why democracy is not given full play in the National People's Congress and other institutions and units. Channels of communication within China are not all smooth, one cannot always communicate to higher ups. Political reform has not kept pace with economic reform. The legal system lags behind. China is going from being a secluded to an open society. That is why there are so many rumors on the grapevine. There are rumors about foreign bank accounts, including those of Deng Xiaoping's children. (C)

The President said that he had seen that story. (U)

Chairman Wan continued that all kinds of rumors and doggerel about the leadership are circulating. This combination of reasons led to the gigantic student movement for democracy and to oppose embezzlement, graft, and official racketeering. Chairman Wan said that the situation with respect to democracy in China was very different from the days when the President was posted at the U.S. Liaison Office in Beijing. The Chinese Government has exercised restraint with respect to the students. That is why there have been no incidents of violence, he continued. The government dialogue with the students will continue. This will be carried out under stable social conditions. The problems troubling the students already were raised by deputies to the National People's Congress at its second session. In fact, the student movement occurred after the government had accepted the views of the deputies to the National People's Congress. These problems will be solved after the situation calms down. Chairman Wan said that China cannot accomplish anything without stability and unity. He said that the President and the Americans and the Chinese and foreign investors all do not want to see more turmoil in China. Investors from Japan, Thailand, and Hong Kong are hesitant. The Hong Kong Hang Seng Index plummeted after the student demonstrations. This shows the negative effect. Chairman Wan said he hopes that the unrest will be settled. Unity and stability will advance both economic and political reform. China will adhere to a policy of reform and opening to the outside. China will never turn back. (C)

Chairman Wan then said there is a second topic to cover, and that is the Sino-Soviet summit meeting. He said that when the President was in Beijing, Deng Xiaoping covered in great detail and in depth Sino-Soviet relations. After Gorbachev's visit, a

joint communique was issued. In effect, relations were normalized between the two countries and the two parties. The Chinese side emphasized that China and the Soviet Union should establish a new kind of state relationship based on the five principles of peaceful coexistence. The relations between China and the Soviet Union will not be as they were in the 1950s. The Chinese side reiterates that after the normalization of Sino-Soviet relations, China will pursue an independent foreign policy of peace. Party relations will be confined to exchanges of work experience. There will be no activity which has an overtone of bloc politics. During the meeting with Gorbachev, Deng Xiaoping reviewed the history of relations between China and czarist Russia. The President is familiar with this, so the Chairman did not dwell on it. On the question of Cambodia, no agreement has been reached. The Chinese side reiterated its principled stand. From China's perspective, the Cambodian problem may be settled, but only on the basis of serving the interests of all parties and not hurting any one party. The Soviet side does not agree to this. The Soviets do not approve of establishing a four-part coalition government. The two sides have agreed to reduce their respective forces on the Sino-Soviet border to a minimum. But China says to the Soviets that it has already had reduced its forces by 1 million men and insists that new reductions not be asymmetrical. China insists that the Soviets remove all remaining forces in Mongolia. The two sides agreed to establish a military-political experts group to study deployments along the border. There will be no other kind of military exchange. At present, China does not have any plan to conduct such exchanges. On the question of the boundary, no agreement was reached. The two sides agreed to continue negotiations. When necessary, the two Foreign Ministers will discuss this specific topic. The two sides also had exchanges of views on cooperation in economic, scientific and technological, and cultural affairs. The two sides also exchanged views on the question of reform. China and the Soviet Union will continue to exchange visits between the leaders of those two countries. However, it takes time to settle differences and it is difficult to solve them. Chairman Wan then said that this was the briefing he wished to give the President.

(C)

The President thanked his good friend for that briefing. He said that he wanted to respond briefly and then go to the Residence for tea. On the Soviet-Chinese summit meeting, the President said he appreciated the explanation. The more there is a reduction of Sino-Soviet tensions, the better. The United States will follow this with great interest. The President said that he hoped that they will result in less tension and more progress. Turning to the question of events in China today, the President said he had four points to make. First, the United States respects the sovereignty of China, of course. The United States will live by the United Nations principle of nonintervention in the affairs of another country. Second, the United States is strongly committed to democracy everywhere. It is the underpinning of the very being of the United States as a nation.

In a statement several days before, the President said he cautioned everyone and urged nonviolence and restraint. The President said he noticed what the Chairman had said about reforms taking place already in the National People's Congress. As a friend, the President said, the more reforms and the more dialogue, the more China will find acceptance around the world and in the United States. The President saluted the fact that so great a demonstration had been handled with no violence or bloodshed. He said there may have been one or two incidents, but the perception is that there was no violence or bloodshed. He said that credit goes everywhere for that. Third, the United States does not make decisions or judgments based on rumors. The President said that he knew that some people are spreading rumors, some were coming out of China, but the United States is not persuaded by rumors. Fourth, with respect to the statements attributed to the Chairman in Canada, the President said they were very sound and constructive. For that, the President said, Chairman Wan has his added respect. (C)

The President then made a last plea, for more access for United States reporters. He said the more access they are given and the more VOA is able to transmit, to that degree it would be very good for relations with the United States. He noted that jamming of VOA goes on. The President said reporters can be a pain, as they are sometimes here. But in the long run, to the degree they are given access, it will work to strengthen relations between the United States and China. Finally, the President said that he knew how difficult it was for all the people in the Chairman's party to be half way round the world during these events, to love their country, and therefore he would not expect them to have answers to every question. Those who are traveling must wonder what the real facts are. This is a human observation. The President said that he hopes that the situation will turn out for the glory of China. A more democratic China will have to continue new reforms. The President said that in America everyone feels this way. (C)

Chairman Wan said it is precisely because of these questions that, when he was in Canada, members of the Standing Committee of the National People's Congress urged him to return as soon as possible. However, to enhance the mutual understanding between the leaders of the United States and China, the Central Committee and the State Council held the view that the Chairman should come to the United States to brief their old friend President Bush. In the last days, the Chairman was accorded a warm reception by the American government and various quarters. There has been a good exchange. Chairman Wan said his visit, however, cannot proceed. He will be returning directly to China. He apologized that he could not attend the dinners and functions arranged for him. He was also sorry he could not play tennis with the President and there would be no opportunity to shake hands in friendship on the tennis court. (C)

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The President and Chairman Wan, together with General Scowcroft and Vice Foreign Minister Zhu, then walked to the Residence. At the Residence, the President asked how the Chairman sees the present situation playing itself out. (U)

Chairman Wan said that before his departure from China the leaders had discussions. Chairman Wan said that under no circumstances should there be bloodshed. He noted that bloodshed has not happened. The latest news is that the demonstrators are dispersing. This depends on rational attitudes. The soldiers have given their word that they would not be the first to use force. They have said that they believe there is an extreme minority seeking to stir up people against Deng Xiaoping and force Li Peng to step down. (C)

The President asked if this was just a handful of all those demonstrators. (U)

Chairman Wan replied that, yes, there are people instigating turmoil. Then there are also Taiwan agents stirring up turmoil and hoping for bloodshed. Chairman Wan said that he is far away and deeply worried. In a big country like the PRC the Chinese cannot accomplish anything without stability and unity, the Chinese cannot build up their country. To have turmoil is not in the United States' interests or that of other friendly countries. (C)

The President said that it is hard for the United States to judge. The United States would not comment on internal matters but the impression in the United States is that the students are more anti-Li Peng than with Li Peng. (C)

Chairman Wan said that rumors are flying about and he did not have accurate word. He said he favored the safeguards taken by the government. The government is showing great restraint and no bloodshed has resulted. It was Deng Xiaoping who first instigated the talk of democracy. But in recent years, the Chinese have slowed the pace of democracy. The National People's Congress plans to strengthen the democratic and legal systems. Chairman Wan said that he plans to oversee the development of democracy and free expression by the people. Chairman Wan concluded that he would step up reforms in this respect. (C)

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Originally Processed With FOIA(s):
2000-0429-F; 2000-0948-F

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Record Group/Collection: George H.W. Bush Presidential Records
Collection/Office of Origin: National Security Council
Series: Presidential Memcon Files
Subseries:

OA/ID Number: CF01729
Folder ID Number: CF01729-005

Folder Title:
[Memorandum of Conversations (Memcons) - January 1989-May 1989]: May 1989
