

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
04a. Memo	Case Number: 168442 Douglas Paal through Karl Jackson to Brent Scowcroft Re: Treasury Memorandum on IFI Loans to China (1 pp.)	12/28/1989	(b)(1)	C

Collection:

Record Group: Bush Presidential Records
Office: Records Management, White House Office of (WHORM)
Series: Subject File - C.F.
Subseries:
WHORM Cat.: FO004-02
File Location: 167472 to 168481

Date Closed:	9/11/2007	OA/ID Number:	00002-001
FOIA/SYS Case #:	2003-0255-F	Appeal Case #:	
Re-review Case #:		Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:		MR Case #:	
AR Disposition:		MR Disposition:	
AR Disposition Date:		MR Disposition Date:	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

Freedom of Information Act - [5 U.S.C. 552(b)]

P-1 National Security Classified Information [(a)(1) of the PRA]
 P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
 P-3 Release would violate a Federal statute [(a)(3) of the PRA]
 P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
 P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
 P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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 (b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
 (b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
 (b)(9) Release would disclose geological or geophysical information

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

THE WHITE HOUSE
WASHINGTON

MEMORANDUM FOR THE HONORABLE DAVID C. MULFORD
Under Secretary, International Affairs
Department of the Treasury

SUBJECT: World Bank Lending to China

This is to confirm that United States policy toward World Bank lending to China has not been revised and remains as stated at the time of the Arch Summit declaration on China. In view of your requirements to administer this policy, you will be informed immediately of any changes that occur.

Brent Scowcroft

cc: The Honorable Robert M. Kimmitt
Under Secretary of State for
Political Affairs
Department of State

Withdrawal/Redaction Sheet

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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
04b. Talking Points	Case Number: 168442 Re: Points to be made for telephone conversation with David Mulford, Under Secretary, International Affairs Department of Treasury (1 pp.)	n.d.	(b)(1)	C

Collection:

Record Group: Bush Presidential Records
Office: Records Management, White House Office of (WHORM)
Series: Subject File - C.F.
Subseries:
WHORM Cat.: FO004-02
File Location: 167472 to 168481

Date Closed: 9/11/2007	OA/ID Number: 00002-001
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AR Disposition:	MR Disposition:
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DEPARTMENT OF THE TREASURY
WASHINGTON

10404
STAFF



UNDER SECRETARY

December 27, 1989

MEMORANDUM FOR THE HONORABLE BRENT SCROWCROFT ✓
NATIONAL SECURITY ADVISOR

THE HONORABLE ROBERT M. KIMMITT
UNDER SECRETARY OF STATE
FOR POLITICAL AFFAIRS

FROM: David C. Mulford *DM*
Under Secretary
International Affairs

SUBJECT: China

Attached is a draft options paper on World Bank lending to China on which I would like your views. Charles Dallara and I have discussed this with Secretary Brady last week. We believe there is an urgent need to clarify USG policy on this issue. I will be available this week to discuss this draft with you or you could ask your staff to pass reactions to DAS George Folsom (566-8243) prior to noon Friday, December 29, 1989.

Perhaps this draft could be the basis for a memo to the President, or a discussion with the President, in early January. If we allow this issue to drift much longer, it could have extremely negative consequences for us on the Hill.

Withdrawal/Redaction Sheet

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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
04c. Paper	Case Number: 168442 Re: U.S. Response to Resumed World Bank Lending to China [Draft] (6 pp.)	n.d.	(b)(1)	C

Collection:

Record Group: Bush Presidential Records
Office: Records Management, White House Office of (WHORM)
Series: Subject File - C.F.
Subseries:
WHORM Cat.: FO004-02
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World Bank Seen Shifting China Stance

By CLYDE H. FARNSWORTH

Special to The New York Times

WASHINGTON, Dec. 25 — As the Bush Administration gingerly moves to repair economic ties with China, the World Bank seems likely to soon resume lending programs suspended after the crackdown on pro-democracy protesters in June, say officials of the bank, the United States and foreign governments.

To resume its lending, the bank needs formal approval from its 152 stockholders, including the United States, which holds 20 percent of the shares. The bank and Administration sources say the loans could be made as early as next month.

A Step Toward Approval

The Administration officially insists that its policy against World Bank lending to China remains unchanged. But the lifting of some American sanctions against China on Dec. 19 was seen as a step toward Administration approval of such lending in the near future.

"That's the kind of talk we're hearing around the bank," said a senior World Bank official. A World Bank mission has just returned from two weeks in China.

Criticism of any new China loans is likely in Congress, where some members are seeking tougher sanctions against Beijing because of what they consider continued repression of human rights.

But Administration officials plan to argue that new lending should encourage liberal forces within the Chinese leadership pressing both for a greater opening to the outside world and more respect for human rights, an Administration economic official said.

The China director for the World Bank, Shahid Javed Burki, a Pakistani, has just returned from his second mission to China since June. In an interview, he said that projects are ready to begin in areas like agricultural development, rural road building and thermal power generation.

Asked when the programs might start, he referred to a statement made Dec. 14 by the bank's president, Barber B. Conable Jr.: "It is our hope that in the not too distant future we can resume lending to China, but we do not have a specific date."

Mr. Conable had also said the bank would be guided by China's economic performance, not political considerations.

Because of the World Bank's prestige as the biggest lender to the third world, approval would encourage lending by others, like the Manila-

-based Asian Development Bank and Japanese commercial banks, which also stopped loans after the June crackdown on dissent.

Because of the bank's prestige, other lending could follow.

The World Bank, which is based in Washington, has provided \$8 billion to China since 1981. It suspended \$750 million of loans last June.

Since fall 1988, Beijing has moved toward central planning and away from the market-oriented policies that over the decade had attracted \$14 billion of investment from industrial countries, of which \$3.5 billion came from the United States.

An Administration official said Washington is trying to use a promise of World Bank lending to get the Chinese back to market-oriented policies.

Last Tuesday, the Administration announced that it had decided to approve the export of three American-built civilian communication satellites to China, all built by the Hughes Aircraft Company, and to lift bans on lending to China by the Export-Import Bank, an agency that provides financing for American exports.

Within 48 hours of the American action, Beijing announced plans to lift some restrictions on foreign investors. It said it would provide guarantees against confiscation, give investors the right to choose the chairman of a joint enterprise and end rules on the length of time a foreign project may operate in China. Previously, all joint ventures were for fixed periods, often 20 or 30 years.

Administration officials said the reaction indicated China's keen interest in maintaining economic links.

In defending his actions both in easing the sanctions and dispatching high-level missions to China after the crackdown, President Bush, a former ambassador to China, told a press conference Thursday, "I know how China works."

He added that the Administration wanted to "see what we can do, make a representation on how strongly we feel against the human-rights abuse, but see what it's going to take to go forward."

Cloudy Prospects

Business representatives said that despite the recent moves by both sides to improve the climate, the prospects for business remained cloudy.

"Nobody wants to pull out," said Roger W. Sullivan, president of the United States-China Business Council, "but companies are operating at a lower level than before." The council represents 300 American multinational companies that do business in

China.

Mr. Sullivan, a former State Department China specialist, said that American business was now most concerned about China's "backtracking on enterprise reform." He said that the Chinese had previously wanted enterprises to respond to market forces, but they now have upgraded political and ideological control, giving party functionaries greater authority in factories.

"Faith in the inexorable progress of China has been badly shaken," he said. "Companies can't deal predictably anymore."

Although the Export-Import Bank had been barred from making loans to China until the Administration's action earlier this week, the bank, which makes loans to finance American exports, continued to study China projects.

Since June it has made preliminary offers on four projects totaling \$108 million of exports. Loans totaling \$39 million are in the final stages of approval.

One project that may now go forward is an order for \$26 million of rail-signaling and traffic-control systems that China has placed for its new Shanghai metro system. Equipment would come from the General Signal Corporation of Stamford, Conn. Nino Fernandez, vice president of the company, said: "We've been monitoring the situation very carefully."

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PENDING WORLD BANK PROJECTS FOR CHINA

* Treasury staff initially indicates that these projects may possibly meet basic human needs. This is without reviewing all of the documents, and without inter-agency consideration.

<u>Project</u>	<u>Amount</u> <u>(\$ Million)</u>	<u>Tentative</u> <u>Board Date</u>	<u>Facility</u>
*Emergency Earthquake Reconstruction	25.1	Jan. 30, 1990	IDA
subtotal	25.1		
Shanghai Ind. Dev.	150.0	(Documents issued prior to massacre)	Bank
*Jiangxi Agric.	60.0	"	IDA
Jiangsu Prov. Trans.	150.0	"	Bank/IDA
Tech. Coop. Credit III	30.0	"	IDA
Vocational/Tech. Ed.	50.0	"	IDA
Yanshi Thermal Power	180.0	"	Bank
Medium Cities	<u>160.0</u>	"	Bank/IDA
subtotal	780.0		
Rural Ind. Tech.	110.0	Late Spring (?)	Bank
*Mid-Yangtze Agric.	64.0	"	IDA
Cement	85.0	"	Bank
Key Studies Dev.	120.0	"	IDA
Shanghai Transp.	<u>58.0</u>	"	IDA
subtotal	437.0		
Daguangba-Multi-purpose	67.0	Unknown	Bank/IDA
*Irrigated Agric.	220.0	"	Bank
*Tarim Basin Irrig.	120.0	"	IDA
Fertilizer Machinery	100.0	"	Bank
*Beijing Environment	100.0	"	IDA
*Changchun Water	35.0	"	IDA
*Henan Agric. Dev.	110.0	"	IDA
Yellow River Basin	350.0	"	Bank/IDA
Tianjin Light Ind. II	100.0	"	Bank
Shanghai Ind. II	100.0	"	Bank

<u>Project</u>	<u>Amount</u> <u>(\$ Million)</u>	<u>Tentative</u> <u>Board Date</u>	<u>Facility</u>
Zhejiang Prov. Trans.	250.0	Unknown	Bank/IDA
*Hebei Agric. Dev.	150.0	"	IDA
Forestry Sector I	150.0	"	IDA
*Guangdong Agric.	160.0	"	Bank/IDA
Rural Credit IV	200.0	"	Bank/IDA
Zouxian Thermal	250.0	"	Bank
Shuikou Hydro II	200.0	"	Bank
*Liaoning Urban	75.0	"	IDA
*Tianjin Urban	100.0	"	IDA
*Shanghai Urban	100.0	"	IDA
Infrastructure			
*Zhejiang Multi-Cities	150.0	"	Bank/IDA
Ertan Hydro Power	300.0	"	Bank
Jiangsu Chem. Ind.	100.0	"	Bank
Finance I	350.0	"	Bank
Railway V	350.0	"	Bank
Industrial Finance VI	450.0	"	Bank
Phosphate III	100.0	"	Bank
*Provincial Education	150.0	"	IDA
Teacher Training II	120.0	"	Bank/IDA
*Rural Water Supply II	100.0	"	IDA
*Southern Jiangsu	150.0	"	Bank
Environment			
Petrochemicals	350.0	"	Bank
*Health IV	<u>100.0</u>	"	IDA
subtotal	5,757.0		
Wrld Bk. Overall Total	6,999.1		

December 12

SUMMIT OF THE ARCH

FINAL DRAFT DECLARATION ON CHINA

We have already condemned the violent repression in China in defiance of human rights. We urge the Chinese authorities to cease action against those who have done no more than claim their legitimate rights to democracy and liberty.

This repression has led each of us to take appropriate measures to express our deep sense of condemnation, to suspend bilateral Ministerial and high-level contacts, and also to suspend arms-trade with China, where it exists. Furthermore, each of us has agreed that, in view of current economic uncertainties, the examination of new loans by the World Bank be postponed. We have also decided to extend the stays of those Chinese students who so desire.

We look to the Chinese authorities to create conditions which will avoid their isolation and provide for a return to cooperation based upon the resumption of movement towards political and economic reform, and openness.

We understand and share the grave concern felt by the people of Hong Kong following these events. We call on the Government of the People's Republic of China to do what is necessary to restore confidence in Hong Kong. We recognize that the continuing support of the international community will be an important element in the maintenance of confidence in Hong Kong.

**National Security Council
The White House**

PROOFED BY: _____

LOG # _____

URGENT NOT PROOFED: _____

SYSTEM PRS NSC INT

BYPASSED WW DESK: _____

DOCLOG _____ A/O _____

	SEQUENCE TO	HAS SEEN	DISPOSITION
Dep Exec	_____	_____	_____
Philip Hughes	4	<i>[Signature]</i>	I
Bob Gates	_____	_____	_____
Brent Scowcroft	_____	_____	_____
Philip Hughes	_____	_____	_____
Situation Room	_____	_____	_____
West Wing Desk	5	27 1/22	<i>[Signature]</i>
NSC Secretariat	5	_____	W/R
_____	_____	_____	_____
_____	_____	_____	_____

A = Action	I = Information	D = Dispatch	R = Retain	N = No further Action
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cc: VP Sununu Other _____

Should be seen by: _____
(Date/Time)

COMMENTS

**National Security Council
The White House**

PROOFED BY: JRF

LOG # 10707

URGENT NOT PROOFED: _____

SYSTEM PRS NSC INT

BYPASSED WW DESK: _____

DOCLOG 44 A/O

Grimes
Dep Exec

SEQUENCE TO

HAS SEEN

DISPOSITION

Philip Hughes

Bob Gates

Brent Scowcroft

Philip Hughes

Situation Room

West Wing Desk

NSC Secretariat

A = Action

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CC:

VP

Sununu

Other

Should be seen by: _____
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COMMENTS

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NSC/S PROFILE

RECORD ID: 8910404
RECEIVED: 27 DEC 89 20

TO: SCOWCROFT

FROM: MULFORD, D

DOC DATE: 27 DEC 89
SOURCE REF:

KEYWORDS: CHINA P R

INTL FINANCE

PERSONS:

SUBJECT: DRAFT OPTIONS PAPER RE WORLD BANK LENDING TO CHINA

ACTION: PREPARE MEMO FOR SCOWCROFT

DUE DATE: 30 DEC 89

STATUS: S

STAFF OFFICER: PAAL

LOGREF:

FILES: WH

NSCP:

CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION

PAAL

FOR CONCURRENCE

DEAL

JACKSON

MANDEL

FOR INFO

DECLASSIFIED

White House Guidelines

E.O. 12958, SEC 3.4 (B) September 11, 2006

By DJL NARA, Date 9/11/2007

COMMENTS: _____

DISPATCHED BY _____ DATE _____ BY HAND W/ATTCH

OPENED BY: NSWEA

CLOSED BY:

DOC 1 OF 1

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ACTION DATA SUMMARY REPORT

RECORD ID: 8910404

DOC ACTION OFFICER

001 PAAL
002 SCOWCROFT
002

CAO ASSIGNED ACTION REQUIRED

Z 89122720 PREPARE MEMO FOR SCOWCROFT
Z 89122817 FOR SIGNATURE
X 90012211 OBE PER SCOWCROFT

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White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By DJL NARA, Date 9/11/2007

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NSC/S PROFILE

RECORD ID: 8910404
RECEIVED: 27 DEC 89 20

TO: SCOWCROFT

FROM: PAAL
JACKSON

DOC DATE: 28 DEC 89
SOURCE REF:

KEYWORDS: CHINA P R

INTL FINANCE

PERSONS:

SUBJECT: TREASURY MEMO ON IFI LOANS TO CHINA

ACTION: OBE PER SCOWCROFT

DUE DATE: 30 DEC 89

STATUS: C

STAFF OFFICER: PAAL

LOGREF:

FILES: WH

NSCP:

CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION

FOR CONCURRENCE

FOR INFO
JACKSON
PAAL

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E.O. 12958, SEC 3.4 (B) September 11, 2006

By DTL NARA, Date 9/11/2007

COMMENTS: _____

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DOC 2 OF 2

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