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Central Intelligence Agency



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DIRECTORATE OF INTELLIGENCE

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China: US-China Maritime Negotiations

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The Chinese suddenly retracted or abandoned most of their demands and apparently are now willing to meet key US requirements for a new maritime agreement. In response, US negotiators are preparing to resume discussions in Beijing beginning 9 April, some two weeks before the Presidential visit. According to Embassy Beijing, Chinese maritime officials are behaving as though higher authorities are putting pressure on them to reach agreement--apparently as part of the effort to ensure a successful Presidential visit.

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The maritime interests of both countries have been operating without an agreement since 16 December 1983. Efforts to negotiate a new agreement foundered largely because the Chinese were unwilling to make the kind of commitments necessary to meet the agreement's stipulation that one-third of the total cargo shipped be carried in US bottoms. The Chinese apparently are now willing to provide a domestic feeder service to pick up cargo in shallower Chinese ports not accessible to larger US vessels, and to transship cargo to Hong Kong and Japan for pickup by US ships. This could expand the volume of cargo carried by US ships. The Chinese also are offering to provide quarterly statistics on cargo sharing but the exact accounting mechanism still needs to be negotiated--weight tons or dollar value. The Chinese use weight tons for statistical purposes but appear willing to work with a dollar value for US cargoes.

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The Chinese, however, are now seeking a formal US guarantee for their one-third share of cargo. China has thus far had no difficulty in acquiring its share. We believe this issue may be a Chinese negotiating ploy to avoid the appearance of giving in on all issues; it also could be used to stalemate negotiations if discussions do not go smoothly. Liberal access to the more

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numerous US ports (a 3-to-1 US-PRC ratio) already gives the Chinese access to a greater market share. [redacted]

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Economic Factors

Economic issues probably are also behind the recent push to get negotiations moving again. Lack of an agreement complicates scheduling problems and is much more costly to the Chinese maritime sector because it carries the bulk of US-China trade. The Chinese now are required to give seven days notice of port calls and pay port tonnage fees of \$1.06 compared with four days and 6 cents under the old agreement. US ships were required to give seven days notice for Chinese ports even under the old agreement. [redacted]

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The Chinese, moreover, are rapidly expanding their merchant fleet, in part with an eye to the US market. In addition to additions from domestic shipyards, China has over 50 ships on order at foreign shipyards. The Shanghai Ocean Shipping Company alone has ordered 22 container ships for delivery by 1985. We believe the Chinese now realize the disadvantages of operating without an agreement and are willing to negotiate seriously a new agreement. Waiting out the Chinese has had little effect on the US maritime industry because it had not been getting its share of the cargo in any case. [redacted]

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SUBJECT: China: US-PRC Maritime Negotiations

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