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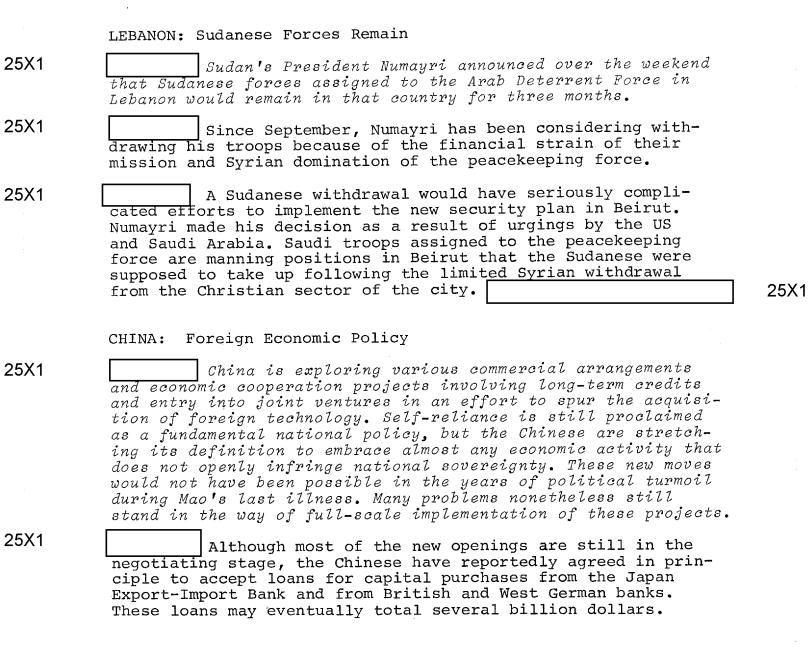
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CONTENTS		
EBANON: Sudanese Forces Remain	Page 1	
HINA: Foreign Economic Policy	Page 1	25



25X1	The Chinese have discussed barter and compensation deals during the last few months with a number of Western firms but have signed no contracts. Proposals have included repayment in kind for projects in coal mining, petrochemicals, metals, electronic components, and consumer goods.	
25X1	The Chinese appear most interested in joint ventures with Western oil companies for offshore oil development. They are willing to permit oil companies to develop offshore oil resources on a risk capital basis in return for a share of the output.	
25X1	The Chinese have told Western firms that joint ownership of manufacturing facilities will be permitted only in Hong Kong and Macao and that these facilities will operate through Chinese fronts. For plants located in China, only compensation deals will be considered.	25X 25X1
25X1	In view of the multibillion dollar capital import program now under way, China will require large amounts of import financing on longer terms. Ultimately, the Chinese will need higher levels of exports to repay the credits; increased exports through cooperation with Western firms are thus appealing to the Chinese, as are barter and compensation deals because the import costs are self-liquidating.	
25X1	China and its partners will face problems in implementing these projects on any scale. The Chinese may, for instance, be unwilling to permit enough managerial and technical control by the foreign partner to assure either adequate levels of output or high quality. The rapidity of China's sizable shift in trade and financial policies has given the leadership little time to think through all the implications, and disappointments on both sides are likely as negotiations drag on.	25X

Next 3 Page(s) In Document Exempt

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