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Yao Yilin's Visit and Sino-US Economic Ties [redacted]

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Summary

Chinese Vice Premier Yao Yilin, who has ties to top Chinese conservatives as well as reformers, will be the most senior Chinese to visit the United States this year. Although not a member of the inner circle, he is a highly regarded technocrat with considerable influence over China's trade and finance policies. While in Washington for the Joint Commission on Commerce and Trade, he will press for access to US markets, for ratification of the bilateral tax treaty, and for US support of China's goals in GATT and the Asian Development Bank. Yao's delegation will also visit private industry to encourage trade and investment. [redacted]

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Yao Yilin--Low-Key, Respected Economic Leader

Vice Premier Yao Yilin will be here primarily to attend the annual session of the Joint Commission on Commerce and Trade with the Department of Commerce 15-16 May. He is the head of the Chinese delegation and cochairman of the meetings. In

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Yao is an able finance and trade bureaucrat who helped lay the foundations of Beijing's economic reforms in the early 1980s. Along with Vice Premier Li Peng, he has played a key role in developing Sino-Soviet economic relations. His influence has grown recently as Beijing has sought to regain control over an overheated economy; in fact, Yao was promoted to full Politburo membership last September. Although he is often seen as a protege of China's leading conservative, Chen Yun, with whom he has lengthy career associations and shares some ideas on economic development, Yao has long avoided taking sides in factional imbroglios over ideological issues. [Redacted]

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Yao is a patient administrator who tends to work behind the scenes to maintain economic control and balanced growth. When he does make public policy statements, his views are well-supported and have presaged trends in Beijing's policies. Yao's relatively low profile and his age (68) lead some observers to conclude that he is not a serious contender for a higher leadership position, but as one of the regime's most experienced and respected economic leaders, he is well-placed to be an influential figure in succession arrangements. [Redacted]

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The Focus Is Economic Issues

Trade protectionism will be a key issue during the visit. Yao's delegation will press US policymakers for more liberal treatment of Chinese exports, especially textiles. Chinese leaders are concerned that growing protectionist sentiments in the United States will limit China's market access and reduce earnings Beijing depends on to finance its imports. Delegation members realize that China's recent trade performance weakens their case. Beijing's first quarter statistics show exports up 14 percent and imports down 1 percent, narrowing China's trade deficit and suggesting that policies to control imports and promote exports are working. [Redacted]

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Yao will probably urge more US flexibility toward China's participation in the Asian Development Bank (ADB) and GATT. He will ask for US support in China's move to gain a seat on the ADB Board of Directors. The Board is now limited by charter to 12 members and China could only be included if another member is unseated or if the charter is changed. Neither option is popular with board members, but Beijing believes that most members would go along if the United States supported China's bid. [Redacted]

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In addition, Yao will probably seek a reversal of Washington's demand that China join GATT as a new member rather than resume the membership it abandoned in the 1950s. New membership would require Beijing to negotiate trade concessions--broader than recent revisions of tariffs and trade controls--to meet GATT standards. Yao may also take this opportunity to discuss renewal of the GATT's Multifiber Arrangement, which monitors world textile trade; China wants future trade to be less restricted. [Redacted]

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The delegation is certain to inquire about the status of the Tax Treaty, especially now that a separate protocol--signed during Secretary Baker's visit--seems to resolve issues of concern in the Senate. The Chinese have a poor understanding of the US

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separation of powers and may believe the administration can now quickly move the treaty through the Senate. They may also expect US officials to be ready to assist in the dispute between Beijing and a US automobile manufacturer whose joint venture is faltering because of China's shortage of foreign exchange. Finally, they will reiterate China's complaints that COCOM restrictions do not treat China as a friendly state, and that Washington should permit more technology transfers. [Redacted]

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Yao and others will also ask US businessmen to understand China's financial straits, stressing that foreign exchange controls and trade promotion schemes are restoring foreign exchange balances. They will encourage US firms to invest in China and to lobby Washington for China's interests. [Redacted]

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