

CONVERSATION BETWEEN HALE BOGGS AND LI HSI-FU, FIRST DEPUTY
DIRECTOR OF THE CHINESE COUNCIL FOR THE PROMOTION OF
INTERNATIONAL TRADE (CCPIT) AT THE CCPIT OFFICE IN
PEKING, JUNE 29, 1972.

After words of welcome by the Deputy Director, and expressions
of thanks by Mr. Boggs for the opportunity to meet, the following
discussion occurred:

Mr. Boggs: We are very anxious to talk. We are hopeful the very
small amount of trade with the People's Republic of China can
be greatly expanded to our mutual advantage.

Mr. Li: We would like to have cooperation with other countries
to promote production and to make our economies better.

Mr. Boggs: We agree with that objective and hope both governments
can bring that about.

Mr. Li: From the Chinese point of view we would like to promote
exchanges between our two peoples.

Mr. Boggs: So would we. Should we speak in specifics about
products -- what are some of the things in which you think
we could trade?

Mr. Li: In developing our national economy we rely on our own
sources. We produce ourselves the equipment for our own needs.
But that doesn't mean we are for seclusion. We also learn
advanced techniques from other countries for our construction

and economic expansion. In the meantime, we are interested in transportation equipment on the basis of equality and mutual advantage. We do our imports according to our requirements. We also import some advanced equipment. As far as U.S. trade is concerned, we have gone for many years without contacts between us and if you have specific products to consider, submit them and we will consider them. We still don't understand each other very well. We now have seven export corporations.

Boggs: How may American businessmen best make China aware of their products?

Li: They may send samples to us for our consideration.

Boggs: I can't specifically provide lists of articles that you may or may not need in your own trade, but many people, both in and out of government circles, in the United States would like to meet with your trading corporations and review the various items.

Li: There are already established contacts in the trade fair in Canton.

Boggs: Are there any of our laws that you consider restrictive and that you feel should be changed?

Li: In the Spring Trade Fair businessmen informed us about high tariffs and duties. They said these prevent them from importing more.

Mr. Boggs: Did they indicate what goods are concerned, because today there are only a few goods with a very high tariff and these are not directed against China particularly. As a matter of fact, some American businessmen say they are not high enough. (Here Mr. Boggs cited the Japanese trade balances.) The Japanese export to us four billion dollars more than we export to them. So, many people say that our duties and tariffs, at least so far as those goods are concerned, are not high enough. Electronics, television, radios, cameras, automobiles, steel, shipbuilding -- these are some of the areas.

Mr. Li: I was told about this. I am only saying what American businessmen have told me.

Mr. Boggs: I am sure there are restrictive devices that we should talk about, which is why I bring this up -- provisions like the Most Favored Nation treatment, and I should think China would be very interested in this.

Mr. Li: We were told that goods imported from China have a much higher tariff than those imported from Japan.

Mr. Boggs: This is one of the matters we should discuss. We have a Most Favored Nation provision (here Mr. Boggs explained the way this provision works). The People's Republic of China has not been a participant in the Most Favored Nation provision.

Mr. Li: Trade can only be developed in a good political atmosphere.

Mr. Boggs: That's undoubtedly correct. But again referring to the Most Favored Nation provision, this is not directed against the People's Republic of China but applies to any nation which is a participant in certain trade agreements entered into on a bilateral or multilateral basis with the U.S. Most of those who have Most Favored Nation treatment are members of GATT, an international organization.

Mr. Li: Are there any restrictions on the importation of Chinese goods into the United States?

Mr. Boggs: During the freeze in our relations, before we reopened the doors and started to normalize our relations, there were restrictions. As far as I know, these have been lifted. I don't know of any discriminatory restrictions today.

Mr. Brown (State Department): Not specifically on Chinese goods, but there are restrictions not directed against China on certain categories of goods -- for instance, the Department of Agriculture on meat products that have to do with health provisions, and these do not apply to China alone but also to many other countries, so that meat products must meet standards set by the Department of Agriculture.

Mr. Boggs: This is a health requirement, not a trade restriction. It applies to the Latin American countries mostly but not in particular to China.

Mr. Theroux (Boggs aide): This is mostly a labeling requirement; it is not a trade restriction as such.

Mr. Brown (State Department): There are also restrictions on textiles not specifically against China but the textile industry in the United States is faced with the problem of large-scale imports from various countries, in which such levels reached a "perilous point," then in certain instances actions taken to restrict the import of textiles beyond that point.

Mr. Theroux (Boggs aide): Many Americans believe that they must ship Chinese goods first to Vancouver and then into the United States -- is this correct?

Mr. Li: Yes.

Mr. Theroux (Boggs aide) Do you ship to U.S. ports direct now?

Mr. Li: Not direct line as yet. There are transshipments in Hong Kong and Vancouver.

Mr. Boggs: American shipping companies and airlines are anxious to establish direct contact with China. What about this?

Mr. Li: We have heard something about this. It is a matter of another department, not a matter of CCPIT. At the present time, we haven't seen any necessity for increasing contact because our volume is very low.

Theroux (Boggs aide): Would you desire it?

Li: (No response to question about shipping or airlines contact)

Theroux (Boggs aide): Will orders for goods be accepted direct from U.S. companies or do you prefer to accept orders from foreign affiliates or subsidiaries of U.S. companies?

Li: U.S. businessmen attended the Canton Fair and they placed direct orders there. They also gave orders to correspondents. Some of them even came to Peking after the fair and signed contracts here.

Brown (State Department): American companies are already making direct orders through Chinese state trading corporations but the shipments are still transshipped to Hong Kong and then directly to the United States from Hong Kong.

Li: That's right. There are still some restrictions about your exports to China in cases of advanced technology.

Boggs: During the period of non-communication there were a great many items in that category not limited to China but including other European countries and the Soviet Union. Quite recently, following the meeting in Moscow, a joint commission on trade has been established between the United States and the Soviet Union. This was established to prepare for a more formal treaty which was not finalized when President Nixon

was in Moscow. As for certain strategic items there are, in a limited sense, restrictions on strategic items, and we would like to get more trade relaxation even on these. I only mention the American-Soviet commission because it may have relevance to the People's Republic of China and because similar devices may be helpful in solving any trade difficulties between us.

Li: We view such restrictions as a handicap. We think this is a kind of move that may evolve as we normalize relations. This kind of question can be settled with the normalization. The present normalization hasn't been settled yet and this is also crucial in trade. We do hope that you will return for discussions on these matters.

Boggs: We understand that quite well and it is one reason we are here and our friends in the United States Senate were here. We hope other Americans will come, and we will certainly come if you will invite us.

Li: The exchange of visits between the People's Republic of China and the United States is also conditional on the establishment of friendly relations. In the course of increasing trade these kinds of pressures may be eased.

Theroux (Boggs aide): If a U.S. businessman with a new technique or new product or new agricultural development

wants to present his product to your Council or to one of the trading corporations, what is the best procedure for him to follow in displaying such products? Can they be displayed at a recognized place, such as a trade exhibit?

Li: There is no special kind of showing of products in an organized way.

Theroux (Boggs aide): Is the problem that we must first have completely normalized relations between our countries?

Li: We now have several such exhibitions on a reciprocal basis with other countries.

Theroux (Boggs aide): Yes, some of us hope to visit the Chinese exhibit in Canada in August.

Boggs: Well, would you put our American goods on in fairs with other goods?

Li: We do not have international trade fairs in China sponsored by other countries, but we have had displays of other country's products. There will also be one in August in Peking.

Boggs: Are they going on now?

Li: The Canadian exhibition here will be in August.

Theroux (Boggs aide): What does an American businessman do to explain or display his products to your state trading agency?

Li: There is a special department. It is too early to talk about this. Later on, if conditions are right, it might be appropriate.

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Mr. Boggs: What foreign airlines now come to China?

Mr. Li: Soviet Union, Pakistan, France and North Korea.

Mr. Theroux (Boggs aide): Do you permit other countries with nonscheduled airlines to bring charter flights to China? For example, would you permit charter flights from England to arrive on a British plane?

Mr. Li: This could be done only under very special conditions.

Mr. Theroux (Boggs aide): What about bringing people and products. You invited about 30 businessmen to the Canton Fair. If they had chartered an American plane, could they have come that way? I am wondering about the possibility of charter airline service between the U.S. and China.

Mr. Li: Generally speaking, we don't let this happen unless there are special conditions.

Mr. Boggs: To what countries does a China airline fly?

Mr. Li: Soviet Union and some others.

Mr. Brown (State Department): One American businessman said that as far as banking procedures for transactions which they had conducted with trading organizations the Chinese have specified some 7 or 8 third country banks for these transactions. It appears that at this stage the banking does not go through American banking institutions. Is that correct and, if so, why?

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Mr. Li: This is so. The reason is that since 1950 the United States government has frozen the money of China in banks. Until now it has been impossible therefore to establish relations between Chinese banks and U.S. banks.

Mr. Boggs: We appreciate your giving us this time. I represent a port area like Shanghai -- New Orleans -- and a group of my constituents has applied to come to the People's Republic of China to talk to officials of the trading corporations. I hope they can come. They have also invited Chinese officials attending the trade exhibition in Canada to visit New Orleans. I hope both points will be given favorable consideration.

Mr. Li: It is good for us to have had this exchange of views.

Mr. Theroux (Boggs aide): It might be interesting for you to know that some of our businessmen who attended the Canton Fair are planning to assemble samples of your products and present them in showrooms in New York and Los Angeles and have a mini-Canton Fair in order to engage the interest of U.S. stores. It will be good when you have a place of your own to show products in the U.S., and we can show our products here.

Mr. Li: We will be waiting.

Note: Present on the Chinese side in addition to Mr. Li, was Mr. Lou Long of the CCPIT and two others whose names were not

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obtained. Present at this discussion on the U.S. side, in addition to Mr. Boggs, were his aides, Eugene A. Theroux and Paul E. Sigmund; Bryce Harlow for Mr. Ford, and William Brown, U.S. Department of State. This meeting convened at 3:05 P.M. and adjourned at 4:05 P.M. This unofficial transcript was prepared from the shorthand notes of Mr. Harlow and the longhand notes of Dr. Sigmund and Mr. Theroux.