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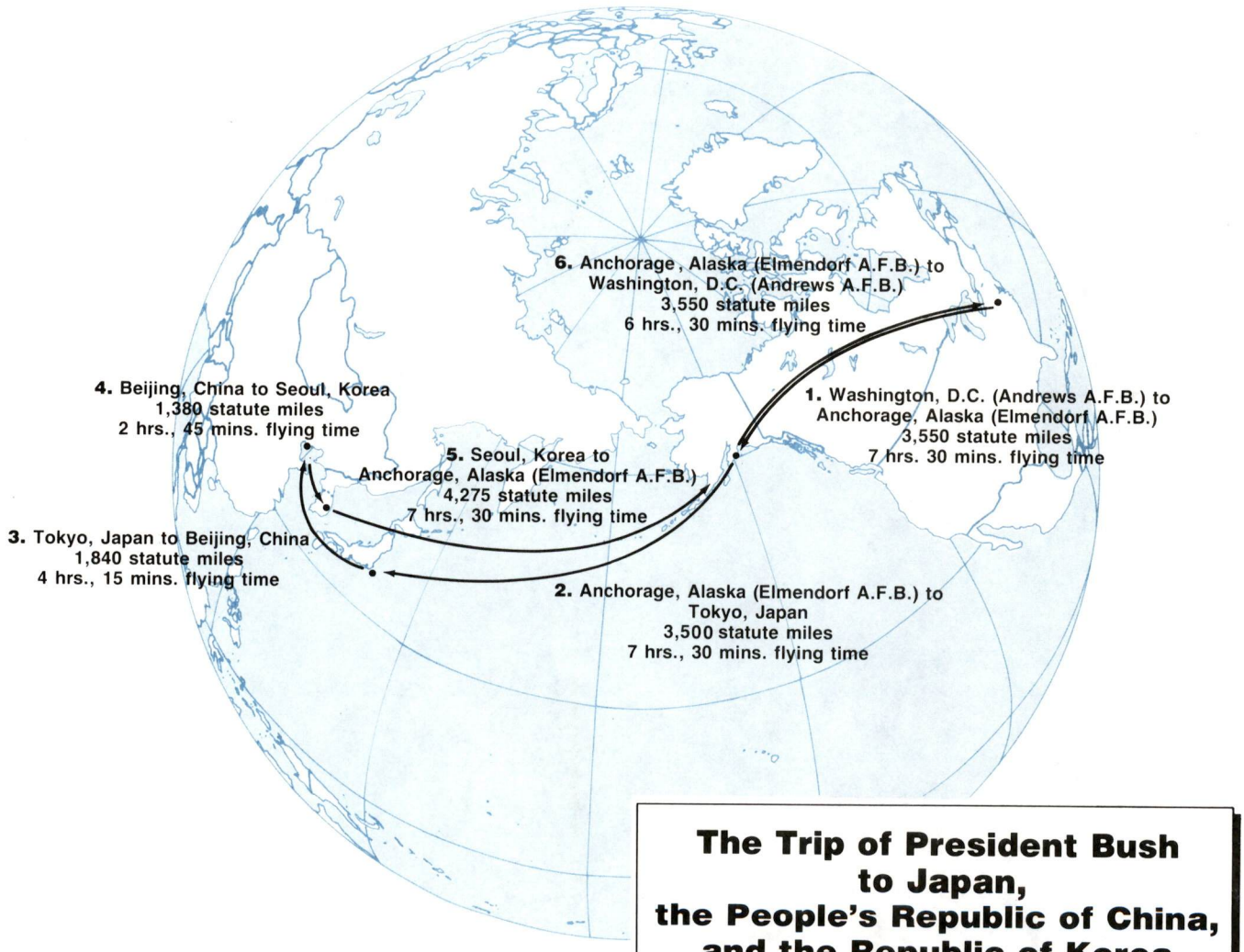
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THE TRIP OF PRESIDENT BUSH TO JAPAN, THE PEOPLE'S REPUBLIC OF CHINA, AND THE REPUBLIC OF KOREA

February 22 - 27, 1989



The Trip of President Bush to Japan, the People's Republic of China, and the Republic of Korea

February 22-27, 1989

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THE WHITE HOUSE

Office of the Press Secretary

BIOGRAPHY OF
PRESIDENT GEORGE BUSH

On January 20, 1989, George Herbert Walker Bush was sworn in as the 41st President of the United States.

Mr. Bush was born in Milton, Massachusetts, on June 12, 1924. He graduated from Phillips Academy, Andover, Massachusetts, in June 1942, and on his 18th birthday, he enlisted in the U.S. Navy Reserve as a Seaman 2nd Class. Receiving his wings and commission while still 18, Mr. Bush became the youngest pilot in the U.S. Navy at the time.

On active duty from August 1942 to September 1945, he flew torpedo bombers off the USS San Jacinto, fighting in the Pacific Theater. He was awarded the Distinguished Flying Cross and three Air Medals.

When the war ended, he entered Yale University, completed his economics degree in 1948, graduated Phi Beta Kappa, and captained the varsity baseball team.

After graduation, Mr. Bush moved to Texas, where he worked as a trainee and then as a supply salesman for Dresser Industries in West Texas and California from 1948 to 1950. He co-founded a small royalty firm, Bush-Overby Oil Development Company, in 1951. In 1953, he co-founded Zapata Petroleum Corporation, and one year later, Mr. Bush became president and co-founder of a third firm, Zapata Off-Shore Company. The fledgling firm pioneered in experimental offshore drilling equipment.

He was elected to the U.S. House of Representatives in 1966 from Texas' 7th District. One of the few freshman members of Congress ever elected to serve on the Ways and Means Committee, Mr. Bush was re-elected to the House without opposition two years later.

From 1971 to 1973, he served as the United States Ambassador to the United Nations, and as Chairman of the Republican National Committee from January 1973 to September 1974. In October 1974, Mr. Bush traveled to Peking and served for more than a year as Chief of the U.S. Liaison Office in the People's Republic of China.

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In 1976, Mr. Bush served as Director of Central Intelligence. He is given credit for helping restore the morale of the CIA and for strengthening the Intelligence Community, as well as helping write the Executive Order that guaranteed the protection of civil rights of U.S. citizens.

In July 1980, Mr. Bush was selected by Ronald Reagan to be his running mate at the 1980 Republican Convention; on November 4, was elected Vice President-designate of the United States; and on January 20, 1981, was sworn in as the 43rd Vice President of the United States. On January 20, 1985, he was sworn in to a second term. As Vice President, he served as President of the Senate and as a close advisor to President Ronald Reagan.

In June 1985, Mr. Bush was named to coordinate the Reagan Administration's activities to combat international terrorism. He headed similar efforts on the Presidential Task Force on Regulatory Relief and The National Narcotics Border Interdiction System (NNBIS). At President Reagan's direction, he traveled to 74 foreign countries to consult with world leaders on matters of bilateral and international concern.

He is married to the former Barbara Pierce of Rye, New York. They are the parents of five children: George, Jeb, Neil, Marvin, and Dorothy Bush LeBlond. The Bushes have ten grandchildren. His father, the late Prescott Bush, served as a U.S. Senator (R-CT) from 1952 through 1962.

The President and Mrs. Bush are residents of Houston, Texas, and are members of St. Martin's Episcopal Church, where he is a former vestryman. When in Washington, the Bushes attend St. John's Episcopal Church. He has served on the vestry of St. Ann's Episcopal Church Foundation, Kennebunkport, Maine, and is on the board of the Episcopal Church Foundation.

# # #

BIOGRAPHY OF BARBARA BUSH

Barbara Bush, wife of President George Bush and the thirty-eighth First Lady, has lived a life which reflects her husband's varied career in business and public service, her involvement as the mother of five children, and her own energy and commitment to a wide variety of community projects.

By virtue of George Bush's service as a Member of Congress, U.S. Representative to the United Nations, Chairman of the Republican National Committee, Chief of the United States Liaison Office in the People's Republic of China, Director of the Central Intelligence Agency, and the Vice President of the United States, the Bushes have lived in 17 cities and 29 homes since their marriage on January 6, 1945. They have five children, George, 42; Jeb, 35; Neil, 34; Marvin, 32; Dorothy, 29; four daughters-in-law, one son-in-law, and ten grandchildren. Mrs. Bush grew up in Rye, New York and was born on June 8, 1925. George Bush was sworn in as the 41st President of the United States on January 20, 1989.

Mrs. Bush has chosen reading and the eradication of illiteracy as her special areas of focus. She serves on the national board of Reading Is Fundamental; she is a sponsor of Laubach Literacy International, a world-wide program committed to eradicating illiteracy; she is an honorary member of the board of the Kingsbury Center in Washington, D.C., an organization for children with learning disabilities; she is Honorary Chairperson of the National Advisory Council of Literacy Volunteers of America Inc., a national volunteer tutorial organization; and she is a member of the Board of Directors of the Business Council for Effective Literacy, a foundation established by Harold McGraw, Jr. to encourage business support for efforts to combat illiteracy. All of the proceeds of a book by Mrs. Bush, C. Fred's Story (Doubleday, 1984), a collection of anecdotes about the Bushes' late cocker spaniel, were donated to two major national literacy organizations, Laubach Literacy Action and Literacy Volunteers of America, Inc.

Reflecting her own years as an active volunteer, Mrs. Bush is also encouraging volunteerism and the giving by people of their time and energies for the betterment of others and their communities. She is a member of the Board of Trustees of Morehouse School of Medicine in Atlanta and is an honorary member of boards of: The Washington Home and the Children's Oncology Services of Washington, D.C., Inc. She has served as Honorary Chairman of the Washington Parent Group Fund, and she is the National Honorary Chairperson for the Leukemia Society of America, the Hispanic American Family of the Year Awards Program, and the National School Association of Partners in Education.

The Bushes' home is Houston, Texas. She is an exercise enthusiast and enjoys reading, needlepoint, and being with her family.

January 1989

PRESIDENT BUSH'S TRIPS TO JAPAN, CHINA, AND KOREA WHILE SERVING AS VICE PRESIDENT

Japan

Tokyo	April 23-24, 1982
Tokyo	May 8-9, 1984

People's Republic of China

Hangzhou and Beijing	May 5-7, 1982
Beijing	October 13-15, 1985
Chengdu	October 16, 1985
Guilin	October 16, 1985
Guangzhou	October 17, 1985
Shenzhen	October 18, 1985

Republic of Korea

Seoul and DMZ	April 25-26, 1982

TIME CONVERSION TABLE

Washington, D.C. (EST)	Beijing	Seoul Tokyo
0	+ 13	+ 14
0600	1900	2000
0700	2000	2100
0800	2100	2200
0900	2200	2300
1000	2300	2400
1100	2400	*0100*
1200	*0100*	*0200*
1300	*0200*	*0300*
1400	*0300*	*0400*
1500	*0400*	*0500*
1600	*0500*	*0600*
1700	*0600*	*0700*
1800	*0700*	*0800*
1900	*0800*	*0900*
2000	*0900*	*1000*
2100	*1000*	*1100*
2200	*1100*	*1200*
2300	*1200*	*1300*
2400	*1300*	*1400*
0100	*1400*	*1500*
0200	*1500*	*1600*
0300	*1600*	*1700*
0400	*1700*	*1800*
0500	*1800*	*1900*
	+ 1 day	

Notes on Gifts and Customs

Gifts

As set forth in 22 CFR Part 3, the Foreign Gifts Act specifies that employees and members of their families may accept and retain a gift tendered as a souvenir or mark of courtesy from foreign governments or their representatives if it is of "minimal value," which is currently defined as a retail value in the United States, at the time of acceptance, of $140 or less. However, an employee may accept a gift valued at over $140 only if to refuse it "would likely cause offense or embarrassment or otherwise adversely affect the foreign relations of the United States," and even then such a gift is deemed to have been accepted on behalf of the United States and, upon acceptance, becomes the property of the United States. Any such gift must, within 60 days after acceptance, either be deposited for disposal with the recipient's employing agency, or, subject to the approval of the employing agency, deposited with that agency for official use. For Department of State employees, the depositary is the Office of Protocol.

The Attorney General may bring a civil action in the U.S. District Court against any employee who knowingly has solicited or accepted a gift from a foreign government not consented to by the revised statute, or who has failed to deposit or report such a gift as the law requires. A penalty may be assessed in such a case in any amount not to exceed the retail value of the gift improperly solicited or received plus $5,000.00.

Customs

Everyone will be expected to fill out a customs declaration form to be returned to the steward just prior to returning to a U.S. point of entry. You will need to note on the declaration when:

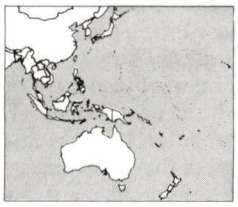
- The total fair retail value of articles acquired abroad exceeds $400, or if acquired in American Samoa, Guam, or the U.S. Virgin Islands, $800.
- More than 1 liter (33.8 fl. oz.) of alcoholic beverages, 200 cigarettes, or more than 100 cigars are included. Or if returning from American Samoa, Guam, or the U.S. Virgin Islands: more than 4 liters (135.2 fl. oz.) of alcoholic beverages, 100 cigars, and 1,000 cigarettes.
- Some of the items are not intended for your personal or household use, such as commercial samples, items for sale or use in your business, or articles you are bringing home for another person.
- Articles acquired in the U.S. Virgin Islands, American Samoa, or Guam are being sent to the United States.
- A customs duty or internal revenue tax is collectible on any article in your possession.

Note: "Courtesy of the Port" does not mean you do not have to fill out a declaration or that you will not have to pay customs duty. Your declarations will be reviewed by customs officials at the U.S. point of entry and you will be billed for any dutiable items purchased.

Prohibited and Restricted Articles

Some items must meet certain requirements, require a license or permit, or may be prohibited entry. Among these are:

• Absinthe • Biological material • Books protected by American copyright if unauthorized foreign reprints • Candy, liquor-filled • Copies of gold coins if not properly marked • Electronic products subject to radiation emission standards • Firearms & ammunition • Food, drugs, and certain other items not approved by FDA • Fruits, plants, vegetables & their products • Hazardous articles (e.g., fireworks, dangerous toys, toxic or poisonous substances) • Lottery tickets • Meats, poultry & products (e.g., sausage, pate, canned items) • Motor vehicles not conforming to safety and emission standards • Narcotics & dangerous drugs including medicine containing same • Objects of Central and South American pre-Columbian Indian cultures • Obscene articles & publications • Pets (e.g., dogs, birds, turtles, monkeys) • Seditious or treasonable matter • Trademarked items (e.g., certain cameras, watches, perfumes) • Switchblade knives • Wildlife (birds, fish, animals) & endangered and protected species (e.g., pheasants; furskin; feathers, eggs, or skins of wild birds; articles from reptile skins, ivory, and whalebone).



East Asia and the Pacific

REGIONAL BRIEF

United States Department of State
Bureau of Public Affairs

January 1989

East Asia and the U.S.: An Economic Partnership

Overview

The economies of the East Asian and Pacific region[1] are important in the international trade of the United States and play a large and growing role in the world economy. During the past two to three decades, much of the region has experienced rapid economic growth, sometimes more than 10% per year, largely because most East Asian governments are committed to outward-looking and market-oriented policies. Their combined gross national product (GNP) is now about three-quarters of U.S. total output. Japan is the major economic power in the region. Other East Asian economies—such as South Korea, Taiwan, Hong Kong, and Singapore—are emulating its successful model of high rates of savings and investment, more efficient and advanced industry, high-technology exports, and increased educational and technical training. China also has been attempting to transform its economy along market lines and has experienced high rates of economic growth.

East Asian exports have penetrated almost every corner of the globe. Since 1983, U.S.-East Asian trade across the Pacific has exceeded our trade across the Atlantic. In 1987, U.S. trade with East Asia, which accounted for 35% of our global commerce, was greater than with any other region. At the same time, the U.S. trade deficit with East Asia was $107 billion, more than 60% of our worldwide trade shortfall.

East Asian economic success has been accompanied by the growth of democracy in the region. New democratic governments in the Philippines and South Korea exemplify this trend toward greater popular participation in the political process. This economic and political progress is buttressed by various bilateral military arrangements with the United States, which provide security and stability in the region.

The economic growth and political development of East Asian countries and areas will likely give the region an even greater role in world affairs in the years leading up to the 21st century. Their exports, technological advances, capital, foreign investment, and economic assistance will have an increasing impact on other regions and on international trade and finance. The United States hopes that the region will take the lead in further reducing its trade barriers, either unilaterally or in the current Uruguay Round of multilateral trade negotiations under the auspices of the General Agreement on Tariffs and Trade. A more open international trading system will enhance East Asia's future economic development and lessen the U.S. trade imbalance with the region.

The United States will continue to be the major power in the Pacific, even though the rapid growth of the East Asian economies has lessened our relative economic position. The U.S. market will probably remain the largest for East Asian exports, but it is not likely to absorb their future rapid growth to the extent that it did earlier in this decade. The United States will continue to be an important source of investment, high technology, and manufacturing facilities for East Asia, and our service industries are poised for an expanded role in the region. Additionally, it remains an educational magnet: 39% of all foreign students in the United States are East Asians. The mutually beneficial partnership between the United States and East Asia, both multilaterally and through many personal ties and experiences, contributes to developing a stronger international economic system and the strengthening of democratic institutions among our allies and friends.

A sense of interdependence is evolving among the economies of East Asia and the Pacific. The Association of South East Asian Nations (ASEAN) has fostered cooperation among its members and dialogue with governments in the Pacific basin and with other developed countries. Community consciousness also has contributed to the formation and development of other organizations, such as the Pacific Basin Economic Council and the Pacific Economic Cooperation Conference. Future cooperation in the region could come from dialogue in some kind of new Pacific basin forum on various topics of mutual interest:

- Structural economic policies, such as privatization of public enterprises and lowering of trade barriers, that would promote further growth, efficiency, private sector initiatives, and free trade;

[1] Japan, China, South Korea, Taiwan, Hong Kong, Singapore, the Philippines, Indonesia, Malaysia, Thailand, Australia, and New Zealand are considered here.

• Deregulation and improvement of transportation systems to facilitate the movement of goods, people, and information throughout the region;
• Promotion of educational exchanges with the United States; and
• Protection of natural resources and the environment.

The United States hopes to participate with all market-oriented governments of the region in the development of this dialogue and the establishment of a mutually beneficial East Asian/Pacific agenda in the coming years.

Japan

Because of its strength as the second largest economy in the noncommunist world, Japan is the major economic power in East Asia. The combined GNP of the United States and Japan totals about 35% of world output. The two countries have close economic, political, cultural, and security ties. This alliance has been and will continue to be the cornerstone of U.S. policies in East Asia.

Japan's strong export performance since the 1960s has been the envy of developed and developing countries. Japan's share of world exports is now more than 10%, about twice its share of 20 years ago. U.S.-Japanese trade has grown to $116 billion in 1987, second only to U.S.-Canadian commerce. Our trade deficit with Japan, which began in 1965, has increased to almost $60 billion per year in 1986-87, although it is now coming down slowly.

The U.S. Government aims to increase U.S. exports to Japan. During the past 4 years, U.S.-Japanese trade negotiations have opened Japanese markets for U.S. exports of such items as drugs, medical equipment, semiconductors, telecommunications equipment, beef, and citrus products. In addition, American goods have become more competitive in Japan because of the depreciation of the dollar and greater U.S. attention to the quality of our export products. Although much progress has been made, the United States continues to call upon Japan to implement further trade liberalization and to expand its domestic markets. The U.S. Government has pointed out that such measures would benefit Japan, the United States, and the international trading system.

According to U.S. data, the stock of direct investment in each other's economies grew rapidly to $43 billion by the end of 1987, almost three times more than in 1982. Japan's direct investment in the United States was nearly $31 billion at the end of 1987. There are Japanese-owned manufacturing facilities in 40 U.S. states, employing more than 100,000 Americans. Productive foreign investment can bring better jobs, more efficient operations, greater choice of quality goods at competitive prices, and the transfer of capital and technology to us. They also reflect the growing linkages between the two economies.



Japan and other East Asian economies are producing and exporting more high-technology goods to the U.S. market. In 1987, U.S. trade with East Asia, accounting for 35% of our global commerce, was greater than with any other region.

The United States and Japan have worked to coordinate their economic policies and exchange rates to assure stable economic growth. For example, the two countries agreed in October 1986 that Japan should cut interest rates while increasing government spending and that the United States should continue to seek reductions in its budget deficit, in order to reduce their large external imbalances. This cooperation has been bolstered by semiannual subcabinet economic meetings, numerous trade negotiations, and other official contacts between the two countries.

Japan has become a major source of economic aid, primarily to other countries in Asia. At the Toronto economic summit in June 1988, Japanese Prime Minister Noboru Takeshita outlined a new program of $50 billion in official development assistance over the next 5 years. The Government of Japan intends to increase the grant component of this assistance, require fewer conditions on its loans, and provide $1 billion in debt relief to the poorest developing countries. Japan is likely to become the world's largest aid donor in 1989. The United States welcomes this development as part of our interest in having our allies make a greater contribution to common global interests. We hope that Japan will extend a greater proportion of its expanded foreign aid program on a grant basis.

China

During the past decade, the United States and the People's Republic of China (P.R.C.) have enjoyed a significant expansion in economic relations. The United States is China's third largest trading partner. In 1988, our bilateral trade exceeded $13 billion, nearly a sevenfold increase since diplomatic relations were normalized 10 years ago. In the same period, U.S. investment committed to China increased to more than $3 billion and has focused on energy exploration, electronics, textiles, food processing, hotels, and construction. This relationship has been achieved without compromising our friendship for, or cooperation with, the people of Taiwan.

China has had impressive economic growth during the last decade, averaging nearly 10% per year. Under the leadership of Chairman Deng Xiaoping, the P.R.C. has undertaken a series of far-reaching economic reforms, including decentralizing enterprise management, relaxing price controls, and encouraging trade and investment with market economies. As a result of these reforms, industrial production rose dramatically and agricultural output expanded and diversified. Recently, however, China postponed further price reforms in an effort to bring inflation under control. In 1988, the annual official inflation rate was about 20% nationwide and 25%-30% in urban areas. Despite China's opening to the West, opportunities to trade with and invest in China are restricted in many important ways by Chinese law and practice.

China continues to be strongly interested in acquiring state-of-the-art

technology in order to modernize key sectors of its economy. In recent years, the United States has liberalized controls on the export of high-technology items to China. Chinese imports of computers and sophisticated electronic equipment have increased dramatically.

The United States and China have the largest bilateral science and technology cooperation program of its kind for each side, with some 400 cooperative activities under 30 bilateral agreements. For example, a December 1985 agreement provides for cooperation in the peaceful uses of nuclear energy. More than 30,000 Chinese students currently are enrolled in U.S. universities, while roughly 7,000 Americans are studying or teaching in the P.R.C.

Four Asian "Tigers"

The newly industrialized economies of South Korea, Taiwan, Hong Kong, and Singapore are often referred to as the four Asian "tigers" or "dragons." Their success stems in large part from a commitment to private sector and/or market-oriented economic policies that have resulted in very rapid growth of industries and exports as well as the unleashing of human resources.

In recent years, the United States has played an important part in this economic development by providing a relatively open market for their products. Our trade deficits with the four tigers grew to $38 billion in 1987, accounted for primarily by deficits with Taiwan ($19.2 billion) and South Korea ($10.3 billion). As these two have become stronger economically, they have begun to lower their trade barriers and make their exchange rates more realistic, but they need to do more on both fronts to reduce their trade imbalances with the United States.

South Korea. The Republic of Korea has witnessed astounding economic changes in this decade as real GNP has doubled. In the process Korea has become America's seventh largest trading partner among individual countries. It now exports high-technology goods, such as automobiles and electronics, to the United States, Japan, and elsewhere. Soaring per capita income, declining unemployment, and reduced foreign debt have allowed Korea to move in the direction of a more liberalized economy. During the past year, South Korea has made the transition to democracy by restoring freedom to the media and providing for full participation in elections. A multiparty political system has emerged. The United States fully supports these political developments while continuing to provide military support under a bilateral security agreement.

Taiwan. The people of Taiwan have generated enviable economic growth, averaging nearly double-digit annual rates since the 1950s. As elsewhere in East Asia, industry has expanded and produced higher value-added products. Taiwan's authorities have lowered tariffs, relaxed foreign exchange controls, strengthened the protection of intellectual property, encouraged export diversification, and appreciated the currency (40% against the U.S. dollar since 1985). Although U.S. exports to Taiwan have increased, our trade deficit with Taiwan was $19 billion in 1987. Taiwan's foreign exchange reserves at the end of 1988 were about $75 billion, exceeded only by Japan. Taiwan's political system has become more open in recent years. The United States welcomes Taiwan's economic and political modernization but has urged its leaders to lower trade barriers further and allow a more realistic exchange rate.

Hong Kong and Singapore. These two "city states" also have experienced rapid economic development; they have the highest per capita GNPs among the newly industralized economies. Lacking natural resources, the accomplishments of Hong Kong and Singapore have been largely due to strong market orientation and hard-working and disciplined labor forces. Savings and investment rates in Singapore are among the highest in the world. Hong Kong and Singapore are extremely successful examples of the virtues of export-led growth. Their economies, which have almost completely free markets and which center around very busy ports, are totally dependent on the maintenance of an open international trading system. Both Hong Kong's domestic exports and reexports from China have skyrocketed in the past 20 years.

East Asia and the Pacific



0243 1-89 STATE (INR/GE)

ASEAN Countries

More than 300 million people live in the six nations which make up the Association of South East Asian Nations—the Philippines, Indonesia, Malaysia, Thailand, Singapore, and Brunei. The ASEAN countries are rich in natural resources, possess talented and hard-working populations, and to a large extent have pursued market-oriented development policies. Since 1977, these nations have averaged annual real GNP growth of more than 5%, one of the economic success stories among developing countries.

The United States has maintained cooperative economic relations with the ASEAN countries. We continue to be the largest consumer for ASEAN manufactures. U.S.-ASEAN trade, expanding rapidly, was about $28 billion in 1987, making ASEAN our seventh most important trading partner. Unfortunately, most ASEAN countries (not including Singapore and Brunei) retain relatively high tariff barriers and other nontariff constraints. U.S. direct investment in ASEAN economies totaled approximately $10 billion at the end of 1987. Many U.S. companies manufacture increasingly higher technology products and components in ASEAN countries for reexport to the United States and other markets. The United States has engaged in regular economic dialogue with ASEAN. In addition, we are engaged in the U.S.-ASEAN initiative, a broad-gauged study of our economic relationship, including analysis of possible liberalization measures both sides can take to strengthen it.

The Philippines. After years of declining economic health, the Philippines increased its real GNP by almost 6% in 1987; even stronger growth is estimated in 1988. President Corazon Aquino's government has instituted fiscal and market-opening reforms, but more could be done to make the economy more efficient and dynamic and to encourage foreign investment. Unemployment and underemployment remain serious problems. The Philippines has a large external debt totaling approximately $30 billion. The United States has strongly supported the transition to democracy in the Philippines during the past 3 years. The U.S. Government is providing the Philippines with high levels of economic and security assistance—about $400 million during fiscal year 1988—as part of our effort to maintain mutually beneficial economic, political, and security relations. U.S. military facilities in the Philippines are very important to U.S. defense interests in the Pacific, a large part of the Philippines' and the region's defenses, and the source of substantial economic benefits—employing more than 68,000 Filipinos and injecting hundreds of millions of dollars into the local economy. The U.S. Government also has taken the lead in calling on its friends and allies to increase aid, promote investment, and open markets to Philippine exports.

Indonesia. The Indonesian economy—the largest though least developed (in terms of annual per capita income) among ASEAN members—has faced the challenge of lower and fluctuating oil prices since 1983. In order to promote growth, the Government of Indonesia has undertaken sweeping structural reforms, restrained public spending, maintained currency convertibility, encouraged foreign investment and capital market development, and instituted a series of trade, banking, and tax reforms. The United States welcomes these initiatives. Indonesia has boosted non-oil exports, which now account for more than one-half of its export earnings. External debt has risen sharply in recent years to about $45 billion at the end of 1988.

Malaysia. The Malaysian economy is moving from dependence on commodities (such as tin and rubber) to a light manufacturing base. Electronics products have become the largest export earner. Malaysia had a 1987 trade surplus of more than $5 billion. Commerce with the United States has grown rapidly. Real GNP growth was nearly 5% in 1987 and is estimated to be higher in 1988. The country's financial condition remains solid because the government has pursued responsible fiscal policies.

Thailand. Thailand had economic growth of almost 7% in 1987 and even better performance in 1988. The government has promoted export diversification and encouraged foreign investment. Foreign exchange earnings from tourism soared in 1987 to nearly $2 billion. The United States is Thailand's largest export market. However, the Thais are very concerned about U.S. agricultural subsidies, particularly for rice, and the threat of U.S. import restrictions, especially on textiles. The main recent U.S. concern about our trade with Thailand has been lack of Thai protection of U.S. intellectual property rights, such as copyrights and patent protection of U.S. pharmaceutical products.

South Pacific

Australia. The main source of strength in the Australian economy is its export sector, especially agricultural products and raw materials. Exports increased by 19% in 1987. About one-half of Australian merchandise exports go to 11 Asian nations, principally Japan. However, Australia remains an important trading partner with the United States. It is one of the few Pacific countries with which the United States has a sizeable and consistent trade surplus. The Australian Government has undertaken significant economic reforms, including a program of phased tariff reductions. It has complained about subsidized U.S. agricultural exports that restrict Australian sales. Our long and cooperative alliance relationship with Australia is based on mutual economic, political, and security interests.

New Zealand. Prime Minister David Lange's government has instituted far-reaching reforms, including decreases in protectionism, less government spending, and better management of the public sector, in order to achieve more efficient resource allocation and to reduce inflation. As a result, real GNP was down slightly in 1987 and is estimated to decline further in 1988. New Zealand remains heavily dependent on agricultural exports. Japan, Australia, and the United States account for about one-half of New Zealand's trade. For many years the United States and New Zealand were military allies under the Australia-New Zealand-United States (ANZUS) treaty. However, in 1986, the U.S. Government suspended its security guarantees to New Zealand under the ANZUS alliance because of New Zealand's restrictive policy regarding U.S. naval ship visits. The United States hopes that the New Zealand Government will come to realize the value of restoring traditional alliance cooperation.

Economic Indicators, 1987

(U.S. $ millions, unless otherwise indicated)

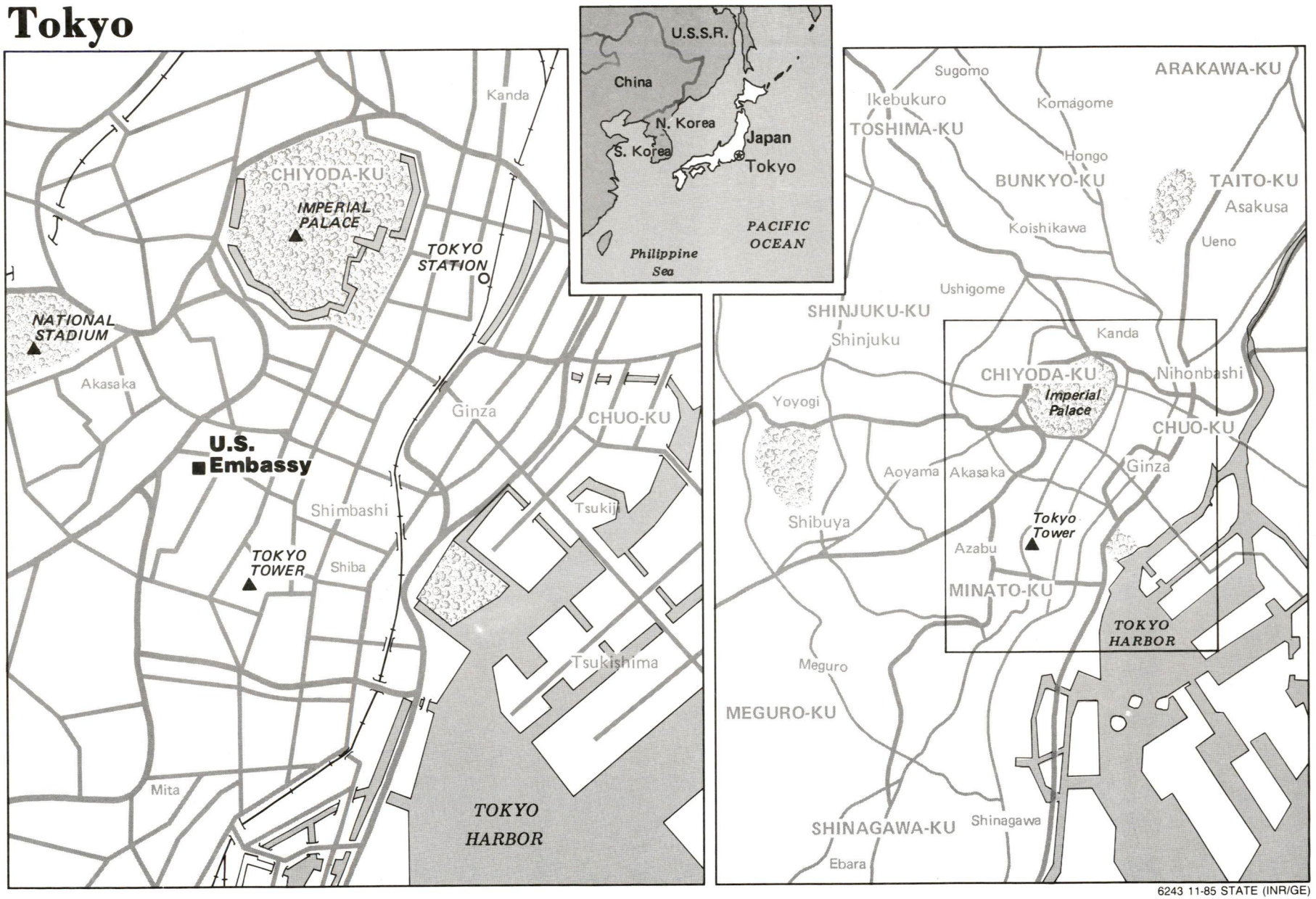
	Population (millions)	GNP	Real GNP Growth (%)	GNP Per Capita (U.S.$)	Consumer Price Inflation (%)	Exports (f.o.b.)	Imports (c.i.f.)	Trade Balance	U.S. Exports	U.S. Imports	U.S. Trade Balance
ASEAN[1]	**301.0**	**199,827**	**5.4**	**663**	**–**	**83,354**	**79,751**	**3,603**	**9,840**	**18,052**	**(8,212)**
Australia	15.9	195,521	4.4	12,100	7.1	26,433	29,350	(2,917)	5,467	3,287	2,180
China	1,074.0	293,383	9.4	273	7.3	39,542	43,392	(3,850)	3,488	6,911	(3,423)
Hong Kong[1,2]	5.7	46,196	13.6	8,230	5.5	48,478	48,467	11	3,983	10,490	(6,507)
Indonesia[1]	170.4	65,291	3.0	383	8.0	17,600	13,100	4,500	764	3,719	(2,955)
Japan	121.1	2,384,500	4.2	19,537	0.1	229,100	149,200	79,900	28,200	88,074	(59,874)
Korea	42.1	118,300	12.6	2,830	3.0	47,282	41,021	6,261	7,665	17,991	(10,326)
Malaysia[1]	16.5	29,800	4.7	1,750	0.8	17,897	12,670	5,227	1,895	3,053	(1,158)
New Zealand[1,3]	3.3	35,200	– 0.9	10,700	13.5	7,196	7,233	(37)	815	1,180	(365)
Philippines[1]	57.7	33,398	5.7	595	7.4	5,720	7,715	(1,455)	1,584	2,481	(897)
Singapore[1]	2.6	19,398	8.8	7,413	0.9	28,622	32,487	(3,865)	4,023	6,395	(2,372)
Taiwan	19.7	97,200	11.2	4,925	0.2	52,100	33,000	19,100	7,186	26,406	(19,220)
Thailand[1]	53.7	47,000	6.6	875	2.5	11,719	13,023	(1,777)	1,483	2,387	(904)
United States	**243.9**	**4,487,700**	**4.0**	**18,400**	**4.4**	**252,866**	**424,082**	**(171,216)**	**–**	**–**	**–**

[1] Product data are on gross domestic product (GDP), rather than gross national product (GNP).
[2] Total exports include reexports; total domestic exports were $19,700 million.
[3] GDP for fiscal year ending March 31, 1988.

Sources: U.S. Department of Commerce, U.S. Embassies, International Monetary Fund, East Asian and Pacific governments


Japan
Railroad
Road
0 100 200 Miles
0 100 200 Kilometers
Boundary representation is not necessarily authoritative.
800083 (542832) 3-84
Soviet Union
China
North Korea
South Korea
Sea of Japan
Yellow Sea
East China Sea
Philippine Sea
North Pacific Ocean
Honshu
Hokkaido
Shikoku
Kyushu
RYUKYU ISLANDS
NANPO-SHOTO
IZU-SHOTO
Harbin
Changchun
Mudanjiang
Jilin
Shenyang
Anshan
Sinŭiju
Hamhŭng
Wŏnson
P'YŎNGYANG
Ch'ŏngjin
Lake Khanka
Vladivostok
Nakhodka
Demarcation Line
SEOUL
Inch'ŏn
Taejŏn
Taegu
Kwangju
Pusan
Mokp'o
Tsushima
Korea Strait
Jerry
Cheju-do
Ullŭng-do
Liancourt Rocks
OKI-GUNTŌ
Sakhalin
La Perouse Strait
Wakkanai
Ostrov Iturup
Ostrov Kunashir
occupied by Soviet Union since 1945, claimed by Japan
Shikotan-tō
Habomai Islands
Asahikawa
Sapporo
Kushiro
Hakodate
Tsugaru-kaikyō
Aomori
Akita
Morioka
Sendai
Niigata
Sado
Iwaki
Utsunomiya
Kanazawa
Nagano
TOKYO
Yokohama
Tottori
Gifu
Nagoya
Shizuoka
Hamamatsu
Okayama
Kōbe
Kyōto
Ōsaka
Takamatsu
Tokushima
Hiroshima
Kitakyūshū
Matsuyama
Uwajima
Fukuoka
Sasebo
Ōita
Nagasaki
Kumamoto
Fukue-shima
Kagoshima
ŌSUMI-SHOTŌ
Sumisu-jima
Tori-shima
TOKARA-RETTŌ
AMAMI-SHOTŌ
OKINAWA-SHOTŌ
Naha
SENKAKU-SHOTŌ
SAKISHIMA-SHOTŌ
Daitō-jima
Okino-daitō-jima
BONIN ISLANDS (OGASAWARA-SHOTŌ)
VOLCANO ISLANDS (KAZAN-RETTŌ)
Iwo Jima
130
140
40
30

Tokyo



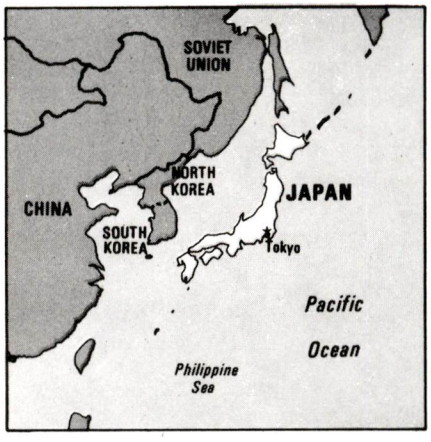
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background notes

Japan

United States Department of State
Bureau of Public Affairs

February 1989



Official Name:
Japan

PROFILE

Geography

Area: 377,765 sq. km. (145,856 sq. mi.); slightly smaller than California. **Cities:** *Capital*—Tokyo. *Other major cities*—Yokohama, Osaka, Nagoya, Sapporo, Kobe, Kyoto. **Terrain:** Rugged, mountainous islands. **Climate:** Varies from subtropical to temperate.

People

Nationality: *Noun and adjective*—Japanese. **Population** (mid-1987 est.): 122,090,000. **Annual growth rate** (1987): 0.5%. **Ethnic groups:** Japanese; Korean 0.6%. **Religions:** Shintoism and Buddhism; Christian 0.8%. **Language:** Japanese. **Education:** *Literacy*—100%. *Life expectancy* (1987)—males 75.6 yrs., females 81.4 yrs. **Work force** (60.7 million, 1988): *Agriculture*—7.9%. *Trade, manufacturing, mining, and construction*—32.4%. *Services*—43.3%. *Government*—7.2%.

Government

Type: Parliamentary democracy. **Constitution:** May 3, 1947.

Branches: *Executive*—prime minister (head of government). *Legislative*—bicameral Diet (House of Representatives and House of Councillors). *Judicial*—Civil law system with Anglo-American influence.

Subdivisions: 47 prefectures.

Political parties: Liberal Democratic Party (LDP), Japan Socialist Party (JSP), Democratic Socialist Party (DSP), Komeito (Clean Government Party), Japan Communist Party (JCP). **Suffrage:** Universal over 20.

Flag: Red sun on white field.

Economy

GNP (1988): $2.865 trillion. **Real growth rate:** 6.0% (1988); 4.3% (1978–88). **Per capita GNP** (1988): $23,356.

Natural resources: Negligible mineral resources, fish.

Agriculture: *Products*—rice, vegetables, fruits, milk, meat, silk.

Industry: *Types*—machinery and equipment, metals and metal products, textiles, autos, chemicals, electrical and electronic equipment.

Trade (1988): *Exports*—$266.2 billion: motor vehicles, machinery and equipment, electrical and electronics products, metals and metal products. *Major markets*—US 33.8%, EC 21.1%, developing countries 33.6%, communist countries 5.2%. *Imports*—$187.5 billion: fossil fuels, metal ore, raw materials, foodstuffs, machinery and equipment. *Major suppliers*—US 22.4%, EC 16.3%, developing countries 42%, communist countries 7.4%.

Fiscal year: April 1–March 31.

Exchange rate (avg. 1988): 128.5 yen = US$1.

Total net official development assistance: $7.4 billion (1987 disbursements 0.31% of GNP).

Membership in International Organizations

UN and several of its specialized and related agencies, including the International Monetary Fund (IMF), International Court of Justice (ICJ), General Agreement on Tariffs and Trade (GATT), International Labor Organization (ILO); International Energy Agency (IEA); Organization for Economic Cooperation and Development (OECD); INTELSAT.


Harbin
China
Changchun
Mudanjiang
Jilin
Laka Khanka
Soviet Union
Vladivostok
Nakhodka
Shenyang
Anshan
Ch'ŏngjin
Sinŭiju
North Korea
Hamhŭng
Wŏnson
P'YŎNGYANG
Demarcation Line
SEOUL
Inch'ŏn
South Korea
Yellow Sea
Taejŏn
Taegu
Kwangju
Pusan
Mokp'o
Tsushima
Strait
Korea
Cheju-do
Kitakyushu
Fukuoka
Sasebo
Fukue-shima
Nagasaki
Kumamoto
Ōita
Kyushu
Kagoshima
East China Sea
ŌSUMI-SHOTŌ
TOKARA-RETTŌ
Philippine Sea
AMAMI-SHOTŌ
OKINAWA-SHOTŌ
Naha
RYUKYU ISLANDS
SENKAKU-SHOTŌ
SAKISHIMA-SHOTŌ
Daitō-jima
Okino-daitō-jima
Boundary representation is not necessarily authoritative.
Sea of Japan
Ullŭng-do
Liancourt Rocks
OKI-GUNTŌ
Tottori
Hiroshima
Okayama
Kōbe
Kyoto
Osaka
Takamatsu
Tokushima
Matsuyama
Shikoku
Uwajima
Honshu
Kanazawa
Nagano
Gifu
Nagoya
TOKYO
Yokohama
Shizuoka
Hamamatsu
Utsunomiya
Iwaki
Sendai
Niigata
Sado
Akita
Morioka
Aomori
Tsugaru-kaikyō
Hakodate
Hokkaido
Asahikawa
Sapporo
Kushiro
Wakkanai
La Perouse Strait
Sakhalin
Soviet Union
occupied by Soviet Union since 1945, claimed by Japan
North Pacific Ocean
IZU-NAMPŌ SHOTŌ
Sumisu-jima
Tori-shima
BONIN ISLANDS (OGASAWARA-SHOTŌ)
VOLCANO ISLANDS (KAZAN-RETTŌ)
Iwo Jima
JAPAN
International boundary
National capital
Railroad
Road
International airport
0 100 200 Miles
0 100 200 Kilometers
130
140
40
30

GEOGRAPHY

Japan, a chain of rugged islands, lies in a 3,200-kilometer (2,000 mi.)-long arc off the east coast of Asia. It comprises four main islands—Hokkaido, Honshu, Shikoku, and Kyushu—and more than 3,900 smaller islands, at about the same latitudes as the United States.

About four-fifths of the country is mountainous, including many dormant and a few active volcanos. Japan's unstable geological position causes occasional earthquakes; about 1,500 seismic occurrences—mostly tremors—take place in and around Japan every year.

Japan's climate ranges from subtropical on Okinawa, similar to southern Florida, to cool on Hokkaido, like southern Maine. Most of Japan is dominated by the Asiatic monsoon, which brings a pronounced summer rainy season (most intense in early July) and mild, sunny winters. Rainfall throughout the country is at least 100 centimeters (40 in.) per year.



Shinjuku skyscrapers tower above the famous "double bridge," entrance to the Imperial Palace grounds.

PEOPLE

Japan is one of the most densely populated nations in the world, with 317.7 persons per square kilometer (822.9 persons per sq. mi.). The growth rate has stabilized at about 0.5% in recent years, due in part to government support of birth control and family planning programs.

The Japanese are a Mongoloid people, closely related to the major groups of East Asia. However, some evidence also exists of admixture with Malayan and Caucasoid strains. About 675,000 Koreans and much smaller groups of Chinese and Caucasians reside in Japan.

Religion

Buddhism is important in Japan's religious life and has exerted profound influence on fine arts, social institutions, and thought. Most Japanese still consider themselves members of one of the major Buddhist sects.

Shintoism is an indigenous religion founded on myths, legends, and ritual practices of the early Japanese. Neither Buddhism nor Shintoism is an exclusive religion; most Japanese observe both Buddhist and Shinto rituals, the former for funerals and the latter for births, marriages, and other occasions. Confucianism, more an ethical system than a religion, continues to have a basic and pervasive influence on Japanese thought.

About 1.5 million people in Japan are Christians, of whom approximately 60% are Protestant and 40% Roman Catholic.

Education

Japan provides free public schooling for all children through 6 years of elementary school and 3 years of junior high school. Ninety-four percent of students go on to 3-year senior high schools, and those able to pass the difficult entrance examinations enter 4-year universities or 2-year junior colleges. Students may attend either public or private high schools, colleges, and universities, but they must pay tuition. Japan enjoys one of the world's highest literacy rates; nearly 90% of Japanese students complete high school.



Buddhist monk at Asakusa Temple, Tokyo. (Photo courtesy U.S. Embassy)



Inokashira Park, Kichijoji.



The Noh Theater, oldest dramatic form preserved by the Japanese, attained its contemporary form during the 14th century. A principal character and a secondary figure recite and dance, while a seated chorus chants the story to the solemn music of a flute and drum.

Communications

Mass communications in Japan are more extensive than those of most other advanced, industrial nations. The mass media are highly competitive, even though they are considerably dominated by four national daily newspapers—the *Yomiuri*, the *Asahi*, the *Mainichi*, and the *Nihon Keizai Shimbun*—with individual circulations of 4–14 million (combined morning and evening editions). These newspapers and several smaller ones publish weekly magazines and have interests in commercial radio and television. The combined circulation of Japan's 178 newspapers totals more than 65 million (in a nation of 120 million people), and Japan publishes more than 3,500 magazines.

Radio and television follow the British pattern, with a nationwide, government-owned network competing with commercial networks. The Japanese motion picture and publishing industries rank among the largest in the world. With more than 31,000 new titles published in 1983, the Japanese publishing industry creates more new titles each year than the United States.

Social Welfare

In Japan, as in other parts of Asia, care of the sick, aged, and infirm until recently has been the responsibility of families, employers, or private organizations. However, to meet the needs of an urbanized, modern industrial society, this system has changed greatly, and the government conducts a broad range of modest, but successful, social welfare programs. These include health insurance, old-age pensions, a minimum wage law, and the operation of various hospitals and institutions for orphans, the handicapped, and the elderly. All major political parties are committed to providing increased and more effective social welfare services.

HISTORY

Traditional Japanese records contain the legend that the nation was founded in 600 B.C. by the Emperor Jimmu, a direct descendant of the Sun Goddess and ancestor of the present ruling imperial family. About A.D. 405, the Japanese court officially adopted the Chinese writing system. During the sixth century A.D., Buddhism was introduced. These two events revolutionized Japanese culture and marked the beginning of a long period of Chinese cultural influence, which resulted in a strong affinity for China.

From the establishment of the first fixed capital at Nara in A.D. 710 until 1867, the emperors of the Yamato dynasty were the nominal rulers, but actual power was usually held by powerful court nobles, regents, or "shoguns" (military governors).

Contact With the West

The first contact with the West occurred about 1542, when a Portuguese ship, blown off its course to China, landed in Japan. During the next century, traders from Portugal, the Netherlands, England, and Spain arrived, as did Jesuit, Dominican, and Franciscan missionaries. During the early part of the 17th century, growing suspicions that the traders and missionaries were actually forerunners of a military conquest by European powers caused the shogunate to place foreigners under progressively tighter restrictions. This culminated in expulsion of all foreigners and severing of all relations with the outside world, except severely restricted commercial contacts with Dutch and Chinese merchants at Nagasaki. This isolation lasted for 200 years, until Commodore Matthew Perry of the U.S. Navy forced the opening of Japan to the West and negotiated the Convention of Kanagawa in 1854.

Renewed contact with the West profoundly altered Japanese society. In 1868, the shogun was forced to resign, and an emperor was restored to power. The feudal system subsequently was abolished, and many Western institutions were adopted, including a Western legal system and constitutional government along quasi-parliamentary lines.

The Meiji Constitution initiated many reforms. Eventually, in 1898, the last of the galling "unequal treaties" with Western powers was removed, signaling Japan's new status among the nations of the world. In a few decades, by creating modern social, educational, economic, military and industrial systems, the Emperor Meiji's "controlled revolution" had transformed a feudal and isolated state into a world power.

Wars With China and Russia

Japanese leaders of the late 19th century, alert to internal and Western "power politics," regarded the Korean Peninsula as a "dagger pointed at the heart of Japan." It was over Korea that Japan became involved in war with the Chinese Empire in 1894–95 and with Russia in 1904–05. The war with China established Japan's dominant interest in Korea, while giving it the Pescadores Islands and Formosa as well. Japan defeated Russia in the 1904–05 war, and the resulting Treaty of Portsmouth awarded Japan certain rights in Manchuria and in southern Sakhalin, which Russia had received in 1875 in exchange for the Kurile Islands. Both wars gave Japan a free hand in Korea, which it formally annexed in 1910.

World War I to the Present

World War I permitted Japan, which fought on the side of the victorious Allies, to expand its influence in Asia and its territorial holdings in the Pacific. The postwar era brought unprecedented prosperity to the country. Japan went to the peace conference at Versailles in 1919 as one of the great military and industrial powers of the world and received official recognition as one of the "Big Five" of the new international order. It joined the League of Nations and received a mandate over Pacific islands north of the Equator formerly held by Germany.

During the 1920s, the country progressed toward establishing a democratic system of government. However, parliamentary government was not rooted deeply enough to withstand the economic and political pressures of the 1930s. During this period, military leaders were increasingly influential.



Kaneiji pagoda in Tokyo's Ueno Park framed by April's cherry blossoms.

Japan invaded Manchuria in 1931 and set up the state of Manchukuo. In 1933, it resigned from the League of Nations. The Japanese invasion of China in 1937 followed Japan's signing the "anti-Comintern pact" with Nazi Germany the previous year and was part of a chain of developments culminating in the Japanese attack on Pearl Harbor on December 7, 1941. After 3 years and 9 months of war, resulting in the loss of 3 million Japanese lives and including the atomic bombings of Hiroshima and Nagasaki, Japan signed an instrument of surrender on the



Diet building, seat of Japan's two-house parliamentary government.

U.S.S. *Missouri* in Tokyo Harbor on September 2, 1945.

As a result of World War II, Japan lost all of its overseas possessions and retained only the home islands. Manchukuo was dissolved, and Manchuria was returned to China; Japan renounced all claims to Formosa; Korea was granted independence; southern Sakhalin and the Kuriles were occupied by the U.S.S.R.; and the United States became the sole administering authority of the Ryukyu, Bonin, and Volcano Islands. The United States returned control of these islands to Japan by 1972 with the reversion of Okinawa.

After the war, Japan was placed under international control of the Allied Powers through the Supreme Commander for the Allied Powers, Gen. Douglas MacArthur. U.S. objectives were to ensure that Japan would become a peaceful nation and to establish democratic self-government supported by the freely expressed will of the people. Political, economic, and social reforms were introduced. The method of ruling through Japanese officials and a freely elected Japanese Diet (legislature) afforded a progressive and orderly transition from the stringent controls immediately following the surrender to the restoration of full sovereignty when the treaty of peace with Japan went into effect on April 28, 1952.

Since then, Japan has been ruled by conservative governments that maintain close cooperation with the West. The institutions of parliamentary democracy have become progressively stronger. The post-treaty period also has been marked by tremendous economic growth.

GOVERNMENT

Japan's parliamentary government—a constitutional monarchy—operates within the framework of a constitution that became effective on May 3, 1947. Sovereignty, previously embodied in the emperor, is vested in the Japanese people, and the emperor is defined as the symbol of the state. Japan has universal adult suffrage with a secret ballot for all elective offices. The government consists of an executive branch, responsible to the Diet, and an independent judicial branch. The government is essentially patterned on the British parliamentary model, with a House of Representatives and a House of Councillors.

Executive power is vested in a cabinet composed of a prime minister and ministers of state, all of whom must be civilians. The prime minister, who must be a member of the Diet, is appointed by the emperor on designation by the Diet and has the power to appoint and remove ministers, the majority of whom must be from the Diet.

Japan's judicial system, based on the model of Roman law, consists of several levels of courts, with the Supreme Court as the final judicial authority. The Japanese constitution includes a bill of rights similar to the U.S. Bill of Rights, and the Supreme Court has the right of judicial review. Japanese courts do not use a jury system, and there are no administrative courts or claims courts. Because of the system's basis in Roman law, court decisions are made in accordance with statute law, and only Supreme Court decisions have any direct effect on later interpretation of points of law.

The constitution requires that regulations for the organization and administration of local governments be "in accordance with the principle of local autonomy." However, Japan does not have a federal system, and its 47 prefectures are not sovereign entities in the sense that U.S. States are. Most are not financially self-sufficient but depend on the central government for subsidies. Governors of prefectures, mayors of municipalities, and prefectural and municipal assembly members are popularly elected for 4-year terms.

Principal Government Officials

Prime Minister—Noboru Takeshita

Cabinet
Justice—Masami Takatsuji
Foreign Affairs—Sousuke Uno
Finance—Tatsuo Murayama
Education—Takeo Nishioka
Health and Welfare—Junichiro Koizumi
Agriculture, Forests and Fisheries—Tsutomu Hata
International Trade and Industry—Hiroshi Mitsuzuka
Transportation—Shinji Sato
Posts and Telecommunications—Seiichi Kataoka
Labor—Hyosuke Niwa
Construction—Hikosaburo Okonogi
Home Affairs—Shigenobu Sakano
Chief Cabinet Secretary—Keizo Obuchi
Management and Coordination—Saburo Kanemaru
National Land—Hideo Utsumi
Defense—Kichiro Tazawa
Economic Planning—Koichiro Aino
Science and Technology—Moichi Miyazaki
Environment—Masahisa Aoki
Hokkaido/Okinawa—Chikao Sakamoto

LDP Officers
Secretary General—Shintaro Abe
Chairman, Executive Council—Masayoshi Ito
Chairman, Policy Affairs Research Council—Michio Watanabe

Ambassador to the United States—Nobuo Matsunaga
Ambassador to the United Nations—Hideo Kagami

Japan maintains an embassy in the United States at 2520 Massachusetts Avenue NW., Washington, D.C. 20008 (tel. 202–939–6700). Consulates general are in Anchorage, Atlanta, Boston, Chicago, Guam, Honolulu, Houston, Kansas City, Los Angeles, New Orleans, New York City, Portland, San Francisco, and Seattle; honorary consulates general are in Buffalo, Cleveland, Dallas, Denver, Detroit, Miami, Minneapolis, Mobile, Philadelphia, Phoenix, St. Louis, San Diego, and San Juan; and an honorary consulate is in American Samoa.

The Japan National Tourist Organization, at 630 Fifth Avenue, New York, N.Y. 10111, also maintains offices in Chicago, Dallas, San Francisco, Los Angeles, and Honolulu.

POLITICAL CONDITIONS

Japan is one of the most politically stable of all postwar democracies, ruled for more than 35 years by moderate and conservative political interests. A generally close cooperation among politicians, an efficient and dedicated bureaucracy, and the business community have given cohesion to national policymaking. The political organization representing Japanese moderate conservatism is the Liberal Democratic Party (LDP). The party is actually a coalition of several well-organized factions, the success of which depends on the factional leader's ability to obtain a position of power in the cabinet or party. Interest in sustaining conservative control of the government has maintained the unity of these LDP factions since the party's founding in 1955 through the merger of two smaller parties.

The largest of the four opposition parties is the Japan Socialist Party (JSP). Continuing ideological conflict between the Marxist class-struggle approach of its left wing and the more pragmatic approach of the right wing has kept the JSP from strengthening its own position in the Diet, while disputes with other opposition parties have frustrated attempts to form more than temporary, local-level alliances. The JSP's main support comes from the 3 million-member General Federation of Trade Unions (Sohyo). Although opposed to Japan's security relationship with the United States, the JSP is moving to strengthen its ties with the United States.

The Komeito (Clean Government Party) is a political affiliate of the Buddhist Soka Gakkai sect but has attempted to expand its base beyond the sect. The party grew rapidly in its early years but membership has leveled off. The Komeito is moderate but has joined the other opposition parties in parliamentary maneuvers against the LDP.

The Democratic Socialist Party (DSP) is a moderate socialist party patterned after the European social democrats. Its membership broke away from the JSP in 1960. Much of its support is from private sector labor unions.

No longer stridently revolutionary, the Japan Communist Party (JCP) rejects close ties with the Soviet Union and espouses a parliamentary road to power like the major West European communist parties. However, it remains hostile to the United States. It is unlikely that the JCP will ever have a broad electoral base.

The LDP has ruled Japan continuously since its founding in 1955. Although Japanese politics are stable, the LDP cannot take its parliamentary majority for granted. In the 1983 Lower House elections, the LDP lost its majority and was able to form a working majority within the Diet only after successful independent candidates joined the party and the New Liberal Club (now disbanded) joined the LDP in a coalition government. The LDP counts on the inability of its opponents to unite. Its excellent overall performance in the economy has improved the lot of the people in the postwar era, and it is still the only party that a majority of the public seems to trust to manage the economy.

This was reflected in the LDP's overwhelming victory in the July 1986 "double" elections for the Upper and Lower Houses of the Diet—it won 49.4% of the popular vote and 304 of the 512 Lower House seats. In the less powerful Upper House, the LDP now controls 143 of the 252 seats. All other political parties lost seats in the Lower House except the JCP, which remained even at 27, and the United Social Democratic party, which gained a seat, to 4. The JSP, the largest opposition party, fell from 113 to 86 seats, while the Clean Government Party (Komeito) dropped 2 seats to 57. The Democratic Socialist Party fell from 39 to 26, and the New Liberal Club from 8 to 6. It subsequently disbanded, and 5 of its 6 Lower House members rejoined the LDP.

Noboru Takeshita became prime minister in November 1987. In his selections for both senior party positions and cabinet ministers, Takeshita demonstrated continuity in policy from the preceding Nakasone administration. Takeshita also reaffirmed that U.S.-Japan relations would remain the cornerstone of Japan's foreign policy.

ECONOMY

Japan has few natural resources, and only 19% of its land is suitable for cultivation. The agricultural economy is highly subsidized and protected. With great ingenuity and technical skill, resulting in per hectare crop yields among the highest in the world, Japan maintains an overall agricultural self-sufficiency rate of about 70% on fewer than 5.6 million cultivated hectares (14 million acres). Japan produces a slight surplus of rice but imports large quantities of wheat, sorghum, and soybeans, primarily from the United States.

Hydroelectric power, although highly developed, accounts for only about 5% of Japan's energy supplies. Coal is found principally on Hokkaido and Kyushu but supplies only 15% of Japan's requirements. Coal mining is expected to decline further as industrial users refuse to continue to purchase domestic coal at two to three times the price of imported coal. Gold,

Travel Notes

Japan is one of the countries participating in the Nonimmigrant Visa Waiver Pilot Program. As such, visitors to Japan for either tourism or business for a period of less than 90 days who possess round-trip or onward tickets on a participating carrier do not need visas. This program expires September 30, 1991, unless it is extended by legislation. Meanwhile, for all other types of travel, including official business, a visa is required and must be obtained from a Japanese consulate or embassy before departure.

Travelers transiting Japan for less than a 72-hour stay may routinely apply for a special landing permit upon arrival, provided their passport is properly visaed for onward travel and entry and departure are from the same international airport. If travelers are in any doubt regarding specific transit plans, a visa should be obtained before departure. No immunization is neccessary for travel to Japan from the United States.

Detailed tourist information can be obtained from the Japan National Tourist Organization, 630 Fifth Avenue, New York, N.Y. 10111.



Above: The port of Tokyo is one of the leading in Japan. Much of its land area has been reclaimed.



Right: Hitachi Tohuku factory—VCR assembly line.

Below: Fish shop, Kichijoji.



magnesium, and silver meet current minimum requirements, but Japan is dependent on foreign sources for many of the minerals essential to modern industry. Iron ore, coking coal, copper, and bauxite must be imported, as well as many forest products.

Japan's exports earn only about 13% of its gross national product (GNP), much less than the percentage of other trading nations. Although small in terms of GNP, the Japanese traditionally have seen this trade as necessary for earning the foreign exchange needed to purchase raw materials for their advanced economy.

Japan's reservoir of industrial leadership and technicans, its intelligent and industrious work force, its high savings and investment rates, and its intensive promotion of industrial development and foreign trade have resulted in a mature industrial economy. Along with North America and Western Europe, Japan is one of the three major industrial complexes among the market economies.

Compared with the performance of most industrial nations over the past several years, the Japanese economy has performed well. Oil imports have declined steadily as Japan has adjusted to the higher price levels, and real economic growth has continued. Japan's era of double-digit growth appears to be over, although its growth rates still are among the highest of the developed countries.

Transportation

Japan has a well-developed international and domestic transportation system, although highway development still lags. Tokyo and Osaka International Airports and the ports of Yokohama, Osaka, Kobe, and Nagoya are important terminals for air and sea traffic in the western Pacific.

The domestic transportation system depends on the government-owned rail network. Rail transportation is supplemented by private railways in metropolitan areas, a developing highway system, coastal shipping, and several airlines. The rail system is efficient and well distributed and maintained throughout the country. The super express "bullet trains" take as little as 3 hours between Tokyo and Osaka, a distance of 520 kilometers (325 mi.).

Labor

Japan's labor force consists of approximately 60 million workers, 40% of whom are women. Members of labor unions number about 12.2 million, or about 27% of the nonagricultural labor force.

Rengo (Japanese Private Sector Trade Union Confederation), formed in November 1988, represents 5.5 million workers. Sohyo (General Federation of Labor) consists mainly of unions in the public sector; it has 3 million members. Under an agreement reached in 1988, Sohyo and Rengo are to merge in late 1989.

U.S.-Japanese Trade

The U.S. and Japanese economies are increasingly interdependent. Japan is the United States' largest trading partner after Canada, with more than $130 billion worth of goods flowing between the two countries in 1988. Japan purchased about $38 billion in U.S. products in 1988, more than U.S. exports to the United Kingdom and West Germany combined. Japan is the best market for U.S. farm products, buying more than $5 billion annually. U.S. exports to Japan are not just raw materials and food; however, nearly half are manufactures. Japan is the first or second best market for many U.S. manufactures, including chemicals, pharmaceuticals, photo supplies, commercial aircraft, nonferrous metals, plastics, and medical and scientific supplies.

However, the growing U.S. trade deficit with Japan is a source of major concern. The deficit in 1988 is expected to be $54 billion, down from $60 billion in 1987. Nevertheless, an important and troubling part of the deficit with Japan is caused by Japanese market restrictions.

Strong protectionist pressures and the desire for greater access to the Japanese market have spurred intensive U.S. Government efforts to urge Japan to continue opening markets. At their January 1989 meeting in Washington, President Bush and Prime Minister Takeshita reviewed progress achieved in balancing both economies, and in further opening Japan's market to U.S. goods and services. Both recognized the need for additional efforts in these areas.

U.S.-Japan trade talks have focused on four sectors where U.S. products are highly competitive—telecommunications, electronics, forest products, and medical equipment/pharmaceuticals. Although important progress has been made, more action is required in order to strengthen the U.S.-Japanese trade relationship. Additional sector talks will continue.

Impediments to trade in services have become prominent on the U.S.-Japan agenda in recent years as barriers to trade in goods have fallen. Major success has been achieved in securing Japanese commitments to foreign participation in Japan's legal services, public works, telecommunication network services, and financial markets. A number of restrictions in civil aviation and other services are the subject of ongoing talks.

Concerned by foreign criticism of its large current account surpluses, Japan has taken steps to reorient its economy away from exports toward greater reliance on domestic demand for economic growth. Over time, structural change should redress many of the root causes of Japan's trade imbalance with the United States and other trading partners.

There are considerable investment flows between the United States and Japan. U.S. direct investment in Japan rose by $3 billion from 1986 to 1987, much of it largely in finance, banking, and manufacturing. The total stock of U.S. direct investment in late 1987 totaled $14.3 billion. Japanese direct investment in the United States expanded by $6.6 billion in 1987 over 1986 with substantial increases in real estate, finance, and manufacturing. The total stock of Japanese direct investment in the United States at the end of 1987 was $33.4 billion.

DEFENSE

After World War II, the Allies disarmed and occupied Japan. Article IX of the Japanese constitution provides that "land, sea, and air forces, as well as other war potential, will never be maintained." During the Korean war, this position was modified by the establishment of a national police reserve force. Before the end of the occupation in April 1952, the first steps had been taken to expand and transform the force into the Self-Defense Force (SDF). At the same time, the Japanese Government derived from Article 51 of the UN Charter the doctrine that each nation has the right of self-defense against armed attack and that this right is consistent with Article IX of the Japanese Constitution.

In 1954, the Japan Defense Agency was created with the specific mission of defending Japan against external aggression. Ground, maritime, and air self-defense forces were established under a joint chiefs of staff organization patterned after that of the United States.

The United States and Japan are allied under the terms of the 1960 Treaty of Mutual Cooperation and Security. The security relationship dates from the early 1950s, when Japan was virtually defenseless. A security treaty and the peace treaty were negotiated in 1952. The present treaty, revised on a broader basis of equality, came into force on June 23, 1960, and became subject to abrogation by either party upon 1 year's notice in June 1970. At the time, both governments declared their intention to extend the treaty indefinitely.

The bases and facilities provided by Japan under the treaty do not exist solely for the defense of Japan. They are especially important to U.S. ability to maintain commitments to Japan and other allies in East Asia. U.S. military assistance to Japan was terminated at the end of 1967. Since 1952, U.S. military forces in Japan have decreased from more than 260,000 to the present level of about 60,000, more than half of whom are stationed in Okinawa. For Japan, the treaty provides a strategic guarantee against external attack.

As U.S. forces were withdrawn, the Japanese SDF expanded its capabilities and has assumed primary responsibility for the immediate conventional defense of Japan. Japan's defense roles and missions, which the United States supports, are the defense of its homeland, territorial seas and skies, and sea lines of communication out to 1,000 nautical miles. Japan has been increasing its defense budget annually and continues to make qualitative force improvements. Japanese forces are barred by law from overseas operations. As a matter of policy, Japan has foresworn nuclear armaments and forbids arms sales abroad.

In addition to support for its own forces, Japan also provides bases and facilities to U.S. forces in Japan and contributes more than $2.5 billion annually to maintain them, or more than $40,000 per service member.

In recent years, the Japanese public has shown a substantially greater awareness of security issues and increasing support for the security treaty and the SDF. However, there are still significant political and psychological constraints on strengthening Japan's defense. An important minority in Japan advocates strict interpretation of Article IX of the constitution. More generally, there continues to be a strong underlying antipathy, resulting from Japan's experience in World War II, toward military matters.

FOREIGN RELATIONS

Japan is a major economic power not only in Asia but in the world. Japanese foreign policy since 1952 has aimed at promoting peace and prosperity for the Japanese people by working closely with the West and through strong support for the United Nations. Japan has diplomatic relations with nearly all independent nations and has been an active member of the United Nations since 1956.

Although a military role for Japan in international affairs is precluded by its constitution and government policy, Japanese cooperation through the U.S.-Japan security treaty has been important to the peace and stability of East Asia. All Japanese governments in the postwar period have relied on a close relationship with the United States as the foundation of their foreign policy and on the mutual security treaty for strategic protection. In recent years, within the context of a close relationship with the United States, Japan has diversified and expanded its ties with other nations.

Further Information

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Japan's primary interests traditionally have been in Asia, and good relations with its neighbors continue to be of vital interest to Tokyo. After the signing of the peace and friendship treaty with China in 1978, ties between Tokyo and Beijing developed rapidly. The Japanese have extended significant economic assistance to the Chinese in various modernization projects. At the same time, Japan has maintained economic but not diplomatic relations with Taiwan and with South Korea, where a strong bilateral trade relationship thrives.

Although the Japanese have sought to improve relations with the Soviet Union, relations between Tokyo and Moscow have never been close, because the Soviets continue to occupy the Northern Territories—small islands off the coast of Hokkaido that have been occupied by the U.S.S.R. since the end of World War II. The Japanese reacted strongly to the Soviet invasion of Afghanistan and supported various initiatives, including boycotting the Moscow Olympics, to express criticism of this action.

The Japanese have pursued a more active foreign policy in recent years, recognizing the responsibility that accompanies Japan's economic strength. Japan has expanded its ties with the Middle East, which provides most of its oil. The Japanese also have been increasingly active in Africa and Latin America and have extended significant support to multilateral development projects in both regions.

Development assistance is one of the three pillars of Prime Minister Takeshita's foreign policy. Japan is likely to become the world's largest aid donor in 1989, surpassing the United States. In 1987, Japan disbursed $7.4 billion in development assistance, or 0.31% of Japan's GNP.

U.S.-JAPANESE RELATIONS

The close and cooperative relationship with Japan is the cornerstone of U.S. policy in Asia and the basis of a strong, productive partnership in addressing global issues. Despite different social and cultural traditions, Japan and the United States have much in common. Both have open, democratic societies, high literacy, freedom of expression, multiparty political systems, universal suffrage, and open elections. Both have highly developed, free market industrial economies and favor an open and active international trading system.

President Bush and Prime Minister Takeshita reaffirmed the vital importance of U.S.-Japan relations to peace and prosperity in the world. Given Japan's economic power and its growing international role, it clearly has become one of the most important countries to the United States.

Bilateral trade problems attract significant attention and often generate considerable controversy within the relationship. The United States is working hard to achieve greater access to Japan's markets and has made some progress. At the same time, trade problems represent only one part of an extremely broad and important relationship. Overall U.S. policy toward Japan transcends these issues and is based on three principles.

First, the United States has worked to achieve a close bilateral relationship with Japan as an equal partner. The past decade has brought a significant expansion of Japan's economic and technological prowess, an increase in its defense awareness and capability, and a greater interest and involvement in international political and economic affairs. Although there still are differences in their relative political, economic, and military positions in the world, both nations approach and conduct their relationship as equals.

Second, because of the two countries' combined economic and technological impact on the world—together accounting for 40% of world GNP and 60% of the Western industrialized nations' GNP—the U.S.-Japan relationship has become global in scope. Although in the past the partnership has been measured primarily in economic and technological terms, in the future it will have a larger political dimension as Japan assumes a greater international role and associates itself more actively and closely with Western political and security goals.

Third, Japan is becoming increasingly assertive in global matters and is forging a wider international role. During most of the postwar period, Japan played an international role similar to that followed throughout most of American history—pursuing economic interests while eschewing political involvement. But particularly since the events in Iran and the Soviet invasion of Afghanistan in 1979, the Japanese have come to realize that their own well-being is affected directly by political and security developments elsewhere in the world.

The United States encourages this trend toward a broader international political and economic role by Japan, within the framework of a continued close bilateral relationship. The United States has called for an "international partnership" with Japan, in which the combined efforts of the two countries can be utilized to promote peace and prosperity throughout the world.

Principal U.S. Officials

Charge d'affairs ad interim—L. Desaix Anderson
Economic Minister-Counselor—Aurelia E. Brazeal
Political Minister—Rust M. Deming
Public Affairs Minister—Robert L. M. Nevitt
Administrative Minister—Jose J. Cao-Garcia
Commercial Minister—Keith R. Bovetti
Agricultural Minister—Bryant H. Wadsworth
Consul General—M. Patricia Wazer
Labor Counselor—John J. Lamazza
Financial Attache—John K. Hartzell
Science Attache—Richard W. Getzinger
Defense Attache—Capt. S. A. Van Hoften
Customs Attache—Gary Waugh
Mutual Defense Office Director—Capt. Walter T. Dziedzic

The U.S. Embassy in Japan is located at 10–5 Akasaka 1-chome, Minato-ku, Tokyo (107); tel. 224–5000; fax 505–1862; mailing address: American Embassy Tokyo, APO San Francisco 96503. U.S. Consulates General are in Osaka, Sapporo, and Naha, and a Consulate is in Fukuoka. The American Chamber of Commerce in Japan is at 7th floor, Fukide No.2 Bldg., 1–21 Toranomon 4-chome, Minato-ku, Tokyo (105). ■

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JAPANESE YEN (Y) CONVERSION TABLE AT Y 126 = U.S. $

(Yen = 100 sen)

YEN TO U.S. DOLLARS		U.S DOLLARS TO YEN	
Yen	U.S. $	U.S. $	Yen
10	0.08	0.10	12.60
25	0.20	0.25	31.50
50	0.40	0.50	63.00
75	0.60	0.75	94.50
126	1.00	1.00	126.00
500	3.97	2.00	252.00
1,000	7.94	5.00	630.00
2,000	15.87	10.00	1,260.00
5,000	39.68	20.00	2,520.00
10,000	79.37	50.00	6,300.00
25,000	198.41	100.00	12,600.00
50,000	396.83	300.00	37,800.00
100,000	793.65	500.00	63,000.00

NOTE: ALL U.S. DOLLAR VALUES ARE ROUNDED TO NEAREST U.S. CENT. VALUE OF YEN FLUCTUATES DAILY ACCORDING TO CURRENCY MARKET CONDITIONS.

1/17/89

Japan Site Information

Shinjuku Gardens

Shinjuku Gardens (Shinjuku Gyoen) is the site of the funeral of Emperor Showa. It is a 144-acre park located just northwest of the center of Tokyo. The Gardens were landscaped under the direction of Professor Henri Martinet of the Ecole Nationale d'Horticulture de Versailles between 1901 and 1906. The park contains excellent examples of both Japanese and French gardening and landscaping techniques. The Gardens have belonged to the Imperial household since 1879. Until 1872, about half the site was the residence of Lord Naito of Shinshu (modern Nagano prefecture). With the end of the Tokugawa shogunate, Lord Naito's property was acquired by the state, together with an adjoining 73-acre area. The properties were under the administration of the Ministry of Finance (until 1874) and then the Ministry of Home Affairs, until their acquisition by the Imperial household.

Prior to becoming Imperial household property, the site had been an agricultural research station. The grounds have subsequently served as as a horticultural research site and at one time were a source of vegetables and rice for the Imperial household. Each spring, the Imperial household hosts cherry blossom viewing events in the Gardens, where the 1,900 cherry trees (representing 34 species) and expansive lawns stand out in colorful contrast to the drab gray of the surrounding neighborhood. Many of the cherry trees are arrayed around a large central grass mall, upon which the Japanese Government has erected the pavilions that will accommodate the heads of state, mourners, and other dignitaries on Feb. 24.

Imperial Palace

The palace, one of several belonging to the Imperial household, is situated at the center of Tokyo, surrounded by a moat. The Imperial Palace grounds cover about 1.2 million square meters (284 acres), bounded on the east by Tokyo's financial district and on the south by a neighborhood containing major government ministry buildings. The Imperial Palace was once the site of Edo Castle, the residence of the shoguns who ruled Japan during the Tokugawa era. With the Meiji restoration in 1868, the Imperial family moved the castle from their former residence in Kyoto. The castle was razed in 1945 after suffering extensive damage during the war, and the current two-story structure, completed in 1968, represents an aesthetically appealing combination of the old and new in Japanese architecture.

The Imperial family resides in the nearby Fukiage Palace, and the Imperial Palace is used for official court functions, including receiving and entertaining state guests and holding state ceremonies. The ceremony by which Emperor Akihito ascended to the throne was held in the Imperial Palace in the presence of members of the Imperial family, the Prime Minister, and members of the cabinet shortly after the death of the late Emperor.

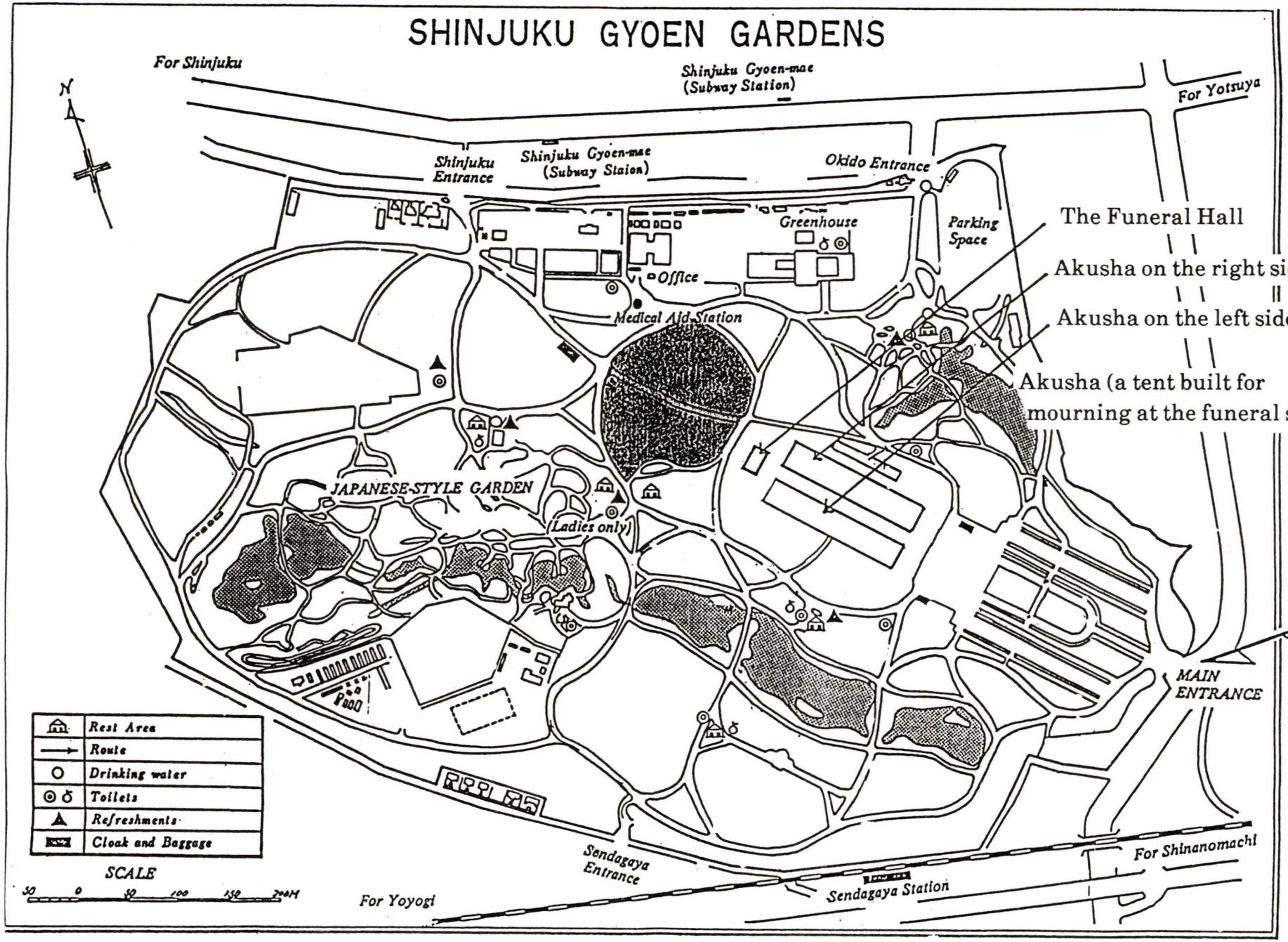
American Embassy

The American Embassy, an impressive, modern building designed by architect Cesar Pelli and completed in 1976, towers 10 stories high in the heart of busy downtown Tokyo. In addition to housing offices for most U.S. Government Agency representatives stationed in Tokyo, it contains a large, multi-function auditorium on the first floor, adorned by a huge, hand-crafted Great Seal of the United States. The Embassy proudly displays fine works of art by leading American artists, including six Frank Stella prints on the first floor. On the Embassy grounds is a commemorative tree donated by Ohbayashi-Gumi, which constructed the Chancery. The tree was 200 years old when presented in the U.S. bincentennial year. A small Japanese garden, located near the Chancery entrance, was donated by the Japan-American Society.

Akasaka Palace

Akasaka Palace, originally constructed in 1906 as the residence of Emperor Taisho, the current Emperor's grandfather, was renovated in 1974 to serve as Japan's official state guesthouse. Then-Vice President Bush stayed at the Palace during his 1982 visit, as did former President Reagan in 1983. The neo-baroque building was modeled on the Palace of Versailles and the has a total floor space of 15,000 square meters. Among the several banquet halls it contains is the Asahi-no-Ma, literally "Hall of the Rising Sun." Named for the oil painting on the ceiling of a goddess in front of a rising sun, the room is decorated in late 18th-century French style. It is ringed by 16 pillars of speckled pink Norwegian marble and embellished with a rare Kyoto carpet made of threads of 47 different shades of purple. The Asahi-no-Ma, over 200 square meters in size, is used primarily for state functions involving the Emperor or Prime Minister.

SHINJUKU GYOEN GARDENS



The Funeral Hall

Akusha on the right side

Akusha on the left side

Akusha (a tent built for mourning at the funeral site)

Emperor SHOWA

JAPAN

(Phonetic: showah)

Reign (1926–89)



(1975)

The longest reigning monarch (62 years) in the history of the 1,600-year Chrysanthemum throne, Hirohito died of cancer on 7 January 1989. Following his death, by Japanese tradition, he is referred to as Emperor Showa (Enlightened Peace)—the title of the era of his reign. He witnessed the events of more than half of Japan's modern history. The last of Japan's leading World War II figures, the Emperor was widely viewed as a link between prewar and present-day Japan. After he renounced his divinity in 1946, the monarchy evolved into a remote institution removed from politics.The Emperor served as the symbol of the state and the unity of the people as stipulated in the postwar constitution. Subsequently, his duties included receiving ambassadors and other dignitaries, signing government documents, and attending public functions.

Hirohito was the first heir to the throne to travel abroad; he toured England and France in the 1920s. As Emperor, he visited Europe and the United States in the 1970s. According to the press, he enjoyed the Western lifestyle; he lived in a splitlevel house on the palace grounds and often wore his favorite US souvenir—a Mickey Mouse wristwatch from Disneyland.

Hirohito was born on 29 April 1901. Formally educated at Gakushuin School (a school for nobility) and by tutors, he became Crown Prince in 1916. He ascended to the throne on 25 December 1926. An accomplished marine biologist, he wrote at least nine books on biology and discovered a Pacific crustacean that was named after him.

The late Emperor is survived by the Empress Dowager Nagako and three children—his eldest son Akihito succeeded his father. As a sign of respect, the personal name of the Emperor is never used in conversation.

8 February 1989

AKIHITO

JAPAN

(Phonetic: ahkeeheetoh)

Emperor (since 7 January 1989)

Addressed as: Your Majesty



©

The 125th emperor in an unbroken line of rule, Akihito heads the world's oldest reigning family. The emperor, described in the Japanese Constitution as the symbol of national unity, plays a strictly ceremonial role. Akihito is well groomed for his position, having gradually inherited imperial duties over the last few years, particularly during the final stages of the illness of his father, the late Emperor Hirohito. These duties include overseeing various traditional Shinto rituals, functioning as a leading patron of the arts, dignifying great occasions, and greeting foreign visitors.

Akihito's preference for a more open, democratic monarchy is well known. His history of breaks with royal tradition is evidence of his desire to update the monarchy. He is the first emperor to have married a commoner and to have given his sons an education abroad. He and his wife, the former Michiko Shoda, also insisted on rearing their children at home rather than leaving them to the care of court officials. According to the press, Akihito has worked to relax security measures and to bring the family closer to the public. For example, he and his family took a public commuter train—although completely emptied by security officials—to a children's park in 1985. (His father rode on a special train and had his own train station.)

According to the press, Akihito and Michiko will travel overseas on state visits and undertake a wide range of diplomatic activities in Tokyo. They visited the United States most recently in October 1987.

Akihito was born on 23 December 1933. After finishing his studies at the Gakushuin High School—a special school primarily for the nobility—he studied at its affiliated Gakushuin University until 1956. He is a marine biologist who has written several papers on gobyfish—some freshwater varieties of which are found in the highland streams of Asia. He is also interested in history and in natural history. Akihito studied English under two American teachers at the end of World War II and still retains some speaking ability in the language. He has also studied French and German. Akihito is an enthusiastic tennis player, and he enjoys horseback riding as well.

Akihito's wife was born into a prominent Tokyo industrialist family whose ancestors were samurai. Her courtship with the then Prince is popularly known as the "tennis court romance" because that is where they met; they were married in 1959. The imperial couple has two sons, Crown Prince Naruhito (formerly called Prince Hiro) and Prince Aya, and a daughter, Princess Nori. Naruhito was a postgraduate history student at Oxford University, and Prince Aya began his studies there this year.

24 January 1989

MICHIKO

(Phonetic: meecheeko)

JAPAN

Empress



©

The daughter of a prominent Tokyo industrialist, Michiko Shoda is the only commoner to have married an heir to the throne. She assists her husband, Emperor Akihito, in carrying out his royal duties. They entertain foreign dignitaries and are leading patrons of the arts. The darling of the press corps, Michiko enjoys more publicity than her reserved, academic husband. Widely viewed as a role model for traditional Japanese women, she is admired for her gentle disposition and dedication to her family. She and Akihito have broken with royal tradition by rearing their children at home rather than leaving them in the care of the court.

Michiko was born on 10 October 1934. In 1957 she graduated from the exclusive Sacred Heart University in Tokyo, where she was valedictorian and class president. She married Akihito in 1959; their courtship was dubbed the "tennis court romance" because they met while playing tennis. Her interests include foreign languages, history, and classical music; she plays the harp and the piano. Michiko is fond of handicrafts, such as embroidery and weaving; she is also accomplished in the traditional arts of flower arranging and performing the tea ceremony. She enjoys sports and was once an avid skier.

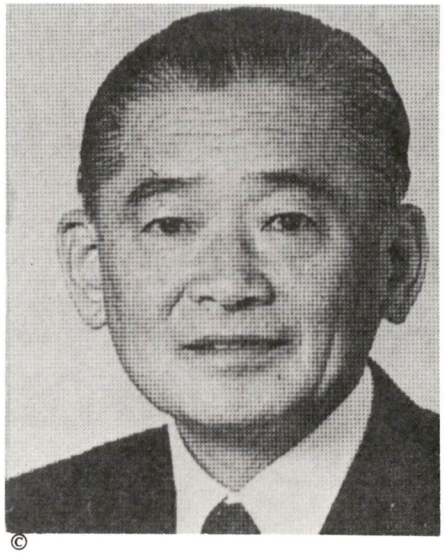
The Empress speaks excellent English. She has traveled extensively with her husband. The royal couple most recently visited the United States in October 1987. They have three children: Crown Prince Naruhito, who is heir to the throne and the first royal family member to study abroad at Oxford; Prince Aya, who currently attends Oxford; and Princess Nori.

9 January 1989

Noboru TAKESHITA **JAPAN**
(Phonetic: tahkehshtah)

Prime Minister
(since November 1987)

Addressed as: Mr. Prime Minister


©

A longstanding, prominent member of the ruling Liberal Democratic Party (LDP), Noboru Takeshita is widely recognized as a skillful politician. During his first term in office, he has taken numerous overseas trips—to Southeast Asia, China, South Korea, the United States, and Europe—and has emphasized a foreign policy agenda that promotes greater Japanese foreign aid and peacekeeping efforts. In December 1988 he achieved a milestone with the passage of his tax-reform legislation. More recently, however, the unpopular consumption-tax provisions and fallout from a major insider stock trading scandal implicating numerous politicians, bureaucrats, and businessmen have lowered his public approval ratings. Takeshita is expected to run for a second two-year term in October.

Takeshita was born on 26 February 1924. After graduating from the Department of Commerce at Waseda University in 1947, he taught in a junior high school. He served two terms in the Shimane Prefectural Assembly before entering the Diet in 1958. Within the LDP he has been chairman of the Youth Committee (1961-66) and of the National Organization Committee (1977-78) and senior deputy secretary of the party (1981-82). He served as Chief Cabinet Secretary under former Prime Ministers Eisaku Sato (1971) and Tanaka (1974). He was Minister of Construction in 1976. In 1977 he helped organize the Japan Forum for a Free Society, an LDP-oriented study group of prominent young businessmen, intellectuals, and politicians. He was Finance Minister during 1979-80 and 1982-86. He also served as secretary general of the LDP from 1986 until obtaining his present position.

As a young man, Takeshita competed as a sumo wrestler; he also holds a black belt in judo. He has visited the United States many times. In 1986 he received an honorary law degree from Columbia University in recognition of his contributions to US-Japanese economic relations. Takeshita and his wife, Naoko, have three daughters.

24 January 1989

Sosuke UNO **JAPAN**
(Phonetic: oono)

Minister of Foreign Affairs
(since November 1987)

Addressed as: Mr. Minister



The mutlifaceted Sosuke Uno, a member of the Liberal Democratic Party (LDP) faction led by former Prime Minister Yasuhiro Nakasone, has experience in a wide range of issues, including trade, defense, and science and technology. He is also an expert on tax policy. Reappointed to his portfolio in a Cabinet shuffle on 27 December 1988, he has pledged to continue promoting Prime Minister Noboru Takeshita's foreign policy agenda. That agenda includes increased economic assistance to developing countries, greater participation in multilateral peacekeeping efforts, and more vigorous promotion of international cultural exchanges. Uno played a role in creating Japan's version of the Peace Corps.

After attending the Toronto Economic Summit in June 1988, Uno led a delegation to Syria, Jordan, Egypt, and Israel in an effort to emphasize Japanese support for the Middle East peace process. In so doing, he became the first Japanese Cabinet minister to visit Israel. In August he traveled to Central America. Uno briefly visited the United States in December 1988 and traveled to Montreal to represent his country at the GATT Uruguay Round midterm review.

Uno was born on 27 August 1922. He studied at Kobe University of Commerce before joining the Army. Captured by the Soviets during World War II, he wrote a book about his experience as a POW that was later made into a movie entitled *I was a POW in Siberia.* Uno began his political career as a Shiga Prefecture assemblyman in 1951 and later became a personal secretary to then LDP strongman and future Prime Minister Ichiro Kono. First elected to the lower house of the Diet in 1960, he is now in his ninth term. He has served as parliamentary vice minister of international trade and industry (1966-67), Director General of the Japan Defense Agency (1974), and Director General of the Science and Technology Agency (1976-77). He was Director General of the Administrative Management Agency during 1979-80 and deputy secretary general of the LDP from 1982 until assuming his current post. During June-December 1983 he served concurrently as Minister of International Trade and Industry.

Uno is a man of broad interests. He is the author of several novels and a collection of haiku. He also plays the piano and the harmonica and is a knowledgeable fan of American swing music. In addition, he is a painter and caricaturist. A devotee of the Japanese martial arts, Uno is a judo expert and a master swordsman. He speaks some English.

24 January 1989

L. Desaix Anderson
Chargé d'Affaires, Tokyo

L. Desaix Anderson was designated Chargé d'Affaires upon the retirement of Ambassador Mike Mansfield. Mr. Anderson joined the Department of State in 1962. Previous overseas assignments include Taipei (1970-73), Bangkok (1977-80), and previously in Tokyo as Political Officer (1973-76). He was appointed DCM to Tokyo in July 1983.

Mr. Anderson was born in Tennessee in 1936. He attended the University of California at Berkeley and received an AB from Princeton University in 1958.

Rust M. Deming
Counselor for Political Affairs, Tokyo

Aurelia E. Brazeal
Counselor for Economic Affairs, Tokyo

Jon K. Hartzell
Counselor for Financial Affairs, Tokyo

Keith R. Bovetti
Counselor for Commercial Affairs, Tokyo

John J. Lamazza
Counselor for Labor Affairs, Tokyo

M. Patricia Wazer
Counselor for Consular Affairs, Tokyo

Jose J. Cao-Garcia
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Bernd W. Schaumburg
Regional Security Officer, Tokyo

Robert L. M. Nevitt
Public Affairs Officer, Tokyo

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Scientific Attache, Tokyo

Bryant H. Wadsworth
Agricultural Attache, Tokyo

Edwin T. Kaneko
Federal Aviation Administration, Tokyo

Laverne Brabant
Agricultural Trade Office, Tokyo

Dennis Tsujimoto
Internal Revenue Service, Tokyo

Gary W. Waugh
Customs, Tokyo

Capt. Walter T. Dziedzic USN
Mutual Defense Office Director

Capt. S.A. VanHoften USN
Office of the Defense Attache, Tokyo

THE WHITE HOUSE

Office of the Press Secretary

BACKGROUND BRIEFING
BY
SENIOR ADMINISTRATION OFFICIAL

February 1, 1989

The Briefing Room

9:17 A.M. EST

MR. POPADIUK: Let me go and say good morning once more and welcome to the BACKGROUND pre-brief on Prime Minister Takeshita's upcoming visit with the President.
for use in sound and camera

Q I thought everything was going to be on the record in this administration.

Q Don't worry, it will be on the record tomorrow.

SENIOR ADMINISTRATION OFFICIAL: Just a few opening comments if I might make them. Some of you may wonder why this visit's taking place so early in the new administration. The answer is that this relationship between the U.S. and Japan is a very important one. Japan is a close ally, our largest overseas market, and a formidable economic competitor. We are Japan's largest market, most lucrative investment destination and its military ally.

Through cooperation, we believe we can accomplish a great deal in providing aid to countries that need it, in planning to improve the environment, by coordinating economic policies for mutual prosperity, through managing the free trade system in ways that maximize the benefit for all.

Given the scale of our relationship, it's only natural that we have problems, specific complaints that must be handled. Therefore, it's very important for our two leaders to meet early on to establish a personal rapport in a broadbrush agenda. Our respective governments can proceed to get on with the work that lies ahead.

The leaders are not meeting to reach any new agreements, or to achieve miracles. They are here to get to know each other better, to set a tone and direction of cooperation for the relationship.

With those broad, general remarks, I'll be happy to answer any individual questions you might have.

Q What are the complaints?

Q What would those problems and specific complaints be for this particular meeting?

SENIOR ADMINISTRATION OFFICIAL: I don't know as we're going to have any specific complaints as such. We're going to talk about -- basically, as I said, the purpose of this meeting is to get to know -- to have the President and the Prime Minister get to know each other on a personal basis a little better than they do right

now, and to talk about managing the relationship and moving ahead iwth it. I mean, as you know in the trade area, we have a very substantial trade deficit, even though that has decreased some over the past year, moved from about -- almost $60 billion to something like $54 billion, so it's still very, very enormous, and so we have to work on that and do a lot on it. And we have specific issues with Japan in terms of opening our markets, the problems that -- the economic restructuring of Japan is taking place. All of these sorts of things we want to talk about, and that will be discussed.

Q Would you say that these problems and specific complaints that you referred to occur primarily in the trade area?

SENIOR ADMINISTRATION OFFICIAL: Oh yes, that's specifically what we're talking about, I think, in the trade and economic area. I think in the --

Q Is the U.S . satisfied with the recent increases in defense spending and foreign aid that were announced in Tokyo? Are you going to encourage Japanese to still do more beyond those?

SENIOR ADMINISTRATION OFFICIAL: Well, we feel that the increases are very good. The 5.9 percent which the Japanese government has announced for its next budget beginning in April of this year we feel is very heartening and will allow her to basically carry out most of the elements in her plan -- in her military plan. And we believe that the increase in overseas development assistance -- I think that was something like 7.8 percent -- is very healthy and very good. And we think that the manner in which Japan is supporting U.S. forces in her country -- something like $2.5 billion, and that's hopefully on the increase. So we would like to see a lot of these things increased, and we want to see things done particularly in the overseas development assistance, in close cooperation with us. But Japan is moving in the right direction and we're very pleased with that. And we want to see that that continues and goes forward.

Q I understand that there are reports Takeshita might propose a new way of resolving trade disputes with the United States -- sort of a binational panel to bypass a lot of these things. Have you heard he's bringing such a proposal? Are you interested in that?

SENIOR ADMINISTRATION OFFICIAL: Well, we believe that we do have a great many mechanisms now which are working in the ways in which we negotiate and discuss and try to settle the issues that we have in the trade and economic area, but that doesn't mean we're not willing to look at any new suggestions that the Prime Minister may bring with him, and we will certainly do that.

Q Is he bringing those suggestions?

SENIOR ADMINISTRATION OFFICIAL: I don't know. He may be. We don't have them as of now. We'll see what he comes with.

Q Do you have any indications?

SENIOR ADMINISTRATION OFFICIAL: Well, we have indications that he may have something, but I don't know what it is specifically. We'll see.

Q Would this meeting have taken place so early were it not for the pending Hirohito funeral, or for the problems that Takeshita has within his own cabinet?

SENIOR ADMINISTRATION OFFICIAL: Oh, I think this meeting would have taken place in any event, whether any of those things --

Q Now? This early?

Q This early?

Q Was it not scheduled on rather short notice and scheduled because of the closeness of the funeral?

SENIOR ADMINISTRATION OFFICIAL: No, really, that was not the motivating factor here. It was very early on after the election of President Bush that they decided that we would try to get as early a meeting as possible with Prime Minister Takeshita.

Q When was that decided, and at whose initiative?

SENIOR ADMINISTRATION OFFICIAL: Well, the Japanese were very anxious, I think, to have such a meeting, and we were as well. So I wouldn't say it was necessarily on anybody's initiative. We just felt that -- and both sides felt that in view of the nature of the relationship and the importance of it that we should have an early-on meeting.

Q But the sequence of events is what, I guess, strikes us as curious, because the Emperor died, the funeral was announced, it was announced that Bush was going there, and then it was announced that Takeshita was coming here in advance. So it seems that it was deemed important by one side or the other that the two meet before the President goes to Tokyo.

SENIOR ADMINISTRATION OFFICIAL: Well, as I say, that was not the key factoring here at all. It was determined that they should meet very early on, shortly after the inauguration of the new President.

Q What was the second part of his question?

Q The second part of the question was -- yes, can you assess the problem that Mr. Takeshita has within his own government?

SENIOR ADMINISTRATION OFFICIAL: No, I don't want to go into the internal affairs of Japan. I think that's up to him to talk about that.

Q Too touchy?

SENIOR ADMINISTRATION OFFICIAL: It's just not for me to do, I don't think -- for us to assess that sort of thing.

Q Following Charles' question, though, I think the heart of the question is, if the President is going to this funeral anyway, why is it necessary for Takeshita to come here? They could do this -- they could get to know each other at the funeral, presumably. So, why have a bilateral here when Bush was going to Japan anyway?

SENIOR ADMINISTRATION OFFICIAL: Well, I think it's important that they meet here -- this occasion. After all, the Prime Minister is going to be, as you can imagine, terribly important with all sorts of heads of state coming to Tokyo. That's not really where you can conduct business -- at the funeral of the Emperor. I think it would be very, very difficult for the Japanese Prime Minister and his Foreign Minister to engage in the kind of discussions that we intend to have here in Washington tomorrow.

Q Touching on that --

Q Do you -- does the United States -- I know it may seem a bizarre question -- have any concern about the buying up of so much property -- real estate and so forth, assets in the United States by the Japanese? Is this a problem or is it just laissez-faire?

SENIOR ADMINISTRATION OFFICIAL: I don't think it's a -- I mean, it's something that's discussed a great deal -- Japanese investment in this country. But I think we do have to put it in

perspective when we look at it that Japanese investment is somewhat less than British investment and a bit less, as I understand it, than Dutch investment. They are third in line, so to speak, and I don't think that -- in my view at least -- that the American economy is hurt at all by such an investment. Seems to me we're probably helped by it.

Q Touching on the subject of the funeral, sir -- have the Japanese raised at all any questions about the propriety of President Bush having bilateral meetings while he's in Tokyo?

SENIOR ADMINISTRATION OFFICIAL: No, none at all. They haven't raised that question at all.

Q Can you give us just the outline of Mr. Takeshita's schedule while he's going to be in this country -- just who he's going to be meeting with especially in Washington and confirm the Reagan visit?

Q Reagan?

SENIOR ADMINISTRATION OFFICIAL: Yes, he will be meeting with the former President in California. He arrives tonight and he has a private evening. And then tomorrow he begins his meetings here. He will meet in the morning with the President. I don't know whether we've -- I think you've got his schedule here if I can just glance at it. Secretary Baker will be meeting with the Prime Minister before the meeting here in -- with the President, between the President and the Prime Minister. He'll come over here at 11:00 a.m. There will be a meeting for about an hour and then a continuation at a working lunch. And then there will be the departure statements which will be made by the President and the Prime Minister.

Then in the afternoon, Prime Minister Takeshita will go to Capitol Hill. He'll meet with Speaker Wright and the House leadership. Then there will be a dinner hosted by the Prime Minister tomorrow evening. He will meet in the morning --

Q Who will represent us at that meeting, sir?

SENIOR ADMINISTRATION OFFICIAL: Secretary Baker.

There will be a coffee hosted by the Senate Majority Leader on Friday; and then a lunch, which will be fairly large, given by Secretary Baker for the Prime Minister. In the afternoon, he'll have a press conference and then he'll depart at 7:00 p.m. Friday evening.

Q Do you anticipate that President Bush and Prime Minister Takeshita will discuss the Latin American debt problem? And do you anticipate that Mr. Takeshita will be bringing any proposals to the U.S.?

SENIOR ADMINISTRATION OFFICIAL: We don't know that he's specifically bringing any proposals. They may very well discuss the debt problem. I wouldn't be surprised at that.

Q Sir, Senator Tower in his hearings has expressed some misgivings about the one percent cap on defense spending. And I'm just wondering if this foreshadows a change in U.S. policy and that the United States will encourage Japan to go beyond the one percent cap or whether we're content with it.

SENIOR ADMINISTRATION OFFICIAL: Well, our policy has always been and still is that we are not -- we don't bother ourselves too much with percentages; what we're interested in is what Japan really contributes to her own defense and that this fits within the broad security plan of both the United States and Japan for her defense and for the defense of that northeast Asia region. So I

think that's what emphasis should be placed upon, rather than on specific percentage increases.

MR. POPADIUK: Let's take a last question, in the back.

Q Will the Philippines be discussed? Funding?

SENIOR ADMINISTRATION OFFICIAL: Oh, I'm sure it will be. Every issue of consequence --

Q Any specifics expected from the Japanese on that point?

SENIOR ADMINISTRATION OFFICIAL: Well, I don't -- are you talking about the multilateral assistance initiative? Yes. Well, we are in continuing discussions with the Japanese on that and we have been for several months now. And I think the matter will be reviewed by the two leaders, I'm sure.

MR. POPADIUK: Thank you.

Q You've had an intimation of new suggestions in trade that he's bringing, right?

SENIOR ADMINISTRATION OFFICIAL: Well, the question as it was put to me was the possibility of -- new possible -- what? -- fora of leadership and so forth, meeting on it -- that kind of thing. As I say, we have all that in place anyway. But I think he's going to have some suggestions on it.

THE PRESS: Thank you.

END 9:25 A.M. EST

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release February 2, 1989

PRESS BRIEFING BY
ASSISTANT SECRETARY OF STATE
FOR EAST ASIAN AND PACIFIC AFFAIRS
GASTON SIGUR

The Briefing Room

1:55 P.M. EST

MR. POPADIUK: All right, good afternoon. I think I've just stated the ground rules for everyone, so we're clear on that. Welcome to the readout on Prime Minister Takeshita's visit with the President. Today's briefer is Assistant Secretary of State for East Asian and Pacific Affairs Gaston Sigur. Just to restate, this is an ON THE RECORD briefing, but not for sound or camera. Only silent film footage up front for the first five minutes. Gaston.

DR. SIGUR: I'll make a few opening remarks, if I might -- and then open it up to questions -- to say that the President and the Prime Minister had a very good visit together. They got better acquainted. They established a relationship on a first-name basis that will encourage our respective governments to plan for the future and tackle the problems ahead of us. That Prime Minister Takeshita was the first visitor in the Bush administration symbolizes the importance of U.S.-Japan relations and of that relationship in global terms and the President emphasized this.

The President and the Prime Minister reviewed the issues facing the two countries and agreed that continuity is the hallmark of our relationship. The President assured the Prime Minister that U.S. interests are global and that the United States will continue to shoulder its obligations. "We are not pulling back," the President said.

The leaders reconfirmed that the Mutual Security Treaty is the foundation of our relationship. And the President stressed the need for our allies to assume greater responsibilities. Creative responsibility sharing, as Secretary Baker called it in his hearings. The President welcomed the steady improvement in Japan's defense capabilities. The President and the Prime Minister discussed the need for development assistance and the President applauded Japan's increases in its Overseas Development Assistance Program. The leaders agreed on the importance of supporting democracy in the Philippines and pledged to make every effort to launch the Multilateral Assistance Initiative this year.

The leaders touched on economic issues and reviewed the progress our nations have achieved in bringing our economies into better balance and in opening our markets. They recognized, of course, the need for strenuous efforts to continue and for concrete results.

The Prime Minister reaffirmed his determination to emphasize domestic growth and promote structural adjustment. The President on his side said that he was determined to reduce the budget deficit. The leaders agreed to consult closely on issues of importance, using established mechanisms, especially the economic summit. They also agreed on the importance of a successful Uruguay round. And the President emphasized the need for cooperation in the agricultural area.

Relations with the Soviet Union were discussed and both countries will maintain close cooperation as these relations with the

Soviet Union develop. The United States pledged its continuing support to the Japanese position on the northern territories. The talks were very positive, upbeat and established a firm basis for cooperation during the Bush administration with Japan.

That's all I have to say as opening remarks. Any questions?

Q Did they get into a discussion of Third World debt and the potential for a new strategy on that?

DR. SIGUR: That was not specifically gone into in any detail. It was just mentioned, that was all.

Q Dr. Sigur, you mentioned that the need to continue to consult and the use of the summits was discussed. Does that mean that either Takeshita did not introduce this idea for some new medium for a resolution of disputes -- economic disputes between the two countries or that it simply went nowhere or what?

DR. SIGUR: It was not discussed between the President and the Prime Minister. It was discussed this morning between Secretary Baker and Foreign Minister Uno. Foreign Minister Uno spoke of the possibility of new kinds of talks at a sub-Cabinet level which might be useful and helpful. Secretary Baker said that he thought we do have very good mechanisms right now, but certainly we will -- we can talk about this and see whether there are other things that should be done. And that's really basically where it was left.

Q The trade deficit with Japan has actually gone up. Did the President discuss that? Did he mention it? Did he urge that Japan take more steps than they've taken?

DR. SIGUR: Well, certainly that was part of the discussion of the trade deficit and the need to do something about that. Actually, of course you know last year it went down a little bit -- in 1988.

Q Well, it's gone up recently.

DR. SIGUR: I know, it has in the last month or two.

Q What was the tone of the President's remarks on trade?

DR. SIGUR: Well, I would say he spoke very forcefully about the need to continue to work very strongly on this. And that protectionism is something that is still a live issue in this country and as long as you have such a huge trade deficit as we have it's going to continue to be. And that we've got to work to do something about it. And we've got to continue. Not that we're not working at it, but I mean, new efforts and -- have to be made. So he -- it was --

Q Did he say that? Did he remind Mr. Takeshita of the protectionism forces?

DR. SIGUR: Oh, yes. Oh, yes, yes.

Q And did he mention the congressional forces for that --

DR. SIGUR: Well, that's part of it, yes, sure. He did. Yes, indeed.

Q Did he mention anything specific that he thought --

DR. SIGUR: Not anything specific, no, he did not.

Q What response did he get?

Q -- whether there was any mention or was it brought up at all -- the current scandals surrounding the Takeshita cabinet --

DR. SIGUR: That was not discussed.

Q Dr. Sigur, outside the President said, we need each other or we need one another or some language like that. Was there any -- can you tell us, was there anything in the discussions themselves along these lines? Can you elaborate as to what he meant? And secondly, was there any mention, either in the meetings here or earlier, of the FSX project -- where it stands with the United States?

DR. SIGUR: On the first part, I think that expression of the U.S.-Japan relationship -- of characterizing it as one where we need each other, I think that's been one of long standing. And it's part of what the President said and the Prime Minister said about the need for continuity in our policy -- that we do need each other. And it becomes more and more evident all the time. And that as we move to settle some of the serious bilateral questions that we have between us, particularly in the trade and economic area, that we've got to think in positive terms about ways in which we can cooperate and move ahead.

This meeting between the President and Prime Minister was not designed to deal with very specific issues. It was designed to bring the two together and to get them to know one another and to establish a personal relationship which will allow then for more detailed discussions with members of their government on ways in which to move this relationship forward and to show that the need that we have for one another is one that can be translated into concrete terms of how we move ahead. But it was not concretely discussed here.

Let me just answer the FSX thing, if I might. That was not discussed between the President and the the Prime Minister. It was talked about between Secretary Baker and Foreign Minister Uno. And, as you know, we are in the process right now of an intergovernmental interagency look at this and how we are going to proceed on it. And that's about all I can say now.

Q Follow-up on that, sir?

Q Dr. Sigur, if I may --

DR. SIGUR: Yes.

Q I know the meeting was not intended to deal with specific issues, but you've used some code words -- the President did, for specific issues -- structural adjustment of Japan's economy and Japan taking over more world responsibilities.

DR. SIGUR: Right.

Q What did the President say to the Prime Minister to elicit that response? What did he focus on to elicit that response?

DR. SIGUR: Well, I don't know as I can say much more than what I've already said. I mean, they did not get into very specific issues. This was not the point. I mean, specifically what -- we talked about the Overseas Development Assistance that Japan is expanding, talked about the 7.8 percent increase in this year's -- next year's budget, which is very helpful, and ways in which Japan will use that to assist in -- throughout the world. Not simply in Asia, but also in other parts of the world -- in Africa, in Central, Latin America and so forth. So they spoke in those terms, but there wasn't any specific thing about what should be done type thing.

Q For the Prime Minister to use the term "promoting structural adjustment" which --

DR. SIGUR: Well, but that's part of the Maekawa Report, which was made in Japan some -- couple years back. And the structural -- economic structural readjustment of Japan, which has been taking place now for two years and is continuing on. And the Prime Minister's going to push that as hard as he can, I think.

Q Well, was there any mention of a new ambassador, sir? Any mention of the United States ambassador to Tokyo?

DR. SIGUR: Yes, there was talk about that. And that was -- well, it should be announced I think shortly. I don't know how we sit on that. Do you know?

Q Do you want to announce it?

DR. SIGUR: I'm not going to announce it. (Laughter.)

Q You just did.

DR. SIGUR: But I'm simply saying -- you know the story -- I can't tell you any more than what you know, all right? (Laughter.)

Q Now, now, now.

DR. SIGUR: The official announcement has not yet been made, but we'll be seeing it.

Q Did they name names, sir?

Q Doctor, could you get back here, please?

DR. SIGUR: You've read it. I think -- read the newspapers. What?

Q When you talk about the Soviet relationship and the changes therein --

DR. SIGUR: Yes.

Q -- is this expressed by either side in a sense of concern about the Soviets trying, as they have in Europe, to sort of separate the U.S. from its traditional allies? Are there -- what concerns are there about the Soviets?

DR. SIGUR: Well, that was not specifically discussed -- that is, what the Soviet tactics are and so forth and strategy. But the need -- but what was discussed was the need for the closest cooperation and exchange of views and so forth about our relationships with the Soviet Union as they develop both in this country and in Japan. And that we have to work closely together and cooperate on this. That was about it.

Q Yes, but what does that mean? I mean, that's a very broad stroke. I mean, what does that mean in terms of specific concerns?

DR. SIGUR: Well, I think you talk about, you know, what is Soviet tactics, what is Soviet strategy and the military area and the defense area, what are the Soviet economic plans and so forth and what about the possibility of investment in the Soviet Union and this sort of thing. I mean, these are all things that we're talking with them about.

Q Does that include a Sino-Soviet summit? Are the Japanese concerned about that?

MR. POPADIUK: Let's take the last question.

DR. SIGUR: Not particularly, no. I don't think any of us are particularly concerned about that.

Q Doctor, as recently as this morning, the administration was continuing to take heat from the Hill on the fighter and technology transfer issues. How is this being addressed specifically in this visit? And how does the administration see this relating to what the President said about allies needing to assume greater responsibility?

DR. SIGUR: You mean specifically the FSX issue?

Q Yes.

DR. SIGUR: Is that what you mean? Well, as I --

Q Does each government think there's a tie to that point? Is one conditional on the other?

DR. SIGUR: Well, I don't know. That wasn't really gone into in that way --

Q What way?

DR. SIGUR: -- the way you've emphasized it -- I mean, the way you've expressed it. We talked about -- as I said, it was not talked about by the President and the Prime Minister, but it was talked about earlier by the Secretary of State and the Foreign Minister.

Q What I'm asking is, what the views of each country on this as --

DR. SIGUR: Well, we didn't really go into those views at this meeting. I mean, those views have been expressed in other fora and so forth over the past several months or years. Okay, thanks very much.

THE PRESS: Thank you.

END 2:07 P.M. EST

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release February 2, 1989

REMARKS BY THE PRESIDENT
AND PRIME MINISTER TAKESHITA OF JAPAN
UPON DEPARTURE

The Diplomatic Entrance

1:30 P.M. EST

THE PRESIDENT: Mr. Prime Minister, ladies and gentlemen, let me begin by expressing once again on behalf of the American people the condolences on the passing of Emperor Showa, a most gentle man of great learning. And I look forward to calling on the new Emperor when I visit Japan later this month.

It has been a pleasure and honor for Barbara and me to welcome you, Mr. Prime Minister, Mr. Takeshita, to the White House. You are one of our first official visitors, and this reflects the importance I place on the relations between our two countries, the strength of our nations' ties, and the promise that our relationship holds for the future of the world.

Two weeks ago, here in Washington, the United States conducted a ritual that spoke of both continuity and change. For the 41st time in 200 years, the United States swore in a new President. And in the transition from one President to the next, we Americans reaffirmed the strength of our democracy and our commitment to values on which it was built. Japan and the world can count on the United States to continue to work for peace, democracy, freedom, and justice around the world.

The scope of America's vision is global, and we will continue to shoulder the obligations that belong to a global power. Continuity will also be the mark of relations between the United States and Japan. On occasion, we may have differences, but these are the differences of friends. And in the last 40 years our two nations have been truly close friends. The peace and prosperity we both enjoy today are among the fruits of that friendship. Simply put, we respect one another. We need one another. And we will continue to work together for the good of our peoples and of all humanity.

During this visit, the Prime Minister and I worked on the continuing business of the friendship between our countries. We confirmed that the Treaty of Mutual Security and Cooperation is the foundation of our relationship. I noted the importance of allies assuming greater responsibilities in the cause of peace. The Prime Minister and I agreed that these responsibilities take many forms. In this regard, I applaud Japan's pledge to make further significant increases in Overseas Development Assistance programs.

At the same time, we believe that the most powerful engine for economic development and growth -- in fact, the only engine that works is the entrepreneur, large and small. And entrepreneurship is a product not of massive aid packages, but of free and open economies that do not carry crushing burdens of taxation and regulation and that maintain the rule of law, including contract and property law.

Along these lines, we agreed on the importance of supporting democracy and sustained growth and reform in the

Philippines. Toward this end we pledge to make every effort to launch the Multilateral Assistance Initiative for the Philippines this year. The Prime Minister and I reviewed the progress our nations have achieved in bringing our economies into better balance and in further opening our markets to each other's goods and services.

We also recognize the need for continued policy efforts in these areas. The Prime Minister reaffirmed Japan's determination to promote strong domestic growth and structural adjustments. And I told him that I am determined to reduce our budget deficit.

In the area of multilateral cooperation, we agreed that we would continue to coordinate policies through established settings, especially the economic summit. We will look forward to the next summit meeting, which will be held in Paris.

We also agreed on the importance for continued global prosperity of a successful Uruguay round. And we agreed on the importance of frequent consultation at all levels on economic issues. All in all, our talks were positive and forthright, befitting close allies. The Prime Minister and I first met some time ago and this week's meetings have helped up become even better acquainted. We've laid the groundwork for close cooperation as we deal with the issues and the opportunities of the last decade of the 20th century.

We're glad you came our way, sir.

PRIME MINISTER TAKESHITA: Thank you, Mr. President, for your heartwarming remarks. Mr. President, I wish to convey on behalf of the Japanese people my deepest appreciation to the government and people of the United States for their expression of sympathy and condolences on the demise of Emperor Showa. The people of Japan are also deeply touched that you and Mrs. Bush will attend the funeral ceremony.

Mr. President, looking back upon the 43 years since the end of the war, I am reminded anew of the friendship and cooperation the American people have consistently extended to us through the years. Mr. President, I am truly grateful that you have so graciously invited us to Washington at this busy time, so soon after your inauguration.

I appreciate the remarks you have just made on the thoughts we shared in our first meeting. Our first meeting was truly promising in opening the perspective into our future. I believe it marked a new start for U.S.-Japan cooperation, which will serve to help ensure peace and prosperity for the world as we move towards the 21st century.

Fortunately, the basis of our cooperative relationship is firm and sound. The Japan-U.S. security arrangement upon which this relationship rests has never been better. The successful solutions we have been able to achieve regarding bilateral economic issues have demonstrated the resiliance of our relationship. Thus, through a dialogue, issues between our two countries can be resolved.

In sustaining non-inflationary growth of the international economy and in reducing external imbalances in our economies, the President and I shared the view that macroeconomic policy coordination is of crucial importance. I stated to the President that the Japanese economy will continue to grow through strong domestic demand; that imports are expected to continue to increase; and that structure adjustment efforts will be further enhanced. The President stated that he will make determined efforts to reduce the budget deficit.

The world faces a number of challenges, but is rich with promises. In your words, the new breeze is blowing. Mr. President, you and I share the conviction that now is the time for Japan and the United States to further strengthen policy coordination and to joint endeavors in order to create a better world.

We will consult closely on our policies toward the Soviet Union, which offers new challenges and opportunities for East-West relations. We will work together to ensure peace and prosperity in Asia, the Middle East, Central and South America, and other parts of the world. We will work together to strengthen the free trading system and agree to cooperate closely for the progress of the Uruguay round negotiations.

No nation can substitute the United States as the leader of democracies around the world. I look to you, Mr. President, for wise and firm leadership, and you will have my full support. For my part, I will continue to pursue my diplomatic goal of Japan contributing more to the world.

Japan and the United States have a number of common tasks ahead. Together we must take those initiatives to solve the many problems facing our world. Our meeting today confirmed that if our two peoples work together, hand in hand, there is nothing we cannot achieve.

Thank you very much. (Thank you.)

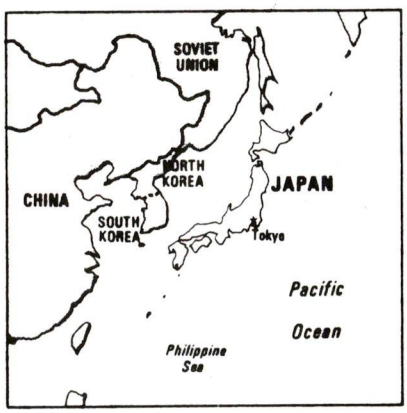
END 1:43 P.M. EST

gist

A quick reference aid on U.S. foreign relations
Not a comprehensive policy statement
Bureau of Public Affairs • Department of State

US-Japanese Relations February 1988

Background: Since 1952 when the US-Japan peace treaty went into effect, Japan has become a valued US ally, a major economic power, and a staunch member of the Western community. In his January 1988 Washington visit, Prime Minister Noboru Takeshita restated the primacy of the US relationship in Japan's foreign policy. Japan receives about 11% of US exports, a share larger than that of any country except Canada, and we buy roughly one-third of Japan's exports. Our combined gross national product totals about one-third of world GNP. Close and cooperative relations with Japan form the cornerstone of US policy in Asia. The President and Japan's Prime Minister, the Secretary of State and the Japanese Foreign Minister, and subcabinet level officials meet frequently on bilateral and global issues.



Mutual security: Japan's cooperation with the US under the 1960 bilateral Treaty of Mutual Cooperation and Security has been crucial to peace and stability in East Asia. Japan hosts 60,000 US troops and supports 7th Fleet ship visits and homeporting, including the only aircraft carrier battle group based overseas. Japan contributes $2 billion in host nation support for US forces. US bases and facilities in Japan enable the US to maintain regional defense capabilities, thus serving our mutual security interests. Although Japan's constitution and government policy preclude an assertive military role in international relations, Japan has undertaken to defend its sealanes within 1,000 nautical miles, providing a credible deterrent to Soviet adventurism in northeast Asia, and allowing more flexibility for US forces in case of emergencies in the Southwest Pacific and Indian Oceans. Defense spending increased an average 5.4% in real terms over the last 10 years, well above NATO's 3% goal. For fiscal 1988 the Japanese defense budget is $30 billion, fifth largest in the world and second largest of any non-nuclear power.

Economic relations: Japan is our largest agricultural customer and our third largest foreign investor. We are Japan's largest export market and largest foreign investor. Our trade deficit with Japan was close to $60 billion in 1986 and again in 1987. Long-term capital inflows from Japan are estimated at $65 billion in 1986, with increasing direct investment in 1987. The US, Japan, UK, Canada, West Germany, Italy, and France make up the Group of Seven industrial nations that have worked to coordinate exchange rates and economic policies to assure stable economic growth. The yen-dollar rate reached a high point of 262 yen per dollar in February 1985, and lowered to about 130 yen per dollar by January 1988. Over time this will help reduce Japan's global current account surplus ($86 billion in 1986) as well as our bilateral imbalance. Japan is

shifting from export-led to domestic-led growth policies to reduce imbalances. After enacting $36 billion in domestic stimulus measures in 1987, Japan experienced negative net external growth and strong domestic expansion, and is expected to have 3.7% real GNP growth in its fiscal year 1987 (April 1987-March 1988). Japan's exports measured by volume fell 1.9% in 1987, while imports rose by 8.2%. Japan's current account surplus should decline in 1988.

East-West Issues: Japan has supported US arms control initiatives, including the US-USSR agreement on intermediate range nuclear forces, which will reduce Soviet missiles in range of Japan. Japan is a member of the Coordinating Committee for Multilateral Export Controls (COCOM) that works to control strategic exports to the Soviet bloc. Following the Toshiba Machine diversion case, Japan strengthened penalties, staffing, and enforcement to prevent future diversions. Relations with the USSR have never been close, in part because the Soviets since World War II have occupied four islands that the Japanese claim as their "Northern Territories."

Relations with other nations: After relations with the US, Japan places primary importance on relations with its Asian neighbors. Ties between Beijing and Tokyo have developed rapidly since 1978, and Japan is the leading donor of economic aid to China. Japan maintains economic, but not diplomatic, relations with Taiwan. Korea receives significant Japanese economic assistance as a result of a historic exchange of visits in 1983, 1984, and 1986 by Prime Minister Nakasone and President Chun. Japan has long-term interests in the Persian Gulf, which supplies most of its oil, and will finance a $10 million system to aid navigation by commercial ships. Tokyo provides economic aid to countries of strategic importance to the West, such as Egypt, Turkey, and Pakistan, and recently announced new programs for Oman ($200 million) and Jordan ($300 million) to promote regional stability. Japan has become increasingly active in Africa and Latin America through multilateral development projects. It has joined the US in support of UN refugee relief programs; UNESCO reform; a $21 million study of alternatives to the Panama Canal; and in many other activities that benefit world peace and prosperity.

Assistance to less-developed countries: In 1986-90 Japan will disburse more than $40 billion in foreign assistance, increasing annual aid to more than $7.6 billion. In 1986 Japan was the second largest donor of foreign aid, and Japan could surpass the US as the world's largest donor in the 1990s. In 1987 Japan announced a $20 billion program to recycle funds to developing countries without restricting purchases with these monies to Japanese goods. Subcabinet level consultations are held regularly to coordinate our foreign assistance programs, and the US supports Japan's efforts to open its markets to developing countries' products. Japan's aid is distributed roughly 70% to Asia and 10% each to Latin America, Africa, and the Middle East.

Harriet Culley, Editor (202) 647-1208

gist

A quick reference aid on U.S. foreign relations
Not a comprehensive policy statement
Bureau of Public Affairs • Department of State

US Economic Relations with East Asia and the Pacific

January 1989

Background: The East Asian and Pacific region is the most economically dynamic region in the world today. Japan has become the world's second largest economy and soon will be the largest donor of development assistance. The newly industrialized economies--Hong Kong, Singapore, South Korea, and Taiwan--have consistently maintained some of the world's highest growth rates over the past two decades, achieved "middle-class" levels of per capita income, and become major players in world trade.

Thailand and Malaysia are fast approaching development levels close to those of the newly industrialized economies, while the Philippines and Indonesia have economic reforms underway that, if sustained, will enable them to capitalize on their impressive potential. China also has experienced rapid economic growth as it moves toward its stated goal of a more market-oriented system, although inflation is a serious concern.

Australia has recovered strongly over the past 2 years from a brief economic slowdown in 1986. Indeed, among the market economies in the East Asian and Pacific region, only New Zealand and some Pacific island mini-states are not yet fully participating in the region's economic success.

The successes of these economies can be attributed largely to their market-directed, outward-oriented strategies of growth, together with the high value these societies have traditionally placed on education, discipline, and hard work. The US also has contributed to this success by providing a security umbrella, economic assistance for postwar reconstruction, and the primary market for their exports and by its leadership in promoting an open international trade and financial system.

In recent years, the East Asian and Pacific region has surpassed Western Europe to become the US's largest regional trading partner, both as a supplier of US imports and as a customer for its exports. In 1988, the US's two-way trade with the region reached more than $280 billion, representing about 36% of its total global trade. American direct investment in the region now exceeds $44 billion, accounting for 14% of the US's total overseas investment and 23% of its global overseas investment income.

Challenges of success: The dramatic success of East Asian and Pacific exports in the US market has led to large, unsustainable trade imbalances. In 1987, East Asian and Pacific economies accounted for more than 60% ($107 billion) of the US's record trade deficit of $170 billion. The US trade deficit with Japan was $60 billion; with

Taiwan, $19 billion; and with Korea, $10 billion. Pressures from the Congress and from American businesses to reduce imports from East Asian and Pacific economies and to increase US exports to them have intensified.

East Asian and Pacific economies have gradually come to recognize that their growth and export successes require them to bear a much larger responsibility for the health of the world economy by undertaking appropriate adjustments to help correct international imbalances: for example, ensuring realistic exchange rates; lowering barriers to imported goods, services, and investment; and adopting macroeconomic and structural policies that encourage growth from domestic demand as well as exports. The US, in turn, must maintain its efforts to reduce domestic fiscal imbalances while keeping its import markets open.

Some progress in these areas is already evident. Since 1986 Japan has made considerable progress in increasing its domestic demand, while the newly industrialized economies, particularly Korea and Taiwan, have shown some success in reducing a number of their import barriers. This has helped reduce the overall US trade deficit with the East Asian and Pacific region from $107 billion in 1987 to about $92 billion in 1988. Further efforts will be needed to keep this movement going in the right direction.

Increasing regional cooperation: For several years the US has been working with East Asian and Pacific economies to strengthen regional economic cooperation through such means as dialogues between ASEAN (Association of South East Asian Nations) and the US, and through such organizations as the Asian Development Bank, the UN Economic and Social Commission for Asia and the Pacific, and the Pacific Economic Cooperation Conference.

In recent years, several proposals have been made for more intensive consultations among the market-oriented economies of the East Asian and Pacific region on macroeconomic policies, structural reform, and the health of the world trading system, particularly through the Uruguay Round of the General Agreement on Tariffs and Trade. In July 1988, then Secretary of State Shultz proposed the formation of a regional forum for strengthening economic dialogue and cooperation among the market-oriented economies in the Pacific region. Former Japanese Prime Minister Nakasone suggested the creation of a Pacific equivalent of the Organization for Economic Cooperation and Development. The US International Trade Commission has been studying the pros and cons of the possibility of negotiating a free trade area agreement with Japan and with other major Pacific region economies. Given the dynamism of the region and the growing US economic involvement with it, interest in promoting economic cooperation is likely to remain high.

Harriet Culley, Editor (202) 647-1208

DEPARTMENT OF STATE

BRIEFING PAPER

Imperial Family and the Funeral

The Emperor

- The Emperor's state duties are largely ceremonial in accordance with the Japanese Constitution, which states that the Emperor is "the symbol of the State and of the unity of the people" and that "he shall not have powers related to government."

- Traditionally, emperors were believed to be direct descendants of the sun goddess Amaterasu. In 1946 then-Emperor Hirohito (now called Emperor Showa) denied his divinity. Nevertheless, as head of the Imperial Family of Japan, the Emperor maintains many of the ceremonial functions associated with the Shinto religion.

- The New Imperial Household Law provides for the ascension to the thrown by the Crown Prince immediately upon the death of the Emperor. By custom, however, the coronation ceremony takes place approximately a year later.

- Breaking with tradition, the new Emperor is the first to have attended school through university; previous emperors received private tutoring beyond elementary school. Akihito also married a commoner, Michiko Shoda, in 1959, and together they have personally raised their first son, Prince Naruhito, (as well as their other two children) rather than having him raised by aristocratic relatives as in the past.

The Funeral

- The last Imperial funeral occurred in 1926, when the Emperor was still regarded as a deity and was formally the head of govenment and chief of state. Constitutional changes in the role of the Emperor and its separation of church and state have required some modification to the traditional funeral ceremony.

- After the 10,000 invited guests and members of the Imperial family are seated, the coffin will be carried into the funeral ceremony site. The religious ceremony will be presided over by Shinto priests. A state funeral ceremony will follow. At the conclusion of these two events, visiting dignataries will file by the stage area to pay their respects.

- Following these services, members of the Imperial family will accompany the coffin to the Imperial Mausoleum at Tama, about 30 miles from Tokyo.

DEPARTMENT OF STATE

BRIEFING PAPER

OVERALL US-JAPAN RELATIONS

- Japan is our strongest Asian ally, our largest overseas trading partner, our largest creditor and our strongest economic competitor.

- The US-Japan Mutual Security Treaty, under which Japan furnishes bases to US forces in exchange for our commitment to defend Japan, is the cornerstone of the overall relationship, of our political and strategic relations throughout the Pacific, and of Japan's foreign and defense policies.

- In addition to defense cooperation, immense commercial, investment, educational, scientific and cultural networks bind our nations.

- Overall economic trends are positive, though imbalances remain large. Japan's economy continues to exhibit strong growth, led by domestic demand. Net exports are contracting, albeit slowly.

- A firm member of the group of market economy democracies commonly referred to as the "West," Japan has provided consistent backing for common global and regional objectives, including arms control and strategic export controls.

  -- We consult and coordinate regularly on all important issues.

- Japan's commitment to play larger global role in sustaining Western economic and security structure is increasingly visible.

- US bases in Japan, coupled with Japan's significant and growing defense capability, enable US forces to provide regional deterrence.

- But Japan is constrained by history, constitution and popular will from contributing itself militarily to common regional and global security interests, and therefore seeks to contribute in other ways, such as foreign economic assistance.

- Japan will surpass US in 1989 as world's largest foreign assistance donor; Japan has been a major donor to areas of particular importance to us, including the Middle East, the Philippines, the poorest parts of Africa, Latin America and the Caribbean.

DEPARTMENT OF STATE

BRIEFING PAPER

JAPAN -- AT A GLANCE

I. RECENT ECONOMIC TRENDS

- Japan's economy continued on a path of non-inflationary, domestic demand-led growth in 1988. Similar, though somewhat slower, economic growth is expected in 1989.

- Real GNP grew 6% and domestic demand rose nearly 8% from 1987 to 1988. Private consumption, housing, and capital investment posted strong gains.

- Monetary policy has been accommodative, with the basic money stock increasing at approximately 11% annually.

II. TRADE/BALANCE OF PAYMENTS

- Current account surplus for 1988 estimated to be around $80 billion, down from $87 billion in 1987.

- Global merchandise trade surplus expected to reach about $96 billion, down slightly from $96.4 billion in 1987. Export volume rose 5% in 1988, import volume up 17%.

- Yen rose 11% against the dollar from 1987 to 1988 to an average annual exchange rate of 128yen/$1.

III. US-JAPAN ECONOMIC RELATIONS

- 1988 US exports to Japan estimated at $38 billion, up 35% from 1987; second largest market after Canada and best agricultural customer; imports estimated at $92 billion; 1988 deficit will be $54 billion; down from $60 billion in 1987.

- Much of Japan's $122 billion net overseas capital flows came to the US in 1988. Direct investment by US and Japan in each other's economies totalled $48 billion in 1988.

- Several major trade problems resolved, especially in areas of agricultural products (beef, citrus, GATT 12 items), public works, and telecommunication network services.

- Follow-up process continues on earlier MOSS agreements on forestry products, medical equipment/pharmaceuticals, auto parts, telecommunications, and electronics.

- High tech trade problems still remain, especially in semiconductors and supercomputers.

- US supports Japanese government commitment to reform complex distribution system which makes market-entry by new products, including imports, difficult.

- Financial market liberalization in Japan moves forward, providing additional opportunities for US financial firms.

January 1989

DEPARTMENT OF STATE

BRIEFING PAPER

US - JAPAN DEFENSE RELATIONS

- Mutual Security Treaty of 1960 underpins overall US-Japan relationship; vital to our global security interests.

- Under our mutually agreed division of defense roles and missions, Japan has primary responsibility to defend homeland, seas and skies; now acquiring capability to defend selected sea lanes out to 1,000 nm.

- US provides nuclear umbrella, protects US and Japanese interests in areas where Japan's forces, for constitutional and policy reasons, cannot operate.

  -- Our deployments in Japan serve US interests; not there simply for defense of Japan.

- Cost of bases in Japan relatively low compared to replicating facilities elsewhere, even assuming suitable alternatives available.

  -- GOJ contributes over $2.5 billion/year to support 60,000 members of US Forces Japan; at approximately $40,000 per service member, most generous host nation support arrangement we have anywhere in the world.

- Japan's defense budget has increased 5% per year for over a decade.

  -- Now about $30 billion, Japan's defense spending 5th in world, 2nd among non-nuclear powers. Using NATO accounting methods (which include veterans' costs), Japan is 3rd after US and USSR, at over $40 billion.

- Friends in the region accept substantial defense-oriented Japanese military buildup, but would be concerned if Japan developed offensive force or played regional security role.

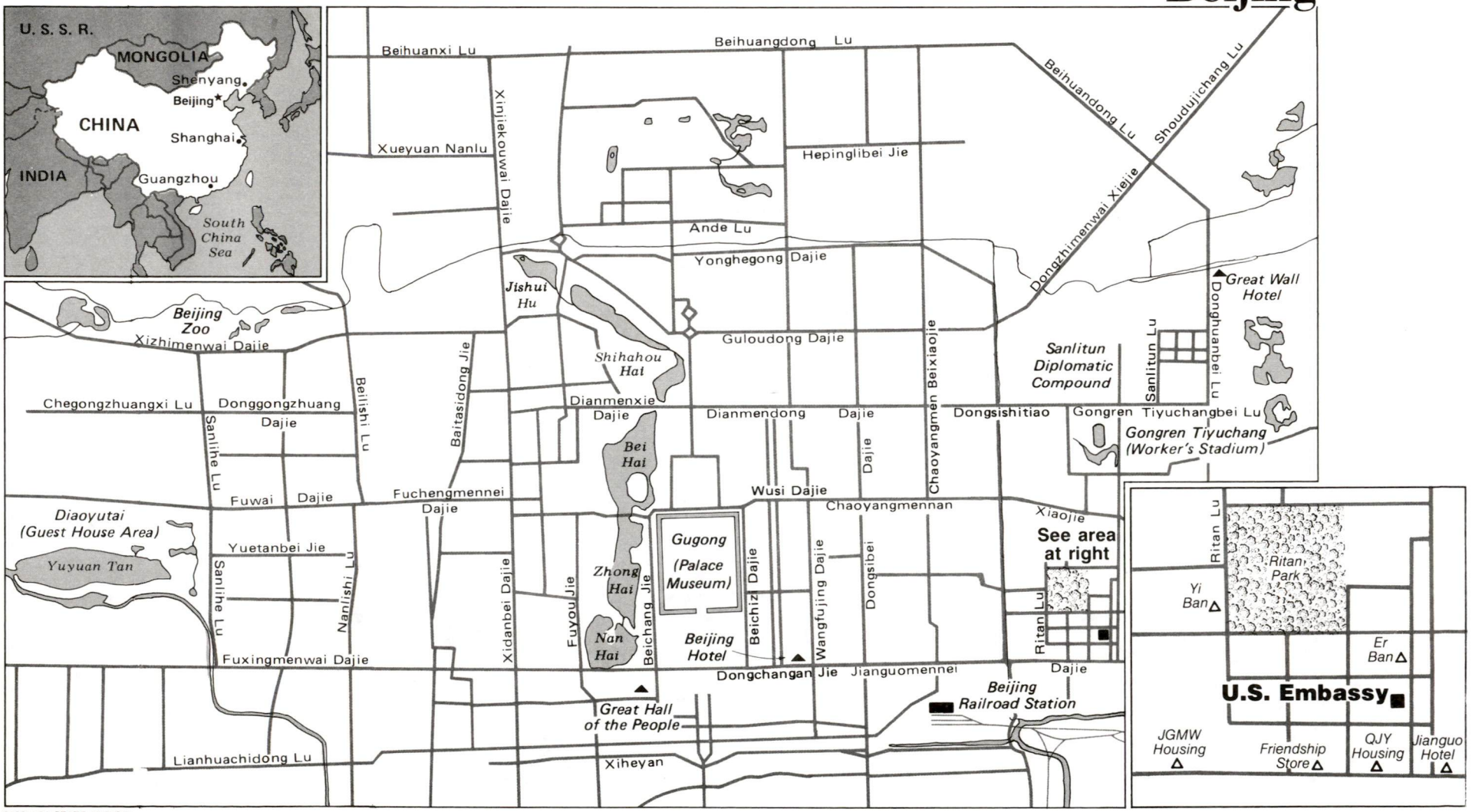
- History, constitutional restraints, concerns of neighbors, and fact that Japan's purely conventional defense role is neither global nor regional, realistically limit what Japan should do in purely military sense.

- Japan recognizes, however, that in addition to its own defense efforts it should assume larger role in supporting common Western security interests, and has done so particularly through increased ODA.



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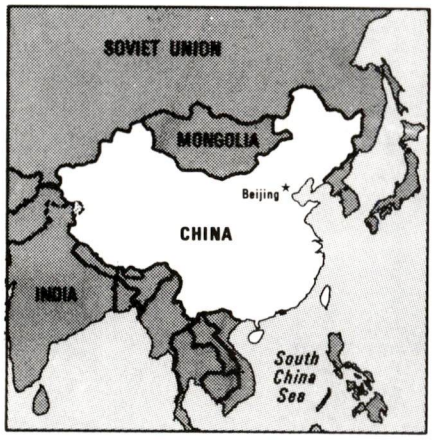
background notes

China

United States Department of State
Bureau of Public Affairs

October 1987

Partial Update for the Trip of President Bush to Japan, the People's Republic of China, and the Republic of Korea, February 22–27, 1989



Official Name: People's Republic of China

PROFILE

Geography

Area: 9.6 million sq. km. (3.7 million sq. mi.; US is 3.6 million sq. mi.). **Land:** *Agricultural*—11%. *Forest and woodland*—12.7%. **Cities:** *Capital*—Beijing (Peking—pop. 5.9 million). *Other cities*—Shanghai (pop. 7 million), Tianjin (pop. 5.4 million), Guangzhou (Canton—3.3 million), Shenyang (4.2 million), Wuhan (3.4 million), Chengdu (2.6 million). **Terrain:** Varied. **Climate:** Varied continental.

People

Nationality: *Noun and adjective*—Chinese (sing. and pl.). **Population** (1986): 1.06 billion. **Annual growth rate** (1986): 1.4%. **Ethnic groups:** Han Chinese 94% (1982); others include Zhuang, Uygur, Hui, Yi, Tibetan, Miao, Manchu, Mongol, Buyi, Korean (indications are that minority proportion is rising). **Religions:** Officially atheist; Buddhists, Muslims, Lamaists, Christians, and adherents of Chinese folk religions (varying amalgams of Buddhism, Confucianism, Daoism, and ancestor worship). **Language:** Standard Chinese (Putonghua) or Mandarin (based on the Beijing dialect). **Education:** *Years compulsory*—9; 1990 goal is universal elementary school education. *Literacy*—around 70%. **Health:** *Life expectancy*—66 yrs. **Work force** (501 million, PRC statistics): *Agriculture*—66%. *Industry*—21%. *Other*—11%. *Unemployed*—2%.

Government

Type: Communist Party led state. **Constitution:** 1982 (earlier versions: 1954, 1975, 1978). **Established:** October 1, 1949. **Party Congresses:** 1956 (8th), 1969 (9th), 1973 (10th), 1977 (11th), 1982 (12th), 1987 (13th). **National People's Congresses:** 1954 (1st), 1958 (2d), 1964 (3d), 1975 (4th), 1978 (5th), 1983 (6th).

Administrative subdivisions: 21 provinces, 5 autonomous regions, 3 special municipalities.

Political parties: Chinese Communist Party, about 46 million members; 8 minor parties. **Suffrage:** Universal over 18.

Central government budget (1986, according to PRC definition): *Revenues*—$64.3 billion. *Expenditures*—$66.4 billion.

Defense (1986, PRC official budget expenditures; actual defense spending higher): $5.8 billion, 2.15% of GDP.

National holidays: Spring Festival (Chinese New Year) late January, early February, 4 days; May 1, International Socialist Workers' Day; October 1, National Day.

Flag: Five yellow stars, one large and four small, in the upper left corner of a red field.

Economy

GDP (1986 Chinese est.): $271.7 billion. **Annual growth rate** (1986 over 1985): 7.8%. **Per capita income** (1986 Chinese est.): $258. **Avg. inflation rate** (1986 Chinese est.): 6% (based on general retail price index).

Natural resources: Coal, iron, petroleum, mercury, tin, tungsten, antimony, manganese, molybdenum, vanadium, magnetite, aluminum, lead, zinc, uranium, world's largest hydroelectric potential.

Agriculture: *Products*—rice, wheat, other grains, cotton. *Cultivated land*—10%.

Industry: *Types*—iron, steel, coal, machinery, light industrial products, armaments, petroleum. *Gross value of industrial output*—$329.1 billion.

Trade (1986, from Chinese customs data): *Exports* (fob)—$30.9 billion: textiles and apparel, agricultural products, crude oil. *Imports* (cif)—$42.9 billion: iron and steel, industrial machinery. *Major markets*—Hong Kong, Japan, US, Singapore, FRG. *Major suppliers*—Japan, US, Hong Kong, FRG, Canada.

Official exchange rate (1986 avg. official exchange rate, according to IMF statistics): 3.4528 yuan = US$1.

Membership in International Organizations

UN and some of its specialized and related agencies, including the World Bank, International Monetary Fund (IMF), Food and Agriculture Organization (FAO), UNESCO, International Civil Aviation Organization (ICAO), World Health Organization (WHO), World Meteorological Organization (WMO); Asian Development Bank (ADB); International Committee of the Red Cross; IMCO; INMARSAT; INTELSAT; Universal Postal Union (UPU); and others.



GEOGRAPHY

The People's Republic of China, located in eastern Asia, is the third largest country in the world in terms of total area (after the U.S.S.R. and Canada). Countries sharing its 24,000-kilometer (14,000-mi.) border include Korea, the U.S.S.R., Mongolia, Afghanistan, Pakistan, India, Nepal, Bhutan, Burma, Laos, and Vietnam. Hong Kong and Macau are on China's southern coastline.

Two-thirds of China's area is mountainous or semi-desert; only about one-tenth is cultivated. Ninety percent of the people live on one-sixth of the land, primarily in the fertile plains and deltas of the east.

The country lies almost entirely in the temperate zone. Only portions of the southernmost area—Yunnan and Guangdong Provinces and the Guangxi-Zhuang autonomous region—are within the Tropics. The climate is heavily affected by the regional monsoon. Summers are hot and humid throughout much of the country; winters are dry and unusually cool or cold for the given latitude. In the summer, heavy rains cause frequent floods.

The Great Wall

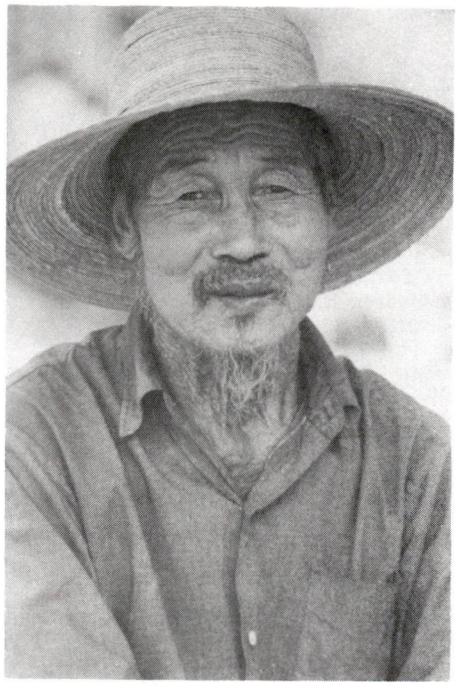
The Great Wall of China, an amalgamation of many walls built during ancient times, is 2,400 kilometers (1,500 mi.) long and winds across northern China from Gansu Province to Habei Province on the Yellow Sea.

The Wall's present form dates from the Ming dynasty (1368–1644) and averages 25 feet (7.6 m.) in height, 15–30 feet (4.6–9.1 m.) thick at the base, and slopes to 12 feet (3.7 m.) at the top.

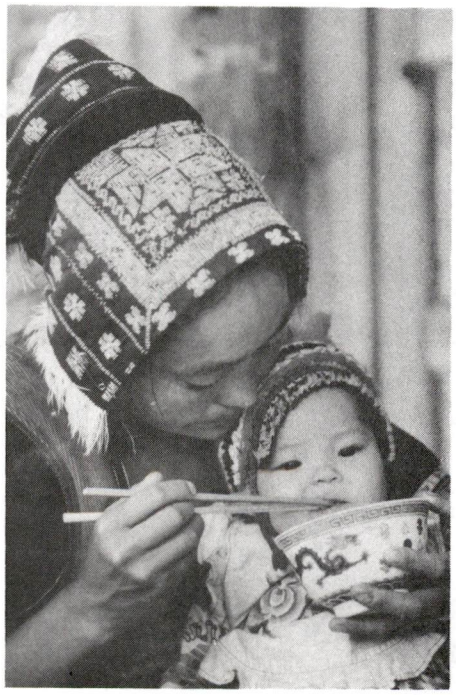


(Jim Stanfield © National Geographic Society)





(U.S. Department of State)



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Faces of China

Clockwise: A young Chinese woman in Western-style clothes. An elderly Chinese man. Bai mother and child.

PEOPLE

China's population in 1986 was estimated at 1.06 billion. Government authorities endorsed birth control in the 1950s, played it down in 1958, and again began actively to promote it in 1962. Today, with family planning vigorously pursued, the target population growth rate of 1% may already have been attained in major cities but not in rural areas. Overall annual population growth probably dropped by nearly two-fifths from 2.3% in 1973 to 1.4% in 1986 but has recently been climbing again. The Chinese Government is calling for a target family size of three and has introduced incentives to limit the number of children per family to one or two. The one-child family would bring about zero growth by the year 2000, and planning officials aim at a total population of 1.2 billion by that time.

By far the largest ethnic group is the Han Chinese, who are about 94% of the total population. The remaining 6% (from 1982 census figures) include Zhuangs (13.38 million), Hui (7.23 million), Uygurs (5.96 million), Yi (5.45 million), Miao (5.02 million), Manchus (4.31 million), Tibetans (3.85 million), Mongols (3.41 million), and Koreans (1.77 million).

The national language of China is "Putonghua" (standard Chinese or "Mandarin") based on the Beijing dialect. Other principal dialect groups include Cantonese, Shanghainese, Fujianese, and Hakka. Chinese is the only modern language written entirely in nonphonetic ideographs. Many peoples in China speak their own languages, which are written in the Roman or indigenous alphabets.

Religious activities have increased significantly in the past several years. More than 200 churches are reported to be open. Some 4 million Christians belong to officially approved church organizations according to official estimates. There are several hundred mosques for more than 13 million Muslims, and some Lamaistic monasteries have been reopened. Authorities are now permitting the training of clerics and the domestic publication of Bibles, hymnals, and other religious works.

HISTORY

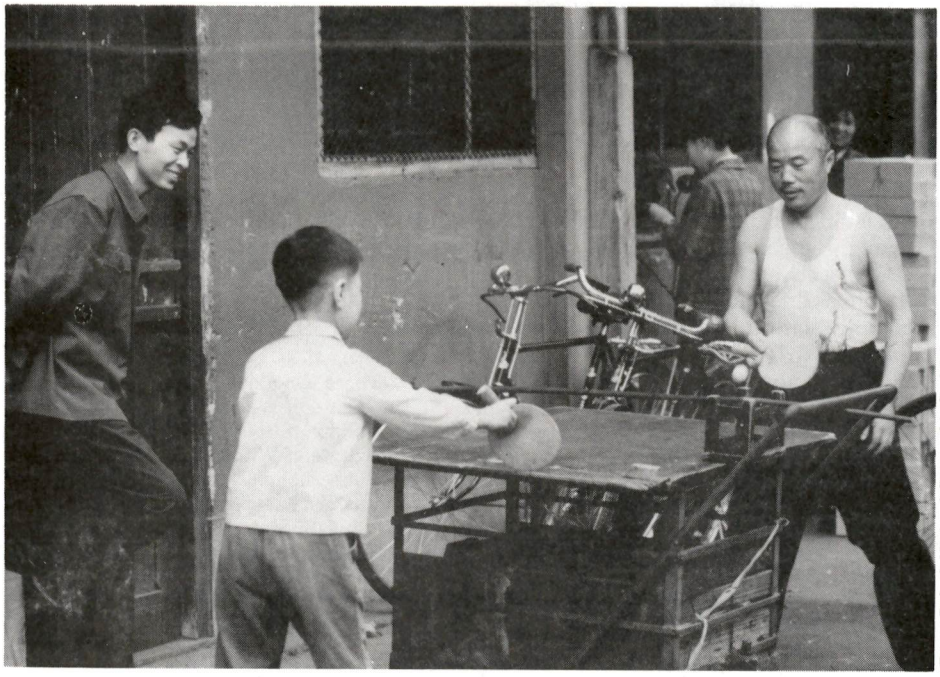
China's Early History

China is one of the world's oldest continuous civilizations, with historical records that date back nearly 3,500 years. Successive dynasties developed a unique system of bureaucratic control that gave the agrarian-based Chinese an advantage over neighboring nomadic

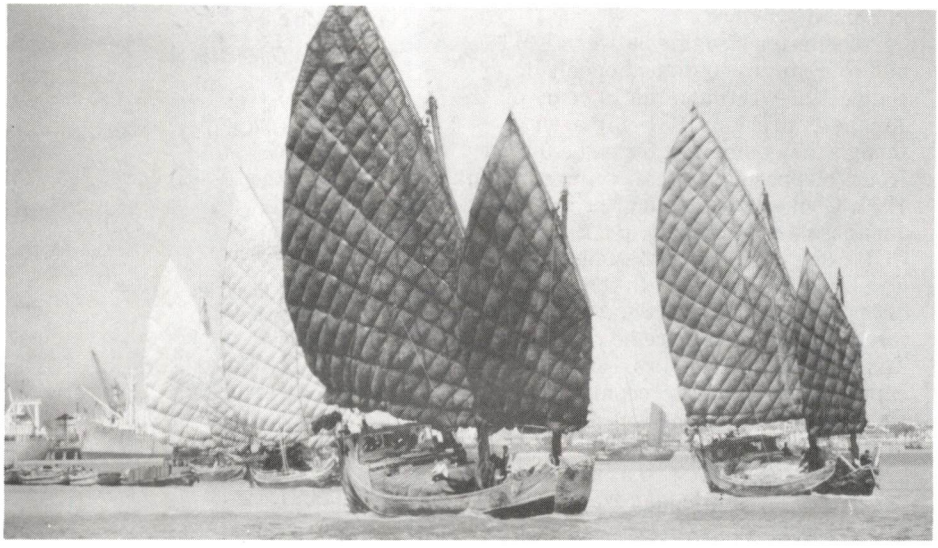
and hill cultures. The adoption of Confucianism as the state ideology and a common written language (that bridged the gap between the country's many local languages and dialects) further strengthened China's development. Whenever China was conquered by nomadic tribes, as it was by the Mongols in the 13th century and the Manchus in the 17th, the conquerors eventually adopted the ways of the "higher" Chinese civilization and staffed the bureaucracy with Chinese.

In 1644, the Manchus overthrew the native Ming dynasty and established the Qing (Ch'ing) dynasty with Beijing as its capital. At great expense in blood and treasure, the Manchus gained control of many border areas over the next half century, including Xinjiang, Yunnan, Tibet, and Taiwan. The impressive success of the early Qing period was based on the combination of Manchu martial prowess and traditional Chinese bureaucratic skills.

During the 19th century, China experienced the challenge of Western commercial penetration, massive social strife, economic stagnation, and explosive population growth. In the 1850s and 1860s, the powerful Taiping and Nian (Nien) Rebellions, coupled with Muslim separatist movements in western China, drained the country's resources and almost toppled the dynasty. Following the Opium War (1840–42), Britain and other Western powers gained special privileges in five designated "treaty ports," heralding an era of growing Western demands for increased economic and political concessions from the Chinese. Although some reform-minded Chinese officials argued for the adoption of Western technology to counter further Western advances, the Qing court refused to countenance significant changes. However, China's humiliating defeat in 1895 by Japan, which had adopted Western technology and other elements of Western culture, convinced many Chinese of the need for major reforms. Efforts in such directions, however, continued to be stymied by conservative factions in the Qing court. These factions even went so far as to support anti-foreign and anti-Christian secret societies, which rampaged throughout north China in 1900, in an attempt to rid the country of the Western presence. This so-called "Boxer Rebellion" was eventually defeated by expeditionary forces of the foreign powers.



(Bruce Dale © National Geographic Society)



(Thomas Nebbia © National Geographic Society)

Above: Ping-pong, one of China's leading sports, is fun for all ages.

Below: Junks on the Huangpu River.

20th Century China

Frustrated by the Qing court's anti-reform stance and inspired by the ideas of Sun Yat-sen, young military officers and students began after 1905 to advocate the overthrow of the Qing dynasty and the establishment of a republic. A revolutionary military uprising on October 10, 1911, spread rapidly, leading to the abdication of the last Qing monarch. To remove the dynasty without provoking civil war, the revolutionaries and reformers agreed to let high Qing officials retain prominent positions in the new republic. One of these figures, General Yuan Shikai (Yuan Shih-k'ai), became the republic's first president. Before his death in 1916, Yuan unsuccessfully attempted to name himself emperor. In the aftermath, the

republican government was all but shattered, ushering in the "warlord era," when shifting coalitions of provincial military leaders ruled and ravaged the country.

In the 1920s, Sun Yat-sen established a revolutionary base in south China and set out to unite the fragmented nation. With Soviet assistance, he organized a new political party, the Kuomintang (KMT or "Chinese Nationalist Party"), along Leninist lines, and entered into a close alliance with the fledgling Chinese Communist Party (CCP). After Sun's death in 1925, one of his proteges, Chiang Kai-shek, seized control of the KMT and succeeded in bringing most of central China under his rule. In 1927, Chiang destroyed the CCP's party organization and executed many of its leaders. The survivors fled into the mountains of eastern China. Finally, driven out of their mountain bases in 1934, the CCP forces embarked on the "Long March" that took them across China's most desolate terrain to the northwest, where they established headquarters at Yan'an in Shanxi province.

The bitter struggle between KMT and CCP forces continued openly or clandestinely through the 14 years of Japanese invasion (1931–45), even though they nominally formed a united front to oppose the Japanese invaders in 1937. Civil war resumed after the Japanese defeat in 1945. By 1949, the CCP occupied most of the country. Chiang Kai-shek fled with the remnants of his KMT government and military forces to Taiwan, where he proclaimed Taipei to be China's "provisional capital" and vowed to reconquer the Chinese mainland. The KMT authorities on Taiwan still call themselves the "Republic of China" and assert that they constitute the sole legal government of all China, including Taiwan.

The People's Republic of China

On October 1, 1949, Mao Zedong proclaimed the People's Republic of China in Beijing. The new government assumed control of a people exhausted by two generations of war and social conflict, and an economy devastated by high inflation and the disruption of the transportation and communications systems. Chinese communist leaders quickly installed a new political and economic order modeled on the Soviet example.

In the early 1950s, China achieved impressive economic and social rehabilitation. The government gained popular support by curbing inflation, restoring the economy, and rebuilding many war-damaged industrial plants. The CCP's authority reached into almost every phase of Chinese life. Party control was assured by strong, politically loyal security and military forces, a government apparatus responsive to party direction, and ranks of party members in labor, women's, and other mass organizations.

The Chinese Dynasties

Xia (Hsia) Dynasty	c. 21st–16th centuries BC
Shang (Yin) Dynasty	c. 16th century–1066 BC
Zhou (Chou) Dynasty	c. 1066–221 BC
Western Zhou (Chou)	c. 1066–771 BC
Eastern Zhou (Chou)	c. 770–256 BC
Spring and Autumn Period	772–481 BC
Warring States Period	403–221 BC
Qin Dynasty	221–206 BC
Han Dynasty	206 BC–220 AD
Six Dynasties	
Three Kingdoms Period	220–316
State of Wei	220–65
State of Shu	221–63
State of Wu	222–80
Western Jin (Tsin) Dynasty	265–316
Eastern Jin (Tsin) Dynasty and 16 States	317–439
Eastern Jin (Tsin)	317–420
16 States	304–439
Southern and Northern Dynasties	
Southern Dynasties	
Song (Sung)	420–79
Qi (Ch'i)	479–502
Liang	502–57
Chen (Ch'en)	557–89
Northern Dynasties	
Northern Wei	386–534
Eastern Wei	534–50
Northern Qi (Ch'i)	550–77
Western Wei	535–57
Northern Zhou (Chou)	557–81
Sui Dynasty	581–618
Tang (T'ang) Dynasty	618–907
Five Dynasties and Ten Kingdoms Period	907–79
Later Liang	907–23
Later Tang (T'ang)	923–36
Later Jin (Tsin)	936–46
Later Han	947–50
Later Zhou (Chou)	951–60
10 Kingdoms	902–79
Liao (Kitan) Dynasty	907–1125
Song (Sung) Dynasty	960–1279
Western Xia (Hsia) Dynasty	1032–1227
Jin (Nurchen) Dynasty	1115–1233
Yuan (Mongol) Dynasty	1279–1368
Ming Dynasty	1368–1644
Qing (Ch'ing or Manchu) Dynasty	1644–1911
Republic	1912–1949
People's Republic	Established 1949

The Taiwan authorities are currently recognized by 23 countries as the "Republic of China."

The Great Leap Forward and the Sino-Soviet Split

In 1958, Beijing abandoned the Soviet model and announced a new economic program, the "Great Leap Forward," aimed at rapidly raising industrial and agricultural production above the impressive gains already attained. Mao believed that latent potential could be tapped by industrial decentralization and a greater degree of collectivization of China's countryside. Giant cooperatives (communes) were formed, and backyard factories dotted the Chinese landscape. The results were disastrous, as normal market mechanisms were disrupted and China's people exhausted themselves producing shoddy, unsalable goods. Within a year, the Chinese leadership retreated, blaming poor planning and the weather, but an ensuing famine in the countryside resulted in millions of deaths. Later, they were also to blame the Soviets for economic sabotage.

Already strained, Sino-Soviet relations deteriorated sharply in 1959 when Moscow placed restrictions on the flow of scientific and technological information to China and then precipitously withdrew all of its advisers. In 1960, the erstwhile allies began to spar openly in international forums.

The Cultural Revolution

In the early 1960s, State President Liu Shaoqi and his protege, Party General Secretary Deng Xiaoping, took over direction of the party and adopted pragmatic economic policies at variance with Mao's revolutionary vision. Dissatisfied with this new direction, Party Chairman Mao launched a massive political attack on Liu, Deng, and other pragmatists in the spring of 1966. The new movement, called the "Great Proletarian Cultural Revolution," set China on a course of political and social anarchy that lasted the better part of a decade.

In the early stages of the Cultural Revolution, Mao and his "closest comrade in arms," People's Liberation Army (PLA) strongman Lin Biao and other radical supporters, charged Liu, Deng, and other top party leaders with drag-

ging China back toward capitalism. Radical youth associations, called Red Guards, attacked party and state organizations at all levels, rooting out leaders who would not bend to the radical wind. In reaction to this turmoil, some local PLA commanders and other officials maneuvered to back Mao and his supporters outwardly while actually taking steps to rein in local radical activity. Gradually, the Chinese political situation stabilized along complex factional lines. The leadership conflict came to a head in September 1971, when Party Vice Chairman and Defense Minister Lin Biao reportedly tried to stage a coup against Mao. According to Chinese officials, Lin Biao later died in a plane crash in Mongolia while allegedly fleeing the country.

In the aftermath of the Lin Biao incident, many officials criticized and dismissed during 1966–69 were reinstated. Deng Xiaoping, chief among these, reemerged in 1973 and was confirmed in 1975 to the concurrent posts of Politburo Standing Committee member, PLA Chief of Staff, and Vice Premier. Deng and other veteran officials dominated the Fourth National People's Congress in January 1975. As Premier Zhou Enlai's health slipped, Deng acted as Zhou's alter-ego.

The conflict between veteran officials and the radicals reemerged with a vengeance in late 1975. Mao's wife, Jiang Qing, and three close Cultural Revolution-era associates (later dubbed the "Gang of Four") launched a media campaign against Deng. When Zhou died in January 1976, it was assumed that Deng would take over the premiership. Instead, Minister of Public Security Hua Guofeng was named Acting Premier in February. On April 6, when the Beijing populace staged a spontaneous demonstration in Beijing's Tiananmen Square in Zhou's memory—with strong political overtones in support of Deng—the authorities forcibly suppressed it. Deng was blamed for the disorder and stripped of all official positions, although he retained his party membership.

The Post-Mao Era

Mao's death in September 1976 removed a towering figure from Chinese politics and set off a scramble for succession. Hua Guofeng was quickly confirmed as Party Chairman and Premier. A month after Mao's death, Hua, backed by the PLA, arrested Jiang Qing and other members of the "Gang of Four." After extensive deliberations, the CCP leadership reinstated Deng Xiaoping to all of his previous posts at the 11th Party Congress in August 1977. This symbolized the growing consolidation of control by veteran party officials strongly opposed to the radicalism of the previous two decades.

The post-11th Party Congress leadership has emphasized economic development and renounced the mass political movements of prior years. At the pivotal December 1978 Third Plenum (of the 11th Central Committee), the leadership adopted new agrarian policies aimed at expanding rural income and incentives, endorsed experiments in enterprise autonomy and away from central planning, and approved direct foreign investment in China. The Third Plenum also decided to push the pace of legal reform, culminating in the passage of several new legal codes by the National People's Congress in June 1979.

Beginning in 1979, the Chinese leadership moved toward more pragmatic positions in almost all fields. The party encouraged artists, writers, and journalists to adopt more critical approaches, although it did not permit open attacks on party authority. Former Sichuan Party Chief Zhao Ziyang succeeded Hua Guofeng as Premier in 1980. Zhao had established a record of pragmatic and forceful leadership in Sichuan. The Congress also took other personnel measures to strengthen governmental organization and loosen party control over day-to-day decision-making at all levels. In late 1980, after a succession of attacks on the Cultural Revolution, the party officially proclaimed it to have been a catastrophe.

Deng's efforts to institutionalize his policies advanced at the 12th Party Congress in September 1982 as he appeared to benefit from internal party changes. The Congress also highlighted the importance of the economic modernization drive declaring a goal of quadrupling the nation's gross national product (GNP) by the year 2000. Finally, the National People's Congress in December 1982 adopted a new state constitution, the fourth since 1949. This new constitution replaces a much more radically leftist document promulgated in 1978 by the now-disgraced Hua Guofeng; it provides a legal framework for the ongoing reforms in China's social and economic institutions and practices.

Efforts to reform the political structure, however, have been less successful. Student demonstrators protested the slow pace of political reform in December 1986. Deng's effort to institutionalize the leadership succession also received a major blow when Hu Yaobang, a protege of Deng and a leading advocate of reform, was forced to resign as CCP General Secretary in January 1987.

The Pinyin System of Romanization

On January 1, 1979, the Chinese Government officially adopted the "pinyin" system for spelling Chinese names and places in Roman letters. A system of romanization invented by the Chinese, pinyin has long been widely used in China on street and commercial signs as well as in elementary Chinese textbooks as an aid in learning Chinese characters. Variations of pinyin are also used as the written forms of several minority languages.

Pinyin has now replaced the familiar conventional spellings in China's English-language publications. The US Government has also adopted the pinyin system for all PRC names and places. For example, the capital of China is now spelled "Beijing" rather than "Peking."

In the pinyin system, letters are pronounced much as they would be in American English with the following exceptions.

Complex initial sounds

c—like the *t's* in *it's*
q—like the *ch* in *cheap*
x—between the *s* in *see* and the *sh* in *she*
z—like the *ds* in *lids*
zh—like the *j* in *just*

Final sounds

e—like the *oo* in *book*
eng—like the *ung* in *lung*
ai—as in *aisle*
ui—like the *ay* in *way*
uai—like the *wi* in *wide*
i—like the *i* in *skin**

*When zh, ch, sh, zh are followed by an *i*, the *i* is pronounced like an *r*.

GOVERNMENT

State Structure

The Chinese Government is subordinate to the Communist Party. Its role is to implement party policies. The primary instruments of state power are the State Council, an executive body corresponding to a cabinet, and the National People's Congress (NPC), a legislative body. Members of the State Council include a variable number of vice premiers (now five), the heads of ministries, and the heads of other commissions and special agencies attached to the State Council.

Under the Chinese constitution, the NPC is theoretically the state's leading government body. It meets annually for

Principal Government and Party Officials

Party

Politburo Standing Committee (in rank order)

Zhao Ziyang-General Secretary—Chinese Communist Party Central Committee (CCP-CC)
Li Peng—Member, Secretariat, CCP-CC; Vice Premier, State Council
Qiao Shi—Member, Secretariat, CCP-CC; Vice Premier, State Council
Hu Qili—Permanent Secretary, Secretariat, CCP-CC
Yao Yilin—Vice Premier, State Council

Other Full Politburo Members (not in rank order)

Hu Yaobang
Jiang Zemin—Mayor of Shanghai
Li Ruihuan—Secretary and Mayor, Tianjin
Li Tieying—Head, Restructuring the Economic System Commission; Minister of Electronics Industry
Li Ximing—Secretary, Beijing Party Committee
Qin Jiwei—Commander, Beijing Military Region
Song Ping—Head, CCP Organization Department
Tian Jiyun—Member, Secretariat, CCP-CC; Vice Premier, State Council
Wan Li—Member, Secretariat, CCP-CC; Vice Premier, State Council
Wu Xeqian—State Councilor, Minister of Foreign Affairs
Yang Rudai—Sichuan Party Secretary
Yang Shangkun—Secretary General, Military Commission; Vice Chairman, Central Military Commission, NPC

Alternate Politburo Member

Ding Guang'en—Minister of Railways

Government

President—Yang Shangkun
Vice President—Wang Zhan
Premier, State Council—Li Peng

Vice Premiers

Yao Yilin
Tian Jiyun
Wu Xueqian

Ministers

Aeronautics—Mo Wenxiang
Agricultural, Animal Husbandry, and Fishery—He Kang
Astronautics—Li Xu'e
Chemical Industry—Qin Zhongda
Civil Affairs—Cui Naifu
Coal Industry—Yu Hongen
Commerce—Liu Yi
Communications—Qian Yongchang
Culture—Wang Meng
Electronics Industry—Li Tieying
Finance—Wang Bingqian
Foreign Affairs—Qian Qichen
Foreign Economic Relations and Trade—Zheng Tuobin
Forestry—Gao Dezhan
Geology and Mineral Resources—Zhu Xun
Justice—Zou Yu
Labor and Personnel—Zhao Dongwan
Light Industry—Zeng Xianlin
Metallurgical Industry—Qi Yuanjing
National Defense—Qin Jiwei
Nuclear Industry—Jiang Xinxiong
Petroleum Industry—Wang Tao
Posts and Telecommunications—Yang Taifang
Public Health—Chen Minzhang
Public Security—Wang Fang
Radio, Cinema and Television—Ai Zhisheng
Railways—Ding Guang'en
State Security—Jia Chunwang
Supervision—Wei Jianxing
Textile Industry—Wu Wenying
Urban and Rural Construction and Environmental Protection—Ye Rutang
Water Resources and Electric Power—Qian Zhengying

Heads of Commissions

State Economic—Lu Dong
State Education—Li Peng
State Family Planning—Wang Wei
State Machine Building—Zou Jiahua
State Nationalities—Ismail Amat
State Physical Culture and Sports—Li Menghua
State Planning—Yao Yilin
State Science and Technology—Song Jian
State Science, Technology and Industry for National Defense—Ding Henggao
Restructuring the Economic System—Li Tieying

about 2 weeks to review and pass on major new policy directions, laws, the budget, and major personnel changes. These initiatives are advanced to the NPC for consideration by the State Council after previous endorsement by the Central Committee. Although the NPC generally approves State Council policy and personnel recommendations, various NPC committees hold active debate in closed sessions, and changes may be made to accommodate alternate views.

In late 1982, the Fifth NPC adopted a reformist-oriented new constitution and enacted a new 5-year plan keyed to Deng Xiaoping's economic modernization policies, moving China another step away from its Maoist past. The most recent session of this NPC, held in March–April 1987, was marked not by major innovations but rather by continued emphasis on Deng's reform programs.

Chinese Communist Party

The 46-million member Chinese Communist Party (CCP), authoritarian in structure and intent, dominates virtually all sectors of national society. However, China's geographical vastness and social diversity naturally frustrate any attempt to rule China's 1 billion people by fiat from Beijing. Party leaders rule instead by building consensus for new policies among party members, influential nonparty persons, and the population at large.

In periods of relative democratization, such as began in 1978, the influence of people and organizations outside the formal party structure increased. Nevertheless, in all important government, economic, and cultural institutions in China, party committees work to guarantee that party and state policy guidance is followed and that nonparty persons do not mobilize to create autonomous organizations that could challenge Communist Party rule. Party control is tightest in government offices and in urban economic, industrial, and cultural settings; it is considerably looser in the rural and national minority areas where 80% of the Chinese people live and work.

Theoretically, the highest body of the CCP is the Party Congress, supposed to meet at least once every 5 years. The most recent, the 13th Party Congress, met in October 1987. It adopted important policy and personnel changes and elected the 13th Party Central Committee, a body of 175 full



(U.S. Department of State)

Bicycles are a major form of transportation in China.

Travel Notes

The Chinese Government receives tens of thousands of visa requests annually from US citizens but cannot accommodate all of them because the number of hotels, interpreter-guides, and other facilities, although increasing, is still limited. According to Department of State estimates, more than 250,000 Americans visited China in 1986. Chinese travel to the US has also been extensive, and growing.

Business visas are issued on the basis of an invitation from one of the Chinese foreign trade organizations. Should you wish to visit China for business purposes, correspond directly with the appropriate organization in China (e.g., China National Machinery Import-Export Corporation, etc.).

Tourist visas were, until recently, difficult to obtain except for members of a tour group. Now, however, more than 400 major Chinese urban and tourist centers have been opened to unrestricted travel. Official policy toward individual travel also has been relaxed, so that a well-planned private trip is now feasible. However, Chinese-speaking capability is recommended except for the most traveled areas. Persons interested in tourist travel should inquire at travel agencies and airlines that offer tours. Visas for tour group members are usually obtained by the organization arranging the tour. To qualify for a visa, the individual traveler must write first to obtain a "letter of confirmation" from China International Service (Luxingshe), Xidan Building, Beijing, China (tel. 66570), or obtain an invitation from an individual or institution in China.

Tour members with special interests, such as visits to hospitals or universities, should notify the tour organizer to arrange for such visits. Persons transiting China must have, in their possession, a valid Chinese visa, even if they do not leave the airport or carrier. Otherwise, a fine of $1,000 can be levied against them.

Persons in Hong Kong may take short tours to Guangzhou (Canton) and other locations in China. Space on these tours is sometimes available on short notice. Written inquiries may be sent to any of the various private travel agencies in Hong Kong.

Transportation

Railroads: 52,100 km (32,562 mi.).

Highways: 940,000 km (587,500 mi.).

Navigable inland waterways: 109,930 km (68,125 mi.).

Merchant Marine: World's ninth largest in terms of tonnage, carrying 17 million deadweight ton. The total number of Chinese flag ships is 16,500, servicing 600 ports.

Ports: 15 major and 180 minor ports.

Aviation: 195 domestic routes serving more than 90 cities; 6 international airports, 25 airports serving China and Hong Kong.

Telecommunications

Telephones: About 5.5 million in service.

Television: 204 broadcast stations; 507 relay stations.

Satellites: 5 standard international communications ground stations.

Post and Telegraph Offices: About 50,000.

and 110 alternate members.

In terms of day-to-day power, the present hierarchy of the Communist Party includes, in descending order of importance:

- The five-member Politburo Standing Committee;
- The Politburo, consisting of 17 full and 1 alternate member;
- The Party Secretariat, the principal administrative mechanism of the CCP, consisting of a party general secretary and 10 secretaries;
- The Party Military Commission, consisting of 1 chairman and 2 vice chairmen;
- The large Discipline Inspection Commission, charged with rooting out corruption and malfeasance among party cadres; and
- The Central Advisory Commission, consisting of about 200 party elders.

Legal System

China's leaders are determined to develop a legal system that will prevent the recurrence of the unchecked exercise of official authority and revolutionary excess of the Cultural Revolution. In November–December 1982, the Fifth Session of the Fifth National People's Congress adopted a new state constitution that emphasizes a rule of law under which even Communist Party members theoretically will be accountable. In keeping with the emphasis on predictability and the rule of law, the NPC delegates also passed a number of new statutes. One effect will be to provide added assurances to foreigners transacting business with China that agreements and contracts will be honored and that arbitrary behavior will not be sanctioned.

In other legal developments, the first civil procedure law in the history of the People's Republic of China was promulgated for provisional use in 1982, filling a major gap in the legal system. The government announced that more than 300 laws and regulations, most of them in the economic area, have been implemented since 1979, when the drive to establish a functioning legal system began. The use of mediation committees—informed groups of laymen who resolve about 90% of China's civil disputes and some minor criminal cases, at no cost to the parties—continued to expand in 1982. There are more than 800,000 such committees, in both rural and urban areas. However, the dearth of

lawyers and trained legal aides in China complicates the delivery of legal services. Law schools closed during the Cultural Revolution decade have been reopened, and the Chinese Government is committed to greatly expanded legal training.

Education

Although hampered by severe financial and personnel problems, China has made impressive progress in primary education since 1949. Approximately 96% of eligible children are enrolled in first grade. (Only 65%, however, complete primary school.) China's goal is to provide universal elementary school education by 1990.

In secondary education, a wide gap exists between China's rural and urban areas, with the better equipped and funded middle schools located in the cities. These include many elite schools that funnel students into the universities. In all, there are some 104,000 middle schools (both regular and vocational) enrolling 48.6 million students (roughly 68% of the school-aged population).

Only about 4% of China's middle school graduates—less than 1% of the college-aged population—gain admission to college. In 1985, some 1.8 million students competed in a 3-day nationwide entrance examination for 560,000 available places in Chinese universities. Additional examinations were held to place 550,000 students in professional and technical schools. About 1.5 million students received degrees from institutions of higher learning between 1981–85. According to the Seventh 5-Year Plan, China intends by 1990 to increase enrollments in vocational and technical schools by 65%, in universities by 21%, and in postgraduate programs by 17%.

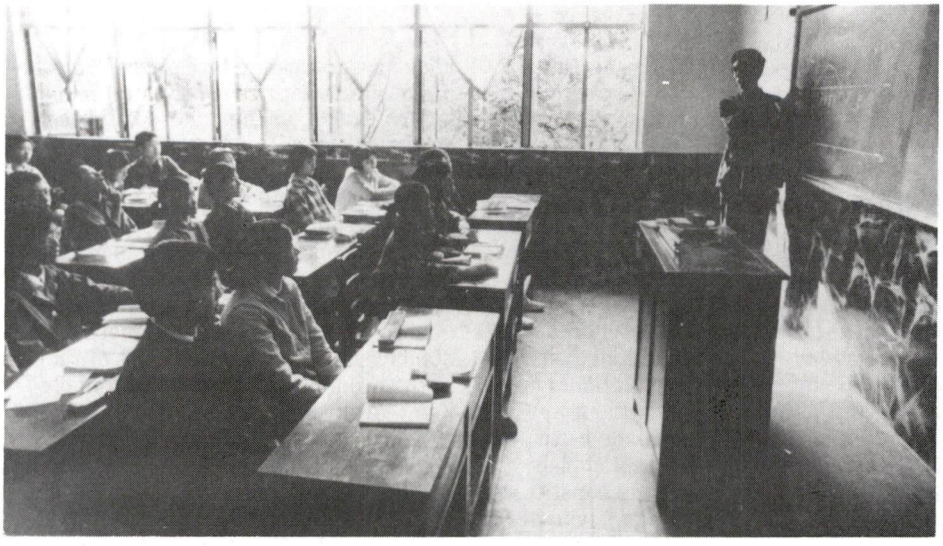
China's higher education system was severely damaged during the decade of the Cultural Revolution (1966–76), and its full restoration began only in 1978. During the first 5 years of the Cultural Revolution, until about 1970, many colleges and universities were completely shut down. In 1978, for the first time since 1966, China's colleges and universities chose new entrants on the basis of standardized entrance examinations and academic criteria rather than on political criteria. A major effort also was begun to restore the physical plants and personnel resources of colleges and universities to the pre-1966 level. In addition to about 633 regular colleges and universities enrolling about 1 million students, another 169 new facilities, including short-term colleges and "TV" universities, were opened to provide more opportunities for higher education.

In 1985, acknowledging continuing shortcomings that hampered efforts to develop the trained work force the country needs to sustain its modernization drive, Chinese educators and officials inaugurated a program of educational reform. The proposed reforms, outlined in a May 1985 report, "The Decision of the Chinese Communist Party Central Committee on Reform of the Education System," include moving away from the current centralized, Soviet-style system toward one allowing greater flexibility at the local level in developing curricula, selecting teaching materials, and upgrading teachers' status and pay. Among its specific proposals are:

- Delegating responsibility for basic education to local authorities;
- Implementing a 9-year compulsory education program (to be effected by 1990 in major cities and coastal areas and by 1995 in small cities, towns, and rural areas); and
- Improving teacher training (an estimated 48% of elementary school teachers are considered unqualified), teachers' salaries, and teachers' social standing (teaching is now considered among the lowest status professions in the country).

So far, the results of the reforms have been difficult to measure, but their long-term success seems to depend largely on developments in two key areas: whether local authorities devote the necessary resources to the new system, and whether it attracts the quality of teachers and administrators it needs.

Although China has sent students to the West since the early 1970s, the numbers have increased dramatically since 1978. By early 1986, about 19,000 students were studying in the United States.



(© Gamma-Liaison)

Classroom at a Shanghai high school.

ECONOMY

Trends and Policies: 1949–1981

When the People's Republic was established in 1949, China's economy was characterized by severe dislocations from decades of war and inflation. The new government's immediate concerns were consolidation of power, restoration of public order, and elimination of widespread unemployment and starvation.

Most of these problems were resolved by 1952. In the following year, the Chinese decided to remold the economy, using Soviet central planning as a model. They reduced state investment in agriculture and centered their First 5-Year Plan on the rapid buildup of heavy industry, especially national defense industry. A large number of facilities were imported from the Soviet Union and installed with the aid of Soviet technicians.

China's economic growth since 1957 (5.7% per annum) has been considerable, but political turmoil, poor planning, and natural disasters have prevented it from achieving higher levels of development. The experiments of the "Great Leap Forward" (1958–60)—rural collectivization, elimination of wage incentives, backyard steel plants, and great leeway for local initiative—plunged China into a depression in the early 1960s. Compounding these domestic difficulties was the withdrawal of Soviet assistance and technicians in August 1960 as the Sino-Soviet dispute worsened. Beijing responded by emphasizing "self-reliance," and a greater share of its investment was redirected toward agriculture. After a brief period of growth, politics—this time the Cultural Revolution and its aftermath (1966–76)—again wreaked havoc with the economy, injecting ideology into economic planning, disrupting foreign trade, and practically shutting down educational and training facilities.

In 1975, Premier Zhou Enlai outlined a new set of economic goals designed to elevate China to the status of a "front-rank" economic power by the year 2000. This multi-staged effort, known now as the "four modernizations" program, was aimed at rapidly accelerating production in agriculture, industry, science and technology, and national defense. In 1976, the death of Chairman Mao Zedong, the arrest of the Gang of Four, and the gradual establishment of a new government under Deng Xiaoping and Hua Guofeng, sharply reduced the role of ideology in Chinese policy. The stage was set for a more pragmatic look at the political and economic problems facing the country.

China's commitment to the "four modernizations" was reaffirmed in 1978 at the Fifth National People's Congress where a 10-Year Plan assigned a major role to massive imports of complete plants and technology from the West. By the end of 1978, China had signed contracts committing itself to foreign purchases totaling $7 billion.

Poor economic performance during 1978, however, produced a more sober appraisal by the Chinese leadership of the gap between its capabilities and ambitions. In late 1978, at a high level meeting of the Chinese Communist Party, the 10-Year Plan was replaced by a more moderate, short-term program aimed at remedying infrastructural problems constraining economic development. The 3-year period between 1978–81 was devoted to economic adjustment, as hundreds of industrial construction projects were canceled or postponed and resources shifted from heavy industry to light industry and agriculture. The leadership also attempted to decentralize economic decisionmaking to the local government and enterprise level, starting a cycle of decentralization and recentralization that has characterized much of Chinese economic planning in the 1980s.

Decentralization, however, led to large budget deficits, excessive capital construction (generated largely at the local and enterprise level), and increased inflation. Consequently, China began a strong austerity program in 1981, with the sharpest cuts coming in capital investment. Many foreign contracts for imported plants and equipment were again canceled or postponed, inefficient factories were closed, and steps were taken to ensure the more selective acquisition of foreign technology. Tighter central control was reintroduced to some aspects of economic planning earlier granted to local authorities.

Recent Economic Policies

Since 1978, the fundamental premise of China's economic policy has been that consumer welfare, economic productivity, and political stability are indivisible.

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Selected Documents

The full texts of selected material concerning US policy in China are printed in the Department of State's *Selected Documents No. 9* entitled "U.S. Policy Toward China July 15, 1971–January 15, 1979" (stock no. 044-000-01721-1). Copies of this 64-page publication may be obtained for $2.20 each.

Orders of 100 or more copies of the same publication mailed to the same address are sold at a 25% discount.

Remittances in the form of a check or money order payable to the Superintendent of Documents must accompany orders.

Limited single copies of the *Bulletin Reprint,* "Two Years of U.S.-China Relations, 1979–1980," are available, free of charge, from the Public Information Service, Bureau of Public Affairs, Department of State, Washington, DC 20520.

Key Statistics

(Estimates)[1]

	1970	1975	1980	1981	1982	1983	1984	1985	1986
Industrial Production Index (1970 = 100)	100	159	240	250	269	297	339	400	437
Production									
Coal (MT millions)	327.4	478.0	620.0	620.0	666.0	715.0	789.0	850.0	870.0
Crude oil (bpd millions)	0.6	1.54	2.12	2.0	2.04	2.2	2.3	2.5	2.6
Electric power (kWh billions)	107.0	187.0	300.6	309.3	327.7	351.4	377.0	407.0	445.0
Steel (MT millions)	17.8	24.0	37.1	35.6	35.5	39.9	43.4	46.6	52.1
Cotton (MT millions)	2.0	2.4	2.7	3.0	3.6	4.6	6.2	4.14	3.54
Cotton cloth (Meter billions)	8.5	9.7	13.5	14.3	15.4	14.9	13.7	14.3	15.8
Grain (MT millions)	243.0	284.0	321.0	325.0	353.4	387.2	407.1	378.9	391.1
GNP (1985 $billions)	130.2	169.9	228.0	239.1	259.0	282.5	316.4	354.3	379.0
Real GNP Per Capita Growth (yearly %)	5.5	3.3	4.7	3.5	6.7	8.1	10.8	10.8	5.3
Total Foreign Trade									
Current $billions	4.4	13.9	38.2	39.6	39.2	42.2	53.1	70.7	73.8
Exports (fob $billions)	2.2	7.1	18.9	21.6	22.4	23.7	27.6	31.3	30.9
Imports (cif $billions)	2.2	6.8	19.3	18.0	16.8	18.5	25.5	39.4	42.9
US-PRC Trade[2]									
US exports (fob $millions)[3]	–	303.0	3,754.0	3,603.0	2,912.0	2,173.0	3,004.0	3,856.0	3,106.0
US imports (cif $millions)	–	170.0	1,161.0	2,062.0	2,502.0	2,477.0	3,381.0	4,224.0	5,240.0

[1]Source: CIA estimates as of September 1986
[2]Source: US Department of Commerce
[3]Blank indicates data not available

Emphasis has been on raising personal income and consumption and introducing new productivity, incentive, and management systems.

A controversial reform package aimed at reducing the role of central management in favor of a mixed, planned-market economy was introduced at the third session of the Fifth National People's Congress in August 1980 and endorsed in the Sixth 5-Year Plan. Key elements were promulgation of agricultural reforms (including long-term leases on land and permission to specialize in cash crops and engage in nonagricultural activities), self-management rights, introduction of greater competition in the marketplace, easing of the tax burden on nonstate enterprises, and facilitation of direct contact between Chinese and foreign trading enterprises.

The reforms have produced great successes. National income and agricultural and industrial output have all grown at 10% compound rates since 1980. Peasants' per capita real income has doubled; urban dwellers' per capita real income has increased by 43%. China has become self-sufficient in grain production; rural industries have boomed and account for 23% of agricultural output, helping absorb surplus labor in rural areas. Industrial reforms have increased the variety of light industrial and consumer goods available. The leadership has also demonstrated its ability to adjust to economic pressures by adopting a variety of fiscal and administrative measures. The result of these policy changes and mixtures of central direction and local initiative has been the creation of a hybrid economy, which the Chinese call a socialist commodity system influenced by market mechanisms. Much of the success to date has been a recovery from the economically disastrous Cultural Revolution period; future success will depend on further reforms and the insulation of economic growth and objectives from succession politics and ideological influences.

The Seventh 5-Year Plan (1986–90) presents in detail the leadership's strategy for laying a solid economic base to support the planned high growth of the late 1980s and 1990s. It calls for reforms in the fiscal, financial, banking, price, and labor systems. Light and heavy industry are projected to grow by 7.5% per year, agriculture by 4%, and foreign trade by 7%. Major investments will be made in infrastructure—energy, transportation, and telecommunications. China's leaders also appear to be working toward creating the proper political environment in which economic reforms can thrive. They have chided local party and government officials for not providing sufficient support to reform efforts and have urged greater managerial autonomy at the enterprise level. Despite resource constraints—including an underdeveloped infrastructure and business environment, too few trained managers, low productivity, and uncertain financing for major projects—China should be able to achieve the goals outlined in the Seventh 5-Year Plan.

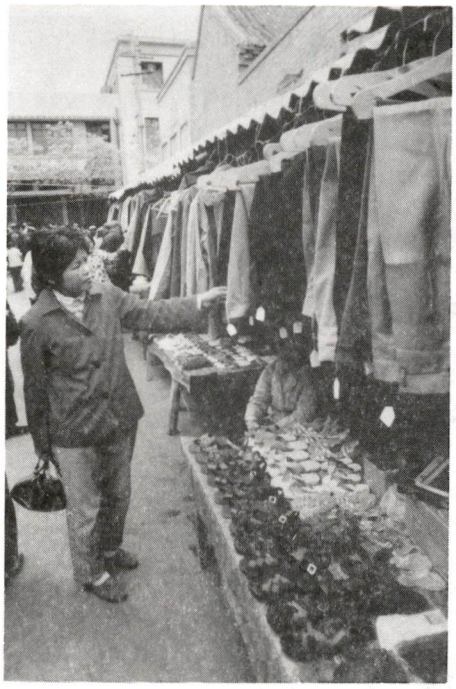
Agriculture and Industry

Most of China's labor force is engaged in agriculture although only 11% of the land is suitable for cultivation. Virtually all arable land is used for crops, and China is the world's largest producer of rice, potatoes, sorghum, millet, barley, peanuts, tea, and pork. Major industrial crops include cotton and other fibers and various oilseeds. Agricultural exports furnish China with a large portion of its foreign trade revenue.

Although intensive cultivation techniques already secure high yields, China hopes to increase agricultural production even further through improved plant stocks, fertilizers, and technology. Reforms since 1976 have decollectivized agriculture, instituted a household production responsibility system (providing peasants with leases on land of up to 15 years), allowed the revival of rural farms (and thus to a large extent private markets), encouraged the formation of rural enterprises, and begun the phasing out of state compulsory purchases of grain, vegetable oil, cotton, and other agricultural items over which the state formerly tried to exercise monopoly control. Village industry now accounts for approximately 10% of the value of all industrial output in China.

An expanding but still inadequate manufacturing sector supplies China's capital and consumer goods. Major industries are iron and steel, coal, machine building, armaments, and textiles. While shortages still exist in the manufacture of complex machinery and equipment, China has had considerable success in building up its consumer industries. To remedy shortages and improve product quality, the Chinese are upgrading their technology base and importing a considerable amount of technology and managerial know-how.

Through reforms in the industrial sector, the Chinese have tried, in some instances, to substitute guided planning for mandatory planning. Economic planners are now examining the industrial wholesale price structure and considering the degree to which they can allow it to be subjected to market fluctuations.



(Lowell Georgia © National Geographic Society)



(Cary Wolinsky © National Geographic Society)



(George M. Mobley © National Geographic Society)

Clockwise: Shopping at a street market. Women play an active role in China's modernization. Unwinding larvae filaments from cocoons to make silk.

Energy and Mineral Resources

Chinese policies encourage investment in the exploration of China's vast and largely untapped energy resources. Domestic energy needs are supplied by coal (72%), oil (21%), hydropower (5%), and natural gas (2%).

Coal. This fuel is by far China's most important source of primary energy. With 750 billion metric tons (MT) of identified and recoverable reserves, China's total coal resources are exceeded only by those in the United States and the Soviet Union. The Chinese produced more than 850 million MT of coal in 1985, 7.75 million MT of which was exported. Coal production in 1986 reached 870 million MT. The export goal for 1990 is 30 million MT. However, reserves are concentrated in north-central China, and the underdeveloped rail system cannot bring the coal efficiently to generating stations on the coast. On July 1, 1985, Occidental Petroleum signed a 30-year joint venture agreement with the Chinese to develop what will be the world's largest open-pit coal mine at Pingshuo in Shanxi province. Occidental has a 25% stake in this $650 million venture. U.S. exports of coal mining and cutting and well-drilling equipment reached $300 million in 1985, more than double the 1984 figure.

Oil. China is the world's sixth largest producer of oil. In 1986, it produced 2.6 million barrels per day (b/d), up nearly sevenfold from 1982. The Chinese plan to maintain this level (increasing it to 3 million b/d in 1990), since oil and petroleum products are major sources of foreign exchange, providing 25% of China's foreign exchange earnings in 1986. The P.R.C.'s ambitious offshore exploration program has thus far produced no major finds, and the Chinese have opened up selected onshore areas to foreign exploration and development.



(Eastfoto)

Chinese spectators look on as Japanese technicians explain a model nuclear power station during a 1985 Beijing exposition.

Hydro and Electric Power. China is believed to have the world's largest hydropower potential, though it only generated 93.2 billion kilowatt hours (kWh) in 1986. A number of hydropower projects are underway to further tap this potential, including plans for the world's largest dam at the Three Gorges site on the Yangtze River. Overall, China's electric power generation has grown to 445 billion kWh, up about 25% from 1982. China has been importing new power plants from the West to increase its generation capacity but has been unable to maintain sufficient power to prevent periodic shortages.

Natural Gas. China produced 12.9 billion cubic meters of natural gas in 1985. Arco Petroleum has signed a joint venture to help the country develop the natural gas potential of Hainan Island, but as yet there is no way of piping gas to Hong Kong and Guangdong nor has there been much demand.

Nuclear Power. The Chinese are building a small nuclear reactor using indigenous technology and will locate a nuclear power plant near Guangzhou. This plant will have two 900 megawatt reactors. A second nuclear plant is under construction at Quinshan (south of Shanghai).

Minerals. China's metal and mineral resources, though believed to be substantial, are largely unexplored. In 1985, China was a major producer and exporter of tin (35,000 tons produced, 70% exported), antimony (15,000 tons, 80%), tungsten (16,000 tons, 90%), and fluorspar (600,000 tons, 85%). China also exported strategic metals such as molybdenum, titanium (8,000 tons, 80%), tantalum (50 tons, 95%), and vanadium (5,000 tons, 50%). China is deficient in the reserves and production of copper, chromite, nickel, and zinc.

Science and Technology

China has made scientific and technological modernization a priority in its development program. Chinese officials plan to achieve 1980s Western levels by the year 2000 by rebuilding the educational structure in China, sending students abroad, negotiating technology transfer arrangements with the United States and other developed countries, and developing ways to make scientific and technological know-how available to the entire country. Areas of most critical interest to the Chinese include microelectronics, computers, telecommunications, automated manufacturing, and energy.

China decided to step up its pace of reform after a March 1985 national conference. Since then, the P.R.C. has reorganized its scientific community with the goal of making research more relevant to production. A 1986 P.R.C. "white paper" acknowledged problems in science and technology, noting the shortage of trained personnel, especially engineers, and the insistence of some units on keeping specialists in excess of organizational needs.

Although the P.R.C. has funded its ambitious program at a rate slightly higher than that accorded other priority programs, the amount spent is still not commensurate with need. Consequently, the Chinese are encouraging local industrial entities to finance, and associate with, research groups; they also have sought foreign investors to pump money and technology into joint equity and cooperative ventures. China has made rapid progress in some areas and is starting to accept that it does not always need state-of-the-art technology. In some cases, a lesser technology may prove to be more appropriate, useful, and profitable.

The P.R.C. leadership is aware of the importance of spreading scientific and technological knowledge to rural and smaller urban areas. In 1985, Song Jian, head of the State Science and Technology Commission, formulated a "Spark" plan for developing middle- and high-technology enterprises and training technical workers in rural areas. Since rural industries employ 60 million people (and supply 20% of China's total industrial output), the government looks to the Spark plan as a way to solve some

Commodities Composition, 1985[1]

IMPORTS ($ million, % of total)		
Total	**39,480**	**100**
Food and live animals	**1,635**	**4.1**
Cereals, cereals preps	1,050	
Sugar, sugar preps	215	
Crude materials	**3,330**	**8.4**
Rubber, crude	315	
Textile fibers, waste	1,575	
Minerals, fuels, lubricants	**500**	**1.3**
Petroleum, petroleum products	310	
Animal, vegetable fats/oils	**100**	**0.2**
Chemicals	**3,655**	**9.3**
Manufactured goods	**10,845**	**27.2**
Textile yarn, fabric, products	2,100	
Iron and steel	5,865	
Nonferrous metals	1,315	
Machinery/transportation equipment	**16,375**	**41.1**
Non-electric machinery	6,825	
Electric machinery	4,715	
Transport equipment	4,835	
Miscellaneous manufactures	**2,445**	**6.2**

EXPORTS ($ million, % of total)		
Total	**31,325**	**100**
Food and live animals	**3,925**	**12.5**
Cereals, cereals preps	780	
Vegetables and fruits	985	
Live animals	330	
Meat and meat preps	510	
Crude materials	**2,930**	**9.4**
Oil seeds, kernels, nuts	500	
Textile fibers, waste	1,165	
Crude animal and vegetable materials	495	
Minerals, fuels, lubricants	**7,215**	**23.0**
Petroleum, petroleum products	6,630	
Animal, vegetable fats/oils	**1,300**	**4.2**
Chemicals	**1,600**	**4.4**
Manufactured goods	**6,205**	**19.9**
Textile yarn, products	4,380	
Metal manufacturers	570	
Machinery/transportation equipment	**1,185**	**3.8**
Miscellaneous manufactures	**6,675**	**21.2**
Clothing	3,765	

[1]Data are f.o.b. and rounded to the nearest $5 million. Major commodities listed; totals will not add up to 100%.
Source: CIA *Handbook of Statistics*, September 1986

of its problems relating to rural-urban migration by fostering appropriate technologies for industries in small- and medium-sized urban areas. The plan also calls for improving agricultural production and raising livestock through the use of science and technology.

Trade and Aid

Foreign trade and investment have expanded rapidly. Foreign trade in 1986 totaled about $70 billion (up 140% over 1981) and cumulative committed foreign investment stood at $7.2 billion (out of $20 billion pledged), up from virtually nothing in 1980. China now trades with more than 170 countries, and the regional breakdown of its trade has taken a dramatic turn. In 1960, 70% of China's trade was with the Soviet bloc; today, noncommunist states account for over 90%. Although China currently accounts for less that 2% of the world's trade, it is likely to emerge as a major international player in the next decade.

China has long favored a policy of "self-reliance"—the restriction and diversification of imports and foreign credits in order to avoid dependence—but the current leadership recognizes that foreign trade and technology play a critical role in China's modernization strategy. China's leaders have called for an even greater opening to the outside to speed China's modernization and have promulgated measures to improve the investment climate in the P.R.C. In addition, China has sought to integrate itself into the world trading system. Beijing announced its formal application to join GATT (General Agreement on Tariffs and Trade) and has been experimenting with decentralization in its foreign trading system. Central planning continues to be important in determining the composition of most Chinese imports and exports and, as a result, the domestic prices of imported products show little connection between domestic and external prices.

Import priorities are technology and equipment for sectors that will fuel China's economic growth—coal, electric power, petroleum, building materials, transportation, communications, and nonferrous metals. China's exports have largely been concentrated in textiles, petroleum and petroleum products, foodstuffs, handicrafts, and low-quality electronics. In 1986, imports were approximately $41 billion, up from $17.8 billion in 1982, and exports were about $29 billion, up from $23.3 billion in 1982.

The importation of plants, equipment, and technology has required access to foreign financing, and China—as the world's largest developing country—has obtained large lines of credit from foreign governments and international financial institutions. (China's external debt at the end of 1986 has been estimated at about $20 billion, but many economists believe the country can absorb between $30–$40 billion in debt before 1990.) In addition, specific policies are designed to increase foreign investment in China and enhance its export capabilities. These policies include joint ventures, trade compensation arrangements, and establishment of "special economic zones" for foreign investors who are interested in manufacturing for export to hard-currency countries.

Trade by Areas and Selected Countries

($ millions)

	1984			
	Total	*Exports*	*Imports*	*Balance*
Total (all countries)	**53,132.5**	**27,644.3**	**25,488.2**	**2,156.2**
Noncommunist countries	**49,438.4**	**26,028.5**	**23,409.9**	**2,618.6**
Developed countries	27,328.6	11,877.9	15,450.7	-3,572.8
East Asia and Pacific	14,069.3	6,011.8	8,057.5	-2,045.7
Australia	1,048.9	313.1	735.8	-422.6
Japan	12,858.8	5,660.1	7,198.7	-6,367.6
North America	7,303.8	3,332.0	3,971.8	-639.8
US	6,078.3	3,074.0	3,004.3	69.7
Canada	1,225.5	258.0	967.5	-709.5
Western Europe	5,955.5	2,534.1	3,421.4	-887.3
France	693.2	383.0	310.2	72.8
FRG	1,777.8	740.0	1,037.8	-297.8
Italy	817.0	375.1	441.9	-66.8
UK	747.4	323.4	424.0	-100.6
Less developed countries	22,109.8	14,150.6	7,959.2	6,191.4
Southeast Asia	16,097.9	10,044.9	6,053.0	3,991.9
Philippines	277.1	216.9	60.2	156.8
Singapore	1,525.6	1,282.6	243.0	1,039.8
Thailand	485.5	302.9	182.6	120.3
Hong Kong	12,161.2	7,130.5	5,030.7	2,099.9
South Asia	695.4	394.0	301.4	92.6
Sri Lanka	54.0	34.5	19.5	15.0
Pakistan	177.0	136.8	40.2	96.6
Middle East	2,422.4	2,104.5	317.9	1,786.6
Kuwait	320.9	141.6	179.3	-37.7
Saudi Arabia	185.9	185.9	0.0	185.9
Syria	16.7	0.7	16.0	-15.2
North Africa	371.8	302.2	69.6	232.6
Egypt	858.0	49.0	36.8	12.2
Tunisia	33.7	22.4	11.3	11.1
Sub-Saharan Africa	1,046.7	748.8	297.9	451.0
Nigeria	317.6	311.2	6.4	304.2
Sudan	113.0	34.7	78.3	-43.5
Latin America	1,475.5	556.1	919.3	-363.3
Brazil	847.3	394.2	453.1	-58.9
Chile	136.6	11.3	125.3	-114.0
Mexico	113.7	21.9	91.8	-69.9
Communist countries	**3,594.0**	**1,615.8**	**2,078.2**	**-462.4**
USSR	1,199.8	625.2	574.6	50.6
Eastern Europe	1,700.9	650.2	1,050.7	-400.5
Czechoslovakia	229.3	104.7	124.6	-19.9
GDR	227.6	86.4	131.2	-44.8
Poland	261.3	101.2	160.1	-58.9
Romania	710.9	268.0	442.9	-174.9
Other	**793.3**	**340.4**	**452.9**	**-112.4**

Source: CIA estimates.
Country listings for any given area are not exhaustive; only major trade partners are presented.

China's foreign trade practices are generally cautious and conservative, but the Chinese have tried to respond to the problems of foreign investors and traders doing business in China. In 1986 and early 1987, China issued new regulations aimed at improving the climate for foreign-invested, export-related, and high-technology enterprises.

Although a developing country, China has a modest program of foreign aid designed to win friends and counter Soviet influence in the Third World. Developing countries in Asia and Africa have been the primary beneficiaries, receiving Chinese grants and credits amounting to nearly $7 billion between 1954 and 1985. Chinese aid has been interest-free and has taken the form of small, labor-intensive, light industrial projects, of which textile mills are the most popular. Terms require that any Chinese employed on the projects be paid at local wage scales. The structure of the aid program is changing, however. China's direct aid to other countries has

Trade by Areas and Selected Countries

($ millions)

	1985			
	Total	*Exports*	*Imports*	*Balance*
Total (all countries)	**70,804.1**	**31,324.6**	**39,479.5**	**-8,154.9**
Noncommunist countries	**65,936.3**	**29,150.6**	**36,785.7**	**-7,635.1**
Developed countries	38,203.3	13,549.4	24,653.9	-11,104.5
East Asia and Pacific	20,153.6	6,563.1	13,590.5	-7,027.5
Australia	1,157.0	295.9	929.4	-633.5
Japan	18,812.4	6,222.4	12,590.0	-6,367.6
North America	8,921.2	4,136.1	4,785.1	-649.0
US	7,695.9	3,840.2	3,855.7	-15.5
Canada	1,225.3	295.9	929.4	-633.5
Western Europe	7,128.5	2,850.2	6,278.3	-3,428.1
France	1,215.0	433.8	781.2	-347.4
FRG	2,988.1	757.7	2,230.4	-1,472.7
Italy	1,312.9	516.0	796.9	-280.9
UK	859.4	344.3	515.1	-170.8
Less developed countries	27,733.1	15,601.3	12,131.8	3,469.5
Southeast Asia	20,449.5	11,349.6	9,099.9	2,249.7
Philippines	357.5	276.7	80.8	195.8
Singapore	2,493.3	2,160.2	333.1	1,827.1
Thailand	482.9	212.0	270.9	-58.9
Hong Kong	15,425.6	7,568.0	7,857.6	-289.6
South Asia	889.1	439.1	450.0	-10.9
Sri Lanka	84.4	67.4	17.0	50.3
Pakistan	195.2	137.6	57.6	80.0
Middle East	2,429.8	1,956.8	473.0	1,483.8
Kuwait	441.9	161.4	280.5	-119.1
Saudi Arabia	211.5	211.5	0.0	211.5
Syria	7.6	7.6	0.0	7.6
North Africa	442.9	340.0	82.9	257.1
Egypt	113.8	55.8	58.0	-2.2
Tunisia	46.5	33.0	13.5	19.4
Sub-Saharan Africa	1,297.8	838.2	459.6	378.6
Nigeria	364.8	354.7	10.1	344.6
Sudan	162.0	39.6	122.4	-82.8
Latin America	2,243.9	677.5	1,566.4	-889.0
Brazil	1,252.6	434.3	818.3	-3,284.0
Chile	151.5	28.5	123.0	-94.5
Mexico	151.4	74.3	77.1	-2.8
Communist countries	**4,867.8**	**2,174.0**	**2,693.8**	**-519.8**
USSR	1,931.4	994.2	937.2	57.0
Eastern Europe	2,213.9	804.0	1,409.9	-605.9
Czechoslovakia	404.5	161.9	242.6	-80.7
GDR	251.9	65.4	186.5	-121.1
Poland	197.6	120.3	177.3	-57.0
Romania	851.9	336.7	515.2	-178.5
Other	**722.5**	**375.8**	**346.7**	**29.1**

Source: CIA estimates.
Country listings for any given area are not exhaustive; only major trade partners are presented.

declined dramatically because Beijing now emphasizes mutually beneficial commercial ventures with other countries.

U.S.-China Economic and Commercial Relations

The most rapid expansion in U.S.-Chinese relations during the post-normalization period has been in commerce. A broad series of economic agreements—trade, maritime, civil aviation, textiles, grain, Export-Import Bank, a tax treaty, and OPIC (Overseas Private Investment Corporation) investment insurance—have facilitated trade and established a strong framework for economic interchange. A bilateral trade agreement is the keystone to normal commercial relations and provides for reciprocal, nondiscriminatory treatment of each country's products, including most-favored-nation treatment.

Two-way trade with China, which had stood at $2.4 billion in 1979, has exceeded $8 billion. China is the United States' 16th largest trade partner, while the United States is China's 3d largest market, after Hong Kong and Japan. Until 1983, the United States had enjoyed a favorable balance of trade

with the P.R.C. Since then, however, the situation has reversed and, in 1986, the United States ran a deficit of $2 billion. The pattern of trade also has changed considerably over the years. Most of China's imports from the United States before 1983 were agricultural products; with bumper crops and surpluses, China's grain imports declined dramatically after 1983 (to only 2% of U.S. sales). Imports from the United States are now comprised mainly of machinery and transport equipment, aircraft, logs and lumber, fertilizer, and instruments. Major Chinese exports to the United States include textiles, apparel, oil and petroleum products, toys, and games.

China's Top Ten Trading Partners

(total trade in US$ millions)

1983	
Japan	9,764
Hong Kong	8,312
US	4,650
Canada	3,640
West Germany	1,743
Singapore	1,001
France	827
Brazil	814
USSR	648
Italy	625

1984	
Japan	12,859
Hong Kong	12,162
US	6,385
Canada	4,298
Singapore	1,526
West Germany	1,778
USSR	1,200
Australia	1,049
Brazil	878
Italy	769

1985	
Japan	18,812
Hong Kong	15,405
US	8,080
West Germany	2,988
Singapore	2,493
USSR	1,931
Italy	1,313
Brazil	1,253
Canada	1,225
France	1,215

Source: Central Intelligence Agency. Adjustment has been made for reexport of Chinese goods from Hong Kong to the US so that US-China trade figures reflect Department of Commerce statistics.

U.S. controls on technology and equipment exports to China have been gradually liberalized over the past several years. U.S. policy is designed to allow U.S. companies to participate fully in China's modernization program while retaining controls on sensitive equipment and technology, reflecting U.S. awareness that China has strategic capabilities unlike those of other friendly countries. In 1983, recognizing China's status as a "friendly, non-allied country," the United States liberalized export control policy toward China. In 1985, the United States and its allies agreed on further measures to streamline review of exports to China. Export control policy changes have facilitated an expanding volume and higher level of U.S. exports to China. By one estimate, the value of U.S. "high-tech" exports to China increased from $144 million in 1982 to some $1 billion in 1986. U.S. export control policy for China will continue to evolve, consistent with the development of relations.

The development of U.S.-China commercial relations is facilitated by three joint commissions that provide for high-level discussions and review on economic and scientific issues of importance to both sides. The Joint Economic Committee (participants are the U.S. Treasury Department and the Chinese Ministry of Finance) has met annually since the fall of 1980 to review the overall economic relationship. The Joint Commission in Commerce and Trade (participants are the U.S. Department of Commerce and the Ministry of Foreign External Relations and Trade in China) has met annually since 1983 to discuss trade policy, cooperation in industrial fields, and trade-related legal and regulatory matters. A Science and Technology Commission (overseen on the U.S. side by the White House Office of Science and Technology Policy and on the Chinese side by the Chinese State Scientific and Technological Commission) also meets annually to oversee the 29 scientific and technical exchange programs being conducted under an umbrella agreement between the United States and China.

FOREIGN RELATIONS

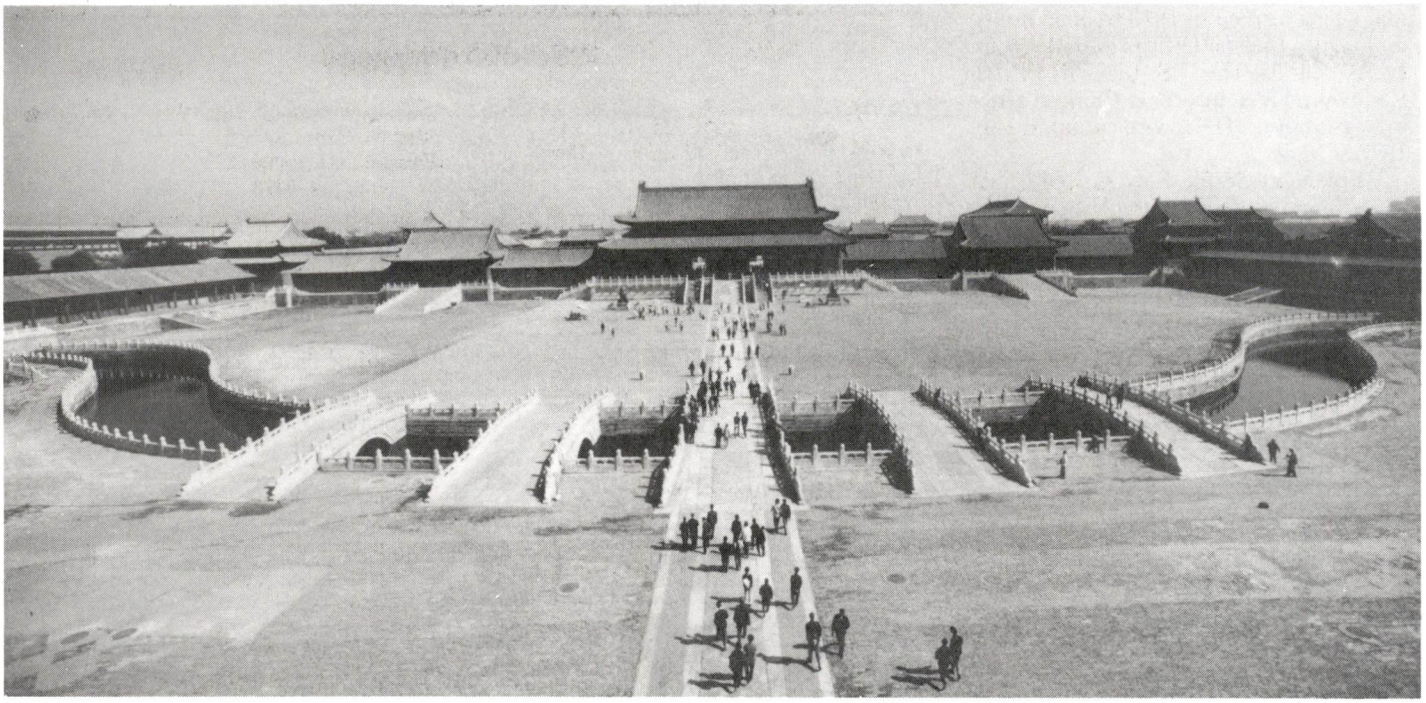
Since early 1982, China has placed increasing importance on building closer ties with the Third World and has continued to emphasize the need to oppose "hegemonism" and safeguard world peace. These goals are designed to create a secure international strategic environment for China and to foster good relations with countries that can aid its economic development. To this end, China looks to the West for assistance with its modernization drive and for help in countering Soviet expansionism—which China continues to regard as the greatest threat to its national security and to world peace.

These efforts flow from China's roles as a great power in East Asia and as the world's largest developing country. China maintains its consistent opposition to "superpower hegemonism," focusing on the expansionist actions of the Soviet Union and Soviet proxies such as Vietnam and Cuba, but it also places growing emphasis on a foreign policy independent of both superpowers. In keeping with its moderate repositioning toward the Third World, China often aligns its formal economic and political positions with the Third World "Group of 77" and Nonaligned Movement, although China is not a formal member of either.

Since its establishment, the People's Republic has sought vigorously to gain international recognition as the sole legal Government of China, including Taiwan. In the early 1970s, Beijing made major breakthroughs toward this goal with its diplomatic recognition by many world powers. Beijing assumed the China seat in the United Nations in 1971. The number of countries that have diplomatic relations with Beijing has risen to 133, leaving only 23 that still consider Taipei the seat of China's government.

In the 1960s, after China's falling out with the Soviet Union, the Chinese competed with the Russians for political influence among communist parties and in the developing world generally. Following the 1968 Soviet invasion of Czechoslovakia and clashes in 1969 on the Sino-Soviet border, Chinese opposition to the Soviet Union increasingly reflected concern over China's own strategic position. In late 1978, the Chinese also became concerned over Vietnam's efforts to establish open control over Laos and Cambodia and to exert pressure on Thailand. In response to the Soviet-backed Vietnamese invasion of Cambodia, China fought a brief border war with Vietnam (February–March 1979) with the stated purpose of "teaching Vietnam a lesson." The Chinese were and are concerned about expanding Soviet access to Vietnamese and other military facilities in Indochina. Chinese anxiety about Soviet strategic advances was heightened following the Soviet Union's December 1979 invasion of Afghanistan.

Sharp differences between China and the Soviet Union persist over Soviet



(Dean Conger © National Geographic Society)

Beijing's Forbidden City, the emperor's palace.

support for Vietnam's continued occupation of Cambodia, the Soviet invasion of Afghanistan, and Soviet troops along the Sino-Soviet border and in Mongolia. Sino-Soviet talks on these and other issues have taken place every 6 months since October 1982. Sino-Soviet border talks resumed in February 1987, after a hiatus of 9 years. These talks have produced no apparent breakthrough on the major differences, but bilateral trade and cultural exchanges have increased. China's relations with Eastern Europe improved markedly beginning in late 1986, when several East European leaders made visits to Beijing. In June 1987, Premier Zhao Ziyang reciprocated by visiting a number of East European countries.

In recent years, China has become a more visible actor internationally. Chinese leaders are regular travelers to all parts of the globe, and China has sought a higher profile in the United Nations and other multilateral organizations. Closer to home, China seeks to reduce tensions in Asia through its relations with North Korea and its broad range of ties with Japan. China also has cultivated a more cooperative relationship with members of the Association of South East Asian Nations (Malaysia, Singapore, Thailand, Indonesia, the Philippines, and Brunei) and has increased nonpolitical exchanges with India.

U.S.-CHINA RELATIONS

1949–72

U.S. diplomats and consular officials remained in China after the proclamation of the People's Republic in October 1949. Efforts to keep communications between Washington and Beijing open, however, foundered over issues of Chinese national sovereignty and treatment of American diplomatic personnel. The official American presence was withdrawn in early 1950. Any remaining hope of normalizing relations ended when U.S. and Chinese communist forces fought on opposing sides in the Korean conflict.

Beginning in 1954 and continuing until 1970, the United States and China held 136 meetings at the ambassadorial level, first at Geneva and later at Warsaw. Though some progress was made in early years, by the 1960s the talks were stalemated. Finally, in the late 1960s, U.S. and Chinese political leaders decided that good bilateral relations were in their common interest. In 1969, the United States initiated measures to relax trade restrictions and other impediments to bilateral contact. On July 15, 1971, President Richard Nixon announced that his Assistant for National Security Affairs, Dr. Henry Kissinger, had made a secret trip to Beijing to initiate direct contact with the Chinese leadership and that he, the President, had been invited to visit China. In February 1972, President Nixon traveled to Beijing, Hangzhou, and Shanghai. At the conclusion of his trip, the U.S. and Chinese Governments issued the "Shanghai Communique," a lengthy statement of the differences and similarities in the foreign policy views of the two governments.[1] In the communique, both nations pledged to work toward the full normalization of diplomatic relations. The United States acknowledged that all Chinese on either side of the Taiwan Strait maintain that there is only one China and that Taiwan is part of China, and agreed not to challenge this position. This statement enabled the two sides temporarily to set aside the "crucial question obstructing the normalization of relations"—Taiwan—and to open trade and other contacts.

The Liaison Office Era, 1973–78

In an effort to regularize bilateral contact and build substantive relationships toward the establishment of normal diplomatic relations, the United States

and China agreed in 1973 to open non-diplomatic Liaison Offices in both countries' capitals. The U.S. Liaison Office in Beijing and a counterpart Chinese office in Washington, D.C. were set up in May 1973.

President Gerald Ford visited China in 1975 and reaffirmed the U.S. commitment to the goal of normalized relations with Beijing. Shortly after taking office in 1977, President Jimmy Carter also endorsed this objective of the Shanghai Communique. Finally, the United States and China announced on December 15, 1978, that the two governments had agreed to establish diplomatic relations as of January 1, 1979.

The Normalization Understanding

In the Joint Communique on the Establishment of Diplomatic Relations dated January 1, 1979, the United States transferred diplomatic recognition from Taipei to Beijing.[2] The U.S. reiteration of its Shanghai Communique acknowledgment of the Chinese position that there is only one China and that Taiwan is a part of China elicited agreement from Beijing that the American people would continue to carry on commercial, cultural, and other unofficial contacts with the people of Taiwan. The Taiwan Relations Act made the necessary changes in U.S. domestic law to permit such unofficial relations with Taiwan to flourish.

U.S.-China Relations Since Normalization

Vice Premier Deng Xiaoping's January 1979 visit to Washington initiated a series of important, high-level exchanges. Out of these exchanges came many agreements—especially in scientific, technological, and cultural interchange and in matters affecting trade relations. On March 1, 1979, the United States and China formally established embassies in Beijing and Washington. During 1979, outstanding private claims were resolved, and a bilateral trade agreement was concluded. Vice President Walter Mondale reciprocated Vice Premier Deng's visit with an August 1979 trip to China. This visit led to agreements on maritime affairs, civil aviation links, and textile matters, as well as a bilateral consular convention.

Useful Addresses

US Offices

Office of Chinese and Mongolian Affairs
US Department of State
Washington, DC 20520
Tel. (202) 647-9141

American Embassy at Beijing
Xiu Shui Bei Jie 3
Beijing, People's Republic of China
Tel. 52-3831
Ambassador: Winston Lord

American Consulate General at Guangzhou
Dongfang Hotel
Guangzhou, People's Republic of China
Tel. 668-800
Consul General: Mark S. Pratt

American Consulate General at Shanghai
1469 Huai Hai Middle Rd.
Shanghai, People's Republic of China
Tel. 379-880
Consul General: Charles Sylvester

American Consulate General at Shenyang
40 Lang 4, Section 5,
Sanjing St., Heping District
Shenyang, People's Republic of China
Tel. 290038/34/54/68
Consul General: Gene Dorris

American Consulate General at Chengdu
Jinjiang Hotel
180 Renmin Rd.
Chengdu, Sichuan
People's Republic of China
Tel. 28-24481
Consul General: William W. Thomas, Jr.

Chinese Representatives

Embassy of the People's Republic of China
2300 Connecticut Avenue NW
Washington, DC 20008
Tel. (202) 328-2520

Consulate General of the PRC at New York
520 - 12th Avenue
New York, NY 10036
Tel. (212) 279-4260

Consulate General of the PRC at San Francisco
1450 Laguna Street
San Francisco, CA 94115
Tel. (415) 563-4885

Consulate General of the PRC at Houston
3417 Montrose Blvd.
Houston, TX 77006
Tel. (713) 524-0778

Consulate General of the PRC at Chicago
104 So. Michigan Avenue
Chicago, IL 60603
Tel. (312) 346-0287

US-China Trade Advice

US Department of Commerce
International Trade Administration
Office of China and Hong Kong Affairs, Rm. 2317
Washington, DC 20230
Tel. (202) 377-3583

National Council for US-China Trade
1050 17th Street NW
Suite 350
Washington, DC 20036
Tel. (202) 828-8300

Travel Contacts

China Travel Service (Luxingshe)
Head Office: Xidan Building, Beijing, 667-850
H.K.: 77 Queens Road, Central, Hong Kong 5-259121

Cultural Exchange

National Association for Foreign Student Affairs Special Projects
1860 19th Street NW
Washington, DC 20009
Tel. (202) 462-4811

Committee on Scholarly Communication with the People's Republic of China
National Program of Scholarly Exchanges with the PRC
National Academy of Sciences
2101 Constitution Ave. NW
Washington, DC 20418
Tel. (202) 334-2718

National Committee on US-China Relations
777 United Nations Plaza—Room 9B
New York, NY 10017
Tel. (212) 922-1385

As a consequence of high-level and working-level contacts initiated in 1980, the U.S.-Chinese diplomatic dialogue came to cover a wide range of issues, including global and regional strategic problems, politico-military questions, UN and other multilateral organization affairs, arms control, regional political and economic problems, and international narcotics matters.

In February 1981, the new Reagan administration reaffirmed the U.S. commitment to respect the principles of the 1979 communique, stating that continued efforts to normalize the U.S.-P.R.C. relationship, while maintaining informal links with the people of Taiwan, are a strategic imperative to international stability and world peace.

The positive developments that followed normalization began to founder in 1981 on the issue of U.S. arms sales to Taiwan, a problem that had been left unresolved at the time of normalization. Secretary of State Alexander Haig visited China in June 1981 in an effort to allay Chinese concerns about U.S. intentions toward Taiwan. Eight months of

negotiations—a period that included Vice President George Bush's visit to China in May—produced the U.S.-China Joint Communique of August 17, 1982.[3] In the communique, the United States stated its intention to reduce gradually the level of arms sales to Taiwan; the Chinese described as a fundamental policy their effort to strive for a peaceful solution to the Taiwan question.

High-level exchanges continue to be a significant means for developing U.S.-China relations. President Reagan and Premier Zhao made reciprocal visits in 1984. In July 1985, President Li Xiannian traveled to the United States, the first such visit by a Chinese head of state. Vice President Bush visited China in October 1985 and opened the U.S. consulate general in Chengdu, this country's fourth consular post in China. Defense Secretary Caspar Weinberger's second trip to China in October 1986 was followed by the November 1986 U.S. Navy ship visit to Qingdao that added a new dimension to U.S. diplomacy. More recent examples of travel diplomacy include Secretary Shultz's March 1987 trip to China and the May 1987 visit to the United States of Military Affairs Commission Vice Chairman Yang Shangkun.

Beyond these high-level exchanges, a large and growing number of cultural exchange activities, undertaken at all levels, have given the American and Chinese peoples broad exposure to each other's cultural, artistic, and educational achievements. Numerous Chinese professional and official delegations visit the United States each month. Some 250,000 American tourists visit China each year. More than 19,000 Chinese scholars and students are currently enrolled in U.S. universities, and roughly 1,200 Americans are studying or teaching in China. Since early 1979, the United States and China have initiated hundreds of joint research projects and cooperative programs under the Agreement on Cooperation in Science and Technology, the largest bilateral program of its kind for each side. These programs cover diverse subjects, ranging from high-energy physics to earthquake studies.

Diplomatic, consular, and trade facilitation services have been upgraded since 1979. The United States has established consulates general at Guangzhou (Canton), Shanghai, Shenyang, and Chengdu. China maintains consulates general at Houston, San Francisco, New York, and Chicago. China plans to open a consulate in Los Angeles and the United States retains the right to open a consulate in Wuhan.

China: Taiwan

History

Taiwan was attached administratively to Fujian Province in 1683; the Imperial Chinese Government made it a separate province in 1886. In 1895, as a result of the first Sino-Japanese War, China ceded the island to the Japanese Empire rather than give up Manchuria. Japanese rule continued on the island until 1945, when the Republic of China formally "repossessed" Taiwan and unilaterally proclaimed its retrocession to China under the Cairo and Potsdam agreements. Chiang Kai-shek's Chinese Government established effective control of the island, not without opposition from the Taiwanese inhabitants many of whom, by this time, considered themselves as separate people distinct from mainland Chinese. After the victory of the Chinese Communist Party (CCP) in the 1949 civil war on the mainland, the Kuomintang (KMT) established a government-in-exile in Taipei. Its fall to the CCP was considered imminent in early 1950; the United States decided not to intervene to prevent this outcome.

U.S. Involvement

American disinterest ended with the June 1950 North Korean invasion of South Korea. The United States interposed the Seventh Fleet in the 160-kilometer-wide Taiwan Strait for two reasons:

- To prevent either party to the Chinese civil war from widening the Korean conflict into a general Asian war; and
- To prevent Taiwan from falling into hostile hands from which it might menace the security of American forces in Japan.

As the Korean conflict dragged on and the Chinese communists joined it, the United States gradually resumed and expanded its economic and military aid to the KMT authorities on Taiwan and extended a security commitment to them. This commitment was formalized in a 1954 Mutual Defense Treaty with the Republic of China.

Taiwan's Development

Beginning in the 1950s, Taiwan's economy developed rapidly along capitalist lines. The island gradually emerged as an economic and social entity in its own right, with strong economic ties with the United States, Japan, and the flourishing economies of noncommunist Asia and Europe. Taiwan blossomed into a model of successful developmental economics. The United States was able to end all economic assistance to Taiwan in 1965 and to phase out all military aid in the mid-1970s.

Derecognition of Taiwan

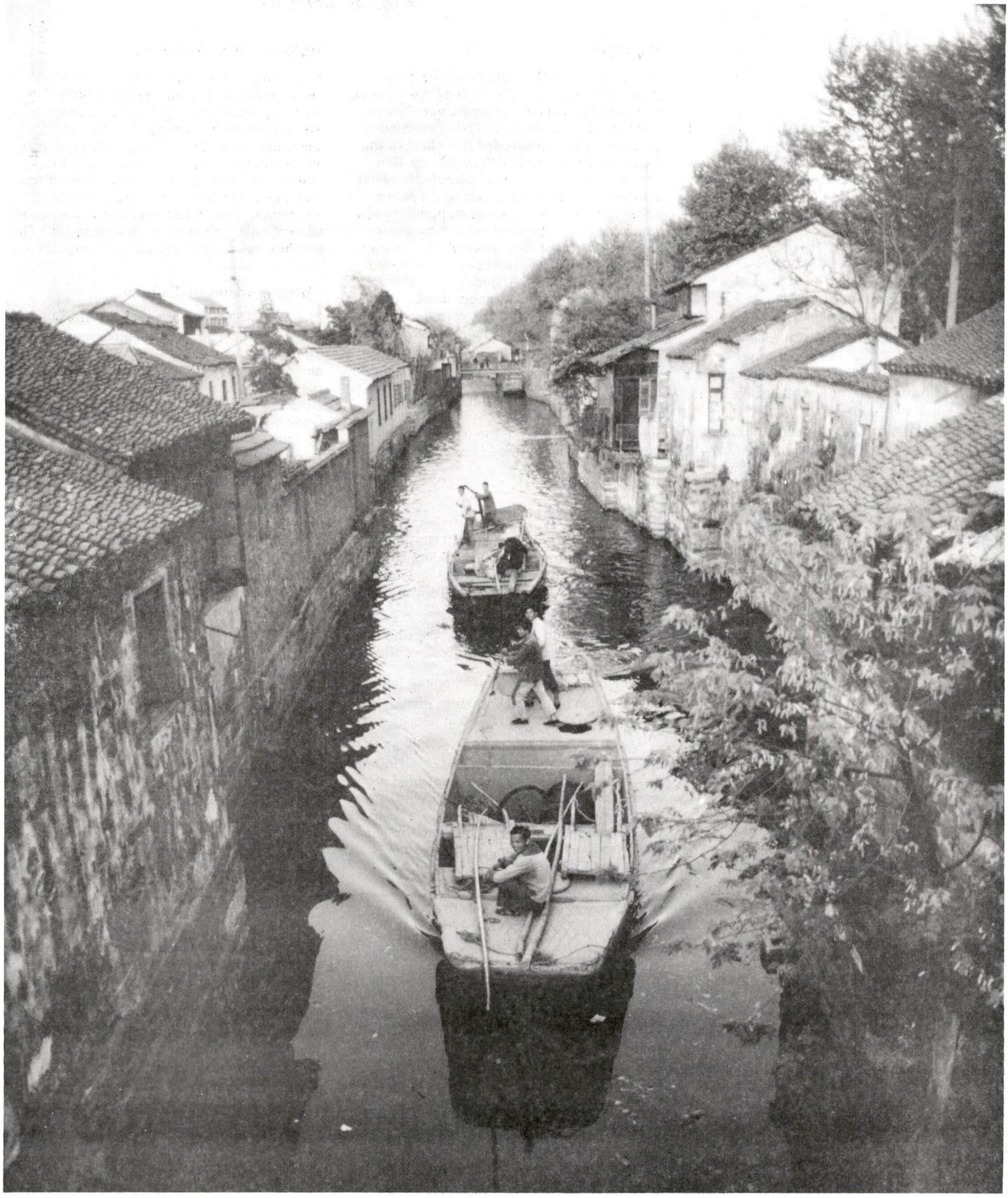
The United States recognized the Republic of China at Taipei as the legal government of China until January 1, 1979, when recognition and diplomatic relations were transferred to the People's Republic of China at Beijing. Notice of the termination of the Mutual Security Treaty with Taiwan was given on the same date; the treaty expired on December 31, 1979. Since then the United States has continued sales of carefully selected defensive weapons to the island on a restrained basis, despite Beijing's strong disagreement with this policy. The August 1982 US-PRC Communique established a framework for managing US-China differences over this issue.

Cultural, commercial, and other unofficial relations between the American people and the people of Taiwan are conducted by and through a nonprofit corporation, the American Institute on Taiwan (AIT), operating under the authority of the Taiwan Relations Act (PL–96–8). AIT maintains headquarters in Rosslyn, Virginia and offices at Taipei and Kaohsiung in Taiwan.

Note: Separate *Background Notes* describing Taiwan's distinctive political, economic, and social situation have been made available as a convenience to the public. They may be purchased from the Superintendent of Documents, US Government Printing Office, Washington, DC 20402.

DEFENSE AND SINO-U.S. MILITARY COOPERATION

The People's Liberation Army (PLA), which includes strategic nuclear forces, the army, navy, and air force, now totals some 3 million men and women, with about 5 million reservists. China's army has been undergoing a 25% reduction in personnel and has already retired thousands of officers. Even after reducing by 1 million soldiers, it will still be the world's largest army. Some organizational reforms also have been completed, most notably a reduction of 11 military regions to 7. Other reforms will affect the leadership, recruitment and manpower, military doctrine, and the education and training of the PLA. While military reform has been controversial for nearly a decade, significant results have been obtained during the past 2 years. The PLA of the 1990s will be leaner, better equipped, better trained, and better led than at any time since the mid-1950s.



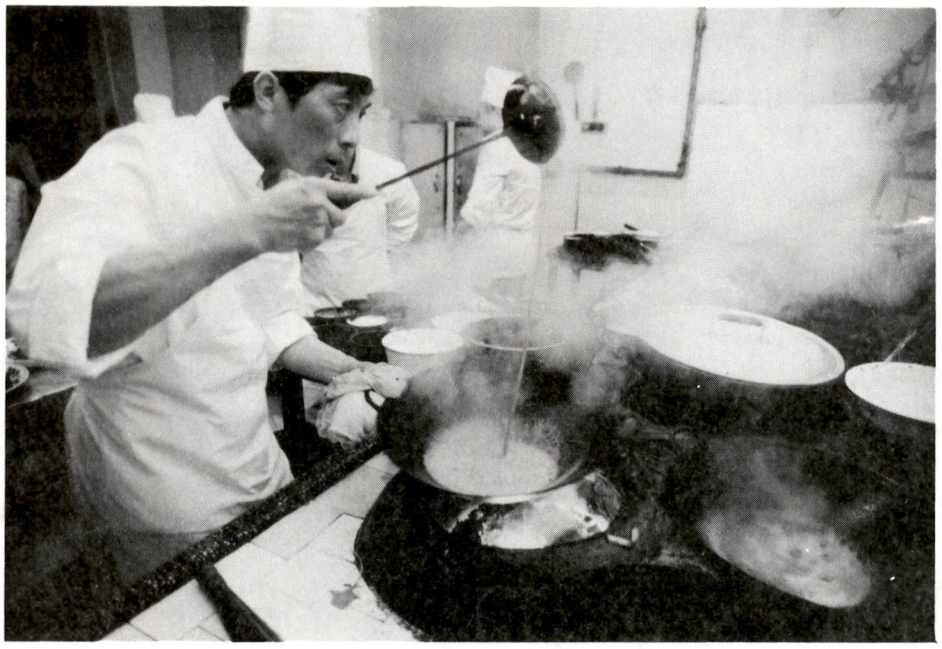
(George M. Mobley © National Geographic Society)

Boats on a Suzhou canal, the Venice of China.

Nonetheless the development of an effective conventional deterrent to Soviet aggression against China is still a long way off. The present intermediate development in strategic planning combines elements of the traditional approach of luring an enemy deep into China with an effective conventional response before key industrial and population centers could be reached. The PLA will continue to rely on militia and paramilitary border defense forces but in the future will make greater use of a ready reserve system, now being organized.

China's nuclear deterrent will continue to play a central role in defense policy as conventional forces continue to reform and modernize over the years. Beginning with China's first nuclear test on October 15, 1964, the P.R.C. has conducted more than two dozen atmospheric and underground nuclear tests. China has deployed a modest medium- and intermediate-range ballistic missile force and is developing limited-range intercontinental ballistic missiles, both land- and sea-based. At the time of its first nuclear detonation, China made a "no-first-use" pledge regarding nuclear weapons. It was the first state to make this commitment. It also pledged in 1986 to abstain from any further testing of nuclear weapons in the atmosphere.

China's political and military leaders are attempting to modernize the armed forces with new equipment and greater professionalism. The United States is involved in this process through the slow, steady growth in the U.S.-P.R.C. military relationship. Although neither side seeks strategic alliance, China is interested in obtaining the technology and trade necessary for its national military development. U.S. willingness to develop military ties with the P.R.C. is founded on the assessment that both countries share important global and regional interests, including the threat posed by the Soviet Union. A more secure, modernizing, and friendly China—with an independent foreign policy and economic system more compatible with the West—can make a significant contribution to peace and stability in the Asia-Pacific region and the world. ■



(Cary Wolinsky © National Geographic Society)

Preparing Sichuan-style fish sauce at the Wei Yuan Restaurant in Chongqing.

[1]For the complete text of the Shanghai Communique, see the *Department of State Bulletin,* March 20, 1972.

[2]For the full texts of the Joint Communique and the U.S. and P.R.C. statements at the time of normalization, see the *Department of State Bulletin,* January 1979.

[3]For the complete text of the August 17 Joint communique, see *Department of State Bulletin,* October 1982.

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CURRENCY CONVERSION TABLE

Chinese Yuan (Renminbi) Conversion Table at Yuan 3.71 = U.S. $
(Yuan = 100 fen)

YUAN TO U.S. DOLLARS		U.S. DOLLARS TO YUAN	
Yuan	US $	US$	Yuan
0.10	.03	0.10	.37
0.25	.07	0.25	.93
0.50	.13	0.50	1.85
1.00	.27	0.75	2.78
3.71	1.00	1.00	3.71
5.00	1.35	5.00	18.55
10.00	2.70	10.00	37.10
20.00	5.40	20.00	74.20
50.00	13.48	50.00	185.50
100.00	26.95	100.00	371.00
300.00	80.86	300.00	1,113.00
500.00	134.77	500.00	1,855.00
1,000.00	269.54	1,000.00	3,710.00

NOTE: All U.S. dollar values are rounded to nearest U.S. cent. Value of Chinese yuan fluctuates daily according to currency market conditions.

1/25/89

China Site Information

Diaoyutai Guest House

The Diaoyutai Guest House is used to accommodate nearly all guests at the chief of state or head of government level and many guests of ministerial level. The Diaoyutai complex is built in a park dating from the 12th century non-Chinese Jin Dynasty, with a lake and streams (diaoyutai means "fishing platform"). Villas constructed in the 100-acre compound were used as early as the 13th century for emperors and their families to relax and entertain poets and calligraphers. The Chinese Government converted the park into a state guest house in 1959, and construction is still continuing. The complex comprises 18 detached villas in modern Chinese style, plus a restaurant and a club. The villa that will house President Bush has a number of paintings by famous Chinese artists and other objets d'art.

Great Hall of the People

The Great Hall of the People is the principal meeting hall of the Chinese Communist Party and the Government of the People's Republic of China. The National People's Congress and the Central Committee of the Chinese Communist Party meet here.

On the west side of Tiananmen Square in the heart of Beijing, the building is enormous, with 561,800 square feet of floor space divided into numerous theaters, conference rooms, reception rooms, and banquet halls. The main halls are named for the Provinces of China, and have decorations appropriate to the Province. The building was constructed within 10 months in 1958–59 to celebrate the 10th anniversary of the 1949 Communist victory.

Chongwenmen Protestant Church

The Chongwenmen Protestant Church is the former Methodist Church in the Chongwenmen District. The church is an octagonal basilica in a square courtyard surrounded by a high wall. The main sanctuary seats 800, and an adjoining auditorium to the southeast, 500. By removing an internal wall, the two rooms seat some 1,300 people. On Christmas Eve 1988, some 2,700 people attended services, far beyond the church's capacity. The congregation is predominantly Chinese, but a number of foreigners, most Americans, attend regularly. Services are in Chinese, but the pastors and some members of the congregation speak a little English. One of the church's pastors baptized the President and Mrs. Bush's daughter when she was 16.

Great Wall Sheraton Hotel

In the Chaoyang District on the northeastern side of Beijing, the Great Wall Sheraton Hotel is 21 stories high. It has 1,007 guest rooms plus French, Sichuan, and Cantonese restaurants, a nightclub, a coffee shop, and a tea garden. The grand ballroom seats 1,200 and can hold 2,000 standing.

Beijing International Club

The Beijing International Club is a large, multi-function complex on the edge of the diplomatic area of Beijing. The club contains three restaurants, two indoor tennis courts, a theater, offices, and shops. A new swimming pool is under construction, and a large office building is being built over the old outdoor tennis complex.

DEPARTMENT OF STATE
BRIEFING PAPER

BEIJING

(*bay jing*)

Meaning in Chinese:	Northern Capital			
Location:	39 55N 116 23'E (approximate latitude of Philadelphia)			
Elevation:	50 meters above sea level			
Population:	9.75 million municipality; 6 00 million central city (includes nine rural counties in municipality)			
Climate:	Jan	Apr	Jul	Oct
Mean daily maximum temperature C(F)	1.7	20.6	31.7	20.6
Mean daily minimum temperature C(F)	-10	6.1	21.7	6.7
Mean number of days with precipitation	3	4	13	3
Mean monthly precipitation millimeters (inches)	5.1	17.8	243.8	15.2

BEIJING CITY BRIEF

Introduction

Most visitors agree that Beijing is a unique and magnetic city, a curious blend of old and new. In the city streets phalanxes of bicycles, black and standardized, jostle with 1950-style automobiles and shinny Toyota taxis, fleets of buses, and milling pedestrians. On the outskirts animal-driven carts creep along dusty residential streets in sight of new apartment blocks and factories built amidst farmland still tilled by hand.

Although new structures rise here and there above the rooftops of the old city, mingling with massive institutional buildings of Soviet architectural inspiration, the city core is still dominated by squat gray buildings, served by innumerable hutongs (alleyways), huddled inside drab walls and hiding the mass of Beijing's citizens from the view of the passerby. Gray is the predominant color of Beijing--gray flagstones, gray walls, gray roof tiles. This somberness is relieved during the warmer months by the vivid greens of the thousands of trees that line major streets. While the great monuments and trappings of the imperial past provide irresistible short-term attractions for Beijing's citizens and tourists alike, foreigners stationed in Beijing are faced with its harsher realities--crowded and limited housing, few amusements, almost no night life, and blowing dust that periodically envelops the city throughout much of the year, seeping through cracks and coating everything with a fine yellow power.

Overview of the City

Marco Polo wrote that Beijing was "arranged like a chessboard," an observation still valid despite the centuries of political turmoil and the physical expansion of the city. Its rectangular symmetry can best be visualized as a series of rectangles or boxes within boxes arranged on a south-north axis from the Qianmen (front gate) on a direct line through Tiananmen (Gate of Heavenly Peace), the magnificent vermilion-hued southern entrance to the former Imperial City, thence north to the Palace Museum or Forbidden City. The Forbidden City, the innermost rectangle, was the residence of the emperor and his immediate entourage and was surrounded by the Imperial City, the private parks and grounds of the emperor's court. Completing the so-called inner city (the old Tartar city, from which Chinese were originally excluded) was a still larger walled rectangle that housed the commercial and residential districts.

Beijing grew during the 16th century, primarily to the south, and an "outer city" developed, later termed the "Chinese city," also enclosed by a wall. Today the walls have been torn down, and only a few of the gates remain (Xizhimen, Fuxingmen, and other men, or gates, are symbolized on the map) to indicate the alignments of the former walls. Nevertheless, the grand outlines of the Mongol and Ming city plan--and a bit of its mystery--still remain to be viewed and felt by visitors.

Beijing, the capital of China for most of the past 700 years, continues to dominate the life of the country. It is the center for political, administrative, and cultural activities. From Beijing the country's leaders direct major campaigns and set in motion economic policies that affect the entire population. The official newspaper, the People's Daily, is a vital tool for the ruling bureaucracy, as it both reports on the main events in the capital and serves to instruct the members of China's vast political hierarchy; Xinhua (New China) news agancy broadcasts the official version of the world's news. Although the country stretches more than 5,000 kilometers from east to west and crosses the equivalent of four time zones, all the clocks in China are set to Beijing time.

The population of Beijing Municipality is about 9.75 million, but more than two-fifths of these people live outside the urban center in the several thousand square kilometers of rural land that has been annexed to the municipality. The built-up area, only about 2 percent of the municipality, has more than doubled in population since 1949 to 6 million. It has spilled outside of the old city and sprawls across the plain in an unsymmetrical arrangement of apartment buildings, sports complexes, educational institutions, industrial plants, and farming communes.

The large, mainly agricultural counties attached to Beijing Municipality since 1959 supply a wide variety of agricultural products to the city. Open markets are common, and sidewalk stalls are heaped with fruit and vegetables in season. A common Beijing scene is the homeward-bound worker on a bicycle with bunches of vegetables for dinner tied to the rear rack or dangling from the handlebar.

A bicycle population of 3 million and an increasing number of motor vehicles have led to growing traffic congestion. A partially opened subway system, under construction since 1965, and 23 kilometers of a "ring road," opened in December 1980 on the site of the old city walls, have helped; nevertheless, still more improvements are needed. Beijing's strategic location and historic role as a major transportation center has been enhanced by extensive expansion of and improvements to the railroad system;

excellent rail service from the city is available to every major region of the country. More recently, air traffic has increased, in part in response to decisions to seek foreign assistance and, since 1977, to the massive growth of tourism. Civil airlines use the remodeled and greatly expanded Beijing International Airport, previously known as the Capital Airport, located northeast of the city.

Since 1949 Beijing has changed from a city of little industry to one of the major industrial centers in the country. It is now a major producer of textiles, petrochemicals, machinery, and automotive and agricultural equipment and is of growing importance as a producer of communications, electrical, and electronics equipment. It has a large and growing skilled-labor force, and most enterprises take advantage of the nation's leading technical research facilities and personnel, also located in the city. Beijing has 35 colleges and universities, among which Beijing and Qinghua Universities are the most pretigious. There is also a large artisan community famous for its handcraft work. Carpets, embroidery, ivory carvings, and paintings are among the finest found in China.

Beijing's attractions are rewarding at any time of the year, but the periods from April through mid-June and from September through November normally will be most comfortable for sightseeing. Beijing's northerly location and proximity to the Mongolian steppe make for a long winter, and temperatures may occasionally drop below --18 C (0 F). The cold is made more bearable by a preponderance of bright brisk days, very dry air, and the infrequency of snow or, less likely, rain. Even snow does not interrupt the city's business, since the first few flakes bring out armies of residents who sweep the snow from streets and sidewalks. Spring (April and May) and autumn (September and October) are usually pleasant with moderate temperatures. The normal summer is characterized by spells of oppressive heat and humidity interspersed with periods of heavy rainfall; temperatures may occasionally exceed 38 C (100 F).

Rainfall is usually insignificant until June, but both the amount and seasonal distribution are highly variable. Rains normally build to a maximum in July, when almost 40 percent (250 millimeters or 10 inches) of the yearly precipitation may occur, much of it in violent thunderstorms. Perhaps the most disagreeable feature of Beijing's climate is neither rain, heat, nor cold but the dust storms that periodically sweep over the city, most commonly in late winter and spring.

History

Beijing's origins date to about 2000 B.C., and much of the city's early importance was derived from its site. It served not only as a link between the mountains and steppe immediately to the north and the fertile plains to the south, but also as a northern rampart against invasion. Cities known by several different names rose and fell on or near the present site. Finally, about 1268 under Kublai Khan a new city named Tatu (Great Capital) or Khanbalic was built, and this city became the fortified home of the Imperial Court. The core of the present city, established during the early part of the Ming Dynasty (1368-1644), is situated approximately on the ruins of Tatu. Beijing had a long and glorious reign as the Imperial Capital but fell into moderate disrepair after the demise of the Qing (Manchu) Dynasty in 1912.

Travelers have long been strongly attracted to Beijing. Marco Polo spent several years in the latter part of the 13th century there before returning to Europe to spread tales of its fantastic beauty and riches. Although the possibilities of commerce were appealing to Europeans, Chinese rulers looked with disfavor on any expansion of contacts with foreign countries. A handful of foreigners managed to live or to travel in China, but its capital was inaccessible to most non-Chinese for many centuries. The barriers restricting entrance of foreigners eventually weakened, and by the 19th century a sizable number of non-Chinese were living in Beijing. By this time the Empire was in decay, and the city's grandeur was deteriorating.

Beijing continued to serve as the capital of most of the country during the chaotic years following the end of the Qing Dynasty. In 1928, however, the newly established Republic of China renamed the city Beiping (northern peace), a name used during the late 14th and early 15th centuries, and moved the capital to Nanjing. Finally, in 1949, Beijing resumed its role as capital with the victory of the Chinese Communists; thousands of people gathered in Tiananmen Square to celebrate the founding of the People's Republic of China on 1 October 1949.

Attractions

The attractions of Beijing are many and varied. The newer industrial plants near the city provide glimpses of China's technological development, and Beijing's museums contain a wide range of relics and records from both ancient and modern China, archaeological finds, and modern exhibitions. The palaces, parks, and other monuments to a past of splendor and extravagance, greatness and decay, are unsurpassed in the country.

Recreation in Beijing stresses wholesome athletics. The numerous large sports complexes are in almost constant use, and most organizations have athletic facilities to accommodate workers and students. Theaters now abound in Beijing, with fare varying from traditional opera to productions in Chinese of Western plays. With the exception of the theater and the gustatory joys of sampling Beijing's many restaurants, night life is nonexistent. By 10 o'clock at night the city is quiet and dark. An initial point of interest in Beijing is Tiananmen (Gate of Heavenly Peace), located in the center of the city. It is a symbol of China--the podium from which Mao Zedong proclaimed the People's Republic in 1949. The massive square of 40 hectares--about the size of 75 football fields--in front of the Gate can accommodate a half-million people and is the focal point for political rallies, festivals, and parades. The Great Hall of the People, at the western edge of the square, is a meeting place for major political events such as the convening of a Party Congress. On the eastern side are the Museum of Chinese History and Museum of the Chinese Revolution, both housed in a building with an architectural style similar to that of the Great Hall of the People. On display are an array of Chinese artifacts as well as modern exhibits. A recent addition are the terra cotta soldiers and horses discovered near the tomb of the Qin emperor, Shi Huangdi, in the vicinity of Xian, Shannxi Province. Near the center of Tiananmen Square, to the south of the obelisk known as the Monument to the People's Heroes, is the Mao Zedong Memorial Hall, in which Mao's body is on display.

Outside the walls of the Palace Museum to the west and north are the former playgrounds of the Imperial court that serve as parks for the people. Beihai (North Lake) Park is probably the most popular recreation spot in the city. Its tree-lined promenades and picnic spots provide relaxation for large numbers of Chinese. In summer rowboats dot the lake, which becomes a skating rink in winter. The origins of Beihai Park date 700 years to Kublai Khan, and some of the structures in the park are older than any in the Forbidden City. Government leaders have their homes and offices in the more secluded Zhongnanhai (Central and South Lakes) area, just to the west of the Palace Museum.

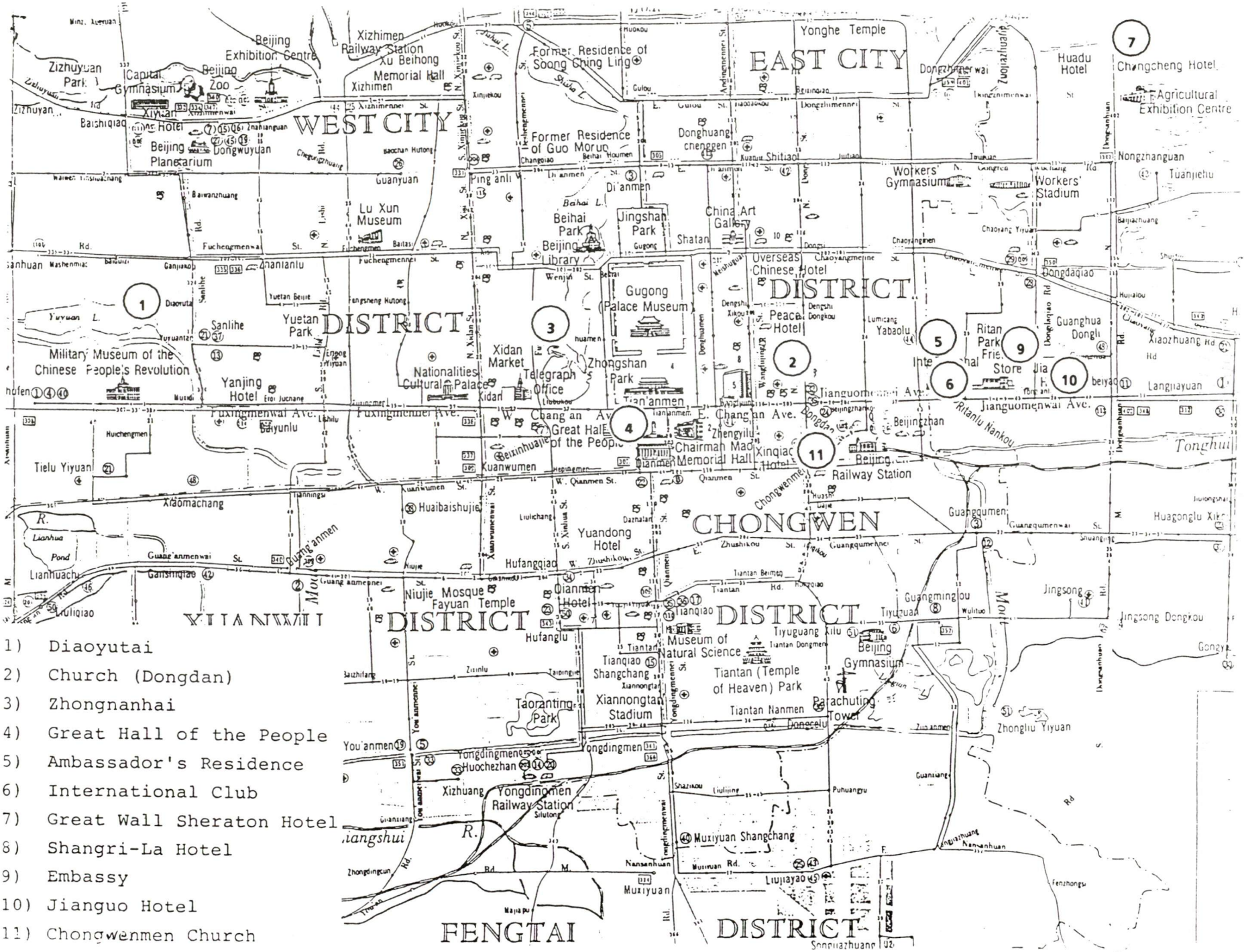
Tiantan (The temple or Altar of Heaven), in the southern part of the city, was formerly the most sacred spot in Imperial Beijing. A grandoise complex of immense proportions, it contains majestic temples, halls, gates, and gardens. The most impressive feature is the altar. In former times only the Emperor ascended the altar to offer yearly sacrifices to the Supreme Being. The current regime has kept Tiantan in good condition, and it and the surrounding grounds are now used as a public park.

Foreign tourists usually join the many Chinese who flock to Yihe Yuan (the Summer Palace), at the northwest edge of the city. On the slopes of a low hill and along the edge of a beautiful lake is a magnificent layout of buildings and walkways. Most of the palace was built during the latter years of the Qing Dynasty, around the turn of this century. The Great Wall, about 65 kilometers northwest of Beijing, is another "must" for visitors. This relic is more than 2,000 years old and stretches from the deserts of western China eastward to the sea. It represents the old boundary between the agricultural society of China and the barren domain of the herdsmen of Central Asia. The wall is now mostly at the edge of the mountains a few miles nearer Beijing. All but one of the 14 Ming Emperors who ruled China from 1368 until 1644 are buried in the tombs. The broad, impressive complex is being slowly renovated by the Chinese. The underground burial vault in one of the tombs has been opened, and visitors may view the resting place and priceless garments of its occupant.

Recently opened are the Eastern Tombs (Dongling) of the Qing (Manchu) Dynasty, a 48-square-kilometer area at the foot of a mountain some 125 kilometers northeast of Beijing. Buried at the Eastern Tombs are five emperors and 15 empresses, plus a large number of imperial concubines. The underground burial vault of one of the most famous emperors, Qien Long, has been opened to the public.

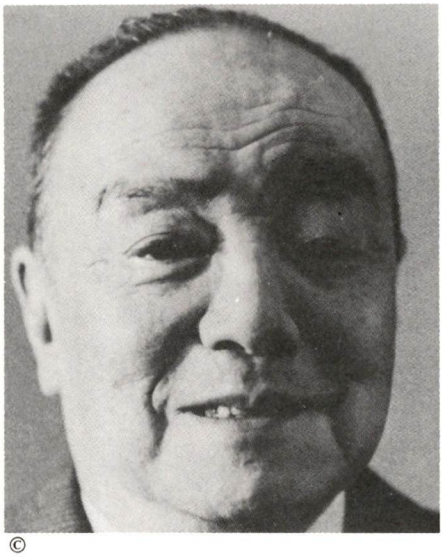
Beijing Mileage and Travel Time Requirements for President Bush's Visit

Airport - Diaoyutai	40 min	35 km
Diaoyutai Guest House - Great Hall of the People	8 min	5 1/2 km
Great Hall of the People - Diaoyutai	8 min	5 1/2 km
Diaoyutai Guest House - Protestant Church (DongDan)	12 min	8 km
- Open Market (Stroll)		
DongDan - Zhongnanhai (meetings)	8 min	3 1/2 km
Zhongnanhai to Great Hall of the People	5 min	1 km
Great Hall of the People - Zhongnanhai	5 min	1 km
Zhongnanhai - Ambassador's Residence	10-12 min	5 1/4 km
Ambassador's Residence - International Club	2 min	1/2 km
International Club - Ambassador's Residence	2 min	1/2 km
Ambassador's Residence - Zhongnanhai	10-12 min	5 1/4 k
Zhongnanhai - Diaoyutai	10 min	5 km
Diaoyutai - Great Wall Sheraton Hotel	15 min	14 1/2 km
Great Wall Sheraton Hotel - Shangri-La Hotel	15-20 min	16 km
Shangri-La Hotel - Diaoyutai	8 min	4 1/2 km
Diaoyutai - Airport	40 min	35 km



1) Diaoyutai
2) Church (Dongdan)
3) Zhongnanhai
4) Great Hall of the People
5) Ambassador's Residence
6) International Club
7) Great Wall Sheraton Hotel
8) Shangri-La Hotel
9) Embassy
10) Jianguo Hotel
11) Chongwenmen Church

YANG Shangkun **CHINA**
(Phonetic: yahng)
(2799/1424/2492)


©

President (since April 1988); Member, Politburo, Chinese Communist Party (CCP); Permanent Vice Chairman and Secretary General, CCP Military Affairs Commission; Executive Vice Chairman, Central Military Commission

Addressed as: Mr. President

Yang Shangkun, one of China's revolutionary founding fathers, has been instrumental in implementing Deng Xiaoping's reforms involving modernization and reorganization of the People's Liberation Army (PLA). Although his duties as President are largely ceremonial, Yang retains constitutional oversight of the PLA. He currently ranks third in the military's hierarchy, behind Deng and General Secretary Zhao Ziyang. Before his election as President, Yang had administered day-to-day military affairs for the CCP since July 1981, when he was appointed secretary general of the Military Affairs Commission.

Yang has been an executor of Deng's policies for about 30 years. During 1955-56 he served under Deng as deputy secretary general of the CCP. From 1956 until both were purged in 1966 at the start of the Cultural Revolution, he was an alternate secretary and Deng ranking secretary of the CCP Secretariat. Rehabilitated in 1978, he was sent to Guangdong Province as a second secretary of the province's party committee. The following year Yang became a provincial vice governor. In 1980 he was named vice chairman and secretary general of the Standing Committee of the National People's Congress. In 1982 he became a member of the Politburo and permanent vice chairman of the MAC. When the state's Central Military Commission (CMC) was established in 1983, Yang became vice chairman.

Yang was born in about 1904. He joined the CCP in 1926. From 1927 until 1930 he studied at Sun Yat-sen University in Moscow. In 1933 he became director of the Political Department of the 1st Front Army. A veteran of the Long March, he had become deputy director of the Political Department of the Revolutionary Military Council—then the chief military body of the party—by 1935. He became secretary of the party's North China Bureau in 1937 and secretary general of the MAC in 1945. From 1949 until 1966 Yang also served as director of the CCP General Office.

Yang, who made his first visit to the United States in May 1987, has met with several senior US officials, including then Vice President George Bush. He speaks some Russian and English. A widower, Yang has at least three children.

26 January 1989

DENG Xiaoping **CHINA**
(Rhymes with sung)
(6772/1420/1627)


©

Chairman, Chinese Communist Party (CCP) Military Commission; Chairman, Central Military Commission

Addressed as: Mr. Deng

Despite his retirement in October 1987 from all but two of his party and government posts and despite his public claims to the contrary, Deng Xiaoping remains the most powerful man in China. Widely known to be the driving force behind China's modernization program, he continues to determine China's political, military, and economic agenda. He wields authority through extensive political support, enormous prestige, and administrative genius.

Born on 22 August 1904 into a fairly well-to-do Sichuan family, Deng has had a long, tumultuous political career. By 1931 he had become a propaganda officer at the Communist base in Jiangxi, and during 1934-35 he took part in the Long March to Shaanxi. During the ensuing Sino-Japanese war, Deng was the political commissar of the 129th Division of the 8th Route Army. Shortly after the establishment of the People's Republic, he assumed national-level economic posts. Named to the Politburo in 1953, he became one of the youngest men on the Standing Committee in 1956, when he was 52.

Deng's political career has suffered several setbacks—he was purged three times (1932, 1966, and 1976). The second-highest-ranking victim of the Cultural Revolution, Deng was relieved of his posts as General Secretary of the CCP, a member of the Politburo, and vice premier. While he was out of power, he spent two years in Beijing in isolation and three more in Jiangxi Province. According to a memoir written by his daughter, at that time Deng and his family lived like peasants—chopping wood, working in factories, and tilling fields. Rehabilitated in 1973, Deng returned to Beijing and became a vice chairman of the CCP. By 1975 he had resumed his old post as a member of the Politburo Standing Committee. In March 1976 leftists brought about Deng's third downfall. In mid-1977, after the death of Mao and the purge of the Gang of Four, Deng regained the posts he had lost the previous year. In June 1981 he became chairman of the party's Military Commission. He held the party vice-chairmanship until both it and the party chairmanship were abolished in September 1982. He chaired the Central Advisory Commission from its establishment in September 1982 until October 1987. In 1983, Deng became head of the then newly established Central Military Commission, a state body.

Despite rumors of Deng's failing health, he continues to meet visitors, most recently Indian Prime Minister Rajiv Gandhi in December 1988, at which time he expressed hope for better Sino-Indian relations. Deng's wife, Zhuo Lin, accompanied him on trips to Japan and Southeast Asia in 1978 and to the United States in 1979. The couple has five children. The eldest son, Deng Pufang, is director of the China Welfare Fund for the Handicapped.

26 January 1989

ZHAO Ziyang **CHINA**
(Phonetic: jaow)
(6392/4793/7122)


©

General Secretary (since November 1987); Member, Standing Committee, Politburo, Chinese Communist Party (CCP)

Addressed as: Mr. General Secretary

Zhao Ziyang, who is widely regarded as the most likely successor to Deng Xiaoping, is in charge of implementing the party's guidelines and overseeing China's reforms. An advocate of economic reform, he favors opening to the West and developing an export-oriented economy in the coastal areas. Named Acting General Secretary after a senior leadership shakeup in January 1987, he was confirmed in the top party post in November. He concurrently serves directly under Deng as second in command of the party and government military commissions.

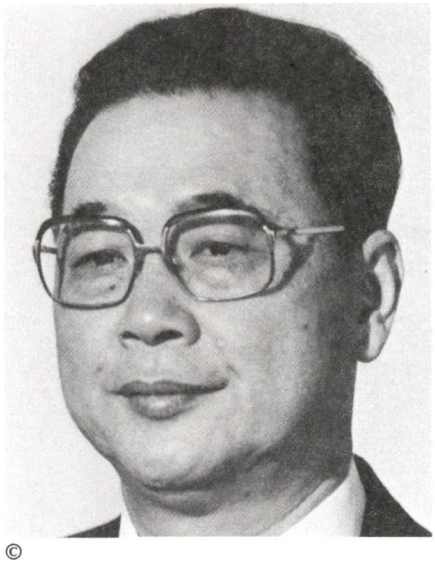
Zhao's rapid rise has been widely attributed to his enthusiastic implementation of Deng's reforms. While holding several key provincial posts during 1975-80, he gained nationwide attention for his achievements in improving agricultural production. As Premier during 1980-87, he campaigned for far-reaching economic reforms mandated by the CCP Central Committee in October 1984. As head of the State Council Leading Group on Science and Technology from 1983 to 1987, he called for importing sophisticated Western technology to boost China's modernization efforts.

Zhao was born on 15 August 1919. Until his transfer to Beijing, he had spent his entire career in local government. During most of the Sino-Japanese war (1937-45), he served as a county and prefectural party secretary in eastern China. By 1965 he had risen to CCP first secretary of Guangdong Province, but he was purged in 1967 during the Cultural Revolution. He reappeared in northern China in 1971 and the next year returned to Guangdong; he was elected to the CCP Central Committee in 1973 and was restored to his former party secretary post by 1974. In December 1975 he became first secretary and Governor of Sichuan, China's most populous province. He became an alternate member of the Politburo in 1977, a full member in 1979, and a Standing Committee member in 1980. Zhao was the third-ranking vice chairman of the CCP from June 1981 until September 1982, when the party was reorganized and his position was abolished. He served as Minister in Charge of the State Commission for Restructuring the Economic System from 1982 until April 1987.

According to the Hong Kong press, Zhao is amiable and easy to approach. He enjoys jogging, golfing, swimming, and playing Ping-Pong. Zhao has traveled extensively. He visited the United States and Canada in January 1984 and addressed the UN General Assembly in 1985. He is married to Liang Boqi and has five children and at least three grandchildren.

26 January 1989

LI Peng **CHINA**
(Phonetic: lee)
(2621/7720)


©

Premier, State Council (since April 1988); Member, Standing Committee, Politburo, Chinese Communist Party (CCP) (since October 1987)

Addressed as: Mr. Premier

As Premier and the second-ranking member of the Politburo Standing Committee, Li Peng sits near the top of both the state and party bureaucracies. An administrator with a technocratic background, he represents the rising generation of leaders who will determine domestic and foreign policy into the next century. Li, who supports increasing the efficiency of China's planned economy rather than implementing full-scale market reforms, was placed in charge of the economic retrenchment program launched in October 1988. He has vowed publicly to bring down inflation by the end of 1989 by raising interest rates and giving the central government more authority over budget allocations.

Li has had extensive exposure to the Soviet Union throughout his career. After studying in Moscow in the early 1950s, he worked closely with Soviet advisers in China's power industry. As Vice Premier, he met frequently with visiting Soviet officials and served as one of China's chief spokesmen on Sino-Soviet affairs. He has taken pains, however, to publicly deny frequent rumors that he was a friend of Soviet Communist Party General Secretary Mikhail Gorbachev during their student days. Although Li advocates continued technological exchanges with the United States, he has publicly expressed concern that too few of the Chinese students abroad are returning to China.

Born on 20 October 1928, Li is the son of a Communist leader killed by the Kuomingtang when Li was 3. His education was supervised by Zhou Enlai (later Premier) and Zhou's wife, Deng Yingchao, who has remained prominent in politics since Zhou's death. After graduating from a technical school, Li studied at the Yan'an College of Natural Science. He joined the CCP in 1945, and in 1948 he went to the Moscow Power Institute for advanced training. After returning to China in 1954, he served in power industry positions. He became a Vice Minister of Electric Power in 1980 and Minister in 1981. In March 1982, when the Electric Power and Water Conservancy Ministries were merged, Li became a vice minister in the new organization, with responsibility for nuclear power development. He was named Vice Premier in 1983 and held that post until he was appointed Acting Premier in late 1987. He concurrently served as Minister in Charge of the State Education Commission from 1985 until April 1988. He now serves as Minister in Charge of the Commission for Restructuring the Economic System and as head of the party's Foreign Affairs Leading Group.

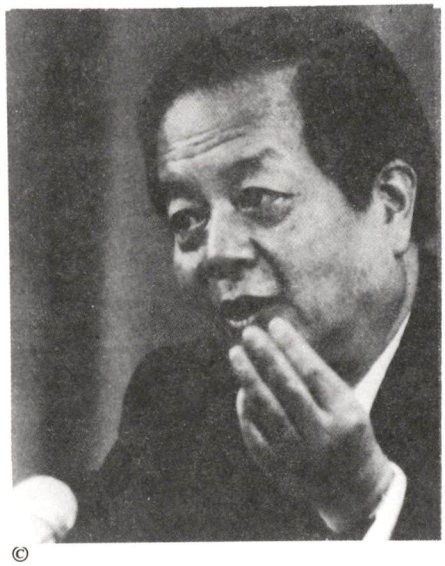
Throughout the 1980s, Li has traveled widely; he visited the United States in 1985. He speaks Russian fluently and has recently taken up the the study of both English and computer programming. His wife, daughter, and two sons also work in the power industry.

26 January 1989

QIAN Qichen **CHINA**
(Phonetic: cheeyen)
(0629/0366/3819)

Minister of Foreign Affairs
(since April 1988)

Addressed as: Mr. Minister


©

Qian Qichen is widely acknowledged to be one of the Foreign Ministry's best Soviet experts. Educated in Moscow, he has dealt with nearly every Soviet official responsible for Moscow's policies toward Beijing. Last year he became China's first foreign minister to visit Moscow since Zhou Enlai traveled there in 1964. Western press reports indicate that Qian, who joined the Foreign Ministry while Zhou was in charge, has a style reminiscent of his mentor—polished, confident, and always at ease.

Qian was born on 5 January 1928. He joined the Chinese Communist Party (CCP) in 1942. During the late 1930s, Qian engaged in anti-Japanese activities by reporting for *Tao Kung Pao*, a Chinese newspaper. He worked with the Communist Youth League before joining the Foreign Ministry in 1953. Sent to Moscow the following year to study at the Soviet Youth League Academy, Qian was subsequently assigned to the Embassy there. Recalled to Beijing in 1964 before the onset of the Cultural Revolution, he did not reappear publicly until 1972, when he was again assigned to Moscow as a counselor. Two years later he was appointed Ambassador to Guinea. During 1976-82 he served as director of the Information Department of the Foreign Ministry and government spokesman to the diplomatic community and foreign press in Beijing. Appointed vice foreign minister in 1982, he supervised the Soviet and East European Affairs Department and the Information Department and oversaw arms control and disarmament issues. At that time he was principal Chinese negotiator in the Sino-Soviet normalization and border talks. Qian also served as Acting Foreign Minister when the Minister was out of the country.

The Western press has described Qian as alert, expressive, and having a quick sense of humor. He speaks English, French, and Russian. He has visited the United States several times. Qian is married to Zhou Hanqiong.

26 January 1989

Winston Lord
Ambassador to China

Winston Lord served as President of the Council on Foreign Relations, Inc. before his appointment as Ambassador to the People's Republic of China in 1985. Ambassador Lord joined the Foreign Service in 1962 and was assigned to the Office of Congressional Relations. He served in the Offices of Politico-Military Affairs (1962-64) and International Trade (1964-65). Other assignments include Policy Planning Staff (Department of Defense), National Security Council, and Director of the State Department's Policy Planning Staff and top policy adviser on China (1973-77).

Amb. Lord was born in New York in 1937. He received a BA from Yale in 1959 and an MA from the Fletcher School of Law and Diplomacy at Tufts in 1960. He served in the U.S. Army in 1961. Amb. Lord received the Defense Department's Outstanding Performance Award (1969), State's Distinguished Honor Award (presented to the Policy Planning Staff during his tenure), and an honorary doctorate of laws from Williams, 1979.

Peter Tomsen
Deputy Chief of Mission, Beijing

Raymond F. Burghardt
Political Affairs Officer, Beijing

James A. Larocco
Economic Affairs Officer, Beijing

Lyn Edinger
Commercial Affairs Officer, Beijing

Kathryn D. Robinson
Consular Affairs Officer, Beijing

Dorothy M. Sampas
Administrative Affairs Officer, Beiijing

Frederick M. Krug
Regional Security Officer, Beijing

William W. Thomas, Jr.
Scientific Attache, Beijing

David M. Schoonover
Agricultural Attache, Beijing

McKinney H. Russell
Public Affairs Officer, Beijing

Bg John Leide USAF
Office of the Defense Attache, Beijing

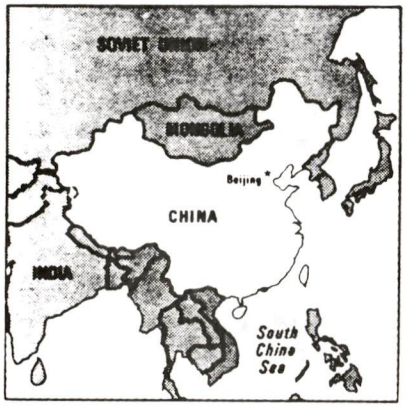
Jonathan P. Gressel
Agricultural Trade Office, Beijing

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A quick reference aid on U.S. foreign relations
Not a comprehensive policy statement
Bureau of Public Affairs • Department of State

US-China Relations April 1987

Background: Mao Zedong's 1949 victory in the Chinese civil war and Chiang Kai-shek's flight to Taiwan led to a breakdown in US-China relations. Preliminary efforts to establish relations between Washington and the new Beijing regime foundered on conflicting world views and the vagaries of domestic politics in both countries. Washington withdrew all US diplomats remaining in China early in 1950. Any hope of formal diplomatic relations ended when US and Chinese forces fought on opposing sides during the Korean conflict. From 1954 to 1970, however, the US and China held 136 ambassador-level meetings on bilateral issues, first at Geneva and later in Warsaw. In 1969 the US relaxed trade restrictions and other impediments to bilateral contact. In February 1972, President Nixon and Premier Zhou Enlai issued the Shanghai Communique, pledging to work toward normalization of relations. On January 1, 1979, after a hiatus of 30 years, the US and China established diplomatic relations.



Contact and cooperation: High-level contacts between the US and China have included: President Reagan's visit to China in April 1984; Vice President Bush's trips in 1982 and 1985; and trips by Defense Secretary Weinberger in 1983 and 1986 and Secretary Shultz in 1983 and 1987. The Chinese finance, trade, defense, and foreign ministers have all come to the US since 1982. Premier Zhao Ziyang paid an official visit in January 1984 as did President Li Xiannian in 1985, and Vice Premier Yao Yilin in 1986.

Consultations on international issues: Despite the ideological, cultural, and social differences between us, our countries share a common concern for global peace and stability. The US views China as a friendly, nonallied country with which we share many parallel interests, especially the need to strengthen the world's defenses against Soviet expansionism.

Areas of interest to both countries cover a variety of issues:

- Arms control is of vital concern to Asian nations, especially China. We have assured the Chinese that an agreement reducing Soviet intermediate-range nuclear weapons (INF) in Europe would not result in the redeployment of these arms, principally SS-20 missiles, to Asia. At Reykjavik the US and USSR agreed to global levels of 100 warheads each, pending negotiated abolition.
- US and Chinese approaches to the Korea issue differ given the continuing state of confrontation between our respective Korean allies; however, we share a common interest in avoiding heightened tension and renewed hostilities. While maintaining ties with the Democratic People's Republic of Korea, China has permitted limited

informal contact and indirect trade with the Republic of Korea and has stressed its interest in maintaining peace on the peninsula.

- Improved relations between Japan and China mean greater security for Japan, for our other allies in East Asia, and for China itself. Continued US and Japanese cooperation in Chinese modernization increases the prospects for trade with China for both the US and Japan.
- The US and China, along with the Association of South East Asian Nations (ASEAN), have pressed for the removal of Soviet-supported Vietnamese troops in Cambodia to allow self-determination. We share with China the hope that Vietnam will decrease its dependence on the Soviet Union and develop more normal relations with its neighbors.
- President Li Xiannian's visit to Africa in the spring of 1985 underscored the importance China places on relations with Africa and the strengthening of its Third World ties. It has urged strong international measures and sanctions against South Africa.
- In the Middle East, China generally supports Arab proposals for resolving the Arab-Israeli impasse while looking to the US to ensure stability in the region. It has claimed neutrality in the Iran-Iraq war.
- China has called Soviet actions in Indochina and Afghanistan and the presence of Soviet troops on its borders the major obstacles to improved Sino-Soviet relations.

Trade and economic exchange: China is now our 16th largest trading partner, and we are China's third largest, with $8 billion two-way trade in 1986. Major Chinese exports to the US have been textiles, apparel, and petroleum products. Major US exports to China have included railway equipment, aircraft, logs and lumber, and computers. Agricultural products, which once accounted for the bulk of US exports, are now around 2% of the total. American investment in China is estimated at $1.5 billion and has been focused on energy exploration, electronics, textiles, food processing, hotels, and construction. More than 140 US firms have invested in China, and many maintain resident offices in Beijing. To clarify the rights and responsibilities of foreigners in China and improve the business and investment climate, the US has negotiated a series of bilateral agreements on trade, financial, and transportation matters. A tax treaty was signed during President Reagan's trip, and discussion continues on a bilateral investment agreement.

In recent years, the US has liberalized the controls on export of high technology items to China, and Chinese imports of sophisticated electronic equipment have increased dramatically. The dollar value of approved licenses for US high technology exports to China, including computers, analytical instruments, and telecommunications equipment, increased from about $400 million in 1982 to $3.5 billion in 1986. China wants US help in developing and modernizing key sectors of its economy. An agreement on cooperation in peaceful uses of nuclear energy was brought into force on December 30, 1985.

The US also has agreed to sell China specific defensive military weapons systems that will increase China's capabilities without threatening its neighbors.

Harriet Culley, Editor (202) 647-1208

BACKGROUND: UNITED STATES-CHINA RELATIONS

Background

Development of friendly, stable, and enduring relations with the People's Republic of China has long been a foreign policy objective of the United States. As a result of the improvements in Sino-US relations in recent years, the US regards China as a friendly, non-allied country with which the US shares many parallel interests. Our approach is predicated on the belief that a secure China can be a force for stability and against expansionism in Asia.

U.S. Objectives

We seek to promote an international environment in which China will:

- Continue to be a force for peace and stability in Asia.
- Expand trade and investment ties with the US.
- See benefits in further opening of its society to the outside world and continued expansion of its ties with the industrialized democracies.

Bilateral Activities

US-China relations in the past ten years have matured beyond a narrow strategic focus toward a more broadly based and more complex web of interactions. The US is now China's third largest trading partner after Japan and Hong Kong. Bilateral trade rose from $1 billion in 1979 to approximately $14 billion in 1988. Cumulative US investment commitments in China now total about $4 billion. Over 30,000 Chinese students are currently enrolled in US universities, roughly 7,000 Americans are teaching or studying in China, and about 300,000 US tourists visit China annually. The US-PRC science and technology cooperation program is the largest bilateral program of its kind for each side: the U.S. and China have engaged in 400 cooperative activities under 29 bilateral protocols.

Our military cooperation is designed to assist the PRC to improve its defensive capabilities without posing a threat to our friends/allies in region. We seek to build a lasting military relationship with PRC emphasizing steady progress in high-level exchanges, technology cooperation and functional exchanges.

Our success in maintaining a constructive dialogue with China has enabled us to find common ground on key areas of strategic interest such as Afghanistan, Cambodia, and Korea.

Challenges in US/China Relations

As our relations have matured, differences have naturally occurred:

Ballistic Missile Proliferation: US concerns over the global dangers posed by ballistic missile proliferation were heightened by China's sale of intermediate range ballistic missiles to Saudi Arabia. Secretary Carlucci discussed this issue with Chinese leaders during his visit to China in September 1988, following which he publicly expressed confidence that the PRC's role on this issue would be a responsible one.

Taiwan: A U.S-China communique signed in August 1982 provides a general framework for addressing the question of US arms sales to Taiwan. Nevertheless, China has taken exception to various US actions and proposals relating to Taiwan, including continuing US arms sales. Beijing has urged the US to "do more" to facilitate contacts between itself and Taiwan. The US for its part has welcomed developments, including indirect trade and travel, that have contributed to a relaxation of tensions in the Taiwan Strait and supports a continuing evolutionary process toward a peaceful solution of the Taiwan issue by the Chinese themselves, free of outside pressure.

Trade and Investment: US-China economic relations have expanded significantly in recent years to the benefit of both countries. The US, however, remains concerned about PRC tariff and non-tariff barriers which restrict access to the China market. We continue to press for greater commercial operating freedom for US firms, binding international arbitration of disputes, better legal protection for US investors, transparency in trade regulations, and intellectual property rights protection. US businessmen also believe they are disadvantaged because our trading partners are able to offer significant concessional financing for commercial projects.

China's main concerns include US trade legislation (anti-dumping and countervailing duty laws), US high-technology export controls, US legislation requiring annual review of China's most-favored-nation (MFN) status (the Jackson-Vanik Amendment), and current PRC ineligibility for US Generalized System of Preferences (GSP) trade benefits. China also seeks US help in obtaining GATT membership.

Technology Transfer: China wants US liberalization of controls on high-technology exports. It argues that US trade difficulties would be less if the US were more willing to export high-tech goods in which it is strongly competitive. We and our COCOM partners have significantly liberalized the regulations governing high technology exports to China in recent years, and hope to do so in the future. We continue to review restrictions in the light of progress in our relationship with China and from the standpoint of our national security interests. Most recently, the US has negotiated agreements with China on terms for the launch of three US communications satellites on Chinese rockets.

Human Rights and Tibet: The US considers Tibet to be a part of China. Consistent with our world-wide interest in human rights, the US has expressed concern over events in Tibet, where ethnic Tibetans have held demonstrations resulting in violence and death of demonstrators and police over the last seventeen months.

Prospects

China's interest in a peaceful environment for economic reform and increased openness is changing PRC policies in positive ways. Despite the persistence of authoritarian features in China's political, social and economic systems, there is a gradual trend toward liberalization. China sees the West in general, and the US in particular, as playing an important role in its long-term modernization program. The US has a substantial interest in encouraging the continuation of these basic trends in China and in enhancing the competitive position of US firms.

US-CHINA TRADE RELATIONS

US policy has been to expand trade and investment ties with China and encourage its integration into the international trading system, a process facilitated by China's ongoing economic reforms.

US-China Trade

The US is China's third-largest trading partner, behind Hong Kong and Japan. In contrast, China is the 13th-largest US trading partner (up from 15th in 1981), accounting for about 2 percent of global US trade. US exports to China rose about 45 percent to $4.9 billion in 1988, while China's exports to the US grew 30 percent to $9.2 billion.

Major US exports to China are commercial aircraft, transport equipment, industrial machinery, high technology products, logs and lumber, wood/paper products, and chemicals. US agricultural exports, which had declined in recent years, are now on the upswing with the increase in grain sales through the Export Enhancement Program.

Chinese exports to the US are heavily concentrated in textiles and apparel (accounting for more than 40 percent of all Chinese exports), low-value consumer goods (e.g. toys and sporting equipment) and, decreasingly, crude petroleum and its derivatives.

-- Textiles have traditionally been a major issue in our bilateral trade; a four-year textile agreement signed in February 1988 limits the volume growth of Chinese textile exports to the US.

US and China Differ over Who Has a Trade Deficit

China claims that it is running a large deficit with the US which limits its ability to buy US goods. China's Customs Service recorded a PRC deficit in trade with the US of about $2 billion in 1987, up slightly from $1.8 billion in 1986. By contrast, US data show that we have had large and growing deficits with China since 1983.

-- Discrepancies in US and Chinese statistics are due mostly to China's practice of counting exports which transit Hong Kong to the US as exports to Hong Kong, not to the US, and the use of different valuation methods.

US Trade Concerns

US is concerned by PRC tariff and non-tariff barriers which restrict access to the China market. We continue to press for greater commercial operating freedom for US firms, binding international arbitration of disputes, better legal protection for US investors, transparency in trade regulations, and intellectual property rights protection. US businessmen also believe they are disadvantaged because our trading partners are able to offer significant concessional financing for commercial projects.

-- These themes were highlighted during US Trade Representative Yeutter's February 1988 visit to the PRC and the Commerce Department's discussions with the Chinese during the May 1988 Joint Commission on Commerce and Trade (JCCT) talks in Washington.

US Investment in China

Cumulative US investment commitments to China since 1979 reached $3.9 billion in 1988. Actual paid-in investment is estimated to be about $2.0 billion, making the US China's second-largest investor behind Hong Kong. Today, more than 400 US firms operate wholly-owned subsidiaries or joint ventures in China.

Early US investment was concentrated in offshore oil drilling in the South China Sea. US oil firms are also interested in onshore exploration, primarily in Western China, but have received little encouragement from the Chinese. Recent investment has favored electronics, textiles and textile machinery, food processing, hotels, and construction in the Guangzhou and Shanghai areas. For their part, the Chinese have sought joint ventures in high technology, export processing, and infrastructure development.

US investment is expected to grow steadily in the next few years, although investors will continue to exercise caution. Often Chinese priorities (earning foreign exchange and upgrading technical and managerial expertise) conflict with US industry's concerns for profitability and access to the China market.

-- Key complaints of US investors include restricted market access, difficulty in repatriating profits, inadequate intellectual property rights protection, non-performance of contract obligations, lack of legal protection and impartial dispute resolution, inadequate management control, and bureaucratic redtape.

China is attempting to address many of these issues and recognizes that it must make further progress to continue attracting foreign investment.

PRC INTERNAL POLITICAL SITUATION

POLITICAL REFORM

-- Since 1978, the Party has stressed the importance and priority of economic reform, with political reform playing a necessary but supporting role. The main ongoing activity in political reform involves the Party readjusting its relationship to other organizations and clearly defining a more limited role for itself. A gradual loosening of the limits of acceptable speech and greater freedom of religion and personal choice have been featured in the reform program.

LEADERSHIP

-- Key leaders are Chairman of the Central Military Affairs Commission Deng Xiaoping, Party General Secretary Zhao Ziyang, President and Permanent Vice Chairman of the Central Military Affairs Commission Yang Shangkun, and Premier Li Peng. The 17-member Politburo and its five-man Standing Committee (Zhao Ziyang, Li Peng, Qiao Shi, Hu Qili, Yao Yilin) are key policy-makers. The five-man Secretariat headed by Hu Qili is primarily responsible for day-to-day leadership of the Party.

1987 THIRTEENTH PARTY CONGRESS AND THE STATE OF REFORM

-- China's reform program emerged from the October 1987 Party Congress in a significantly stronger position than had seemed likely a few months earlier after the ouster of Hu Yaobang as Party General Secretary.

-- OPEN DOOR POLICY: The Party Congress endorsed China's continued "opening to the outside world" and made specific reference to improving the business climate in order to attract more investment from abroad.

-- CHANGES IN THE POLITBURO: Long March veterans including Li Xiannian and Chen Yun turned their positions on the Politburo Standing Committee over to younger leaders. Representation of the armed forces in the Politburo was reduced. Membership on the Central Committee was reduced to 175 from 209.

IDEOLOGY

-- Though still adhering to the "four cardinal principles" (Marxism-Leninism-Mao Zedong thought, the people's democratic dictatorship, primacy of the Communist Party, the socialist way), the Party leadership, led by General Secretary Zhao Ziyang, has promoted a new ideological foundation for reform. It espouses the theory that China is in the "initial stage" of socialism, a concept which accommodates adopting techniques and ideas on the basis of need rather than ideological purity.

CHINA'S ECONOMIC REFORMS

RISING INCOMES AND OUTPUT

-- Ten years of economic reform and growth have dramatically increased household incomes and expanded production in agriculture and industry. Between 1978 and 1988, China's real GNP increased at an average annual rate of over 10 percent.

-- Agricultural communes have been broken up and the land given back to peasants via 5-15 year leases. Farmers are now free to sell above-quota output at market prices and reinvest the profits in shops and small industries.

-- Industrial enterprises have been given more independence, including the right to set prices for above-quota output. A dual price structure has emerged, with about one-half of output now trading at market or near-market prices.

-- In 1988 real GNP grew 11.2 percent (according to preliminary Chinese statistics), while industrial output surged 18 percent. Total GNP reached $370 billion, reconfirming China's status as the second largest economy in Asia. However, China's per capita GNP, at $340, is still low by international standards.

-- Reform has not been problem-free. Inflation reached 18 percent in 1988, the highest level in 40 years.

FOREIGN TRADE CONTINUES TO EXPAND RAPIDLY

-- China's exports rose a healthy 21 percent to $48 billion in 1988, but were outpaced by a 28 percent rise in imports to $55 billion.

-- Export growth slowed somewhat in the second half of 1988 as prices for scarce export commodities were pushed up by higher domestic demand and fierce competition among exporters. However, strong services receipts allowed China to maintain its current account in rough balance.

-- December 1988 foreign exchange reserves totalled $18 billion, while year-end foreign debt amounted to a still modest $35 billion.

CHINA NOW ACTING TO CONTROL OVERHEATED ECONOMY

-- China has had difficulty controlling the growth of its money supply due to its expansionary bank credit and high investment policies. The dual system of state and market prices continues to misallocate resources and encourage inefficiency.

-- Rapidly rising consumer prices have posed difficulties for civil servants and others on fixed incomes.

-- Public anticipation of major price hikes on consumer goods and China's failure to maintain positive real interest rates on savings deposits prompted panic buying and scattered bank runs in August 1988.

-- Concerned over continuing inflation, China has lowered its growth targets and announced that it will postpone major price reform until 1990.

-- Emphasis has now switched to restraining money growth, capital investment, and government spending. In this regard, China recently raised interest rates on bank loans and deposits.

MICROECONOMIC REFORM EXPERIMENTS EXPECTED TO CONTINUE

-- Despite recent setbacks, China has reiterated that it is committed to freeing up the economy and creating efficient markets for goods and services.

-- In 1989, China's authorities are expected to continue innovative experiments in housing privatization, corporate stock issuance, and introduction of bankruptcy for state firms operating at a loss.

-- China is also working on ways to unbundle employee benefits such as education, health, and housing from enterprises in order to improve labor mobility and raise efficiency.

SINO-SOVIET RELATIONS

Under Gorbachev, the Soviet Union has accelerated its efforts to normalize relations with China. As part of this effort, the Soviets have in recent years begun to address Beijing's long-standing security concerns, reflected in Beijing's "three obstacles" to closer relations--i.e. Cambodia, Afghanistan, and Soviet troops on the Chinese border. At the same time, Chinese observers have interpreted Gorbachev's domestic reform issues as reducing the inclination of Soviet leaders to act aggressively on the global stage.

China responded cautiously to Gorbachev's activated courtship by stressing the necessity for "deeds" to follow up on Moscow's new "words." More recently, the PRC has welcomed Soviet overtures such as announced plans to remove three quarters of the Soviet forces in Mongolia, and Moscow's decision to witdraw from Afghanistan. At the same time, Beijing has consistently held to the position that Cambodia is the main "obstacle" to Sino-Soviet normalization. As the Soviets responded to Chinese concerns, Beijing began agreeing tp Soviet offers for expanded contacts in economic, scientific, cultural, and, more recently, political spheres. By mid-1988, sufficient progress had been obtained across the board to justify an exchange of Foreign Ministers' visits to capitals.

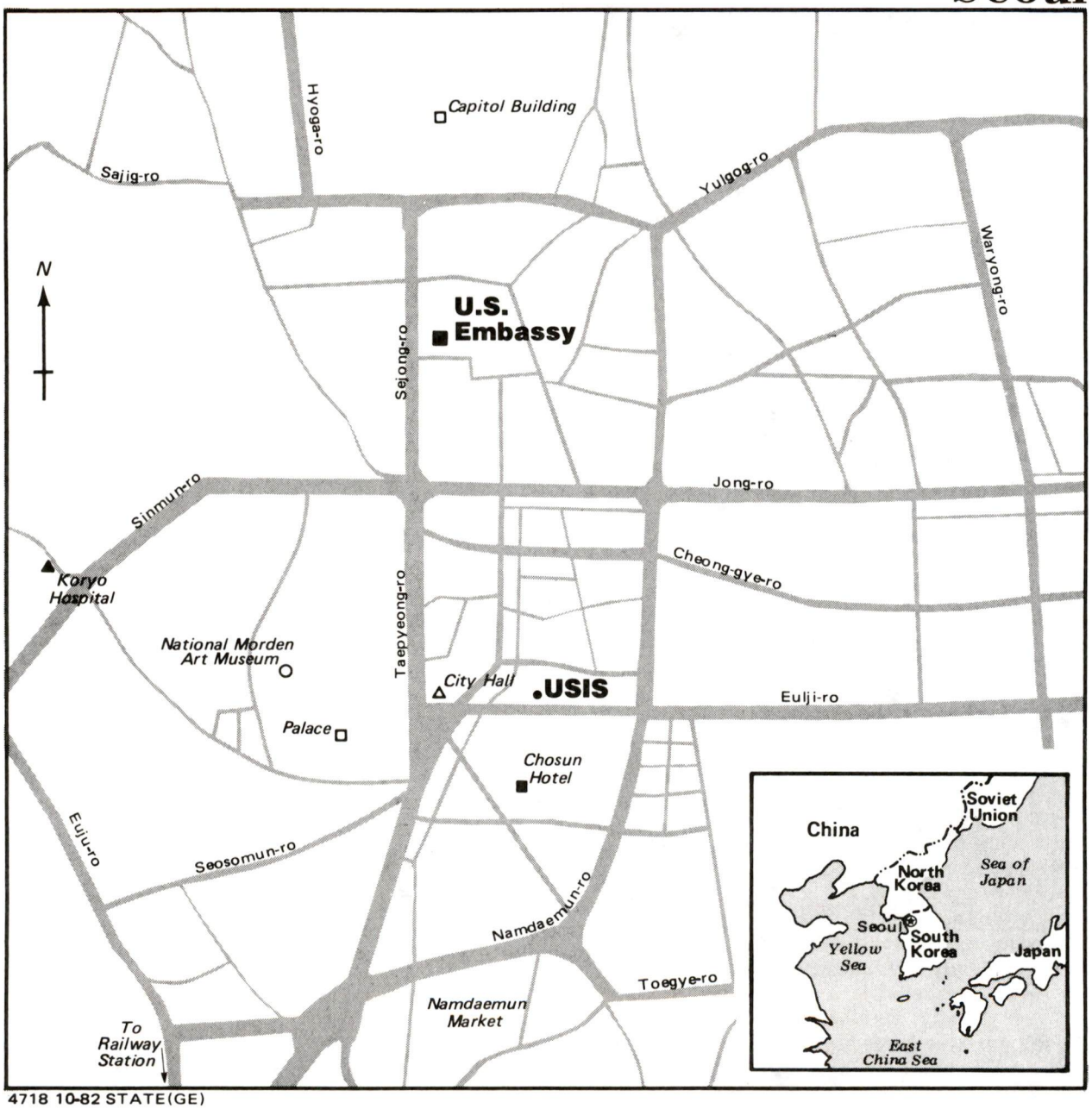
Foreign Minister Qian Qichen visited Moscow December 1-3, with the discussions focusing on Cambodia and summit preparations. During Shevardnadze's visit to Beijing February 2-4, the two sides worked on a summit agenda, discussed further troop deployments on the Sino-Soviet border, and continued to discuss the Cambodia issue. The issuance of a nine-point joint declaration on Cambodia revealed broad agreements and a few remaining areas of divergence in their respective positions. PRC leaders continued to press Moscow to exert more leverage on Vietnam during Shevardnadze's visit but agreed to set the summit for May 15-18.

Both Beijing and Moscow view the summit as effectively normalizing Sino-Soviet relations. Beijing has underscored that such normalization will not entail a return to the Sino-Soviet alliance of the 1950s, nor will Sino-Soviet relations adversely affect relations with other countries. Most western analysts believe China's modernization goals -- which are predicated on continuing trade and investment inputs from the market economies -- will ensure that it continues its "open door" policy toward the west.



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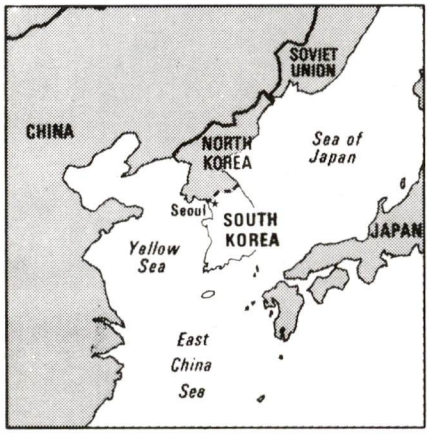
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[South] Korea

United States Department of State
Bureau of Public Affairs

April 1987

Partial Update for the Trip of President Bush to Japan, the People's Republic of China, and the Republic of Korea, February 22–27, 1989



Official Name: Republic of Korea

PROFILE

Geography

Area: 98,500 sq. km. (38,000 sq. mi.); about the size of Indiana. **Cities:** *Capital*—Seoul (over 10 million). *Other major cities*—Pusan (3.4 million), Taegu (2.0 million), Inchon (1.2 million). **Terrain:** Partially forested mountain ranges, separated by deep, narrow valleys; cultivated plains along the coasts, particularly in the west and south. **Climate:** Temperate.

People

Nationality: *Noun and adjective*—Korean(s). **Population** (1986): 43.3 million. **Annual growth rate:** 1.5%. **Ethnic groups:** Korean; small Chinese minority. **Religions:** Buddhism, Christianity, Shamanism, Confucianism. **Language:** Korean. **Education:** *Years compulsory*—6. *Number of students*—11,121,000. *Attendance* (1984)—of those eligible, 98.8% attended middle school, 89.7% attended high school. *Literacy*—over 90%. **Health** (1983): 1 doctor/1,509 persons. *Infant mortality rate* (1983)—29/1,000. *Life expectancy*—men 64 yrs., women 71 yrs. **Work force** (15.4 million, 1985): *Agriculture*—24.9%. *Industry*—30.5%. *Services*—44.6%.

Government

Type: Republic with power centralized in a strong executive. **Independence:** August 15, 1948. **Constitution:** July 17, 1948; revised 1962, 1972, 1980.

Branches: *Executive*—president (chief of state). *Legislative*—unicameral National Assembly. *Judicial*—Supreme Court and appellate courts, Constitutional Court.

Subdivisions: Nine provinces, four administratively separate cities (Seoul, Pusan, Inchon, Taegu).

Political parties: *Government party*—Democratic Justice Party (DJP). *Opposition parties*—New Korea Democratic Party (NKDP), Korean National Party (KNP). **Suffrage:** Universal over 20.

Central government budget (1985): *Expenditures*—$17.4 billion.

Defense (1986 est.): $47 billion, approx. 5.1% of GNP and 31.2% of government budget. About 600,000 active in armed forces.

Flag: Centered on a white field is the ancient Chinese symbol of yin and yang, a divided circle of interpenetrating blue (top) and red (bottom), representing the union of opposites. At each corner of the white field is a different trigram of black bars, symbols of the elements from the ancient pan-East Asian *I Ching* or "Book of Changes." Together, the yin-yang and the four trigrams represent eternal unity.

Economy

GNP (1986 est.): $91.750 billion. **Annual growth rate** (1961–81): 8%. **Per capita GNP** (1985): $2,032. **Consumer price index** (1985 avg. increase): 3.2%.

Natural resources: Limited coal, tungsten, iron ore, limestone, kaolinite, and graphite.

Agriculture (including forestry and fisheries, 16.4% of 1985 GNP): *Products*—rice, barley, vegetables. *Arable land*—22% of land area.

Mining and manufacturing (42.0% of 1985 GNP): Textiles, footwear, electronics, shipbuilding, motor vehicles, petrochemicals, industrial machinery.

Social overhead capital and other services: 41.6% of 1985 GNP.

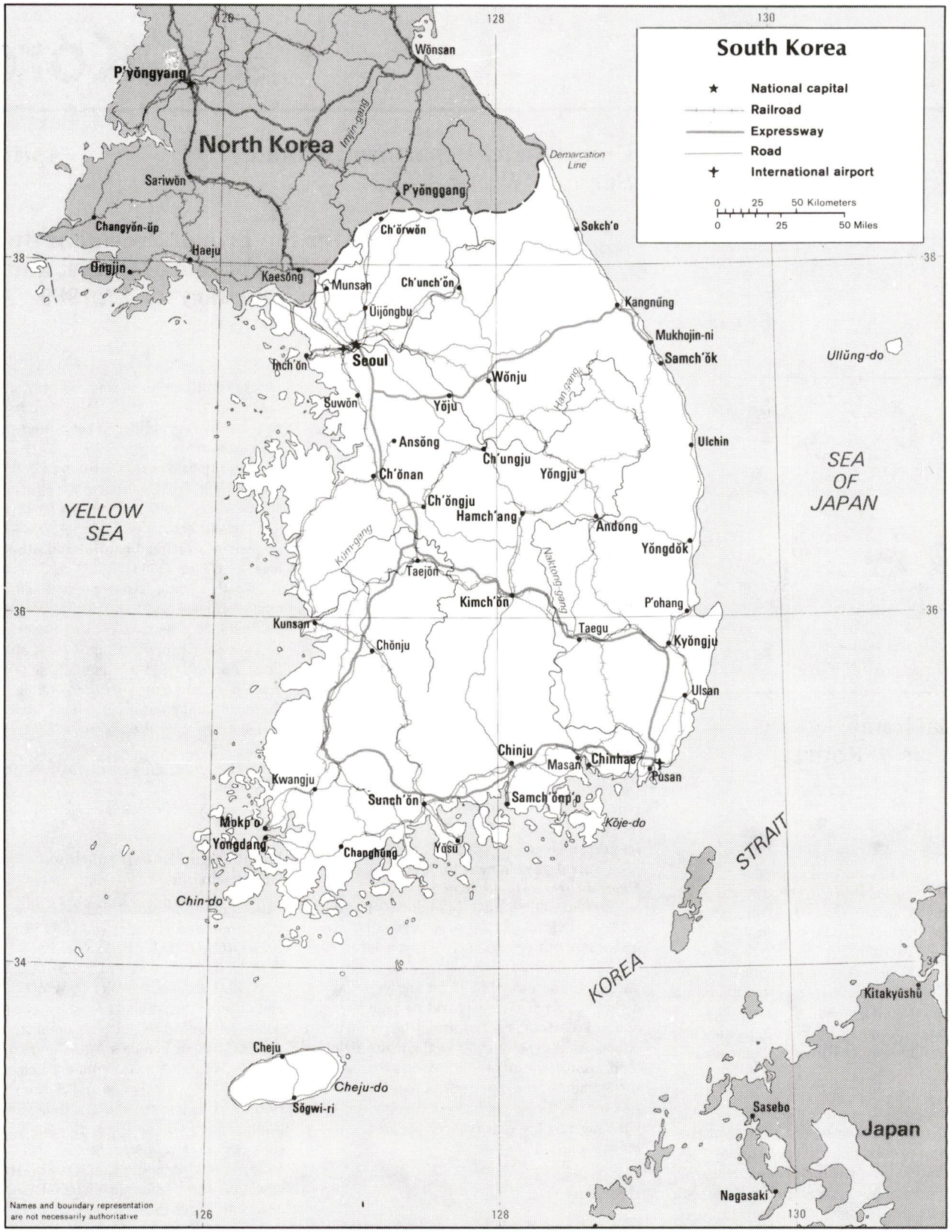
Trade (1986): *Exports*—$33.9 billion: manufactures; textiles; ships; electrical products; footwear; steel. *Major markets*—US, Japan, European Community, Middle East. *Imports*—$31.5 billion: crude oil; food; machinery and transportation equipment; chemicals and chemical products; base metals and articles. *Major suppliers*—Middle East, Japan, US.

Official exchange rate (March 1987): 852 won = US$1.

Fiscal year: Calendar year.

Membership in International Organizations

Official observer status at UN; active in many UN specialized agencies (FAO, GATT, IAEA, IBRD, ICAO, IDA, IFAD, IFC, IMF, IMO, ITU, UNCTAD, UNDP, UNESCO, UNICEF, UNIDO, UPU, WHO, WIPO, WMO, WTO) and other international organizations (Asian-African Legal Consultative Committee, ASPAC, Asian People's Anti-Communist League, World Anti-Communist League, Colombo Plan, Economic and Social Commission for Asia and the Pacific, Geneva Conventions of 1949 for the Protection of War Victims, Asian Development Bank, INTELSAT, International Whaling Commission, Interparliamentary Union, INTERPOL); official observer status in African Development Bank (member of Africa Development Fund), International Labor Organization, and Organization of American States.


South Korea
National capital
Railroad
Expressway
Road
International airport
0 25 50 Kilometers
0 25 50 Miles
North Korea
Demarcation Line
P'yŏngyang
Wŏnsan
Sariwŏn
P'yŏnggang
Changyŏn-ŭp
Ch'ŏrwŏn
Sokch'o
Haeju
Ongjin
Kaesŏng
Munsan
Ch'unch'ŏn
Kangnŭng
Uijŏngbu
Mukhojin-ni
Inch'ŏn
Seoul
Samch'ŏk
Ullŭng-do
Wŏnju
Han-gang
Suwŏn
Yŏju
Ansŏng
Ulchin
Ch'ungju
Ch'ŏnan
Yŏngju
SEA OF JAPAN
YELLOW SEA
Ch'ŏngju
Hamch'ang
Andong
Kŭm-gang
Yŏngdŏk
Taejŏn
Nakttong-gang
Kimch'ŏn
P'ohang
Kunsan
Taegu
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Kyŏngju
Ulsan
Chinju
Masan
Chinhae
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Kwangju
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KOREA
Kitakyūshū
Cheju
Cheju-do
Sŏgwi-ri
Sasebo
Japan
Nagasaki
Names and boundary representation are not necessarily authoritative
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GEOGRAPHY

The Republic of Korea (South Korea) occupies the southern portion of a mountainous peninsula, about 966 kilometers (600 mi.) long and 217 kilometers (135 mi.) wide, projecting southeast from China and separating the Sea of Japan from the Yellow Sea. Japan lies about 193 kilometers (120 mi.) east of Pusan across the Sea of Japan (called the East Sea by Koreans). The most rugged areas are the mountainous east coast and central interior. Good natural harbors are found only on the western and southern coasts.

South Korea's only land boundary is with North Korea, formed by the Military Demarcation Line (MDL) marking the line of separation between the belligerent sides at the close of the Korean war. The Demilitarized Zone (DMZ) extends for 2,000 meters (1.2 mi.) on either side of the MDL. The North and South Korean Governments hold that the MDL is not a permanent border but a temporary administrative line.

Seoul, the capital, is less than 48 kilometers (30 mi.) from the DMZ, near the west coast. Seoul's climate is hot and rainy in summer; winters are cold, dry, and windy, with generally light snowfall, and mean January temperature is -5 °C (23 °F). Fall is traditionally the Koreans' favorite season, with warm days, cool nights, and clear skies; such weather often lasts into mid-December.

PEOPLE

Korea was first populated by a Tungusic branch of the Ural-Altaic family, which migrated to the peninsula from the northwestern regions of Asia. Some of these people also settled parts of northeast China (Manchuria), and Koreans and Manchurians still show physical similarities—in their height, for example. Koreans are racially and linguistically homogeneous, with no indigenous minorities.

South Korea's major population centers are mostly in the northwest area of Seoul-Inchon and in the southern fertile plains. The mountainous central and eastern areas are sparsely inhabited. Between 1925 and 1940, the Japanese colonial administration in Korea concentrated its industrial development efforts in the comparatively underpopulated and resource-rich north, resulting in considerable migration of people to the north from the southern agrarian provinces. This trend was reversed after World War II, when more than 2 million Koreans moved from the north to the south following the division of the peninsula into U.S. and Soviet military zones of administration. This southward migration continued after the Republic of Korea was established in 1948 and during the Korean war (1950–53). About 10% of the people in the Republic of Korea are of northern origin. With over 40 million people, South Korea has one of the world's highest population densities—much higher, for example, than India or Japan—while the territorially larger North has about 20 million people. Expatriate Koreans live mostly in China (1.2 million), Japan (600,000), the United States (500,000), and the Soviet Union.

Language

Korean is a Uralic language, remotely related to Japanese, Hungarian, Finnish, and Mongolian. Although dialects exist, the Korean spoken throughout the peninsula is mutually comprehensible. Chinese characters were used to write Korean before the Korean Hangul alphabet was invented in the 15th century. These characters are still in limited use in South Korea, but the North uses Hangul exclusively. Many older people retain some knowledge of Japanese from the colonial period (1910–45), and most educated Koreans can read English, which is taught in all secondary schools.

Religion

Korea's traditional religions are Shamanism and Buddhism. Although Buddhism has lost some influence since the Koryo dynasty (A.D. 935–1392), it still commands the greatest number of adherents of any faith—about 18.9% of the population. Shamanism, the traditional spirit worship, is still practiced in some rural areas. Confucianism remains the dominant cultural influence; however, its religious adherents are few and mostly elderly. Christian missionaries arrived in Korea in the 19th century and founded schools, hospitals, and other modern institutions throughout the country. Today, nearly 7 million Koreans, or 16% of the population, are Christian (about 75% Protestant)—the largest figure for any East Asian country except the Philippines.

HISTORY

According to legend, the god-king Tangun founded the Korean nation in 2333 B.C., after which his descendants reigned over a peaceful kingdom for more than a millennium. By the first century A.D., the Korean Peninsula, known as Chosun ("morning calm"), was divided into the kingdoms of Silla, Koguryo, and Paekche. In A.D. 668, the peninsula was unified under the Silla kingdom, rulership of which was taken over in 918 by the Koryo dynasty (from which is taken the name "Korea"). The Yi dynasty, which supplanted Koryo in 1392, lasted until the Japanese annexed Korea in 1910.

Throughout most of its history, Korea has been invaded, influenced, and fought over by its larger neighbors. Major Japanese invasions occurred in 1592 and 1597, and the Chinese attacked in 1627. To protect themselves from such foreign buffeting, the Yi kings finally adopted a closed-door policy, which earned Korea the title of "Hermit Kingdom." Though the Yis showed nominal fealty to the Chinese throne, Korea was in fact independent until the late 19th century, when Japanese influence became predominant.

In the late 19th and early 20th centuries, Japanese, Chinese, and Russian competition in Northeast Asia led to armed conflict. Having defeated its two competitors, Japan established dominance in Korea, annexing it in 1910. The Japanese colonial era was characterized by almost total control from Tokyo and by ruthless efforts to replace the Korean language and culture with those of the colonial power.

As World War II ended, the United States and the Soviet Union agreed at Yalta that Japanese forces in Korea would surrender to the United States south of the 38th parallel and to the Soviet Union north of that line. This division of Korea was intended as a temporary administrative measure only. However, in 1946–47, the Soviet administration in the North refused to allow free consultations with representatives of all groups of the Korean people for the purpose of establishing a national government, and the United States and the Soviet Union subsequently were unable to reach agreement on a unification formula.

Korean War

In the face of communist refusal to comply with the UN General Assembly resolution of November 1947, calling for UN-supervised elections throughout Korea, elections were carried out under UN observation in the U.S. zone of occupation, and on August 15, 1948, the Republic of Korea (ROK) was established there. The Republic's first president was a prominent Korean nationalist, Syngman Rhee. In September 1948, the

Soviet Union established the Democratic People's Republic of Korea (DPRK) in the North under Kim Il Sung, a former Soviet Army major, who claimed authority over the entire peninsula. On December 12, 1948, the UN General Assembly declared the ROK the only lawful government in Korea.

The United States withdrew its military forces from Korea in 1949. On June 25, 1950, North Korean forces invaded the Republic of Korea. The United Nations, in response and in accordance with the terms of its Charter, engaged in its first collective action through the establishment of the UN Command (UNC), to which 16 member nations sent troops and assistance. At the request of the UN Secretary General, this international effort was led by the United States, which contributed the largest contingent. UN forces initially succeeded in advancing almost to the Yalu River, which divides the Korean Peninsula from China, but large numbers of "people's volunteers" from the army of the People's Republic of China joined the North Korean forces. In December 1950, a major Chinese attack forced UN troops to withdraw southward. The battle line fluctuated up and down the peninsula until the late spring of 1951, when it finally stabilized north of Seoul near the 38th parallel.

Armistice negotiations began in July 1951, but hostilities continued until July 27, 1953, when, at the village of Panmunjom, the military commanders of the DPRK forces, the Chinese people's volunteers, and the UNC signed an armistice agreement. Neither the United States nor the ROK is a signatory of the armistice per se, though both adhere to it through the UNC. No comprehensive peace agreement has been signed in Korea, and the 1953 armistice agreement remains in force. A Military Armistice Commission, composed of 10 members, 5 appointed by each side, is empowered to supervise implementation of the terms of the armistice.

The armistice called for an international conference to find a political solution to the problem of Korea's division. This conference met at Geneva in April 1954, but, after 7 weeks of futile debate, ended inconclusively.

Postwar Developments

Syngman Rhee served as president of the Republic of Korea until April 1960, when university students and others, demonstrating in protest against irregularities in the presidential election of that year, forced him to step down. A caretaker government was established, the constitution was amended and, in June, national elections were held. The opposition Democratic Party easily defeated Rhee's Liberals, and, in August, the new National Assembly named Chang Myon prime minister. Chang's democratic but administratively ineffectual government—the Second Republic—lasted until May 1961, when it was overthrown in an army coup led by Maj. Gen. Park Chung Hee.

After 2 years of military government under Gen. Park, civilian rule was restored with the advent of the Third Republic in 1963. Park, who had retired from the army, was elected president (and was reelected in 1967, 1971, and 1978). In 1972, a popular referendum approved the Yushin (revitalizing) constitution, which greatly strengthened the executive branch's powers. Key provisions included indirect election of the president, presidential appointment of one-third of the National Assembly, and presidential authority to issue decrees to restrict civil liberties in times of national emergency. Park subsequently issued several such decrees; the best-known of these, EM-9, banned discussion of false rumors, criticism of the constitution or advocacy of its reform, and political demonstrations by students.

The Park era, marked by rapid industrialization and extraordinary economic growth and modernization, ended with his assassination in October 1979. Prime Minister Choi Kyu Ha assumed office briefly (the Fourth Republic), promising a new constitution and presidential elections. In December 1979, Maj. Gen. Chun Doo Hwan and his close colleagues removed the army chief of staff and soon controlled the government. By September, President Choi had been forced to resign, and General Chun, by then retired from the army, was named president.

During this process and in opposition to it, demonstrations by campus activists and others increased through the spring of 1980. In mid-May, the government declared martial law, banned all demonstrations, and arrested many political leaders and dissidents. In Kwangju City, Special Forces units reacted harshly to demonstrators who ignored the ban, setting off a confrontation which left an official estimate of 170 dead. Unofficial sources claim a higher figure. This incident left a wound that has proven slow to heal.

In October, a referendum approved a new constitution, beginning the Fifth Republic. This document retained key features of earlier ones, including a strong executive and indirect election of the president but limited the chief executive to one 7-year term. Elections were held in early 1981 for a National Assembly and an electoral college; the latter elected President Chun to a 7-year term beginning in March of that year.

Although martial law ended in January 1981, the government, under laws enacted during the martial law period, retains broad legal powers to control dissent. An active and articulate minority of students, intellectuals, clergy, and others have remained critical of the Chun government and from time to time have organized demonstrations against it. Some of these demonstrations, such as those in Inchon in May 1986 and at Konkuk University in the fall of 1986, have been marked by considerable violence.

President Chun, who is barred from succeeding himself, has pledged to step down when his term ends in 1988. In April 1986, the President responded to a signature campaign by the opposition New Korea Democratic Party (NKDP), calling for direct election of the next president by proposing that the assembly try to reach agreement on a constitutional amendment. The government party, the Democratic Justice Party, supported a parliamentary system with a weakened president and a greatly strengthened prime minister, both elected by the assembly. The NKDP carried forward its earlier call for a directly elected president. Neither side has shown a willingness to compromise, and the outcome of the process to create what is hoped will be a more open political system with broad support from the Korean people was uncertain as of early 1987.

Principal Government Officials

President—Roh Tae Woo
Prime Minister—Kang Young Hoon
Minister of Foreign Affairs—Choi Ho Joong
Minister of National Defense—Lee Sang Hoon

Ambassador to the United States—**Kim** Kyong Won
Ambassador to the United Nations—**Park** Kun
Speaker of the National Assembly—**Lee** Chai Hyung

Korea maintains an embassy in the United States at 2320 Massachusetts Avenue NW., Washington, D.C. 20008 (tel. 202-939-5600).

ECONOMY

Over the past 25 years, the Republic of Korea's economic growth has been spectacular. The nation has advanced in a single generation from one of the world's poorest countries to the threshold of full industrialization, despite the need to maintain one of the world's largest military establishments. Lacking natural resources, Korea's greatest asset is its industrious, literate people.

The division of the Korean Peninsula in 1945 created two distorted economic units. North Korea inherited most of the mineral and hydroelectric resources and most of the existing heavy industrial base built by the Japanese. South Korea was left with a large, unskilled labor pool and most of the peninsula's limited agricultural resources. Although both the North and South suffered from the widespread destruction caused by the Korean war, an influx of refugees added to the South's economic woes. For these reasons, South Korea began the postwar period with a per capita gross national product (GNP) far below that of the North.

South Korea's meager mineral resources include tungsten, anthracite coal, iron ore, limestone, kaolinite, and graphite. There is no oil, and energy is a concern for ROK's economic planners. The country's ambitious program to build nuclear power plants is well underway; this year their sixth plant went into operation, and five more are under construction or on order.

The ROK was self-sufficient in rice production in 1977, but rising demand and several disappointing harvests have since made it a net importer. In 1985, Korea purchased about $1 billion in U.S. agricultural products. Korea is the United States' seventh largest source of imports and its eighth largest market for exports. The resulting trade imbalance was about $5 billion in 1985. Korea's economy is rapidly approaching full maturity—a marked change from the 1960s and 1970s, when it was a major recipient of U.S. foreign assistance (U.S. direct-aid programs in Korea ended in 1980).

The nation's successful industrial growth program began in the early 1960s, when the Park government instituted sweeping economic reforms emphasizing exports and labor-intensive light industries. The government also carried out a currency reform, strengthened financial institutions, and introduced flexible economic planning.

From 1963 to 1978, real GNP rose at an annual rate of nearly 10%, with average real growth of more than 11% for the years 1973–78. While Korea's national production was rising throughout the 1960s and 1970s, the annual population growth rate declined to the current 1.5%, resulting in a 20-fold increase in per capita GNP in those two decades. Per capita GNP, which reached $100 for the first time in 1963, now exceeds $2,000, far above that of North Korea.

Internal economic distortions, the political and social unrest that followed the 1979 assassination of President Park, and the effect of world economic developments, such as the drastic increase in world oil prices in 1979, triggered a severe recession in Korea in 1980. The economy recovered somewhat in the following 2 years, but it was not until the spring of 1983 and the strengthening of economic recovery in the United States that Korean economic performance began to take on the buoyancy of earlier days. Korea's economic planners have shifted their emphasis from high to stable growth. After registering 5% real GNP growth in 1985, low by Korean standards, the Korean economy rebounded impressively. Nineteen eighty-six is widely viewed as the Korean economy's most successful year ever, as booming exports led once again to double-digit growth of 12%. Korea achieved surpluses in both its current account balance and the trade balance in 1986. Long-term growth prospects remain extremely bright, and Korea continues to successfully manage its large external debt (about $45 billion, including short-term).

The continuing military threat from the North and the lack of foreign economic assistance require Korea to devote a third of its national budget to defense. In light of this, Korea must continue large defense expenditures while maintaining economic growth.

FOREIGN RELATIONS

South Korea is committed to peaceful settlement of international differences, a commitment best illustrated by its restrained response to a number of armed provocations over the past 15

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years. These include the 1968 Blue House raid, the shooting down in September 1983 of a Korean Air Lines airliner by Soviet fighters, and the October 1983 terrorist bombing in Rangoon, Burma, which killed six of the ROK's most valued leaders.

South Korea has cast its lot with the West and the noncommunist world. It is active in international affairs and seeks to enhance its already impressive stature in the world community. Although not a member of the United Nations, South Korea keeps an observer mission, headed by an ambassador, at the UN General Assembly and is active in many of the UN's specialized agencies.

Following the ratification in 1965 of a treaty normalizing relations between Japan and Korea, the two nations have developed an extensive relationship centering on mutually beneficial economic activity. Although both countries' historic antipathy has at times impeded cooperation, relations at the government level have improved steadily and significantly in the past several years.

Korea's economic growth, energy requirements, and need for basic raw materials and for markets have given economic considerations high priority in the country's foreign policy. In light of these concerns, Korean diplomacy in recent years has concentrated on broadening its international base of support with Third World nations, the Association of South East Asian Nations (ASEAN), and the Middle East.

A recurrent theme in all phases of Korea's foreign relations is its perennial competition with the DPRK for world stature and recognition. In this effort, the ROK has been highly successful: while most of the world's nations recognize the reality of two Koreas, more maintain diplomatic relations with the ROK than the DPRK (122 versus 103, with 67 countries having relations with both). The South's network of international trading relationships is far broader than the North's, and South Korea has been selected to host a series of prestigious international events, including the 1985 International Monetary Fund and World Bank annual conference, the 1986 Asian Games, and the 1988 Summer Olympics (to be held in Seoul).

Negotiating Efforts With North Korea

Throughout the postwar period, both Korean governments have repeatedly affirmed their desire for reunification of the Korean Peninsula, but until 1971 no direct communications or any other contacts took place between the two governments or their citizens except through the Military Armistice Commission.

In August 1971, the DPRK and the ROK agreed to hold talks through their respective Red Cross societies with the stated aim of reuniting the many Korean families separated during the Korean war. Following a secret meeting on July 4, 1972, North and South Korea announced an agreement to work toward national reunification through peaceful means and to end the atmosphere of hostility that had formerly prevailed. Although official visits were exchanged and regular communication was established through a North-South Coordinating Committee and the Red Cross, no substantive progress was made. The contacts quickly broke down and were finally terminated by the North. This breakdown reflected basic differences in approach, with Pyongyang insisting that immediate steps toward reunification be taken before discussion of specific issues and Seoul maintaining that, given the two sides' history of violence, any realistic approach to reunification must be a gradual, step-by-step process.

President Chun has repeatedly suggested a summit meeting with President Kim of North Korea to discuss any and all proposals, an agreement to normalize inter-Korean relations pending reunification, and other specific measures to reduce tensions and promote humanitarian and cultural exchanges. In January 1982, President Chun, for the first time, addressed the central political issue, proposing that the North and South organize a conference to draft a constitution for a unified democratic republic of Korea. The ROK intends to present its draft constitution and urges the North to do so. The ROK maintains that a dialogue should be based on de facto recognition of each other's existing political, social, and economic systems. Seoul supports the recognition of both Koreas by the major powers in the region (the United States, U.S.S.R., China, and Japan), and the admission of both Koreas to the United Nations pending peaceful reunification. North Korea rejects these ideas on the grounds that they would perpetuate the peninsula's division.

Tension between North and South Korea increased dramatically in the aftermath of the October 9, 1983, North Korean assassination attempt on President Chun in Burma. North-South sports talks the following spring became acrimonious after the Rangoon bombing. South Korea's suspicions of the North's motives were not diminished by Pyongyang's proposal for "tripartite" talks on the future of the Korean Peninsula. This initiative, made public on January 10, 1984, called for talks with the United States, in which "South Korean authorities" would be permitted to participate. The tripartitie talks would replace the armistice agreement with a peace treaty, which would provide for withdrawal of all U.S. troops and issue a declaration of nonaggression between North and South.

Travel Notes

Climate and clothing: Korea's temperate, four-season climate is like that of the eastern US. Dress is more conservative than in the US.

Customs: All travelers entering the ROK must have a visa, which may be obtained from a Korean Consulate. Tourist visas are good for 60 days. No immunizations are required of travelers from the US.

Health: Health services are fair to good in most major cities. Many Korean physicians have been trained in Western medicine, and hospital services are adequate. Outside of the major hotels, water generally is not potable.

Transportation: International airports serve Seoul (Kimpo), Pusan (Kimhae), and Cheju Island. Extensive intercity air, rail, and bus service is available, as is an excellent network of local bus, taxi, and (in Seoul) subway services.

Telecommunications: Seoul is 14 time zones ahead of eastern standard time (13 hrs. during daylight-saving time). International direct-dial service is available to Korea's major cities. Internal telephone and telegraph services are available.

Tourist attractions: The Yi dynasty palaces in Seoul—Kyongbok, Changdok, and Toksu—are recommended, as are the National Museum of Korea and the Korean Folk Museum. The folk village at Suwon, located less than an hour's drive from Seoul, is a fine example of a "living museum." Sorok Mountain and Cheju Island are popular scenic attractions, while Pusan and Masan are examples of a modern Korean port and industrial site. The southeastern city of Kyongju has many fine antiquities. English is widely spoken at major tourist sites and facilities in the principal cities; in other areas, English speakers may be less readily found.

National holidays: Businesses and the US Embassy may be closed on the following holidays—National Day (Independence Day), August 15; New Year, January 1-3; Foundation Day (commemorating the founding of the nation by the god-king Tangun), October 3; Hangul Day (commemorating the creation of the Korean alphabet in 1446), October 9; Chusok (harvest moon festival), date varies, usually in August or September.

North Korea's offer to provide relief goods to victims of severe flooding in South Korea in September 1984—and South Korean acceptance—signaled the beginning of renewed dialogue between the two parties. Both sides began discussions on a variety of fronts—Red Cross talks that address the plight of family members separated by the division of Korea, economic/trade talks, and parliamentary talks. However, citing the U.S.-ROK Team Spirit joint military exercise, the North suspended these talks in January 1986. In addition, both sides have met under International Olympic Committee auspices to discuss cooperative ways of approaching the 1988 Summer Olympics to be held in Seoul.

U.S.-KOREAN RELATIONS

The United States remains committed, as it has for the past 30 years, to maintaining peace on the Korean Peninsula—a commitment vital to the peace and stability of the entire Northeast Asian region. The United States agreed in the 1954 Mutual Security Treaty to help the Republic of Korea defend itself from external aggression. In support of that commitment, the United States maintains about 39,000 troops in Korea, including the Second Infantry Division and several Air Force tactical squadrons. To coordinate operations between these units and the 600,000-strong Korean Armed Forces, a Combined Forces Command (CFC) has been established, headed by a U.S. four-star general who serves concurrently as Commander in Chief of the UN Command (CINCUNC). These U.S. forces effectively supplement the Korean people's ongoing and successful effort to deter aggression.

On Korean reunification, the United States believes that direct, government-to-government talks between the authorities of South and North Korea are necessary and that steps to promote greater understanding and reduce tension are needed to pave the way for reunifying the nation. Because the United States believes that the fundamental decisions on the future of the Korean Peninsula must be taken by the Korean people themselves, it has refused to be drawn into separate negotiations with North Korea, as Pyongyang has suggested. The United States stands prepared to participate in any discussions between the representatives of North and South Korea, if so desired by both Korean governments and provided that both are full and equal participants in such talks.

Perhaps the most rapidly developing area in Korean-U.S. relations is that of economics and trade. Korea has become the United States' seventh largest commercial partner. The United States seeks to improve its trade imbalance through greater access to Korea's expanding market and improved investment opportunities for U.S. business. Korea has embarked on an investment liberalization policy designed to open 90% of all industries to foreign investment by 1988. Korean leaders seem determined to manage successfully the complex economic relationship, and there appears to be widespread recognition in Korea of the benefits to be gained from greater U.S. private sector involvement in the country's development process.

Since the 1950s, the U.S.-Korean relationship has developed into one of the most important in Asia. The celebration in May 1982 of the centennial of Korean-American diplomatic relations and President Reagan's subsequent visit to Korea in the fall of 1983 underscore the special quality of U.S.-Korean relations and the determination of both governments to further develop that relationship.

Principal U.S. Officials

Chargé d'Affaires—Thomas S. Brooks
Counselor for Political Affairs—Charles Kartman
Counselor for Economic Affairs—Kevin McGuire
Counselor for Administrative Affairs—Robert G. Deason
Counselor for Public Affairs—John M. Reid
Consul General—Andrew F. Antippas
Counselor for Commercial Affairs—George Mu
Chief, Joint U.S. Military Advisory Group, Korea—Mg. Todd P. Graham

The U.S. Embassy is located at 82 Sejong-Ro, Chongro-ku, Seoul (tel. 732-2601; telex AMEMB 23108). ■

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CURRENCY CONVERSION TABLE

Korean Won (W) Conversion Table at Won 683 = U.S. $

WON TO U.S. DOLLARS		U.S. DOLLARS TO WON	
Won	US $	US$	Won
5	.007	0.05	34.15
10	.01	0.10	68.30
50	.07	0.25	170.78
100	.15	0.50	341.50
500	.73	0.75	512.25
683	1.00	1.00	683.00
1,000	1.46	5.00	3,415.00
5,000	7.32	10.00	6,830.00
10,000	14.64	20.00	13,660.00
50,000	73.21	50.00	34,150.00
100,000	146.41	100.00	68,300.00
300,000	439.24	300.00	204,900.00
500,000	732.06	500.00	341,500.00

NOTE: All U.S. dollar values are rounded to nearest U.S. cent. Value of Korean won fluctuates daily according to currency market conditions.

1/25/89

PRESIDENT'S VISIT TO KOREA: BACKGROUND ON SITES

K-16

Seoul airfield, also known as K-16, is a joint ROS-U.S. Air Base on the outskirts of Seoul, 40 minutes by car southeast of city center. It is the home of the ROKAF 15th Fighter Wing but, more importantly, serves as a secure airport for Korean presidential aircraft and for foreign dignitaries on state visits. The large VIP terminal was specifically constructed with lavish reception areas and conference rooms.

Seoul City

Seoul is the historic capital of Korea, and today is the center of the political, administrative, financial, communications, cultural, and educational life of the country.

Located on the banks of the Han River, about 20 miles from the coast of the Yellow Sea (which Koreans call the "West Sea") and 30 miles south of the Demilitarized Zone (DMZ) that divides the peninsula, Seoul was chosen as capital after geomancers confirmed that the site was auspicious. Surrounded by mountains on three sides and the river on the fourth, the city was also easy to defend.

Seoul city changed hands four times during the Korean war and was totally devastated when the war ended in 1953. Since then Seoul has grown at a remarkable rate. The population of 2.5 million in 1960 has since quadrupled to over 10 million, making Seoul the fifth largest city in the world. Some 25 percent of the population of the country now lives in Seoul.

Administratively, Seoul is Korea's only "special city," an administrative designation higher than that of a province. Seoul is home for most Korean government agencies, although some were recently moved to the suburb of Kwachon in an attempt to curb the city's growth. Most Koreans see Seoul as the hub, the place where good things come first. Currently over half of the private vehicles in the country are registered in Seoul city. Seoul is home to 37 universities, including the three top schools in the country. Seoul's international stature received a tremendous boost with the hosting of the 1986 Asian games and 1988 Olympics.

Seoul's rapid growth has brought with it some of the problems normally associated with urbanization. Traffic congestion is bad, as is pollution; land prices have skyrocketed and crime is on the rise (although it is still quite low by U.S. standards).

Nevertheless, Seoul continues to grow and thrive and is one of the most dynamic cities in Asia.

Blue House

The Blue House is the official residence of the President of the Republic of Korea. During the Koryo Dynasty, a palace called Yi-Koong, used by the King as a resting place, was located on what are now the grounds of the Blue House.

When Kyongbok Palace was built, during the Yiu Dynasty, the Blue House area was the rear garden of the Royal Palace. In 1927, the Japanese Government constructed the present Blue House as a residence for its Governor-General.

In 1948, when the Republic of Korea was established, the building was designated as the Presidential Residence. After the Student Revolution (April 19, 1960), the building was redesignated "Chong Wa Dae," or "Blue House." This name derives from the building's unique blue roof tiles.

In 1968 a North Korean commando squad sent to assassinate President Park got to within 500 yards of the Blue House before it was stopped by Korean troops.

The Presidents of the Republic of Korea, and residents of the Blue House are:

1948-1960: Syngman Rhee
1960-1961: Yun Po Sun
1961-1979: Park Chung Hee
1979-1980: Choi Kyu Ha
1980-1988: Chun Doo Hwan
1988- : Roh Tae Woo

National Assembly

Korea's National Assembly Building is located on Yoido Island in the center of the Han River. It was completed in 1975. The National Assembly is unicameral, but it was designed to be spacious and a separate hall exists in the Assembly Building for use when Korea is reunited.

The 13th National Assembly was elected in April 1988. This election was a major turning point in modern Korean political history, as the President's party failed to gain a majority for the first time since the republic was founded. The current assembly has been a much more important political factor than have past assemblies.

The Assembly consists of 299 members, three-fourths of whom are directly elected in single-member constituencies. The remaining one-fourth of members are chosen from proportional lists proposed by each party. The party which wins the most seats in the direct election is guaranteed one-half of the proportional seats, and the rest are divided among the other parties in proportion to the number of seats won in the district elections.

The Assembly is chaired by a speaker and two vice-speakers. Currently there are 16 standing and 6 ad hoc committees of the Assembly. Any party which holds 20 or more seats in the Assembly can form a "negotiating group," which is empowered to join in inter-party negotiations. At present there are four parties in the assembly:

-- The Democratic Justice Party (DJP). Party President - Roh Tae Woo, concurrently President of the Republic; Party Chairman - Park June Kyu: 129 seats.

-- The Party for Peace and Democracy (PPD). Party President - Kim Dae Jung: 71 seats.

-- The Reunification Democratic Party (RDP). Party President - Kim Young Sam: 60 seats.

-- The New Democratic Republican Party (NDRP). Party President - Kim Jong Pil: 35 seats.

-- There are also 4 independent members of the Assembly.

U.S. Ambassador's Residence

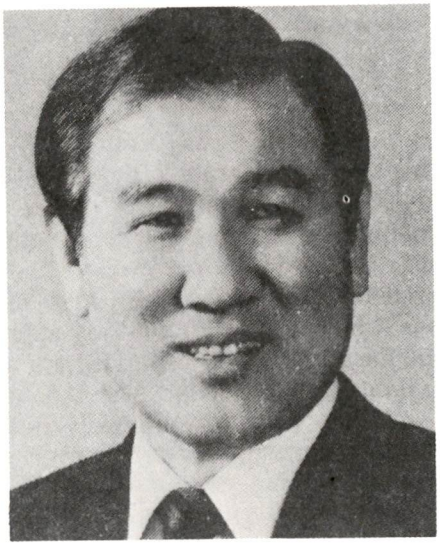
The original residence housed all American representatives since its purchase in 1884 by Lucius H. Foote, the first resident envoy to Korea of the western world, and was termed our oldest residence. The land still claims the distinction of being the first property in Seoul to be sold to a foreigner. By 1972, the residence was beyond repair, and then Ambassador Phillip Habib resolved to replace it with a new building which would conform as closely as possible to the original style. Recognized Korean experts and master artisans took part in the planning and construction. The design is typical of Yi Dynasty architecture, basically devoid of painted decorative surfaces (except white plaster walls) and emphasizes the use of natural materials both in the structure and in the exposed surfaces. Although not an exact replica, the new residence preserves the character traditional architecture and workmanship for which the earlier residence was famous.

ROH Tae Woo
(Phonetic: no)

REPUBLIC OF KOREA

President (since February 1988)

Addressed as: Mr. President



In December 1987 Roh Tae Woo won his country's first direct-vote presidential election since 1971 and succeeded Chun Doo Hwan. He has portrayed himself as the "common man's" president: a responsible democratic reformer who can guarantee economic stability and national security. According to the press, he remains committed to his June 1987 eight-point democratization proposal, which includes strengthening basic rights and press freedom and promoting university autonomy.

Roh was born on 4 December 1932. He graduated from the Korean Military Acadamy in 1955 (Class 11) and received additional training at Fort Bragg, North Carolina (1959), and the ROK Army Command and General Staff College (1967). In the late 1960s he commanded a Korean unit in South Vietnam. He has held such key posts as those of commanding general of the Defense Security Command, the 9th Special Warfare Brigade, the Special Warfare Command, and the Capital Security Command. He received his fourth star in July 1980 and retired a year later. He then served briefly as Second Minister of State for Political Affairs and, in 1982, as Minister of Sports and Minister of Home Affairs. He was president of the Seoul Olympic Organizing Committee during 1983-86 and won high marks for his handling of the preparations for the 1988 Olympic Games. Chun selected Roh as Democratic Justice Party president in August 1987.

Roh enjoys reading and playing golf and tennis. He speaks fair English. Married, he has a daughter and a son. His name is spelled No Tae-u in the McCune-Reischauer romanization system.

26 January 1989

KANG Young Hoon
(Phonetic: kahng)

REPUBLIC OF KOREA

Prime Minister (since December 1988)

Addressed as: Mr. Prime Minister


©

Lt. Gen. (Ret.) Kang Young Hoon is a former scholar and diplomat who is well known for his opposition to military intervention in domestic politics. During the military coup in 1961 that eventually brought Park Chung Hee to power, Kang was superintendent of the Korean Military Academy, where he called for political neutrality by the military and instructed cadets to stop staging procoup demonstrations. As a result, he was imprisoned for four months and was then forced to retire from active duty. He spent the next 14 years in exile in the United States. For half that time, he headed the Research Institute for Korean Affairs in Washington. He also obtained a doctoral degree in international relations from the University of Southern California, where he specialized in Chinese and Soviet foreign policy and war-deterrent strategies.

After returning to Korea in the mid-1970s, Kang served as dean of the graduate school at Hankuk University of Foreign Studies. In 1978 he was appointed director of the Foreign Ministry's Foreign Affairs and National Security Institute. Under President Chun Doo Hwan, Kang served as Ambassador to the United Kingdom (1981-84) and to the Vatican (1984-87). A member of the ruling Democratic Justice Party, he won an Assembly seat representing the national constituency in the April 1988 general election.

Kang was born in North Pyongan Province (now part of North Korea) on 30 May 1921. He majored in economics at the University of Manchuria during 1941-43 and then graduated from a Japanese military academy. He was commissioned as a second lieutenant in the Korean Army in 1946. After serving as an ROK Army liaison officer to the UN Command during the early part of the Korean war, he was military attache in Washington from 1952 until 1953.

Kang speaks excellent English and Japanese and some Chinese. He is married and has two sons and a daughter. His name is spelled Kang Yong-hun in the McCune-Reischauer romanization system.

26 January 1989

CHOI Ho Joong
(Phonetic: chay)

REPUBLIC OF KOREA

Minister of Foreign Affairs
(since December 1988)

Addressed as: Mr. Minister



Choi Ho Joong is a highly regarded career diplomat with extensive experience in economic and trade issues. He has served two tours at the Embassy in Washington and has been vice minister of the predecessor organization to the Ministry of Trade and Industry. He was Ambassador to Saudi Arabia from 1985 until assuming his present position.

Choi was born in 1930. He worked as an interpreter for the US Army in Korea in the early 1950s, while holding the rank of second lieutenant in the South Korean Army. In 1956 he graduated from the prestigious Seoul National University with a degree in political science and joined the Foreign Ministry. He was posted to Tokyo in the early 1960s. He has also served as Minister in the Permanent Mission to the UN European Office in Geneva and as Ambassador to Malaysia and to Belgium. Some of his high-ranking posts in the Foreign Ministry include those of director general of the International Trade Bureau and Assistant Minister for Political Affairs.

Choi speaks excellent English. He is married and has two children. His name is spelled Choe Ho-chung in the McCune-Reischauer romanization system.

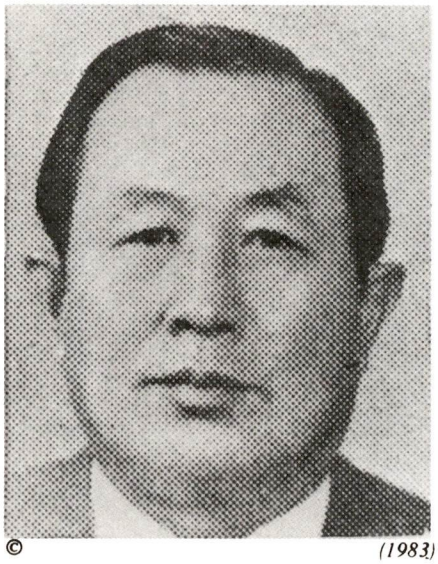
26 January 1989

LEE Sang Hoon
(Phonetic: yee)

REPUBLIC OF KOREA

Minister of National Defense
(since December 1988)

Addressed as: Mr. Minister


© *(1983)*

Lee Sang Hoon is a retired general who has served in a number of important command positions, including that of Deputy Commander in Chief of the Combined Forces Command—the highest ROK position in the CFC (1983-85). Lee is a Korean Military Academy (KMA) classmate (Class 11) of President Roh Tae Woo and former President Chun Doo Hwan. He has also received extensive training at US military schools, including the US Command and General Staff School at Ft. Leavenworth, Kansas.

Lee was born on 26 June 1933. He graduated from the KMA in 1955. He has served as a regiment, division, and corps commander. He was director of the Joint Staff in the Joint Chiefs of Staff in the early 1980s. After retiring in 1985, he was appointed by President Chun to head the Emergency Planning Committee of the National Security Council. Lee has received numerous awards, including the presidential order of military merit and the US Legion of Merit.

Lee speaks English and Japanese. A sports enthusiast, he has an 8th-degree black belt in tae kwon do, and his golf handicap is 18. Married, he has a son. His name is spelled Yi Sang-hun in the McCune- Reischauer romanization system.

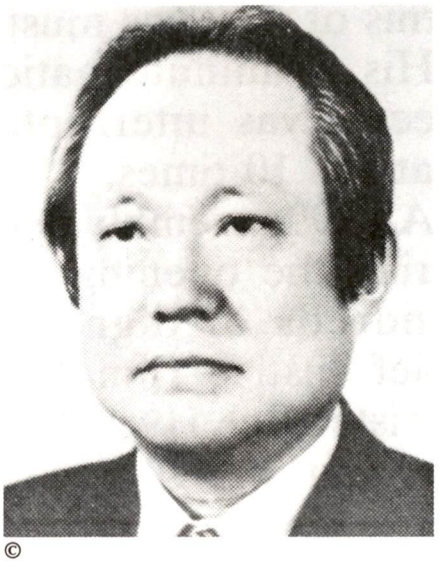
26 January 1989

KIM Chae Sun

REPUBLIC OF KOREA

Speaker, National Assembly
(since May 1988)

Addressed as: Mr. Speaker


©

Kim Chae Sun is a veteran legislator with a career spanning nearly 30 years but is a relative newcomer to the ruling Democratic Justice Party. Widely respected by both ruling and opposition party members, he won his position with 268 of a possible 299 votes. According to press accounts, Kim's selection as Speaker also may have been an attempt to woo National Democratic Republican Party President Kim Chong Pil, with whose party the DJP hopes to form a legislative coalition. The two Kims were political colleagues in the now-defunct Democratic Republican Party (DRP) during the late 1960s and early 1970s. Kim concurrently serves as a member of the DJP Central Executive Committee and one of five standing party advisers.

Kim was born on 30 November 1923. He holds an undergraduate degree from the College of Communications of Seoul National University. During 1961 he served briefly in the government as Vice Minister of Foreign Affairs and as Vice Minister of Finance. He was first elected to the National Assembly in the early 1960s as a member of the DRP. He held several prominent party positions during the late 1960s and early 1970s, including those of party spokesman, chairman of the Finance and Economic Committee, and floor leader in the Assembly. Since 1969 Kim has been most widely noted as publisher of the respected monthly magazine *Saemto*.

6 February 1989

Thomas S. Brooks
Chargé d'Affaires, Seoul

Mr. Thomas S. Brooks was designated Chargé d'Affaires in January 1989. Mr. Brooks joined the Department of State in 1958. Previous overseas assignments include Hong Kong (1964-67 and 1977-80), Kathmandu (1967-70), and Beijing (1975-77). His most recent assignments were as Deputy Director of the American Institute in Taiwan in Taipei (1981-83), as Principal Officer in Shanghai (1983-87), and as Deputy Chief of Mission in Seoul (1987-89).

Mr. Anderson was born in Wyoming in 1932. He attended the University of Rennes and the University of Wyoming, where he received an AB in 1954.

Charles Kartman
Counselor for Political Affairs, Seoul

Kevin McGuire
Counselor for Economic Affairs, Seoul

Andy Grossman
Counselor for Commercial Affairs, Seoul

Edward H. Wilkinson
Counselor for Consular Affairs, Seoul

Robert G. Deason
Counselor for Administrative Affairs, Seoul

Paul D. Sorensen
Regional Security Officer, Seoul

Jerome J. Bosken
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John M. Reid
Public Affairs Officer, Seoul

Calvin G. White
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MAAG, Seoul

Col James V. Young
Office of the Defense Attache, Seoul

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Director, U.S. Trade Center, Seoul

Joseph C. Braddock
Drug Enforcement Agency, Seoul

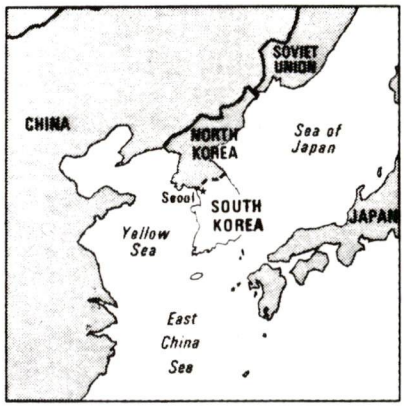
Dennis Tsujimoto
Internal Revenue Service, Seoul
(resident in Tokyo)

gist

A quick reference aid on U.S. foreign relations
Not a comprehensive policy statement
Bureau of Public Affairs • Department of State

Korea: Status Report March 1988

Background: The modern US-Korean relationship began in 1945 with the US liberation of southern Korea from Japanese colonial rule. Soviet intransigence made elections in Soviet-occupied North Korea impossible; UN-supervised elections in the South led to the creation of the Republic of Korea in 1948. The North Korean invasion of the South in 1950 was repelled at great cost with the assistance of US and other UN forces. The US and South Korea entered into a Mutual Defense Treaty in 1954, and American and Korean leaders have consistently affirmed a mutual commitment to the security and stability of the Korean Peninsula and Northeast Asia.



Originally one of the world's poorest countries and dependent on US support, the Republic of Korea today is in the forefront of the newly industrialized nations. Reflecting this development, US-Korean relations are now more wide ranging than ever before: the US stations 40,000 troops in Korea; Korea is a major trading partner; and there is an ever-increasing exchange of tourists, businessmen, and scholars.

Security: The North Korean threat to the South remains real: North Korea maintains a significant military advantage over the South. The North has about 740,000 troops, including the world's largest commando force of more than 50,000 men. This compares with 540,000 troops for the South. The North also has a 2-to-1 advantage in armor, tanks, and artillery. Its continuing deployment of forces close to the Demilitarized Zone is worrisome, as is the recent acquisition from the USSR of advanced combat aircraft and anti-aircraft radar, missiles, and artillery. North Korea has established a record of brutal violence, including the October 1983 bombing in Rangoon that killed 17 South Koreans, 11 of them senior officials; and the November 29, 1987 terrorist destruction of Korean Air Flight 858 off the coast of Burma that took the lives of 115 persons.

The Republic of Korea bears the major burden of countering the threat from the North and redressing the military imbalance. The US gives the Republic of Korea no direct military or other aid, but the presence of US Forces on the peninsula and the close cooperation between the two nations in security matters are major factors in deterring aggression, a basic US objective in Korea.

North-South developments: The Republic of Korea and the US share the belief that the key to reducing tension on the Korean Peninsula lies in direct dialogue between the parties most affected--North and South Korea. Despite numerous terrorist acts committed by Pyongyang against the Republic of Korea and its people, the South Korean Government has followed a creative and flexible policy of fostering dialogue. In

1984 direct North-South talks in humanitarian, trade, and political forums began. Unfortunately, the North broke off this dialogue in early 1986. Resumption is a major objective shared by the US and Republic of Korea.

The North remains unwilling to resume direct talks and, moreover, in late 1987 ordered two of its agents to destroy Korean Air Flight 858. The Republic of Korea's response to the tragedy has been measured and restrained. They have joined with the US and many other nations in denouncing the Pyongyang regime in the UN Security Council and other appropriate international forums. The US declared North Korea a state sponsor of terrorism.

Despite this atrocity, the Republic of Korea has announced it still hopes the North will participate in the 1988 Seoul Olympics and has declared its continuing readiness to resume direct dialogue. We support the South Korean Government fully in this.

Economic relations: South Korea's vigorous economic development program has raised per capita income from $88 in 1961 to $2,800 today. Korea is our seventh-largest trading partner and the fourth-largest market for US agricultural products; two-way bilateral trade was $25.7 billion in 1987. Korea's achievements have been made despite a lack of natural resources and a substantial annual burden of defense expenditures.

The US seeks Korea's support to keep world markets open and appreciates Korean support for the Uruguay round of multilateral trade negotiations. Korea's economic success has made the Korean market increasingly attractive to US exporters, and market access is an issue on both sides of the Pacific. We also seek increased protection of foreign intellectual property rights and opportunities for US service industries, such as banking, insurance, and advertising. Korean economic leaders are determined to manage successfully the complex economic relationship, and there is widespread recognition in both countries of the great benefits of our expanding economic ties.

Human rights: Last year saw major evolution in South Korea toward a more democratic society. With the introduction in 1987 of a new constitution and the first peaceful transfer of presidential power in its modern history, many constraints on freedom of speech and political participation that characterized the previous government were lifted. Some political prisoners were released on March 1, 1988, but others remain behind bars.

The US has welcomed these steps and encourages continued political progress. This policy reflects basic American values and the conviction, enunciated by President Reagan during his visit to Korea in November 1983, that "the development of democratic institutions is the surest means to build the national consensus that is the foundation of true security."

Harriet Culley, Editor (202) 632-1208

BACKGROUND PAPER: U.S.-KOREA TRADE AND ECONOMIC RELATIONS

Korea is the seventh largest trading partner for the U.S. The two countries traded over $31 billion worth of goods in 1988. The figure continues to grow. U.S. exports rose 38% in 1988 to $10.5 billion. Nonetheless, the U.S. bilateral trade trade deficit stayed at over $10 billion for the second year in a row.

Korea's spectacular economic expansion has sparked the interest of many U.S. farmers and businessmen. While much of our trade takes place with little ballyhoo, Korean import barriers have sparked friction in trade and economic relations of the two sides. The U.S. has sought aggressively to open many markets closed to American goods. The Koreans have accused the United States of heavy-handed pressure.

The United States would like to see Korea trim structural trade barriers like distribution system restrictions, local content rules, service industry bans, and licensing requirements. Additionally, the U.S. believes that Korea's currency, the won, should be allowed to reflect the true strength of the Korean economy.

The United States currently is engaged in an effort to open fully Korea's telecommunications market to American competition. The United States also would like to see a sustained commitment to enforce protection of American intellectual property rights. The Koreans are now making progess to stop illegal harassment of U.S. motion picture distributors.

Perhaps no area in U.S.- Korean economic relations provokes more emotion and controversy than agriculture. The U.S. is an efficient and globally competitive producer of farm goods. Korea's agricultural sector remains far behind, but farmers comprise 20 percent of Korea's population. Thus farmers command considerable clout politically, especially under democracy. They have spoken out loudly against foreign competition.

Although Korea is the U.S.'s third largest importer of bulk commodities, it buys only miniscule amounts of higher value products like fruits and vegetables. The United States has asked Korea to end licensing, quota, and tariff barriers to U.S. farm products. Moreover, in negotiating a section 301 complaint on beef, the United States has taken Korea to the GATT. Korea resumed U.S. beef imports in 1988, but under quota. The U.S. is seeking a phase-out of the quota system.

BACKGROUND PAPER: THE KOREAN ECONOMY

Korea's economy, the world's 17th largest, continued to boom in 1988. Real GDP jumped 12% -- the world's highest growth rate -- for the third straight year. Per capita income soared to $3,700 from $2,800 in 1987. The unemployment rate stayed at a low 3% as industry continued to add new jobs in autos, electronics, and machinery.

External Performance. The strong performance was fueled by record exports of $61 billion. Korea ended 1988 as the world's 12th largest trading country (15th in 1987) with volume of over $112 billion. The U.S. stayed Korea's top export market (34% of total). Korea is the U.S.'s 7th largest trading partner. Korea repeated its 1987 trade surplus with the U.S. of over $10 billion. Japan is Korea's second largest trading partner.

The 1988 Olympics aided tourism earnings. As a result, the total current account surplus reached $14 billion, which helped Korea reduce foreign debt to $31 billion. It stood at $44.5 billion only two years ago.

However, the huge surplus has created problems, too. It led to money supply (M2) growth of nearly 20% in 1988, causing inflation -- a politically sensitive variable in Korea -- to more than double to a 7.1% rate.

Economic Organization. Korean government guidance of the economy is still significant but gradually decreasing. Large, diversified conglomerates (chaebols), dominate Korean manufacturing of televisions, VCRs, small computers, cars, and other durable goods. The chaebols have received favorable credit consideration from a heavily controlled banking sector in the past. Small and medium-sized firms generally have not enjoyed such generous treatment from the government. They remain unsophisticated and financially weak.

Won (Korea's currency) revaluation and average wage increases of over 30% during the last two years are forcing Korea to move away from labor-intensive, light industry like textiles and footwear, into higher value-added manufacturing.

Outlook. The boom will likely continue, but rate of growth may decline below double digits as the won's rise, wage increases, and stiff competetion from other low-cost Asian producers erode Korea's world market share of cheap consumer goods. This will prompt Korean companies to accelerate the development of semiconductors, larger computers, cars, and aircraft parts, industrial sectors where the Asian nation already has a strong foothold. Korea, thus is likely to enjoy continued, strong growth and draw increased foreign investment into high tech. Its economic performance, barring any external shocks like steep oil price hikes, protectionism or retaliation from major trading partners, will continue to rank among the world's best.

BACKGROUND PAPER: U.S.-KOREAN SECURITY RELATIONS

The U.S. is a primary guarantor of the 1953 Armistice which halted war between the United Nations Command (comprised of U.S. and allied forces) and the (North) Korean People's Army, then supported by the "Chinese People's Volunteers." The small U.S. contingent assigned to the U.N. Command provides security for the Joint Security Area at Panmunjom and helps administer the Armistice. Technically, a state of war still exists on the Korean peninsula.

Most U.S. forces (principally Second Infantry Division and Seventh Air Force) are stationed in Korea under terms of the Mutual Defense Treaty of 1954 and a Status of Forces Agreement of 1968. These forces, together with logistical support forces, a small U.S. contingent assigned to the U.N. Command, and a small U.S. Navy liaison unit, number about 43,000 uniformed men and women.

If war should again break out in Korea, most U.S. forces in country would be assigned roles in support of the U.S.-ROK Combined Forces Command. The Combined Forces Command is headquartered at the Yongsan Garrison in Seoul. South Korean front-line forces are under the operational control of the Combined Forces Command, in peacetime as well as in case of war.

The Combined Forces Command is a binational command structure, under the joint political direction of both governments. It is commanded by a U.S. four-star general (with a ROK four-star general as his deputy). Its missions are to deter North Korean aggression and to repel a North Korean incursion, should one again occur.

The military balance on the peninsula continues to favor the North. From the ground force perspective, the North maintains numerical advantages in nearly every measure of combat power. The North enjoys over a 300,000 man advantage in personnel strength, over a 2.5:1 advantage in tanks, a 1.5:1 superiority in artillery, and a massive advantage in multiple rocket launchers.

In the air, the numerical advantage enjoyed by the North is somewhat offset by the more modern South Korean air forces. The recent acquisition of MiG-23's and MiG 29's from the Soviet Union has enhanced the North's air defense capability, but the overall North Korean position relative to the ROK remains the same due to the ROK's acquisition of the F-16.

The North Korean Navy holds a similar edge over the ROK Navy, particularly in submarines and fast attack patrol boats. Recent ROK production of frigates and corvettes has strengthened somewhat its naval forces.

North Korean armed forces have been extensively reorganized since the early 1980s. The 1983-84 forward redeployment of North Korean ground forces significantly reduced the South's warning time and increased the North's ability to launch a surprise attack.

The South Korean total armed forces strength currently numbers around 630,000, whereas total North Korean active armed forces strength is over 1,000,000, with a ground force strength of about 930,000. The North's force build-up has been evolutionary, and no linkage appears to exist between the build-up and other events on the peninsula.

Both sides' military-industrial capabilities are formidable. The North is estimated to spend 20-25 percent of its smaller GNP (less than one-fifth that of the South) on its military. South Korea currently spends just over 5 percent of its GNP on defence. The North holds a strategic and psychological advantage over the ROK. Seoul is located only 25 miles from the demilitarized zone, while Pyongyang is about 85 miles from the front.

U.S. forces will remain in Korea as long as there is a threat from North Korea and as long as the Korean government and people wish them to remain. Despite questioning of the need for a continued U.S. troop presence by a vociferous minority in South Korea, the overwhelming majority of Koreans remain committed to close U.S.-ROK security ties, including the stationing of U.S. forces in the ROK. Our two governments periodically review the appropriate strength and composition of U.S. forces stationed in Korea.

The U.S.-ROK security relationship is reviewed annually in the Security Consultative Meeting, co-chaired by the U.S. Secretary of Defense and the Korean Minister of National Defense. The next Security Consultative Meeting is scheduled for Washington in July 1989. At that time, the two countries' representatives will act on a report on command relationships in the Combined Forces Command.

Three other issues affecting the stationing of U.S. forces in Korea are currently under discussion. These are: (1) the move of U.S. forces from the Yongsan Garrison to a new location outside Seoul, starting with relocation of the Yongsan golf course; (2) relocation of the Armed Forces Korea Network (AFKN) television channel to UHF or cable; and (3) revised methods of implementation of the Status of Forces Agreement.

The two countries are also discussing the sharing of costs associated with the U.S. commitment to the defense of the ROK. Currently, the ROK contributes about $1.9 billion annually toward the cost of stationing U.S. forces in Korea. Of this amount, about $1.6 represents foregone revenues (i.e., taxes, user fees and rents not paid), while about $300 million were direct ROK defense budget outlays. In 1988, the largest cost-sharing items paid for out of the ROK defense budget were $72 million for about 7,000 ROK soldiers detailed to U.S. units, and $40 million for new facilities for U.S. combat forces under the Combined Defense Improvement Program. ROK cost-sharing outlays compare favorably with similar outlays by NATO allies and Japan.

Background Paper: Recent South Korean Political Developments

South Korea has undergone dynamic economic, social and political changes in recent years. Among the most dramatic has been the political evolution towards democracy that began in June 1987 when presidential candidate Roh Tae Woo stunned the nation by promising to respect the popular will and, if elected, lead the nation towards democracy. Following Roh's recommendation, President Chun acquiesced to the popular will for direct presidential elections.

With opposition candidates Kim Dae Jung and Kim Young Sam unable to agree on a single opponent, Roh won the December 1987 election with only 37 percent of the vote. However, the opposition parties gained ground by winning the majority of seats in the April 1988 National Assembly elections. It was the first time that the party running the Administration (under Chun and Roh, the Democratic Justice Party) had lost absolute control of the Assembly.

Since April, the National Assembly has become a forum for the public airing and multiparty debate of past and future policies. It also serves as a check on the President and his administration. In the fall of 1988, the National Assembly held avidly watched televised hearings into corruption and misdeeds of the former Chun Doo Hwan regime. Ex-President Chun was forced into internal exile and compelled to relinquish his wealth. The government has arrested and prosecuted 46 individuals, including a number of Chun's relatives, in connection with Fifth Republic corruption.

The human rights situation in South Korea has improved measurably since mid-1987. Several hundred political prisoners have been released, sentences commuted, wanted lists eliminated, and civil rights of political dissidents have been restored. There is a vital and freer press in South Korea today, with a plethora of new periodicals and newspapers. President Roh has pledged to curb the powers of the police and security agencies to ensure that civil rights are respected.

Student demonstrations are a fixture of the South Korean political landscape. In 1988 a small but vociferous minority of students were on the streets protesting against Chun, Roh and the U.S. troop presence and in support of the students' proposals for reunification. Labor disputes remain numerous as workers seek to unionize and obtain better wage and benefits. The government has urged restraint by student activists and counseled both labor and management to find non-violent means of resolving differences.

President Roh Tae Woo now faces fulfillment of an election campaign pledge to hold an interim evaluation on his administration. No decision has been made as to when and in what form such an evaluation would take place. In December, President Roh reorganized his Cabinet and the Democratic Justice Party. He hopes to put the legacy of Chun's Fifth Republic behind him and move on with the Sixth Republic.

BACKGROUND PAPER: DEALING WITH NORTH KOREA

South-North Dialogue

On July 7, 1988, ROK President Roh Tae Woo announced an initiative to promote dialogue and contacts with North Korea (the Democratic People's Republic of Korea--DPRK). He urged the DPRK to open up trade and contacts on all levels and suggested that the ROK's friends and allies also pursue contact with the North. South-North dialogue -- suspended since late 1985 -- subsequently resumed in various fora, but as yet no tangible agreements have been reached.

At the UN in October, President Roh offered to go to Pyongyang to discuss any issue. However, DPRK President Kim Il Sung threw cold water on summit hopes, first attaching conditions, then on January 1 suggesting that President Roh come to Pyongyang as a party head in a group with southern opposition and dissident leaders.

At the end of 1988, after nearing agreement on a joint meeting of the two Korean parliaments, the North introduced a new demand to discuss the annual US-ROK Team Spirit military exercise. In early February it refused to attend further preparatory meetings for a joint parliamentary session until Team Spirit ends. (In past years North Korea has sometimes carried on with dialogue and sometimes used Team Spirit as an excuse to end talks.)

The focus of discussion now is on an agreement to hold prime ministerial-level talks. The first preliminary meeting to discuss arrangements was held February 8. In other fora, the two National Olympic Committees have agreed to meet March 9 to discuss forming a joint team for the 1990 Asian Games in Beijing. The South has proposed further that Red Cross talks on divided families be resumed March 28. Both sides have also proposed youth exchanges. However, the North has invited only a radical South Korean student group to attend this July's 13th World Youth Festival in Pyongyang.

Following the ROK Government's decision last year to allow trade with the DPRK, South Korean firms have begun to import North Korean goods, all via third-country contracts. The DPRK has denounced and denied this trade. By contrast, the North publicized a late January visit by Hyundai magnate Chong Chu Yong as well as the protocol he signed to develop tourism and other projects in the North.

U.S.-North Korean relations

To support President Roh's initiative, the U.S. on October 31 announced several measures to facilitate U.S.-DPRK private exchanges and humanitarian exports and again allow substantive diplomatic contacts. The U.S. has not removed North Korea from the list of states supporting terrorism, nor lifted the general embargo on commercial trade with the DPRK. Substantive diplomatic contacts took place in Beijing December 6 and January 24 and several American universities are planning to host North Korean academics in 1989.