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C O N F I D E N T I A L

REPORT ON VISIT TO BEIJING, CHINA

ARCHIVES

OCTOBER 20 - OCTOBER 24, 1985.

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SUMMARY

This second visit to China fulfilled a number of objectives. Although no "breakthroughs" were expected or achieved it was significant that:-

- (i) For the first time two Chinese government agencies agreed to see the representatives of recognised international Jewish organisations in their organisational capacity, accepted their formal greetings on behalf of their organisations, and agreed to open up further contacts by way of correspondence and further visits.
- (ii) At both a formal and informal level Chinese officials have at least agreed to consider our requests to hold a non-political scholarly conference in Beijing on Chinese/Jewish subjects.
- (iii) We met a very wide cross-section of highly-placed Chinese officials in such key organisations as the Chinese Academy of Social Sciences, the People's Daily, the Central Committee of the Communist Party, important ministries, and the municipal administration of Beijing.
- (iv) Although circumstances meant that at the last minute the meeting with the son of Deng Xiaoping did not take place, some contact was established with the organisation he heads and there is every prospect that either he will visit Australia or that a future meeting will be arranged in Beijing.
- (v) There was agreement, in principle, that Chinese scholars would be able to attend appropriate academic conferences on themes of Jewish interest.

INTRODUCTION

This, my second visit to China offered a contrasting experience in a number of ways to my first journey in March 1981. Four years ago I was accompanied by overseas Chinese business acquaintances resident in Hong Kong who introduced me to a number of Communist Party and Government officials. Despite interventions to arrange such meetings, made on my behalf by the Australian Embassy, which was acting on advice from the Prime Minister's department, I would not have had access to these circles without the Hong Kong connections.

The 1981 visit clearly demonstrated that although the Chinese harboured no ill-will either against Israel or against the Jewish people, any effort to activate formal contact between Jews and the authorities was premature. At that stage Chairman DENG XIAOPING has only just initiated the revolutionary economic reforms that are today transforming China. There was uncertainty as to the future. The Chinese Foreign Office was particularly cautious and conservative. Arab economic and political power appeared much more awesome than today.

After extensive discussions in mid-1985 with relevant authorities in Israel it was agreed that the climate might now be more advantageous. I also outlined my objectives to the WJC's Israel Singer and obtained formal authorisation to proceed on a WJC level if applicable.

At the same time I accepted a long standing invitation from the management of the State-operated China International Travel Service (CITS) to re-visit China as their official guest.

I discussed my visit with John Bowen, Foreign Affairs Liaison Officer in the Office of the Prime Minister, Bob Hawke. The Australian Embassy was requested to provide me with maximum assistance including, if deemed appropriate, initiatives to enable me to meet relevant Chinese officials. As it turned out such assistance was not required.

Finally I turned to H. P. KONG, Managing Director of Lotus Tours Hong Kong, who is a close business associate (his Hong Kong inbound travel operation is largely dependent on Jetset business) and a personal friend. In the general travel business Lotus Tours is probably the largest organisation of its type in South East Asia. Like many Chinese, H. P. Kong is somewhat of an enigma. He is purported to be extremely wealthy and has extensive property interests in Hong Kong and the United States; he owns a highly profitable Chinese school in Hong Kong and, in addition to his travel organisation, has many other business interests.

Kong comes from a very famous and distinguished Chinese family. His father was a prominent KUOMINTANG General. He is an alumnus

of YENCHING University (Peking) which produced some of the most outstanding leaders and scholars of modern China.

About five years ago the Communists commenced wooing Kong despite their awareness that he had close personal and commercial ties with Taiwan (which he still retains). Paradoxically, today it is the Taiwanese who are distressed with Kong because of his connections with China, rather than vice versa.

Since receiving overtures from China, Kong has entered into a series of joint venture enterprises with the Chinese.

It was Kong's "old school tie" connections, his commercial relations with China, and his personal rapport with some of the country's leading political, economic, and academic personalities which provided me with extraordinary access to some of China's leading political and commercial personalities.

On my 1980 visit Kong was unable personally to accompany me but sent MISS DIANA KONG, (no relative) one of his key associates, and Mr. MICHAEL LAU the curator of the Hong Kong University Museum, to assist and introduce me to his friends.

On this visit Kong volunteered to join me and also brought DIANA KONG along with him. I was also accompanied by Sam Lipski, a prominent Australian journalist who is Vice-President of the

Australian Institute of Jewish Affairs and has been involved with me on many previous local and international Jewish projects.

I arrived in Hong Kong on Wednesday evening as I had to deal with other business prior to Beijing. SAM LIPSKI flew directly from a Washington Conference and joined me on Friday evening.

I had preliminary meetings with Kong. He contacted LEE CHO, one of the Chinese government's liaison officials in Hong Kong who had previously been helpful. Lee describes himself as Managing Editor of "The Commercial Press". In reality he is Beijing's "United Front" representative in Hong Kong whose main task is to develop good relations with overseas Chinese groups.

Kong also informed me that he had now opened up an office at the Beijing Hotel and had instructed his representatives in Beijing to set up initial appointments with his friends.

I also had a useful luncheon with Reuven Merhav the recently appointed Consul-General in Hong Kong. He informed me that Israelis could now obtain visas for China if they joined Hong Kong tour groups. This was later confirmed in Beijing by the President of the China International Travel Service (CITS), Mr. WANG E. KANG and the Vice President, Mr. LI TIEFEI.

ARRIVAL AT BEIJING - SUNDAY, OCTOBER 20

We arrived in Beijing on a delayed CAAC flight on Sunday evening. All hotels were over-booked. It was only my connections with the Holiday Inn chain that enabled me to obtain rooms at such short notice at the LIDO which Holiday Inn manages.

The General Manager of the LIDO, ERNEST ZIMMERMAN, knew me from Hong Kong as did the Resident Manager, BRIAN LEONG. They were extremely helpful throughout the visit.

MEETING AT THE AUSTRALIAN EMBASSY - MONDAY A.M. - OCTOBER 21

The Australian Ambassador retired in September owing to poor health. The acting Ambassador, DAVID IRVINE, who received us, is a highly competent diplomat. He speaks Chinese fluently and his evaluations were quite incisive. Our initial meeting was fairly short but we outlined our objectives and exchanged views on tactics. We agreed that pending the outcome of meetings set up by Kong further initiatives by the Embassy could be counter-productive. The Second Secretary, STUART VALENTINE, translated the Chinese program which Diana Kong had prepared, and provided us with a highly useful background briefing on some of the personalities and organisations we were to meet.

LUNCHEON MEETING - MONDAY NOON - OCTOBER 21

PARTICIPANTS:

LI SHENZHI Vice-President, Chinese Academy of Social Sciences;
Director, Institute of American Studies.

TAN WENRUI Deputy Chief Editor, People's Daily.

HU CHI HSI Writer and Poet.

LI SHENZHI is a most impressive personality. He was recently promoted to become a Vice-President of the Chinese Academy of Social Sciences (CASS). Until then he had been Director of the Institute of American Studies - a Chinese equivalent to the Soviet Institute headed by GEORGI ARBATOV with whom he had dined a few days earlier. LI has retained the position of Director of the American Institute.

The Chinese Academy of Social Sciences (CASS) was re-established in 1978 after it had been disbanded at the beginning of the Cultural Revolution in 1966. CASS enjoys bureaucratic status equivalent to that of a Ministry. It is directly subordinate to the State Council.

CASS administers 50-odd research institutes that cover politics, foreign policy, economics, literature, philosophy, sociology and

history. It has 10 institutes that conduct research on international relations alone. They are divided into both geographic and functional divisions.

CASS also administers a postgraduate studies program and conducts substantial academic exchanges with institutions in foreign countries. The results of much of the research work are widely published.

Taken together, CASS research institutes constitute the largest foreign policy research body in terms of manpower, funding and analytical output. Its influence should therefore not be underestimated and it is recognised as a large scale "think-tank" for the top Chinese leadership.

Li has a fascinating background. He was originally the principal speech writer and assistant to the late CHOU EN LAI. In 1957 he was purged for "rightist tendencies" (advocating greater democratisation) and was forced to become a menial farm labourer until 1979. He implies that CHOU EN LAI could have saved him but did not intervene. At the same time he acknowledges CHOU's "strengths" as a revolutionary leader. He said: "A revolutionary leader has to be able to kill with his own hands. CHOU could kill if he had to". During his exile from public life his children were denied education which today still embitters him and plagues his conscience. He was personally rehabilitated by DENG XIAOPING.

LI's story is typical of many of the outspoken leaders of the revolution who were purged before and during the Cultural Revolution in the sixties. He spoke openly and frankly. When he was asked questions that he considered stupid he answered quite sharply and dismissively.

TAN WENRUI, whom I met on the 1981 visit is quite a different personality. For some years he was editor of the International Department of the People's Daily (the principal party newspaper) which required immense diplomacy and tact to survive the vicissitudes of the Cultural Revolution. Now he is Deputy Chief Editor of the International edition of the People's Daily.

TAN survived the Cultural Revolution and other purges because he was cautious, circumspect and avoided making waves. Both Li and Tan joined DENG XIAOPING on his first visit to the United States.

HU CHI HSI, like H. P. KONG, left China before the Communists took control and settled in France where he married a French woman who was with him in Beijing. He has written the authoritative work on Mao's "Long March" and is currently doing research and obtaining oral testimony for a biography of CHOU EN LAI.

All three were close friends of H. P. KONG. It is clear that their youthful friendships and shared Chinese connections enabled them to overcome ideological differences.

We observed that LI, TAN & HU were all writers. Li added that HP KONG was once a poet but was now a "cheque writer". HU added that "Cheque (Czech) writers" were a new form of Chinese dissident.

After the preliminaries I outlined my objectives clearly and frankly. I described the Jewish people and the key role Israel occupies - (as does China for the overseas Chinese). We were concerned at the absence of any Jewish contact with the world's most populous nation. I described the WJC. I referred to the Asian-Jewish colloquium. I emphasized that China could benefit from greater Jewish trade and commerce if it adopted a more flexible policy. I also referred to the international influence of Jews in the affairs of the countries of which they were citizens - something which could benefit China in many areas. I also said that although China's policies on the Middle East differed from ours, perhaps we could agree, for the time being, to set aside the question of the Middle East and to concentrate on the World Jewry aspect of "people-to-people" relations.

Specifically, we wanted to obtain an "address" in China for Jewish issues. We sought to explore the possibility of holding a conference involving Chinese and Jewish scholars (preferably in

Beijing) on a non-political academic subject of common interest. I suggested, amongst other proposals, the themes of Chinese and Jewish cultural contributions to civilization; the Jewish and Chinese Wisdom philosophies; traditional Jewish and Chinese ethics, etc.

LI said it was difficult to differentiate between Israel and the Jewish people. I agreed. But I said that in the first instance we could overcome that by avoiding the Middle East and concentrating on non-political scholarly issues. LI suggested the easiest way would be to have a colloquium in Beijing on Jewish-Christian relations. I said there seemed to be no point in repeating seminars in Beijing that had already been held throughout Europe and America.

LI said there were plenty of Jewish scholars coming to Beijing. Why complicate things by pushing the Jewish issue? Only recently he had hosted Professor Seymour Martin Lipset from Stanford University. I felt we had reached an impasse but then LI made a major concession. He suggested I write to him prior to our next colloquium. If the subject was non-political there was a good chance they might send an official observer. He did not regard Professor NIU, who attended our Singapore colloquium, as a bona-fide "Chinese" representative.

I enquired (anticipating the response) whether there was any way of getting someone from China to the WJC Assembly in Jerusalem to

participate in a non-political forum on Asian-Jewish affairs. LI said that Jerusalem made a Chinese presence impossible. But observer status at a purely academic session dealing with non-contentious Jewish issues could have been considered had another venue been involved.

LI said he would discuss with ZHAO FUSAN, another CASS Vice President, the possibility of holding some sort of academic conference in Beijing. If time permitted he would arrange for a meeting with ZHAO. Unfortunately, the presence, at the same time in Beijing, of DAVID ROCKEFELLER and a number of other top American industrialists, ruled out such a meeting while we were there. But LI specifically assured me that he would set the meeting up on my next visit when we would examine possibilities for an academic Sino-Jewish conference.

LI agreed that the Foreign Affairs Department was conservative and cautious. He agreed I should not try to see them at this early stage.

We discussed other matters. There was no basic change in relations with the Soviets on matters that really counted. There were no breakthroughs. His luncheon with ARBATOV ended up being purely social as they had nothing to discuss. TAN jokingly described LI as the "Chinese Arbatov". LI demurred and quickly replied, pointing to TAN: "And he is the Chinese Zamyatin".

We also joked about the visit of a Russian ballet company which had been misreported as the "Bolshoi Ballet". In fact the Russians had apparently sent a mediocre Ballet group to Beijing which compared poorly to local Chinese ballet and had not been well received.

LI had known Stalin. He might have been a tyrant, he said, but when you were in the same room with him you felt you were in the presence of a truly charismatic personality.

Another exchange, indicating LI's views on changing Chinese perceptions of the world, was prompted by the following question from H. P. Kong: "Who is China's enemy today?". LI: "We have not yet abolished the word. But 10 years ago those not with us were against us. Today those not against us are with us".

China would not break with the PLO. ARAFAT was currently having major differences with the Soviets and the Chinese had to watch and exploit the situation.

Relations with the Americans had improved and this was largely due to the United States relaxing restrictions on technology transfers.

Li emphasised that we had to be honest with one another about Israel and World Jewry but, hopefully, we would still be able to find a formula.

He asked me about Rabbi Arthur Schneer. Had he not come to Beijing on behalf of Jewish organisations? I said I believed he was in China on behalf of the "Appeal for Conscience" - an ecumenical group in which the WJC was not directly involved.

Israelis could come to visit China anytime for business, trade and technology or as members of international delegations. He was unaware of relaxations in extending visas for Israelis but this was not his field.

We agreed to maintain contact. I invited him to Australia. He said he would like to come. But he doubted whether there was any interest in Australia on lectures on SINO-American relations, his field. I told him I would think about it. He agreed that I could use him as an address for enquiries on Jewish matters.

TAN participated but contributed little other than to agree with LI who was always more outspoken. HU listened to our discussions and made few comments.

DINNER MEETING - MONDAY P.M. - OCTOBER 21

PARTICIPANTS:

WEI MINGYI Vice-President, China International Trust and
Investment Corporation (CITIC).

ZHANG ENPU Vice-President, CITIC.

WU GUANGHAN General Manager, Real Estate Department,
CITIC.

LI ZHIDA Manager, Business Division, CITIC.

FAN ZAI RONG Deputy General Manager, Real Estate
Department, CITIC.

WEI MINGYI was the key personality of the group and, in formal standing, one of the more senior Government officials I encountered. Until 1985 he was Vice-Minister at the Ministry of the Electronics Industry. The China International Trust and Investment Corporation (CITIC), which he now effectively heads as the "senior" Vice-President, was established in 1979. It is responsible for arranging joint ventures with overseas parties and co-ordinating the introduction of foreign technology and equipment into China. CITIC is one of DENG XIAOPING's key economic instrumentalities. It represents various Chinese

departments and enterprises in negotiations with foreign firms. Wei is an alternate member of the Central Committee of the Communist Party of China.

The formal President of CITIC is RONG YIREN who, prior to the Revolution, was one of Shanghai's wealthiest industrialists. He was denounced during the Cultural Revolution as China's "biggest capitalist".

Wei Mingyi speaks near-perfect English and we wasted little time in formalities. He told me he had many Jewish friends in Shanghai before the Revolution. He felt he would like to attract more Jews to invest in China.

I gave him my standard Jewish presentation. He was a little taken aback by my frankness. He changed the subject and initiated a number of toasts over MOA TEI wine.

A few moments later he himself returned to the subject and said that my suggestions concerning the Jewish issues were highly sensitive. But he would raise them with senior colleagues. He appreciated that any move towards closer Jewish relations could potentially lead to greater Jewish interest in commercial dealings with China.

As the MOA TEI wine began to make its impact WEI reiterated that he had many Jewish friends. He said he had fewer Jewish

day-to-day contacts now because his department was isolated from Defence where massive financial deals were being undertaken.

He used to be a very close friend of EISENBERG who still maintained a permanent suite in the Beijing Hotel. Did I have contacts with Eisenberg? I said I knew of him and his enterprises but was not a personal acquaintance. Wei winked and said "I don't know if it's still Eisenberg. But defence technology is worth billions". He repeated a number of times the amount, "billions".

WEI reiterated that for trade or investment today, especially in high technology, there were no political obstacles to dealing with the Israelis. Visas were available and deals were being done all the time with anybody. He indicated that Israeli goods were being brought in, or could be brought in, like South Korean goods, via Hong Kong with labels detached, etc. Specifically he mentioned, as an example, that TV tubes were shipped from South Korea to Hong Kong, had their country of origin labels withdrawn, and were reshipped to China.

WEI undertook definitely to pursue the Jewish proposals. Where there was a will there would be a way, as long as I was understanding of Chinese sensitivities to the Arab world. He said I should understand that there was a large economic, as well as political, dimension to China's relations with the Arabs.

China had overseas projects and labour in Arab countries which were very substantial.

We discussed software for China's travel infrastructure. I gave him an outline of Jetset's software which is probably the most advanced of its type in the world. Wei accepted an invitation to Australia to review Jetset software if I would also invite software programming and tourist representatives to accompany him.

He told me there was no basis for the announcement by Sir Peter Abeles about aircraft deals with China which had been highlighted in the Australian press.

At this stage ZHANG ENPU became a little merry and mumbled something about "Max" and the Jews. After some interpretation I finally understood he was telling me that Marx was Jew. As a consequence we started toasting one another "Le Chaim" with MOA TEI.

Wei told me that China was pleased the Americans had become much more liberal in providing them with advanced technology

At the close WEI again assured me he would take the Jewish issue up with his friends. But it could take time to be resolved. He invited us to a luncheon the following day which we were obliged to accept.

MEETING WITH CHINA INTERNATIONAL TRAVEL SERVICE (CITS)

A.M. TUESDAY OCTOBER 22

PRESENT:

LI TIEFEI

- Vice-President

MADAM KONG LINGYU - Vice-President.

The key man in CITS today is Li Teifei whom I met on my previous visit. He has spent two years heading CITS in London and now speaks perfect English. We covered a wide range of travel related issues.

Towards the end of our discussion I raised the question of Israeli visas on the basis that I was now organising world trips incorporating American, British, Australian and Israeli citizens. He stopped me short. There were no longer problems for Israeli visas if they come via Hong Kong, formed a component of under 50% of the Hong Kong organised group tour visa applicants, and did not advertise the facility. Li emphasised it was an ad hoc arrangement. There were no guarantees that all applicants would be accepted. The applications had to be submitted to Beijing via Hong Kong. He warned that advertising the facility could lead to

its cancellation. To my mind this makes the concession a somewhat flimsy one and subject to termination at any time.

In conclusion, I again offered to share with CITS the advanced software programming which Jetset has designed. It could be of considerable assistance to CITS which is only in its infancy in the use of computerisation.

LUNCHEON HOSTED BY CITIC - NOON: TUESDAY, OCTOBER 22

PRESENT: WEI MINGYI and others who participated at the previous evening's banquet.

Wei remained affable, reiterating his intentions to follow up my Jewish submission. We discussed aspects of joint venture investment in China. He spoke disparagingly of the Japanese and of unfortunate experiences the Chinese had encountered in commercial enterprises. We reviewed the possibility that he would visit Australia and I undertook to invite him.

Zhao was friendly and Wang from Islamic Affairs particularly so. But they were clearly nonplussed by the situation, which, for them, was literally unprecedented. Zhao proceeded to explain that the Bureau was mainly concerned with the five main religious groups in China: Buddhists, Taoists, Islam, Catholics and Protestants. Every religion had its own national association and every religion had the right to control its own affairs. So if the Jews wanted to have a conference they should deal with the appropriate religious group.

This was a polite piece of evasion so I outlined again in different words the two main alternatives for a conference either on Chinese and Jewish contributions to civilization, or a conference on Chinese and Jewish Wisdom Literature. I added a third choice: A combined research project between Chinese and Jewish Scholars investigating the history of the Jews of Kai-Feng followed by a conference in Beijing to discuss the findings.

The last suggestion led to a discussion of the work already done by Chinese scholars on Kai-Feng. Zhao named Pan Guang-dan and Jiang Wen-han as two academics who had written books on the subject. He said a third, Gao Wang-Zhi, had been to West Germany (SIC) to pursue his research and CASS had posthumously published his book and an article in their journal.

After a misunderstanding in translation when the word "re-activate" was used to describe World Jewry's interest in

Kai-Feng Jews we hastily reassured them we had no intention of being missionaries and that our concern was historical only. They pointedly noted that missionary activity by religious groups in China was forbidden by law.

Zhao and his colleagues indicated there were no Jews as such left in Kai-Feng although there were some who recalled their Jewish origins and background in previous generations.

While expressing no objection in principle to a conference on Kai-Feng Jews - or for that matter to any other scholarly gathering of the kind proposed - Zhao said the Bureau was not the appropriate agency with which to deal. Instead he suggested CASS should be approached as their interest in research and scholarship made them the logical address.

The meeting ended with a photo-taking session, many handshakes, and warmly expressed invitations, especially from our Islamic friend, to visit again and maintain contact.

BANQUET FOR CHINESE LEADERS - P.M. TUESDAY, OCTOBER 22

PARTICIPANTS

LU YU Former Deputy Mayor of Beijing: greatly respected and obviously still a person of considerable influence in Party and State circles. Currently Lu is Vice President of the Beijing People's Association for Friendship (a Chinese Foreign Affairs offshoot).

ZHU LIANG YI Formally described as Chief Engineer and Secretary General of the China Instrument Society. He is considered as the key government official handling advanced technology throughout the country. Zhu holds the equivalent status of head of a department and is also the counterpart to a deputy minister (there being no clear distinction between Ministerial and Departmental heads). A most impressive and knowledgeable person.

TAN WENRUI Deputy Chief Editor of People's Daily whom we had met with Li at our first meeting.

HU-CHI-HSI The writer whom we had also met with Li and Tan at our first meeting.

LIN HONG Director of Department of Domestic Politics,
People's Daily.

ZHANG DING Director, Chinese Social Sciences Publishing
House; Chinese Academy of Social Sciences.

DING PANSHI Editor-in-Chief of the Journal of the Chinese
Academy of Social Sciences.

LI BOKANG Director: (Beijing Municipality United Front
Department (The United Front is the Communist
party extension directed primarily towards
overseas Chinese and Non-Government
Organisations.)

MA JIANZING Executive, Sports Commission, Beijing City.

All these personalities (as was the case with most of the others
introduced to me by H. P. Kong) were alumni of YENCHING
University and old friends. We would not have met them without
Kong's intercession. Many could not speak English and either H.
P. Kong, or Diana Kong, interpreted.

As there were two tables the main conversations at our table were
between myself and LU YU and ZHU LIANG YI in a mixture of English
and translation, and between Sam Lipski and LIN HONG, in
translation.

Very soon after the first Moa Tei toast I explained to LU that my main purpose in coming to China was to establish cultural, non-political relations with China on behalf of World Jewry. He was all in favour of "more exchanges between all people" but claimed that as a Beijing representative of the "Peoples' Association for Friendship" he had to leave such matters to the National Association. He knew we were scheduled to see that body the next morning and assured us we were on the right track. He professed admiration for the Jews who used to live in China in Shanghai and other centres and added that the Chinese were very sympathetic to the suffering of the Jews in Europe during World War II. Israel had been welcomed in 1948 but since then it had become the main obstacle to friendly relations with China. We were to return to the subject later in the evening.

I asked ZU whether China had any problems in making high-technology deals with countries that did not have diplomatic relations. None whatsoever, he answered, and we would be mad not to take advantage of such deals whenever or wherever we can make them. I did not press the point by explicitly referring to Israel. But the context of our conversation was clear. I confirmed this by asking him why, when relations between China and other countries were so much more relaxed, there was still so much sensitivity on Israel.

ZU noted that China had no animosity towards Israel and that dealing with Israel was certainly not something which worried him. But care had to be taken because it was critical not to alienate the Saudis. Many joint ventures involving the Chinese in Saudi Arabia and the Gulf countries in projects which employed Chinese labour could be at stake.

Relations with the United States had improved in the past two years because some of the technology transfer the Americans had promised had begun to materialize. Relations with Japan, on the other hand, were not so good. Rather bluntly Zu described the Japanese as "economic animals".

Lipski questioned Lin (People's Daily) about the recent changes to the Chinese Politburo and the Central Committee. The Chinese people had been prepared for the changes, Lin said, because they were the logical extension of the reforms which began in 1978. Those who had resigned from the Politburo and the Central Committee did so because of their advanced age and NOT because they had lost out in a debate over the direction China should follow. Lu added that, where there had been resistance to resigning, it had been from some party veterans who felt that having given their whole lives to the revolution and the party they should be allowed to see out their lifetimes in the party's service. That applied regardless of the emphasis of their views about the direction of the reforms.

When the conversation turned again to the Middle East Lu (who at 68 was treated as a senior spokesman by his colleagues) again blamed Israel and the United States for denying the Palestinians the state the United Nations had promised them in 1948. When I pointed out that it was Jordan which had annexed "Palestine" and ruled it until 1967, thereby denying the Palestinians "their" state, Lu was a bit taken aback by having to deal with historical facts. He smiled sheepishly and said "It's all too complex. Let's just forget it". Clearly he had been repeating the party line which he did not take seriously for a minute.

MEETING WITH REPRESENTATIVES OF THE CHINESE PEOPLE'S ASSOCIATION
FOR FRIENDSHIP WITH FOREIGN COUNTRIES

A.M. WEDNESDAY, OCTOBER 22

PRESENT:

YAO RENLUI - Deputy Director - Department of American and
Oceania Affairs

WANG JIHHUA - Deputy Chief of Canada and Oceania Division:
Department of American and Oceanian Affairs.

The People's Association is an extension of the Foreign Office. None of the participants knew H. P. KONG. This was a genuine Government arrangement but it had been made via H. P. KONG's Hong

Kong contact MR. LEE CHO. (Mr. LEE CHO is an unofficial Beijing liaison officer in Hong Kong).

YAO RENLUI spoke excellent English and was a veteran diplomat. He had been a Press Attache in Washington for two years and had had seven year's service as Cultural Attache at the Embassy in Ottawa.

Once again I opened our exchange by extending greetings on behalf of the WJC, the APJA, and the ECAJ. As this was the most "official" of our meetings I began with a more structured presentation: A brief outline of World Jewry, the role of Jews in various economic social and political spheres, the status of the WJC, the importance of Israel to all Jews while emphasising that we sought a non-political dialogue at a "people to people" level, the significance of the first Asian-Jewish Colloquium in Singapore, and the hope that a similar conference on a suitable cultural topic could be held in Beijing.

Yao responded by accepting the greetings from the bodies I represented and declared that this was the first time his association had met with Jewish representatives. He then outlined the nature of his organisation.

The association is the national "people to people" organisation with branches in all the provinces and in the big cities such as Beijing and Shanghai. There are over 60 branches, a head office

staff of 300, and Yao's division employs about 30. Last year the Association received over 3,000 visitors as members of national delegations. The association maintains contact with counterparts and related organisations in many countries. In Australia, for example, they liaise with the Australia-China Friendship Association (non-Government) and the Australia-China Foundation (jointly sponsored by the Australian and Chinese governments).

A second function of CPAF is the co-ordination of the sister-city and sister-state "twinning" projects. This is an extensive program in many countries. The CPAF's third function is sending Chinese performing arts groups and exhibitions abroad and hosting similar visiting groups. CPAF is responsible to the State Council through their President, Madame Chou En Lai, the widow of the late Chinese Foreign Minister. CPAF does not have dealings with any groups from South Korea, South Africa or Israel.

I listened patiently to this lengthy exposition and then asked if the "open door" policy might now be extended to include contact with World Jewry. I noted that such contact could lead to benefits for China in such areas as tourism and investment interest.

Yao said nothing could be done precipitately and any conference in Beijing with Jewish groups would be "quite a major step". It could be misreported in the Western press as had some recent cases of South Korean businessmen who had been part of an

international delegation. There was a very sensitive situation in the Middle East which had to be taken into account.

After some further exchanges Yao said that there had never been any problem in dealing with Jews as citizens of their countries. Dealing with a Jewish group qua Jewish group would be a problem. The expatriate Ukrainian Associations, for example, had wanted to establish contact but CPAF had rejected their approach.

I pointed out the differences, noting that in September I had been part of a Jewish delegation received by President Reagan. Again I returned to the advantages which could accrue to China if ongoing dialogue could be developed. Sam Lipski added he had just come from Washington the previous week and had attended a briefing by President Reagan in the White House for 150 international Jewish leaders. Various international Jewish organisations had been dealing with governments and NGOs around the world for more than 40 years. Only China remained as "the Last Great Frontier".

Yao asked: "Do you deal with North Korea and Albania?" It was hard to tell if he was being serious or provocative. We assured him that we would never think of the great people of China as being in a comparable category to Albania.

We also discussed the ACHILLE LAURO hijacking and the subsequent capture of the Palestinian terrorists. YAO repeated the official

Chinese line that condemned the hijacking but "regretted" that the United States had breached international law by intercepting the Egyptian plane. YAO said he thought the American action had "weakened" the impact of the widespread condemnation of the ACHILLE LAURO hijacking.

After an hour and a half of further to and fro, Yao said he would consider our approach and asked that we send him copies of WJC material, an outline of just what we were proposing, and how we envisaged CPAF's role. He undertook to submit the correspondence to his Governing Council (as distinct from the State Council).

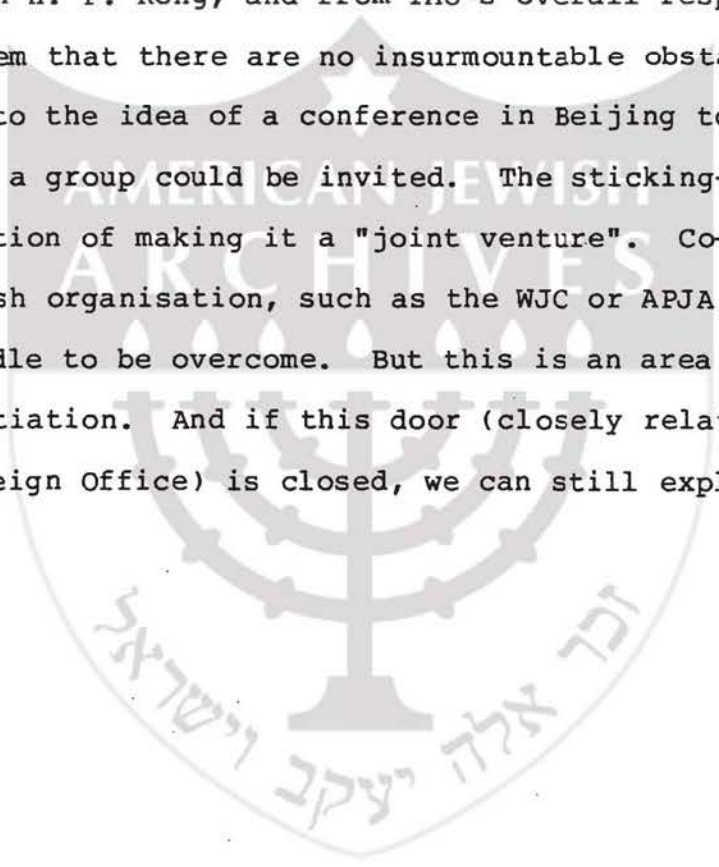
Asked to designate whether the letter should be sent on WJC, APJA or ECAJ letterhead Yao said he preferred it should be on either Jetset or private notepaper. He agreed the first approach should be made at an informal level "between friends". He also suggested we should explore further what role CASS could play.

We both agreed that we would look forward to further exchanges and Yao explicitly endorsed my view that, regardless of how successful our first endeavours would be, neither of us would "close the door" to maintaining future contacts.

We were then the guests of Yao and CPAF at a luncheon banquet which was held for us at one of the very few vegetarian restaurants in Beijing. The extra trouble taken by Yao and CPAF to take into account my Jewish dietary restrictions, considered

together with the two basic facts of agreeing to see us in the first place and then hosting a formal lunch in our honour should be read, in my view, as positive signs.

Discussion continued over lunch, and from a brief conversation Yao had with H. P. Kong, and from YAO's overall response to us, it would seem that there are no insurmountable obstacles, in principle, to the idea of a conference in Beijing to which Jewish scholars as a group could be invited. The sticking-point may be on the question of making it a "joint venture". Co-sponsorship with a Jewish organisation, such as the WJC or APJA, will present the big hurdle to be overcome. But this is an area open to future negotiation. And if this door (closely related to the Chinese Foreign Office) is closed, we can still explore the CASS options.



BANQUET HOSTED BY CHINA WELFARE FUND FOR THE HANDICAPPED

P.M. WEDNESDAY, OCTOBER 23

PRESENT:

WANG LUGUAGN - Secretary General and Deputy Director in Chief
(restricted to a wheelchair)

JIANG HUAZHANG - Deputy Director of Fund Management Department.

HUNG ZHENYAN - Deputy Manager - Travel Service.

The China Welfare Fund for the Handicapped was only recently established and is rapidly emerging as an influential organisation with broad commercial pursuits designed to raise funds for its welfare activities. It is headed by DENG PUFANG the son of Chairman DENG XIAOPING, which is a major reason why the organisation has become so influential. DENG PUFANG is restricted to a wheelchair, having been thrown out of a university building by Red Guards during the Cultural Revolution. The eldest of DENG XIAOPING's four sons, he is said to be the favourite, because DENG XIAOPING feels personal guilt and remorse at the fact that his son was crippled because of his own political activities.

Neither DENG PUFANG nor WANG LUGUAGN are school friends of H. P. KONG. However H. P. KONG consummated a joint venture deal with DENG PUFANG three months ago. Lotus Tours will now assist the Chinese Welfare Fund for the Handicapped in setting up a major national travel organisation which would compete with CITS and provide funds for the Association. DENG PUFANG is personally involved and keen to see this venture succeed.

The banquet had originally been arranged for me to meet DENG PUFANG. They wished to involve me in their tourist joint venture. They felt (and rightly so) that I could provide them with their first and probably only major Caucasian traffic through Jetset's Australian, American and British China programs currently being handled by CITS. H. P. KONG assured me that in return DENG PUFANG could and would open up other doors.

Unfortunately PUFANG was out of Beijing. But I was told that if I stayed a few days longer (which I could not) I would meet him. Otherwise a meeting would be set up for my next visit. I saw little point in pressing my Jewish issues with WANG LUGUAGN in his chief's absence. I asked H. P. KONG to set the scene for my next visit. I gave every indication that I could be induced to align myself with them in their commercial venture.

I also invited DENG PUFANG and a few of his colleagues to visit Australia as our guest. To my astonishment they accepted. But they asked me to arrange that the invitation should to be under

the auspices of a welfare body. I agreed to do so but told H. P. KONG that I was only willing to proceed if DENG PUFANG personally led the delegation.

LUNCHEON HOSTED BY CHINA INTERNATIONAL TRAVEL SERVICE

NOON THURSDAY OCTOBER 24

PRESENT:

WANG ER KANG

- President

MADAME KONG LINGYU

- Vice-President (Australia and Oceania)

SHOA BINGSI

- Director

LI ZHONGXIAN

- Deputy Manager

(and two other officials)

Wang has only been President for two years and it was the first time I met him. It is regarded as an honour to be hosted at short notice by the President of CITS in the grand style of a private room at the Beijing Hotel.

Wang is a veteran Foreign Ministry official. He spent 7 years in Switzerland and West Germany on senior diplomatic postings

including the post of cultural attache, despite his inability to speak any European language other than a smattering of English.

I assumed we would only be talking travel but he had obviously been well briefed and, to my pleasant surprise, he asked me whether I considered that my Jewish objectives in Beijing had been achieved. He also referred to my association with the World Jewish Congress.

He spoke at length about his growing up in Shanghai and having been very close to a number of Jewish families, one of whom returned to Germany after the war, and with whom he had since renewed contact. He said that the Chinese have enormous admiration for the Jewish people. The history of the KAI FENG Jews was evidence that Jews in China had never encountered anti-semitism or persecution. He then gave me a dissertation on the KAI FENG Jews who he said no longer existed as a religion or ethnic entity although there could be some residents who had memories of Jewish ancestors.

We switched to the issue of Israeli visas. He warned me not to take anything for granted as the new system was still at the discretion of the Foreign Ministry and could be terminated without notice. He hoped the new arrangements would not be publicised, since "a reaction" from other parties could terminate the arrangement. I expressed scepticism that such arrangements could be kept under the table for more than a few weeks.

Wang felt that the general situation in China had improved enormously. He agreed that DENG XIAOPING was a revolutionary and the country was going through its third major revolution of this century (1911 and 1949). But it was early days and enormous challenges had to be faced. It was not quite a "golden age". It was rather a "copper age". But he dismissed as eccentric those who seriously suggested there was a possibility of returning to the old pre-DENG system even after he died. The infrastructure had been strengthened enormously at the 35th Communist Party Congress.

Wang invited me to visit and tour throughout China with my wife as personal guests of CITS. I indicated that given an opportunity I would do so. In turn I invited him to be my guest in Australia.

After the CITS meeting we returned to the hotel and then to the airport for a flight to Hong Kong. While in transit in Hong Kong, en route to Australia, we met with REUVEN MERHAV and gave him a brief summary of our visit.

EVALUATION: CHINA - GENERAL

The more contact one has with China and the Chinese the more reluctant one becomes to make sweeping generalizations about overall trends. And it would be a mistake to dispense absolute judgements after a five-day trip, however crowded with meetings and impressions. What follows, therefore, is meant to convey tentative and limited conclusions about a vast topic.

What can be said, however, is that everyone to whom we spoke in Beijing, Chinese and western observers alike, agreed that Deng Xiaoping is right to speak of the present phase of China's so called "modernisation" program as the "Second Revolution". Indeed, as one Australian diplomat put it, it is even more correct to speak of the "Third Revolution" - the first being that of Sun Yat Sen in 1911, the second - that of Mao Tse Tung in 1949, and the third which began with Deng in 1978.

From my own observations in 1981 there have been some noticeable changes over the past four years. The economic reforms which introduced private enterprise, and had begun in the countryside, have had a major impact and have now begun to spread to the cities.

The low standard of living has risen; the amount and quality of food have improved; the monotonous greyness and blueness of the drab uniforms which everybody wore four years ago has given way,

in quite a few cases, to western suits, more colorful clothes for women, and the beginnings of a sense of "fashion" - western style. There are posters and hoardings advertising consumer goods - Sony, National, Coca-Cola - and, surprisingly, commercials on the Government TV network. "Rambo - First Blood" was showing in Chinese cinemas while we were there and creating controversy amongst the Chinese critics. They were clearly worried by the apparently rapturous applause which "Rambo" has received, especially from younger Chinese moviegoers.

There is, from all accounts, widespread public support for the reforms and for Deng Xiaoping. There are also sources of tension and conflict: between regions and provinces over allocation of resources and investment, and between "classes". Some white-collar officials, highly-educated, made it clear to us that they were not thrilled that under the new system taxi-drivers were earning much more than they were. City workers are envious of reports that the peasants are making large profits from the sale of their produce in the free market. But generally, despite the problems, hardly anybody wants to go back to the old days of Maoism.

Also in marked contrast to just four years ago there is a much greater willingness to speak to Westerners frankly about all issues. The same people who were guarded and reticent in 1981 were now often positively extroverted by comparison.

China, of course, is still far from a democracy. Dissent is still dangerous. Human Rights abuses are catalogued by Amnesty and other organisations. But compared to East European countries such as Rumania and Czechoslovakia, and certainly the Soviet Union, there is a greater circulation of the Western press and media and far less of a police-state presence.

Infra-structure is poor, bureaucracies are inefficient, productivity in many sections is low. There is still a long way to go in China's economic development. Those who speak of a power which could rival or challenge Japan are simply misinformed unless they are making projections at least 50 years ahead which, of course, are meaningless. China will need at least 20-30 years of continuous development to reach the point Japan reached in the early 1960s before take-off. Whether it does "take off" after that is a matter for debate.

It can be said, however, that the basic change in direction does not seem to be merely a "flash-in-the-pan", a temporary aberration which will be swept away after Deng goes. In this context the most significant impression gained from our discussions was the importance and scope of the recent leadership changes approved by the Party's September Congress. While much attention has focused on the replacement by Deng of nearly half the Politburo and one-third of the Central Committee the massive restructuring of the party's cadres at all levels of government - municipal, provincial and regional - involving thousands, perhaps

scores of thousands is what will really count. According to one of the Australian diplomats these changes have virtually ensured that the reforms will be continued "after Deng". There is now the beginning of a "meritocracy" and it is the first time, he noted, that such massive changes in leadership have occurred in a Communist system and not through the "coup or the coffin".

Perhaps the best way to sum up the significance of the current Chinese revolution is to note what Li Shenzhi from the Chinese Academy of Social Sciences told us say when asked to comment on something written recently by Derek Davies, the Editor of the Far East Economic Review. Davies had argued that Deng would go down in history as a greater Chinese leader than Mao because his was a revolution from within the authentic Chinese tradition, whereas Mao's was imposed from without. Li answered: "I hope Davies is right".

It is against this background of internal change that China's international relations should be assessed. While remaining firm on issues such as Taiwan, Beijing is anxious to extend its relationship with the United States, particularly in the areas of joint-venture development, technology transfer and arms supplies. As is known, China has moved away from its earlier emphasis on the Soviet Union as the principal "hegemonial" foe and its former de-facto security alliance with the United States against Moscow. It now strives, at least in its public statements, for a more "balanced", middle-of-the-road, approach which sometimes becomes

a "plague on both super-power houses". But while the talks with the Soviets have continued at Deputy-Foreign Minister level - the seventh round concluded while we were in Beijing - the Chinese maintain that there can be no real normalization of relations, especially at party-to-party level, until Moscow has resolved the three basic problems - the presence of the Soviet divisions on the Chinese border, the Vietnamese occupation of Kampuchea, and the Soviet occupation of Afghanistan. No one suggested these objections are likely to be dropped in the foreseeable future. In reality, therefore, there is little doubt that currently in Beijing the "West wind" continues to be stronger than the "East wind".

ISRAEL AND THE JEWS

In going to China we had no illusions that breakthroughs awaited us in the establishment of relations with World Jewry or that a fundamental change by Beijing towards Israel was imminent.

But we did find that there were no expressions of hostility towards Israel and at least an interest in our proposals for setting up communications with such bodies as the World Jewish Congress.

The Chinese policy towards Israel and the Middle East is based on their assessment of:-

- (i) their economic interests in the Gulf States and Saudi-Arabia.
- (ii) their role in Third World affairs, especially at the United Nations.
- (iii) Their relations with the PLO as a way of counter-balancing Soviet influence within the Palestinian organisations.

Nevertheless they are aware of the potential for trade and technology transfer that normal relations with Israel would make available. Indeed they indicated, directly and indirectly, that such activities have already been going on.

Certainly there has been a thaw in such areas as issuing visas to business persons with Israeli passports and more recently to tourists on such passports subject to the conditions earlier outlined.

Furthermore, there is a much greater freedom in talking about Israel and related issues. There seems to be a good chance that face-to-face meetings, on an informal level, between Chinese and Israeli officials could be arranged through the good offices of a suitable intermediary in the not too distant future.

CONCLUSIONS:

As suggested, the most significant result of our visit was the fact that we were received by two government agencies. It is our belief - shared by the Australian diplomats to whom we spoke in Beijing - that this was no accident but rather part of a deliberate policy recently introduced whereby China hopes to impress world opinion with its stand on human rights and religious affairs. In this context we should try to avoid over-emphasis on the Kai-Feng Jewry issue which is today largely an exotic distraction.

We cannot be sure what response we will get but we now propose to continue our efforts along the following lines:-

- (i) the despatch of material about the WJC as requested to the Chinese People's Friendship Association together with our written requests for some form of cultural/scholarly conference in Beijing.
- (ii) the invitation of Chinese scholars as observers/participants at appropriate conferences in Asia to be sponsored by APJA.
- (iii) the follow-up of our contacts with the Chinese Academy of Social Sciences.

(iv) the follow-up and expansion of our informal contacts.

In my business capacity I intend formally to invite those relevant officials we met in the travel, technology and investment areas to come to Australia. It goes without saying that the most tantalising of all the contacts is one yet to be made with the son of Deng, Deng Pufang and my Company's probable involvement with him in a major joint venture tourist enterprise.

If, as appears likely, we can arrange for him to visit Australia next year this could open up many doors in Beijing. In any event I intend to return to China for a follow-up visit probably next February or March.

I. J. LEIBLER

29th October, 1985.

OFFICIALS & PERSONALITIES ENCOUNTERED IN BEIJING

(IN CHRONOLOGICAL ORDER)

H. P. KONG	Managing Director - Lotus Tours
DIANA KONG	Lotus Tours
LEE CHO	Unofficial Beijing Liaison Officer in Hong Kong "United Front" representative in Hong Kong
REUVEN MERHAV	Israel Consul-General - Hong Kong
ERNEST ZIMMERMAN	General Manager - Lido Hotel
BRIAN LEONG	Resident Manager - Lido Hotel
DAVID IRVINE	Acting Ambassador (Australia)
STUART VALENTINE	Second Secretary (Australia)
LI SHENZHI	Vice-President - Chinese Academy of Social Sciences (CASS) Director - Institute of American Studies
TAN WENRUI	Deputy Chief Editor - <u>People's Daily</u>
HU CHI HSI	Writer and Poet - resident in France
ZHAO FUSAN	Vice-President - CASS

WEI MINGYI Vice-President - China International Trust
and Investment Corporation (CITIC)
Alternate member of the Central Committee
of the Communist Party of China

ZHANG ENPU Vice-President - CITIC

WU GUANGHAN General Manager, Real Estate Department -
CITIC

LI ZHIDA Manager, Business Division - CITIC

FAN ZAI RONG Deputy General Manager, Real Estate
Department - CITIC

ZHAO KUANG-WEI Head - Bureau of Religious Affairs'
Research Office

WANG YI-BIN Head - Bureau of Religious Affairs'
Islamic Office

LU YU Former Deputy Mayor of Beijing
Vice-President - Beijing People's
Association for Friendship

ZHU LIANG YI Chief Engineer and Secretary General of
the China Instrument Society
Holds the equivalent status of head of a
department
Counterpart to a deputy minister

LIN HONG Director of Department of Domestic
Politics, People's Daily

ZHANG DING Director - Chinese Social Sciences
Publishing House
Chinese Academy of Social Sciences

DING PANSHI Editor-in-Chief - Journal of the Chinese Academy of Social Sciences

LI BOKANG Director - Beijing Municipality United Front Department

MA JIANZING Executive - Sports Commission - Beijing City

YAO RENLUI Deputy Director - Department of American and Oceania Affairs
Representative - Chinese People's Association for Friendship with Foreign Countries.

WANG JIHHUA Deputy Chief of Canada and Oceania Division: Department of American and Oceanian Affairs
Representative - Chinese People's Association for Friendship with Foreign Countries.

WANG LUGUAGN Secretary General and Deputy Director in Chief - China Welfare Fund for the Handicapped

JIANG HUAZHANG Deputy Director of Fund Management Department - China Welfare Fund for the Handicapped

HUNG ZHENYAN Deputy Manager - Travel Service - China Welfare Fund for the Handicapped

DENG PUGANG Head - China Welfare Fund for the Handicapped
Son of DENG XIAOPING

WANG ER KANG President - China International Travel Service (CITS)
Veteran Foreign Ministry Official

LI TIEFEI

Vice-President - CITS

MADAME KONG LINGYU

Vice-President (Australia and Oceania) -
CITS

SHOA BINGSI

Director - CITS

LI ZHONGXIAN

Deputy Manager - CITS



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P R E S S R E L E A S E

FIRST OFFICIAL MEETING BETWEEN JEWISH LEADERS AND CHINESE GOVERNMENT REPRESENTATIVES

Representatives of international Jewish organisations have met officially in Beijing for the first time with two Chinese government agencies to discuss prospects for establishing further contact.

The President of the Asia Pacific Jewish Association and the Executive Council of Australian Jewry, Isi Leibler, held talks with officials of the Bureau of Religious Affairs and the Chinese People's Association for Friendship.

Mr. Leibler, a member of the executive of the World Jewish Congress, was accompanied by Sam Lipski, Vice President of the Australian Institute of Jewish Affairs and an executive member of the APJA.

At the Bureau of Religious Affairs, which has administrative responsibility for all religions in China, they met Zhao Kuaung-Wei, head of the Bureau's research office, and Wang Yi-Bin, head of the Islamic office. At the Friendship Association discussions were held with Yao Renlui, the deputy director of American and Oceanian Affairs, and Wang Jing Hua.

incorporating the Jewish communities of:

Australia, Hong Kong, India, Japan, Korea, New Zealand, Philippines, Singapore, Taiwan, Thailand.

In addition to officials from the agency dealing directly with religious affairs and international relations, the Jewish representatives met informally with a wide cross-section of officials from various government departments, as well as editors, writers, academics and publishers.

Mr. Leibler said the Chinese officials had been friendly and those at the Friendship Association had promised to consider proposals for establishing a basis for arranging some form of contact with world Jewish organisations.

It was significant and precedent-setting, Mr. Leibler said, that the Chinese agencies had been willing to meet at all and to accept the formal greetings extended on behalf of the World Jewish Congress, the Asia Pacific Jewish Association and the Executive Council of Australian Jewry.

"At the same time the Chinese remained wary and sceptical. We did not expect any breakthroughs on this issue, and there were none. But we have been invited to return to China for future discussions and we believe some doors were opened, however slightly."

Mr. Leibler said he had asked for an "address" to which bodies such as the WJC and APJA could direct their enquiries. He had also asked whether it would be possible to convene a conference in Beijing, bringing together Chinese and Jewish scholars to explore subjects of mutual interest, such as Chinese and Jewish philosophy, wisdom literature and the history of the Jews of Kai-Feng, the community of indigenous Chinese Jewry which had flourished for many centuries.

They agreed to consider these requests, Mr. Leibler added.

Mr. Leibler said that while it was clear the Chinese were bound to be sensitive to any approach from international Jewish organisations so long as there were no diplomatic relations between China and Israel, there had been a noticeable improvement in their willingness to listen to suggestions of contact on a cultural, non-political level.

Compared to an earlier visit in 1981, when he had raised similar issues but only at a non-government level, the climate had changed towards much greater openness, Mr. Leibler said.

"This, of course, reflects the noticeable expansion of China's open door policies in other areas."

(For further information please contact Isi Leibler on (3) 606-0335)

28th October, 1985