

November 10, 1980
**Hungarian Report on 'Economic Interkit' Meeting in
Bulgaria, October 1980**

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Summary:

Reports on a meeting that took place in Bulgaria regarding cooperative measures to be taken in regards to the People's Republic of China. It notes that China has reduced the number of items it seeks to import, and is hinting that it will continue to do so in the future, as well. The Soviets, however, would like to keep trade and even technological and scientific informational trade at the same level that it is at now.

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Report on the deputy ministers' coordination meeting held on 27-28 October 1980 in Lovech, Bulgaria, regarding questions of trade and economic policy and scientific-technical cooperation to be applied in contacts with the People's Republic of China.

Delegations from Bulgaria, Hungary, the GDR, Mongolia, Cuba, Poland, the Soviet Union and Czechoslovakia took part in the meeting. The substantial part of the talks is summarized as follows:

In comparison with 1979, trade estimates for the participating countries for 1980 are lower. There have been more contractual problems this year than previously (the Chinese have withdrawn from purchasing many items due to lack of demand, and rigid behavior was witnessed at price talks). By the end of the year, it is expected that the Chinese will have achieved a positive balance of trade in all relations. Forecasts for 1981 are no better. The Chinese have indicated to us and other countries that as a result of the rectification policy, they do not wish to buy several machines or equipment that they used to buy in previous years. This would produce, within two years, a reduction in volume of 40-50%. In the Hungarian context for example, from our earlier traditional exports, [the Chinese] have not required the transport this year of 500 lorries, 200 buses, 4 thousand tons of steel pipes and machine tools, with a total value of 56.7 million clearing Swiss Francs. (The total value of our exports is 130 million clearing Swiss Francs.) They have further withdrawn from purchasing 6 thousand tons of steel-aluminum cables and 10 thousand pieces of oxygen bottles, with a total value of 18.4 million clearing Swiss Francs. In a departure from the practice of earlier years, ?pre-agreements? between companies for expected quota will exist only in very small number, if at all. Many countries have emphasized that the Chinese only intend to begin trade talks with them for 1981, in March next year.

The discernible tendency is that the Chinese want to reduce socialist machine imports from the list of traditional products, in particular from the GDR, Czechoslovakia, Poland and ourselves. The countries affected hope to maintain their machine export levels by introducing new machine products. The reduction of Chinese transports however clearly necessitates, on the import side, capitalist imports, which we cannot offset with Chinese-made goods. Opposed to this is Soviet behavior; they do not propose to expand the present nomenclature of transported goods, because they are scared of strengthening the Chinese military potential. A forceful argument developed between representatives of both views in the editorial group. The only passage to eventually appear in the memorandum says that parties should avoid the exchange of goods which directly helps the Chinese military potential.

The Soviet representative generally urged great caution in all forms of new cooperation proposed by the Chinese. According to [the Soviet] judgment however, this is all part of the evolving Chinese policy of detachment. At the same time Bulgaria, the GDR, Poland and Czechoslovakia have shown great interest in new forms of cooperation, because only this way can they hinder the reduction in important import items. This position was also represented by the Hungarian delegation. It became clear that the Chinese only made a new cooperation proposal to Poland (to participate in the reconstruction of an ore mine, a flax processing plant and a house-building factory. Polish machines, equipment, planning and technology would be exchanged for raw materials. Talks are still at a preliminary stage.)

The Soviet delegation proposed, in the interest of avoiding harmful leaks of

technical-scientific findings that a coordination meeting be convened on questions of technical-scientific cooperation at the level of member countries' National Council for Technical Development deputy leader. We regard this as an overstatement. Accordingly, despite the earlier request, we did not bring a representative from this field to the meeting. The Soviet proposal however was finally endorsed by a majority.

The leader of the Soviet delegation, Comrade [Ivan] Grishin, expressed his dissatisfaction at the price negotiations. (He mentioned, by way of example, that the Chinese, as the greatest Wolfram exporter, first set the 200-300 ton transport prices for small countries and then want to apply this to Soviet purchases of a few thousand tons.)

During the meeting, it was clear that the Soviets have a clear picture of the situation, and its proposals were motivated by keeping relations at the same level, and a tendency to block Chinese attempts at development.

The next meeting of autumn 1981 will take place in Budapest.

10 November 1980, Budapest

Janos Vas