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**Record of Conversation between French President
Giscard d'Estaing and Vice Premier of the People's
Republic Deng Xiaoping: Second Meeting**

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Summary:

French President Giscard and Vice Premier Deng Xiaoping discuss economic issues, including development funding and international aid for Third World countries, as well as the recent oil crisis.

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Verbatim Record of the meeting of the President of the Republic with M. Deng Xiaoping, Vice Prime Minister of the People's Republic of China

Second meeting (Wednesday 14 May 1975, 16h)

M.GISCARD D'ESTAING: I am glad that we have this afternoon to continue the very useful talks that we had yesterday and earlier today during the very pleasant lunch that you offered in my honor at the Chinese embassy.

I hope that you will be pleased with the program that we have prepared for you, that it is not too charged.

Today we have agreed to speak about economic questions, and I would like to bring up the general question of development funding. How can the transfer of financial resources for the benefit of the less favored countries be put in place? Should it be implemented through bilateral or multilateral channels? What is the Chinese opinion on this issue?

I would also like to raise the problem of energy. I could explain our attitude, if the Vice Premier wishes. And I would be pleased to hear the Chinese point of view.

M.DENG XIAOPING: On the question of raw materials and on development, I had the occasion to explain the Chinese point-of-view at the United Nations, during the 6th extraordinary general assembly, in April 1973. The general tendency is that the countries of the Third World want to change the (p.2) old economic system and obtain a new economic order. Our position is to support this demand. I noted that in April 1973 the representative of France, M. JOBERT, had taken an attitude that differed from that of the United States, the Soviet Union, and the other developed countries.

Likewise during the Middle East conflict several countries distanced themselves from the American policies when tension built up in that region. That was the case for France, but also for Germany, for example. Everybody knows that the policy of the United States is characterized by confrontation with the producing countries. The American press, which reflects the government's point-of-view, has proposed three solutions: the solution of political blackmail, which means political pressure on the producers; if that pressure is not successful, subversion; finally, as the last resort, the military solution.

Of course we are entirely opposed to this policy. And we have told the Americans that such methods will not solve the problem but will, on the contrary, make it more complicated. At the same time the European countries, have instead advocated a dialogue with the producing countries. That policy has our entire support. The measures that you have taken, on the basis of this principled position have proven to be sufficiently effective. The producers for their part have agreed to make concessions. Of course the price of oil has not fallen considerably. But with the efforts in the direction of dialogue, the problem will be solved progressively. Similarly the conference of Lomé and the conference of Bangui, in which M. GISCARD D'ESTAING personally took part, have allowed arriving at acceptable solutions. (p.3)

We think that the demands of Algeria, the African countries, and the Third World in general are justified. But through dialogue we will find reasonable solutions and we will solve the problem of energy, and of raw materials.

The American behavior is not reasonable. The United States has suffered less than Europe under the increase in oil prices. They are almost self-sufficient with regard to

energy. In relative terms, measured against their consumption, the quantity of petrol that they import is very small. So why have they chosen such a behavior? Why have they chosen confrontation? There is no doubt; it was their attitude that led to the failure of the preparatory conference.

M.GISCARD D'ESTAING: We have started with the observation that the attitude of the Third World does not allow the maintenance of the old, outdated world-wide economic order. The Third World wants to obtain a new distribution of economic resources, a more equitable share of these resources than it had in the old order. Apart from that the international monetary system has disintegrated, it is necessary to build a new monetary order.

When one studies the exact figures of the problem of development in the world, one realizes that the main question the poor countries will have to solve over the next years is that of financing their development and that there are two possibilities to solve this. The first possibility is the development of their resources. The second is the establishment of an international system of aid to help them.

The development of resources can be done in an organized way. That is the organization of the market for raw materials (p.4) that we support. But the market for certain basic products is difficult to organize. I name the case of copper, the price of which is very low. A few agreements work: coffee, cocoa, tin. But for cereals and a large number of minerals the solution seems very difficult. Our policy not only supports the stabilization of these products' prices, but it also consists in striving, by consultation, for practical means allowing the organization of these markets.

Whichever the outcome of these efforts, aid will remain necessary, in particular for the poorest countries, those that do not possess raw materials, those that are in great need of equipment. It is necessary to raise the level of international aid to a satisfying level and use all available channels in order to do so. If certain donor countries prefer to transfer their funds through bilateral channels they have to be able to do so. If certain rich Arab countries prefer to organize an aid system between Arab countries, it is good that they can do so. And, similarly, that within the Third World aid is organized by the producing countries of raw materials for other countries. The European Community, for its part, gives aid to the signatory states of the Lomé Convention. This is aid that responds to a need and that is in no way exclusive of the multilateral, international aid distributed by the United Nations. All these channels of assistance, taken together, are still insufficient.

What does China think of the current mechanisms of international financial aid? Is it interested in them? Or is it reserved towards this aid? (p. 5)

M.DENG XIAOPING: Despite the fact that China is itself a developing country, it pursues an aid policy. It makes great efforts to help certain countries of the Third World to help them overcome their difficulties.

Our method is bilateral aid. The volume of this aid is modest but this aid is given without conditions. A part of this aid consists of donations, in the form of money or equipment. A part of loans, but we do not really expect them to be repaid. Of course this is not a method that all donor countries can apply in a general way. That is why we practice it in an individualized way, through the bilateral channel.

In today's world, two categories of countries can give important aid to the Third World: the developed countries and the oil producing countries that have accumulated a lot of resources. In our conversations with the producing countries, we told them to raise their financial aid to other countries. Of course we can only give them advice in this regard. They have to decide. Everyone decides based on their

own criteria. But why give more to India than to Pakistan, which is an ally of the Americans in the framework of CENTO and applies agreements they have reached with it? We asked the United States for the reasons behind this choice? They have not given us satisfactory answers.

M.GISCARD D'ESTAING: You have just asked for the reasons behind the confrontational attitude adopted by the Americans on the question of petrol. I think that (p.6) the explanation for this attitude is a certain irritation on the American side, which is of a political nature. An irritation to see the Arab countries, "friends of" or "close" to the United States, participate in measures of embargo and high prices considered hostile to the United States.

Following that, it was also for political rather than economic motives that they wanted to obtain a price reduction by force. OPEC possesses cohesion and solidity. And if intimidation had worked, it would have been at the price of a climate of rancor which would have persisted for a long time among the producing countries, with the most harmful consequences. That is why we wanted to favor the path of conversation for organizing the market and discuss the price of petrol products.

M.DENG XIAOPING: I think that your analysis concerning the importance of political factors is correct.

M.GISCARD D'ESTAING: We have appreciated China's support for the principle of dialogue between producers and consumers of petrol.

We have come to face two difficulties. The first one is the determination of the producers - especially Algeria - to extend the agenda to include all raw materials. The second is the opposition of the United States to the very principle of dialogue. (p. 7)

Regarding the first point, I happened to travel to Alger on the eve of the conference, together with M. SAUVAGNARGUES. I said to President BOUMEDIENNE that it seemed preferable to me to begin by discussing petrol, and then other primary products. If we tried to approach the whole problem at once, this would not work. President BOUMEDIENNE finally approved this point of view and accepted that during the conference, an agreement would be sought on this basis.

If the conference has not succeeded in the end, it is because of the American attitude. Within the American delegation there were two tendencies though, a hardline one, and a more moderate one. In the last moment it was finally the hardline tendency that carried the day. Perhaps this hardening was linked to the evolution of the situation in Vietnam at the same moment.

We have to try to pursue the path of conversation. That is why we abstained from making a useless declaration when the conference was suspended. At the right time we will try to make contact again. Our impression is that even the United States has some regrets about what happened. We will therefore restart the initiative at the appropriate time. I will make sure that you will be informed beforehand and I hope, naturally, that China might use its influence in support of our initiative for dialogue.

M.DENG XIAOPING: Certainly. But the key point will be the American attitude. It has not changed. Yesterday, M. KISSINGER has again given a very hardline speech. He declared his hostility towards price increases for raw materials produced by the countries of the Third World. The United States does not want the economic order to be changed. Since the extraordinary General Assembly of the UN, their main aim is to maintain this old order. (p.8)

M.GISCARD D'ESTAING: I do not want to say anything that might seem pejorative of diplomats. But it is certain that M. KISSINGER, whom I know well, and who is an

excellent diplomat, has no grasp of economic problems at all. It is impossible to maintain an economic order that has disintegrated. This has been shown with regard to currencies and with regard to oil. It would be better to think about what can be done in the future, to search for a rational solution. That is what I will say to M.KISSINGER at our next meeting.

Germany is, in some ways, closer to the United States than to us with regard to these problems. At several occasions I have brought to the attention of Chancellor SCHMIDT the need to adopt more realist positions. On the eve of the suspension of the preparatory conference I telephoned him to ask him to change the instructions of the FRG's delegation. He did that. These instructions were softened towards greater realism.

M.DENG XIAOPING: For us such problems cannot be solved through a purely diplomatic and economic angle. Their solution has to be political. Furthermore, does not a diplomat have to be first and foremost a politician? We entirely support the attitude of France and the continuation of your efforts in this area. Do you think the conference can re-convene?

M.GISCARD D'ESTAING: I do not know what M. SAUVAGNARGUES thinks about that, but I for my part presume that around July we can, once more, start an initiative. I do not know though, if this initiative will be on the level of the preparatory conference that included 10 countries, or at the level of the group of countries whose participation had already been decided for the conference itself. In that case, this would concern 27 countries.

M.SAUVAGNARGUES: The second formula would certainly be preferable. (p. 9)

M.DENG XIAOPING: We are sure that a solution will finally be found for this problem. It is helpful that you continue your efforts.

Could you tell me what you think about the Soviet attitude on this matter? During the extraordinary General Assembly, the USSR has, like the United States, pronounced its support for the old order. The USSR could not complain about the actions of the oil producing countries though. It even benefitted from them. So why this attitude?

M.GISCARD D'ESTAING: The mentality of the Soviet Union is that of a rich country. The real fault line in this debate is not between socialist and non-socialist countries, but between rich countries and countries open to the search for dialogue. The USSR belongs to the first group.

M. CHIAO KUAN HUA: Exactly.

M.DENG XIAOPING: So here is what is very difficult for us to understand. But your interpretation, which presents the things under a political angle, exposes the problem well. The Soviets are in fact afraid of a chain reaction. Especially within Comecon.

M.GISCARD D'ESTAING: Yes, they have raised the price of their deliveries to their Comecon partners, while their production costs have not changed (different from the Middle East where the costs have increased because of fiscal effects) (p.10)

M.DENG XIAOPING: They have raised the price by 50%. That caused some problems within Comecon. For many countries that meant an important loss.

M.GISCARD D'ESTAING: That is certainly true notably for Poland and East Germany,

the leaders of which have expressed their concern.

M.DENG XIAOPING: Korea has had the same problem. In every case we totally support the continuation of your efforts.

M.GISCARD D'ESTAING: I wish that the French diplomacy may keep in contact with your Ministry of Foreign Affairs on this problem, so that you may be informed about the initiatives that we are preparing in this matter.

I regret that our scarce time does not permit us to continue this very useful exchange of views. You will make a journey to the countryside and I will not be able to see you again before your departure. Let me tell you, to conclude, that I have taken the most vivid interest in this discussion of the great affairs of the world. My thanks go particularly to Madame QI ZONGHUA, who, despite being a diplomat, had the kindness to serve as our interpreter and enabled us to communicate. I do not know if she speaks all the languages of Western Europe as well as French, but the way she uses our language has earned my admiration.

Before we part, Mr. Vice Premier, let me ask you to tell Chairman MAO ZEDONG, who I regrettably have not been able to meet yet (p. 11) my entire intellectual respect and admiration for his person, his thoughts, and his masterful way of conducting the affairs of China.

M.DENG XIAOPING: I will not fail to convey your words to him.

I believe that our meetings have been very useful and marked by a great frankness. Thanks to this visit, and to the conversations that I have had with you, and with the Prime Minister, I can assert that our common points are even more numerous than in the past. Our relations will develop further after this exchange of views. Thank you for your attention to our delegation. Thank you for your hospitality.