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WITHDRAWAL ID 030329

REASON FOR WITHDRAWAL ÇNational security restriction

TYPE OF MATERIAL ÇBriefing Paper

TITLE Military Withdrawals from Taiwan

CREATION DATE 11/1975

VOLUME 3 pages

COLLECTION/SERIES/FOLDER ID . 035800371

COLLECTION TITLE NATIONAL SECURITY ADVISER. TRIP
BRIEFING BOOKS AND CABLES OF GERALD
FORD

BOX NUMBER 18

FOLDER TITLE November 28 - December 7, 1975 - Far
East - Briefing Book - Peking -
Bilateral Issues - President's Copy
(2)

DATE WITHDRAWN 06/30/2010

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NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
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WITHDRAWAL ID 030330

REASON FOR WITHDRAWAL ÇNational security restriction
TYPE OF MATERIAL ÇList

DESCRIPTION Re military withdrawals from Taiwan
CREATION DATE 11/1975
VOLUME 2 pages
COLLECTION/SERIES/FOLDER ID . 035800371
COLLECTION TITLE NATIONAL SECURITY ADVISER. TRIP
BRIEFING BOOKS AND CABLES OF GERALD
FORD
BOX NUMBER 18
FOLDER TITLE November 28 - December 7, 1975 - Far
East - Briefing Book - Peking -
Bilateral Issues - President's Copy
(2)

DATE WITHDRAWN 06/30/2010
WITHDRAWING ARCHIVIST GG





SECRET/NODIS/XGDS

INDOCHINA/MIA's

OCTOBER 1975 TALKS

Chinese Position in October 1975 (Teng):

- China had often advised the U.S. not to let itself bog down in the quagmire of Indochina. China has often said that the U.S. was trying to keep ten fleas under ten fingers. This was from China's assessment of the international situation.
- With regard to American MIA's in China, China has made some initial discoveries, but they are too few. It would be most appropriate to give the U.S. the material and the information that China has on these issues during the President's visit. China does not think their saying anything to the Vietnamese on this question would be of any use. And it is Chinese policy not to raise such questions of this nature.

U. S. Position in October 1975:

- If we were slow in our disengagement from Indochina -- and this was not a situation that we created -- it was precisely to prevent the mood of neoisolationism from developing which Chairman Mao talked of.
- If there is any information on American MIA's that we could give to the families, we would greatly appreciate it.

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NSC Memo, 3/30/06, State Dept. Guidelines; State review 9/17/03

By NARA, Date 6/22/10





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DEPARTMENT OF STATE
BRIEFING PAPER

MISSING AMERICANS

The Problem

The Chinese indicated to Secretary Kissinger during his October trip that they might have some information to give us during your visit concerning Americans missing in the vicinity of the PRC. However, they have consistently refused to become involved in our efforts to secure additional information on our missing in Indochina.

There is continuing Congressional interest in this subject, and it would be helpful after your trip to be able to say that the subject had been raised.

Background

This problem has two separate aspects: Americans missing in the vicinity of China (these include 10 Navy men missing or believed dead in connection with the Viet-Nam conflict, as well as 12 missing since 1956 and presumed dead); and the question of our missing in action (MIA's) in South-east Asia. Both aspects are important in the Administration's relations with Congress and the public.

Americans Missing in the Vicinity of China. We have been trying for a number of years to secure additional information from the Chinese on these Americans. Secretary Kissinger has raised this subject on each of his trips to Peking. Prior to Secretary Kissinger's November 1973 visit to the PRC, we gave the Chinese detailed information on American servicemen (all Navy) missing in the vicinity of the PRC. During that visit, the Chinese told us that they had been carrying out investigations and searches based on the information

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we had provided, that they had as yet found no bodies nor turned up any other kind of information, but that they were continuing their investigations and would let us know if they discovered anything more. The Chinese agreed that we could place the substance of their response on the public record, which we did in December 1973. The Chinese had already informed us privately that they were not holding any American servicemen.

We gave the Chinese some additional details in February of this year but we heard nothing more from them until Secretary Kissinger's visit this October, when the Chinese indicated that they might have some information on these Americans to give us during your trip. We believe the Chinese should be able to provide us with additional details since their press agency reported at least some of the incidents involving the missing men shortly after they occurred. There is strong evidence, including material in PRC publications, that one Navy man died in a plane crash on PRC soil, and the Chinese themselves announced that two American civilians were killed in a plane crash dating back to 1952. We have asked for the return of any remains.

Americans Missing in Southeast Asia. Both Congress and the families involved have urged us to use the Chinese as a channel to obtain more information concerning American MIA's in Indochina. Just prior to Secretary Kissinger's October trip, Congressman Montgomery, the Chairman of the House Select Committee on Missing Persons in Southeast Asia, sent him a list of detailed questions concerning American MIA's in Indochina to which he hoped the Chinese leaders could supply the answers. He subsequently sent a list of these questions to the White House asking that they be presented to the PRC during your trip. Vernon Leon of your staff wrote Montgomery on November 11 noting that you had directed the appropriate members of the staff to give this request priority attention.

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We have also told the Chairman of the Senate Foreign Relations Committee that the subject would be kept in mind in preparing briefing materials for your trip and that we would bring to your attention the introduction of S. Res. 251, which asks you to request PRC assistance in obtaining an accounting of the MIA's in the Indochina countries.

The Chinese have consistently refused to become involved in this aspect of the problem on the grounds that we should handle the matter directly with the countries concerned. They again took this position during Secretary Kissinger's visit in October. We frankly doubt that the Chinese would be willing to press the Vietnamese, particularly in light of Peking/Hanoi strains, but as a minimum you may wish to note our continuing interest in obtaining a proper accounting for these men.

Chinese Position

The Chinese have told us that they will provide us with any additional information they uncover concerning Americans missing in the vicinity of China. They refuse to intercede for us on matters concerning Americans missing in Southeast Asia.

US Position

We consider this a humanitarian issue. The American public responded favorably to our announcement in December 1973 that the PRC had agreed to provide us with any additional information turned up concerning Americans missing in the vicinity of China.

Any additional information concerning men lost in the China area, and especially the return of any remains that can be located, would be appreciated by their families.

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The Secretary indicated interest in any information the Chinese could make available during your trip. He told the Chinese that if they did provide some information, there need not be a reference to this subject in any communique issued at the end of your trip. Should they do so, we will of course inform the families, and would wish to make it known publicly in some way that the PRC had furnished the information.

With respect to American MIA's in Indochina, we have tried to pursue this directly with the countries involved, although our approaches thus far have not been productive. We recognize that they should be aware of the strong hope in Congress and our public that they can find some way to be helpful.

Department of State
November 1975

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EXCHANGES



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DEPARTMENT OF STATE
BRIEFING PAPER

US-PRC CULTURAL EXCHANGE PROGRAM

The Problem

We see no need for you to give more than passing mention to this subject. The Chinese rejected any expansion of the exchange program during Secretary Kissinger's October visit and made it clear that they are not prepared to go beyond the previous levels of exchanges in the absence of further progress towards normalization. In our discussions with the Chinese, we have noted the value of the exchanges in fostering the right psychological climate in the United States for progress in the normalization process. The forced cancellation of two exchanges this year over political issues has been unhelpful in this respect, as has the Chinese refusal to be responsive on certain matters of importance to the US participants. While the Chinese attitude has been less forthcoming than we had hoped, it is unlikely that further discussion will alter the Chinese position. We should not appear to be overly anxious on this issue.

Background

In accordance with our agreement in the Shanghai Communique to facilitate cultural contacts and exchanges, the US and the PRC since 1972 have sponsored approximately 60 exchanges involving over 900 people in such diverse fields as science, education, medicine, public affairs, performing arts and athletics. The exchanges on the US side have been managed by two private committees representing the American scientific and scholarly community. The two committees receive their financial support from the US Government and from private sources.

These exchanges have helped to build and sustain the remarkable domestic consensus in favor of our normalization policy. Nearly two million Americans viewed the Chinese Archeological Exhibition during its US visit this year, and a US track and field team played to 250,000 Chinese spectators during a three-city tour last spring.

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The Chinese clearly see utility in the exchanges, which they have used to project a favorable image of the PRC in the United States and to extract scientific and technological information of interest to them. The benefits for us have been in less tangible political areas -- e.g. the exchanges symbolize our developing relationship with the PRC and provide opportunities for mutual exposure to our respective countries and societies that have been absent for over two decades. While we have accommodated PRC interests in technical fields, the Chinese have been distinctly less responsive in meeting US desires, particularly for exchanges in the social sciences and the humanities.

American scholars and scientists are increasingly expressing dissatisfaction with the superficiality of the scientific exchanges. They are pressing for cooperative research programs, longer visits, more emphasis on seminars and symposia, and the removal of PRC-imposed obstacles to the development of sustained relationships with Chinese counterparts.

In addition, Chinese injection of political elements into the exchanges has at times eroded the good will the exchanges are designed to build. The visit of a PRC performing arts troupe, scheduled for a US tour in April 1975 was cancelled when the Chinese, three weeks before the troupe's arrival, insisted on altering the program to include a song calling for the liberation of Taiwan. A tour of the PRC by a delegation of US mayors that was scheduled for September this year was called off when the Chinese informed the tour sponsors that the deputy leader of the group, the mayor of San Juan, Puerto Rico, would not be welcome. However, both sides have kept these difficulties from affecting other aspects of our relations.

This fall, the two US Committees submitted proposals to the Chinese for next year's program designed to expand the exchanges and make them more responsive to the interests of the US participants. During Secretary Kissinger's visit to Peking in October, we supported these proposals, offered several of our own, and urged that we find ways to improve the pattern of exchanges. The Chinese were

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unwilling to consider an increase in the exchanges and would only agree to continuing the program at the same level as the previous year. The US Committees are unhappy with these results but are prepared to live with them. They are increasingly inclined, however, to take a tougher line with the Chinese on reciprocity issues.

Chinese Position

The Chinese have made clear that the present level and pattern of exchanges is as far as they will go in the absence of further progress towards normalization. They also tend to dismiss our view about the psychological benefits of greater exchanges to the normalization process, arguing that the Chinese are not obliged to help us convince our people on something that is so obviously in our national interest. While they will permit Members of Congress and Governors to visit the PRC, they have insisted on keeping their own groups at the people-to-people level and will not agree to reciprocal visits by officials from their own leadership organs because of the continued presence in Washington of an Embassy representing the Government on Taiwan. There is little likelihood that the Chinese will ease the political constraints on the exchange program at the present stage in our relationship.

US Position

We believe that the exchanges should be conducted in a manner that will contribute to our mutual policy objectives. One of the most important of these is to create the psychological conditions in the United States for more active cooperation with the PRC on international issues of common concern and for further steps in the normalization process. Overall, we think the exchange program has been constructive and has contributed to this purpose. The two cancellations this year were not helpful, however, and we believe it would be wise for both sides to keep our political differences out of the exchange program and to handle these through government channels. We

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also feel that the exchanges should be conducted on the basis of reciprocity, equality and mutual benefit. For this reason, we favor moving to more active and substantive programs in the scientific and cultural exchanges. We consider it in our mutual interest to avoid conveying the impression that our relations are stagnating, but we are prepared to proceed on the same basis as in past years.

Department of State
November 1975

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BRIEFING PAPER

CLAIMS/ASSETSThe Problem

We have been negotiating with the PRC since early 1973 on a settlement of the related problems of US private claims against the PRC and PRC frozen assets in the US. As long as the claims issue is unresolved, there is a risk that an American claimant could obtain a writ of attachment against any Chinese property in the US which is not covered by diplomatic immunity. This is an obstacle to the further development of economic and trade relations.

During Secretary Kissinger's visit to Peking in October, the US side put forward proposals that contained the maximum concessions we can make without risking a settlement that would be unsatisfactory to Congress and the US claimants. The Chinese did not accept the proposals. We do not expect the Chinese to raise the question of claims/assets during your visit and we do not believe you should raise the issue.

In the unlikely event the Chinese reverse their position and accept our proposals during your trip, we should not formalize the settlement until we can have consultations with key members of Congress interested in claims settlements.

Background

In February 1973 the US and PRC reached agreement in principle on a mutual assignment of claims which would permit us to distribute PRC frozen dollar assets to private claimants in satisfaction of their claims. The private US claims against the PRC (largely for seizure of property after the Communist takeover of China) are those which have been validated by the US Foreign Claims Settlement Commission, totalling about \$197 million, and a small number of unadjudicated claims which arose after 1966. The Chinese claims are for assets (mainly bank accounts) of about \$80 million which were frozen by the USG under Treasury regulations issued after the Chinese entered the Korean War.

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The agreement in principle was for a mutual cancellation of respective claims. Since then, the claims question has been discussed on a number of occasions with the PRC, most recently during Secretary Kissinger's trip in October. At present there are three unresolved issues: a definition of the term "PRC nationals" in order to define the PRC assets being assigned to the USG, the problem of PRC assets held by third country banks, and the question of bonds issued by previous Chinese Government which are in default.

In June 1974 the Chinese gave us a sternly-worded aide-memoire which rejected our suggestions for resolving these three issues. It also claimed that we had rejected China's proposal for a package settlement, questioned the US sincerity in reaching an agreement, and withdrew an offer Chou En-lai had made to Secretary Kissinger that would have resolved the problem of PRC assets held by third country banks. (Chou offered to give the USG about \$17 million to make up for the amount which the Chinese claim has already been paid to them by third country banks.)

Judging from the harshness of the June 1974 note, we believe that the Chinese decided they did not want to reach a settlement at that time. This judgment has been reinforced by the uncompromising tone of the counterpart discussions of this issue during Secretary Kissinger's visits in November 1974 and this October.

We can only speculate as to why the Chinese adopted this position. One possibility is that with a settlement in sight they decided against concluding a formal inter-governmental agreement with the US as long as relations are not fully normalized. Domestic political debates and rivalries may be involved, or the Chinese may have assigned low priority to an agreement since they are already getting most of what they want at the present time in trade and economic relations with the US. They may have decided that a claims/assets settlement should be part of a package which includes MFN, on which they may see no possibility of near-term movement because of the provisions of the 1974 Trade Act. Finally, they may have been concerned by the impact on other negotiations; for example, the UK last year presented the Chinese with a list of private British claims totalling 350 million pounds, although the UK has not pressed the matter.

During Secretary Kissinger's visit in October, we tabled some proposals that were as forthcoming as we could make them without running the risk that the settlement would reduce the amount available to reimburse American claimants below the level acceptable to Congress, which must approve the settlement and pass legislation to implement the agreement. Recent Congressional rejection of a claims settlement with Czechoslovakia that was more favorable for the US claimants involved than the one we are discussing with the Chinese (42 cents on the dollar versus 38 cents on the dollar) makes this a particularly important consideration.

Chinese Position

The Chinese apparently view a settlement of the claims/assets question as a concession to us. Although they have agreed in principle to a settlement, they may have had some second thoughts. At any rate, they take the position that it is up to us to meet their demands on the remaining issues. They are unsympathetic to or do not understand our legal difficulties. The Chinese have indicated that a settlement can be arrived at quickly on their terms, but that a settlement is not essential and can wait indefinitely. They assert that one of our proposals (certain phrasing we need for legal and legislative reasons) would subject Chinese to US laws. While one could stretch our position to fit this charge, the argument seems primarily a pretext for their unwillingness to reach a settlement now.

US Position

A settlement would have considerable political value as a symbol of forward movement in our relations. (The issue has received considerable publicity in the US.) Moreover, a settlement would allow us to take further steps in our commercial relations in areas such as trade promotion (i.e. trade exhibitions), banking, shipping, and aviation which in themselves would symbolize forward movement in our relations. Although these steps would probably have only a mild impact on our overall trade with the PRC, they would be of direct benefit to those sectors whose business dealings with the PRC are hindered or precluded by the lack of settlement.

At the same time we have a responsibility to the US nationals who have claims against the PRC. Despite the



political and economic value of reaching a settlement, we have to reach a settlement that fairly represents the interests of the claimants and is acceptable to Congress. Agreeing to the Chinese terms would run a serious risk of having a settlement that is unacceptable to Congress and the claimants, thus stirring up a controversy that could lessen support for our China policy. Our proposals put forward in October represented a sincere effort to meet as much as possible Chinese concerns while preserving a satisfactory settlement.

Department of State
November 1975



TRADE



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DEPARTMENT OF STATE
BRIEFING PAPER

TRADE AND ECONOMIC RELATIONS

The Problem

During the Secretary's October visit to Peking, we made some proposals for forward movement in our trade and economic relations (settlement of the claims issue, trade exhibits, perhaps maritime and civil aviation agreements). We explained that we were interested in such steps for political rather than economic reasons: they would demonstrate in a visible way some forward movement in our bilateral relationship. The Chinese reaction made it clear that at this stage in our relationship, they do not want to take any steps which would demonstrate forward momentum and help to institutionalize our trade/economic relationship at the governmental level.

It is unlikely the Chinese will raise this subject. Given their negative position, and our need to avoid appearing over-eager, we should not initiate a detailed discussion of this subject, although a passing comment could be included in any general remarks on our bilateral relations. In that connection, you could mention your meeting in September with the Chinese delegation representing the China Council for the Promotion of International Trade.

Background

Despite the lack of any institutionalized framework, our trade with the PRC has been one of the most active and visible areas of our bilateral relationship. Starting with a negligible \$5 million in 1971, two-way trade grew to \$100 million in 1972 and then, beyond all expectations, exploded to \$805 million in 1973 and \$1,070 million in 1974. The spectacular growth in 1973 and 1974 was due

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primarily to large PRC purchases of US grain, soybeans, and cotton made necessary by a bad harvest in 1972. (More than 80 percent of our exports to the PRC in 1973 and 1974 consisted of agricultural products.) The heavy PRC agricultural purchases resulted in a trade imbalance in our favor of about 11/1 in 1973 and 7/1 in 1974.

Because of improved harvests, commitments under grain agreements with Australia and Canada, and balance of payments problems, the Chinese have not bought any agricultural products from the US in 1975. As a result, total bilateral trade will be down substantially this year to an estimated \$450 million, and the trade imbalance will be reduced to less than 3/1.

Since 1972, non-agricultural trade has been increasing steadily but unspectacularly, with the US exporting high-technology items (including Boeing 707's and large chemical fertilizer plants) and importing miscellaneous consumer items, semi-processed goods and raw materials.

In strictly economic terms, US-PRC trade is not significant to us: even in the peak year of 1974, it constituted less than one-half of one percent of our total world trade. The Chinese, on the other hand, derive substantial economic benefit from our trade. Last year, the US was the PRC's second largest trading partner, and we will probably remain an important supplier to the PRC of high-technology manufactures and a residual source of grain when its needs are not met by its traditional suppliers (mainly Australia and Canada).

Both the level and composition of our trade is largely determined by the PRC. The Chinese have made it clear by their behavior that they wish to retain maximum freedom of maneuver in the US market and have studiously sought to minimize US governmental involvement in trade matters.



The Chinese occasionally tell American visitors that the full potential for trade cannot be realized until political relations are normalized. This is certainly a factor in those areas which require intergovernmental agreements (such as a claims settlement and civil aviation links), and it may affect some decisions on how much they will buy from the US. However, economic considerations--dictated ultimately by Chinese development objectives--are also an important determinant. Even if political relations were normalized, the level of trade probably would not automatically make a large jump.

The Chinese are embarking on an ambitious economic development program which was first outlined by Chou En-lai at the National People's Congress early this year. To achieve their goals, the Chinese have had to decide how much they will depend on foreign technology. The issue of self-reliance vs. importing foreign technology is a sensitive one in the PRC: the Chinese have a strong ideological tradition of self-reliance, reinforced by their experience with the Russians. In the context of their current development objectives, however, the Chinese appear to have decided to make use of foreign technology on a limited, selective basis. When it is in their economic interest, the Chinese have, and will, turn to US technology, particularly in areas where US manufacturers are competitive or have something unique to offer.

Judging from several new departures they took this year, the Chinese remain interested in promoting and facilitating US-PRC trade, although within the limits imposed by their political considerations. The most visible step was the first visit to the US of a delegation from the China Council for the Promotion of International Trade (CCPIT). You met with the delegation in September. Little was achieved during this visit



toward institutionalizing the trade relationship on a non-governmental level--much to the disappointment of the hosts, the National Council for US-China Trade (NCUSCT). The visit received good publicity, however, including articles in Fortune and Business Week. The CCPIT delegation did indicate during their visit that the PRC would be amenable to a return visit by the NCUSCT next year (which was agreed to during Secretary Kissinger's visit in October) and that the PRC would consider proposals for trade missions put forward by the NCUSCT. In other departures this year, the Chinese invited organized US trade delegations to the PRC, sent representatives of their foreign trade corporations to the US for market surveys, began accepting contracts in US dollars, invited substantially larger numbers of American businessmen to the Canton Fair, and developed limited ties with major US banks.

The most useful immediate step which could be taken to improve US-PRC trade/economic relations would be to settle the claims issue; this would be highly visible and therefore politically symbolic, and would also remove an obstacle to some other steps. However, the discussions during Secretary Kissinger's visit in October indicate that the Chinese are not prepared to conclude an agreement now. Nevertheless, because of the importance and complexity of this issue, it is covered more fully in a separate paper. The remainder of this background section discusses several other specific issues.

Most Favored Nation Treatment. We have consistently taken the position with the Chinese that we are prepared to discuss an agreement extending MFN to the PRC in exchange for comparable benefits for us, but only after settlement of the claims/assets issue. The Chinese for their own reasons, have not pressed us on the matter at authoritative policy levels, although lower level officials occasionally mention the MFN issue to American businessmen as an example of

US-imposed obstacles to trade. Negotiating a trade agreement with the PRC that will meet the requirements of the 1974 Trade Act will be difficult under the best of circumstances, and the Jackson/Vanik language on emigration adds a further major complication.

Export Control. The Chinese have not raised the question of US controls with us directly, but we know that they remain sensitive to the existence of the program. We apply the same export control criteria to the PRC as we do to the USSR and Eastern Europe. The Chinese have generally been reluctant to provide the end-use information required by US regulation, i.e., detailed information on how the item will be used, adequate to justify a conclusion by the USG that there is a legitimate civilian need for that item and that there is little likelihood that it will be diverted to a military use. Moreover, unlike the Soviets, they have refused to fill out USG forms. The Chinese have begun to provide some limited end-use information by means of a letter to the exporting firm, particularly for types of equipment uniquely available from the US. We have been provisionally accepting these letters in lieu of the more rigorous procedures that we require from the USSR.

Recently, the Chinese have been negotiating with several US companies (Burroughs, Control Data Corporation, and IBM) to purchase their top-of-the-line computers. We have licensed smaller machines for the USSR only under the most stringent controls involving resident US personnel and regular inspections. In contrast, the Chinese have yet to agree to sign an end-use statement, although they have hinted that in the case of the large computer, they might be willing to go that far. On September 23, the Export Administration Review Board turned down an application by Burroughs to sell to the PRC a computer far more sophisticated than any that have been previously licensed for export to the USSR or any other communist country.

Cotton Textiles. The PRC is the world's largest producer of cotton textiles and a substantial part of China's exports consists of fabrics and clothing. After entering the US market in 1972, the PRC had become our fifth largest supplier of cotton textiles by 1974. Although PRC textile imports are down in 1975 due to the recession, there are indications that substantial orders are being placed in the PRC for delivery to the United States in the spring of 1976.

At present there are no US restrictions on textile imports from the PRC. Our domestic textile industry views PRC textile imports as a potentially serious threat and has begun calling for steps to control the PRC's potential for disrupting US textile markets. Several countries with which we have bilateral restraint agreements for textiles have also informally raised with us the question of PRC textile imports. Under the multilateral agreement on textiles we have an obligation to insure that we will not treat countries that have not signed bilateral agreements with us more favorably than those that have.

We raised the question of textiles with the Chinese in August, 1972 and again in the spring of 1973. The Chinese reacted stiffly to the suggestion that we might have to impose restraints on their textiles. Earlier this year we reminded a PRC textile delegation visiting the US of this potential problem.

We are likely to come under increasing pressure from the domestic industry and our trade partners to address the question of PRC imports. We are currently considering what our next steps should be.

Fluor Refinery Project in Hong Kong. Fluor Corporation, a large, reputable engineering firm that has negotiated a number of projects overseas, has proposed to the Chinese a project for a huge petrochemical/refinery complex in Hong Kong that would be owned by the PRC through a front group of Hong Kong businessmen. The proposal entails a



complex arrangement whereby the PRC would supply the crude and buy back most of the product, leaving about 15 percent to be marketed by the consortium of US banks which would finance the project. Fluor is convinced that the project is technically sound and that the PRC is very interested.

Our assessment has been complicated by the highly unusual manner in which the Fluor-PRC negotiations have been pursued, and by the highly dubious claim of one of the American negotiators that the Chinese are using him as a channel to pass political messages to us. However, the project has elements of plausibility and might conceivably be attractive to the PRC, although it would mark a major new departure in the PRC's policy on developing its petroleum resources. Hong Kong and British authorities have been cautiously favorable to the project, but have major reservations about the front group in Hong Kong and the seriousness of PRC interest.

The US participants have intimated that high level Chinese leaders may mention the project during your visit. While this would help to clarify the degree of PRC interest in the project, we consider it highly unlikely that the Chinese would first choose to broach the subject officially to us at your level. If they do, you could say you have heard something about the project and suggest it be discussed, if they wish, at a lower level.

Chinese Position

It is unlikely that the Chinese will raise trade and economic matters. They appear satisfied with the development of our economic relations to date but link any progress in institutionalizing our commercial ties to further normalization of relations. Although they want MFN, the Chinese are probably not willing to negotiate the required bilateral agreement at this time. They do not like our export controls, but do make some adjustments to them when they see it in their interests. The Chinese will object strongly to any suggestion that restraints be placed on their textile exports to the US.

US Position

As noted earlier, we should not initiate a discussion of trade matters. Our primary interest in our trading relationship with the PRC at this stage is political--i.e., we see continued growth in the volume of trade and continued progress in institutionalizing our commercial relations as useful symbols of forward progress in our relations. We would like to move forward in such areas as trade exhibitions, banking, shipping and aviation, but are precluded from doing so by the lack of progress on the claims/assets issue and by apparent Chinese political constraints. We are prepared to extend MFN to the Chinese at an appropriate time after the claims/assets issue is settled. We have dealt fairly with the PRC on export controls and treat them on the same basis as we do the USSR. PRC cotton textile exports to the US represent a potential problem and eventually we may have to put restraints on them.

Department of State
November 1975





DEPARTMENT OF STATE
BRIEFING PAPER

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US-PRC BILATERAL RELATIONS: AN OVERVIEW

This paper has been prepared for your background use. We do not suggest that you raise the issue in Peking, although you could make some generalized reference to the need for each country to try to take the other's views and circumstances into account in our routine dealings with each other.

Although the day-to-day bilateral relationship has developed moderately well over the last few years, there are some significant problems, asymmetries, and limitations. How we handle these matters will help to set the pattern of the future; our dealings with the Chinese are already in the process of becoming institutionalized at a time when our political relations are still not fully normalized. Over time, this could make it more difficult to handle both political and practical problems with the Chinese in a manner that gives substance to the principle of "equality and mutual benefit."

These problems result from a number of factors:

-- The Chinese want some aspects of the relationship to reflect the fact that our relations are not fully normalized.

-- Our society is open, theirs is closed. This gives them far more ways to manipulate the relationship and control its content and pace. In general, Americans--whether the USG or others--propose, and they dispose.

-- There is a certain arrogant prickliness in the Chinese "style" and in their tactics: a tendency to escalate matters to a non-negotiable point of "principle," a refusal to concede that our freedom of action is limited by the nature of our society and our laws, and an insistence that a foreign mission in Peking has few "inalienable" rights.

There is no way we can bring about a sudden and meaningful change in this situation, partly because some of the asymmetries are either inherent or are not unique to the US-PRC relationship. Many of

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the specific problems can be handled only on a case-by-case basis. Nevertheless, we are concerned that the problems resulting from these Chinese attitudes and tactics can over time impact on our overall relationship in at least two ways:

-- The more the Chinese come to feel that it is they who can call the shots in our day-to-day bilateral dealings, the more likely they are to believe that they can benefit from a roughly similar approach in our overall relationship.

-- While it is healthy that the post-Nixon visit euphoria in this country about China is wearing off, there is a growing risk that some important opinion-makers--the press, scholars, businessmen and some members of Congress--will increasingly ask, "What will we gain from normalization of relations?"

We will need to find ways, over time, to get the Chinese to recognize that while we do not expect precise reciprocity, we do feel that they should be more willing to take into account our legitimate concerns on a wide range of practical matters instead of insisting arbitrarily on doing things the Chinese way.

Examples of Problems and Asymmetries

The following examples illustrate the problems and the asymmetries.

-- The Chinese have complete access to American society, whether through contacts with Americans, travel or distribution of materials. We have never rejected a PRC Liaison Office travel request; requests by our Liaison Office in Peking are turned down with some frequency. VOA transmissions are the only foreign broadcasts which the Chinese jam, and the PRC is the only country which jams VOA.

-- Refusing to concede that we cannot control all matters as easily as they do, the Chinese have charged us with "connivance" when we have mentioned the risk of attachment of Chinese aircraft, when we have alerted the PRC Liaison Office about a

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demonstration, and when we said we had no way to close the Office of Tibet in New York. They also do not hesitate to charge us with violating the spirit or principles of the Shanghai Communique.

-- The PRC has put its blessings on the US-China People's Friendship Association, which is partly controlled behind the scenes by a pro-Maoist revolutionary group in the US and which purveys a markedly pro-Peking line to the American public. The easiest way for many Americans to get to China is to join one of the tour groups sponsored by the Association; by not charging the Association for all of the in-China expenses of these groups, the Chinese indirectly subsidize the Association. Teng Hsiao-p'ing recently received William Hinton, one of the Association's leaders.

-- The PRC Liaison Office has expanded to a staff of about 90. Even allowing for the Chinese practice of assigning support staff such as cooks and chauffeurs to their Liaison Office, this represents a substantial imbalance over the 28 staff members we have assigned to our Liaison Office. We are unable to expand our Liaison Office staff significantly unless we have more office space. During Secretary Kissinger's recent trip to Peking, when we raised this subject, the Chinese responded negatively. If they maintain that position, it will have the effect of putting a ceiling on our staffing well below their own.

-- Access to our Liaison Office is strictly controlled by Chinese guards. That they would exercise such control over Chinese is understandable, but they have also prevented or delayed Americans, as well as third country nationals, from entering the Liaison Office compound. The Chinese recently apologized about one flagrant incident, but the general problem will probably persist.

-- The PRC has refused to let us have access to Chinese who have a claim to American citizenship, and the Foreign Ministry recently informed us that we would not be permitted to interview the few Chinese who want a visa to visit relatives in the US, even though they have obtained a PRC exit permit.

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-- We promptly agree to requests by PRCLC officers for appointments; similar requests by our officers in Peking for appointments to discuss specific matters are occasionally rejected and more frequently granted only after a delay.

-- The Chinese continue to refuse some of our requests for visas for officers in Hong Kong to visit the PRC for such purposes as participating with our Liaison Office personnel in assisting American businessmen at the Canton fair, for official consultations with our Liaison Office, or to escort one of the agreed exchange delegations.

-- The Chinese have in several instances injected a political element into the exchange program; having created an issue, they often refuse to help find a solution.

-- The Chinese are not willing to discuss meaningful reciprocity in the exchange program. They select what they want from our list, and insist that we take everything from their list. They will not discuss in advance the details of the visit by an American delegation, but they frequently specify in detail what a Chinese delegation wants to do.

-- On a different level from the above examples, the Chinese feel free to criticize the US on its world role and on the nature of American society, but would probably take offense if we responded in kind.

Certainly we do not want to let this part of our relationship deteriorate to a tit-for-tat situation (although the Chinese, at times, seem quite prepared to go this route). However, we believe that a policy of firmness when our position is justified is essential if we are to make our day-to-day relationship come close to one of "equality and mutual benefit."

Department of State
November 1975

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