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THE WHITE HOUSE
WASHINGTON

Bud:

This came in last night and thought
you should see it before giving it
to General Scowcroft.

*Send for
staff to
y to Scowcroft*



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UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Domestic
and International Business
Washington, D.C. 20230

~~SECRET~~

October 1, 1974

MEMORANDUM FOR MAJOR GENERAL BRENT SCOWCROFT, USAF
Deputy Assistant to the President
for National Security Affairs

From: Seth M. Bodner *Seth M. Bodner*
Deputy Assistant Secretary for
Resources and Trade Assistance

Subject: Cotton Textile Imports from the PRC

Some time ago Ambassador Eberle asked that I contact your office with respect to an earlier memorandum on this subject which had been circulated by me to Anthony Jurich of CIEP and to other agencies concerned with textile import matters (copy attached).

Imports from the PRC have continued to increase and for the 12-month period ending August 1974 amounted to 72.2 million square yards equivalent, continuing the PRC as a major supplier of cotton textiles to the U.S. The most significant development here, however, is the movement of this trade into apparel categories which have already experienced a significant degree of market penetration by imports. The continued growth of this uncontrolled trade from the PRC is undermining the structure of our agreement program in which numerous other governments have limited their textile exports to the U.S. They obviously do not want to sacrifice their own trade opportunities in the U.S. market in the name of avoiding disruption of that market if the PRC--or other countries--are to be allowed uncontrolled access. We have heard references to this uncontrolled trade from a number of countries in informal discussions, and it will undoubtedly affect their view of the U.S. in the broader context of our performance under the multilateral textile arrangement reached in Geneva last year. In my judgment it is essential that we move now into specific discussions with the PRC with the view to achieving a prompt stabilization of their

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HR 5/9/01



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trade if we are to maintain an effective textile program to protect domestic workers and the domestic industry from excessive low cost import competition. I fully appreciate the sensitivities of this area and the difficulties of singling out a special area of trade at a time when their trade with us is so heavily in our favor. But the textile issue has been long identified internationally as a unique one, needing special treatment. I feel strongly that maintenance of the textile program is of considerable importance to the Administration at this time. I would note, in this regard, that the PRC would not be likely to find such an approach by the U.S. as surprising or unusual as they have negotiated textile restraints with Canada.

A policy resolution of this question is needed, and I would appreciate your thoughts on how we might best proceed to move ahead on this item.

cc: Secretary Dent
Anthony Jurich

CLASSIFIED BY SETH M. BODNER
SUBJECT TO GENERAL DECLASSIFICATION
SCHEDULE OF EXECUTIVE ORDER 11652
AUTOMATICALLY DOWNGRADED IN TWO
CALENDAR YEARS AND DECLASSIFIED
ON DECEMBER 31, 1982

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AUG 1 1974

MEMORANDUM TO HONORABLE ANTHONY J. JURICH
Chairman, Special Working Group for
Textile Policy, CIEP
The White House

From: Seth M. Bodner, Deputy Assistant Secretary for
Resources and Trade Assistance

Subject: Cotton Textile Imports from PRC

Cotton textile imports from the People's Republic of China have taken a very significant jump during recent months. A table is attached (Tab A) setting out these figures, but, in essence, the trade has moved from 33.4 million square yards in Calendar 1973 to 63.5 million square yards for the 12 months ending June 1974. (Trade for the 12 months ending June 1973 was 32.4 million square yards.) The bulk of the trade is in cotton fabrics, Categories 9, 19, and 26, but there is a growing trade in a great many categories including apparel. At a level of 63.5 million square yards, the PRC becomes the seventh largest supplier of cotton textiles to the U. S. market, and also ranks number 7 compared with countries whose exports are subject to restraint.

I understand that this volume of imports has caused a number of world exporting countries having agreements with the United States to question our intentions with respect to the PRC. We must anticipate a serious challenge to the entire agreements program if action is not taken to restrain these imports or to establish in some way that can be publicized an agreement in principle on the future level of this trade. I am particularly concerned about forthcoming negotiations with Korea, not to mention our current consultations with Romania and other countries scheduled during the next several months.

The rise in this trade has also brought the issue to public attention. Specific questions have been raised about these imports during

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the most recent public meeting of the Management-Labor Textile Advisory Committee. I indicated at that meeting that the Government was aware of the trade and was giving careful consideration to the matter.

Attached at Tab B is an earlier memorandum of July 11, 1973, in which a proposed scenario for discussion with the People's Republic of China was suggested.

It is my view, in light of the new multilateral arrangement and in light of our obligations in connection with the renegotiation of bilaterals thereunder, that immediate steps must be taken to open consultations with the People's Republic of China. I believe the scenario outlined in that memorandum is still valid although some of the specifics have been overtaken by events, e.g., Category 26 was not mentioned and now accounts for some 4 million square yards of imports.

In addition, we are dealing with 64 million square yards as opposed to 24 million, and we are also dealing with a rapidly softening market for all domestic textile and apparel products as opposed to the tight market conditions we were experiencing at that time.

We must come to grips with this problem as soon as possible. I trust that all agencies will have the matter reviewed at whatever level is appropriate so that we can make a decision to move forward at a very early date.

Attachments

Copies to:

Secretary Dent

CITA Members:

William Barreda

Herbert N. Blackman

Michael B. Smith

Barbara Steinbock

bc: Mr. Bodner

Mr. Garel

SBodner/rhd

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SUBJECT TO GENERAL DECLASSIFICATION
SCHEDULE OF EXECUTIVE ORDER 11652
AUTOMATICALLY DOWNGRADED IN TWO
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ON DECEMBER 31, 1982

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BRTA-9

U.S. General Imports of Cotton Manufactures
from Mainland China for Selected Periods

(Equivalent Square Yards)



1d

	Calendar Year 1973	June 1974	Year Ending 6/30/74	Year Ending 6/30/73	Percent Change Y/E 6-30/73 - 6/30/74
Total Cotton	33,383,292	12,529,294	63,519,785	32,433,699	+ 95.9
Fabrics (5-27)	31,181,670	12,229,884	59,732,302	30,781,394	+ 94.1
% of Total	93.4	97.6	94.0	94.9	
Apparel (39-63)	1,669,896	245,992	2,857,992	1,145,803	+ 149.4
% of Total	5.0	2.0	4.5	3.5	
Made-up & Misc.	531,726	53,418	929,491	506,502	+ 83.5
% of Total	1.6	0.4	1.5	1.6	
<u>Category</u>					
6	50,000	---	---	50,000	---
7	---	---	5,100	54,125	- 90.6
8	16,956	85,780	102,736	---	---
9	2,328,487	1,854,245	11,947,481	2,008,610	+ 494.8 ✓
10	---	---	15,120	---	---
15	52,313	---	114,506	---	---
16	157,552	---	157,552	---	---
18	68,900	---	68,900	---	---
19	25,654,033	7,200,170	34,643,970	26,054,526	+ 33.0 ✓
21	---	14,623	14,623	---	---
22	1,621,110	967,937	7,718,002	1,651,092	+ 367.5 ✓
23	---	---	64,089	---	---
24	76,679	3,000	103,000	15,679	+ 556.9
26	1,149,706	1,567,417	3,943,692	938,862	+ 320.1 ✓
27	5,934	536,712	833,531	8,500	+ 9706.3 ✓
31	8,352	9,041	561,317	15,764	+ 3460.8 ✓
32	44,398	111	18,652	52,658	- 64.6
36	---	---	207	---	---
39	1,115,590	---	1,136,399	632,745	+ 79.6
40	---	---	---	575	---
42	45,213	---	137,171	2,821	+ 4762.5 ✓
43	---	---	21,058	10,938	+ 92.5
45	---	---	---	6,656	---
46	1,101	14,674	15,775	8,804	+ 79.2
48	---	---	1,250	---	---
49	59,704	119,340	536,707	87,069	+ 516.4 ✓
50	18,225	17,085	17,797	24,987	- 28.8
51	43,140	10,678	130,453	17,975	+ 625.8 ✓
53	---	---	---	362	---
54	---	---	25,000	---	---
55	---	---	---	8,925	---
56	---	---	---	460	---
57	---	349	349	563	- 38.0
58	---	---	440	---	---
60	13,614	15,588	25,045	70,666	- 64.6
62	552	---	13,303	4,397	+ 202.6
63	372,757	68,278	797,245	267,854	+ 197.6
64	478,976	44,266	349,315	438,086	- 20.3

Cotton imports from Mainland China show an increase of 95.2% for year ending June 1974 over year ending June 1973 and 19.6% over year ending May 1974. For year ending June 1974, Fabrics account for 94.0% of total imports compared to 94.9% for year ending June 1973. Category 19 accounts for 54.5% of total imports for year ending June 1974, and 58% of fabric imports for year ending June 1974. For year ending June 1973 Category 19 was 80.3% of total imports and 84.6% of fabric imports.

Prepared by:
Implementation Division
Office of Textiles
July 30, 1974



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July 11, 1973

MEMORANDUM FOR MR. ROBERT D. HORMATS
Senior Staff Member for
International Economic Affairs
National Security Council

From: Seth M. Bodner *151*
Deputy Assistant Secretary for
Resources and Trade Assistance

and

Anthony J. Jurich *151*
Chairman, Special Working Group for
Textile Trade Policy
The White House

Subject: Cotton Textile Imports from PRC

Recent statistics continue to show the need to take action with respect to cotton textile imports from the People's Republic of China. In addition to the rapid rise of cotton textile imports, we are in a particularly sensitive situation relative to our equity provisions with third countries. As you are well aware, we are currently engaged in a major international effort to secure a new multilateral multifiber agreement. One of the charges being leveled at the developed countries, including the United States, is that some of our actions have been discriminatory. Therefore, in addition to the potential economic reasons of the rate of increase we are now experiencing, we must reach some understanding with the PRC before we are officially accused of discriminating in their favor. Obviously, we also have a domestic problem with the U.S. industry which is already aware that significant increases are taking place.

It is our view that such discussions should take place now before the situation becomes serious either internationally or domestically. Information has been received that indicates the

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AUTHORITY Dept of Commerce Memo 3/21/96

BY HR NLF, DATE 5/9/01



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PRC views the textile sector as a major element in its export plans which further supports our position that we reach an understanding before the problem gets out of hand.

For the twelve months ending May, imports in Categories 18/19 (print cloth) amounted to 24 million square yards equivalent. Total imports in all cotton textile categories amounted to about 31 million square yards equivalent.

While the domestic market is strong, and even tight, in these products the PRC is now by far our largest single supplier. Imports from this uncontrolled low-cost supplier already exceed the level of imports permitted from all countries which have signed bilateral agreements with the United States and which we hope will support the United States position in the coming stages of the multilateral textile negotiations. Some examples are Thailand, where the aggregate limit for all cotton textiles is 15 million square yards, and India, where the limit for textiles in Categories 18/19 is 6.6 million yards.

Imports from the PRC are priced extremely low, 16 cents per square yard for print cloth, for example. This is about the same level as that of our lowest priced textiles, from India and Pakistan. This is about 30 percent below domestic prices.

We are now in the process of negotiating an increase in that yardage with India in return for its support in the Geneva negotiations. India was particularly helpful at a crucial point last week, and can be expected to cooperate, provided we go through the deal we have already begun to negotiate. Negotiations were held with Pakistan this past week along these same lines, and were successfully concluded. Our ability to negotiate commitments of support in the multilateral negotiations in return for granting increases in those categories will be seriously undercut if, at the same time, imports from Communist China remain uncontrolled. In addition, our relation with less important suppliers presently under bilateral agreement with us will also be jeopardized.

Accordingly, we recommend immediate action to continue discussions with the PRC representatives in Washington, with a view to reaching agreement for the restraint of textile imports of Categories 18/19

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and also with a view to negotiating a more comprehensive bilateral arrangement on textiles. We have been advised that the PRC negotiated restraints with the Canadian Government on several occasions. The Canadians tell us that the Chinese approached these negotiations in a businesslike manner exactly as other countries have approached such negotiations with Canada. The Chinese, in the view of the Canadians, are quite familiar with international textile trade rules, and would not ordinarily make an unusual political issue of it. Further details on the Canadian restraints, and on PRC restraints with third countries, are attached at Tab A.

We would propose to make the following points to the Washington representatives of the PRC:

1. Call attention to rapid rise of PRC imports and compare with import limitations on the same categories under U.S. cotton textile agreements with other countries. (Comparison table attached at Tab B.)

2. Note United States equity obligations arising from other bilaterals and from the Long-Term Arrangement, coupled with U.S. policy on textiles which, while contemplating substantial flexibility in negotiation of restraint levels, does not contemplate decontrol.

3. Note United States desire to avoid formal invocation of Article 3, unilateral restraint pursuant to the Long-Term Arrangement and our preference to establish bilateral agreement, i.e., an understanding pursuant to which the PRC would limit its exports of these products to the United States. (We are particularly concerned with Categories 18/19 but would prefer to consider a broader bilateral comprehensive textile arrangement.)

4. We believe that the present 24 million yards of imports of these products is excessive and cannot be accommodated without disruption in United States textile relations with third countries. Recent monthly rates are even higher and, if unchecked, will very shortly create serious problems for us.

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5. We would like PRC concurrence to a restraint which would be expressed publicly so that U.S. industry and third countries would be aware of its existence and of the level established. It should be done in an enforceable form should that become necessary.

In view of the continuing substantial increases in these imports, and the unsettling effect it will have with India, Pakistan, and other suppliers, we recommend that this effort with the PRC be opened as promptly as possible. For purposes of continuity, and for your own education, we would be delighted to have you join us in any meetings with PRC officials. In our view, the first session should explain our problems, domestically and internationally, to be followed by a second session which would go into more details. This would allow them time to evaluate their own position and be prepared to discuss specifics.

Attachments

SBodner/AJurich/lit

cc: Mr. Bodner (2)
Mr. Jurich
Mr. Garel
subject
chron
Peter Flanigan

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17

TAB A

CANADA

Imports of most textiles and textile products into Canada from Mainland China were openly controlled through 1967. Since 1967, Canadian authorities have supplied the Chinese export corporations with "indicative" lists of products and levels of imports which would not be disruptive.

Canada also maintains quotas on imports of certain textile and apparel products with prevailing duties being charged for imports within the quota and surtax on imports in excess of quota. These quotas relate to all low wage countries. Informally, we understand that Canada has negotiated more specific restraints than the available public record shows.

UNITED KINGDOM

Imports of practically all textiles and apparel from Mainland China are subject to quotas. Most of the quotas are expressed in value of imports.

AUSTRIA

Imports of textiles and apparel from Mainland China are subject to an intergovernmental trade agreement effective November 1, 1972. Quotas are not established under agreement, but various textile and apparel items were listed as "essential" product of exchange.

DENMARK

Danish-Chinese trade agreement includes a ceiling of \$1,866,200 for all textiles imported into Denmark from Mainland China.

FRANCE

France maintains quantitative restrictions on imports of textiles and apparel from all non-OECD countries (ex Japan).



WEST GERMANY

Germany issues licenses for imports from a number of countries, probably including Mainland China, up to established but not published quotas.

ITALY

Ceilings expressed in value are applicable on imports of most textile and apparel items imported from Mainland China.

SWEDEN

Import licenses are required on imports from Eastern area countries including Mainland China and specific quotas are established when necessary.

BENELUX

The imports are subject to "price checking" system.

SWITZERLAND.

Switzerland maintains a price surveillance system and Swiss authorities have discretion to refuse to grant import licenses if the margins between prices of imported and domestic products are 10 percent for cotton fabrics, 12 percent for wool fabrics, and 20 percent for finished articles.



TAB B

Categories 18/19, Print Cloth

Unrestrained PRC 24 Million Square Yards

<u>Countries</u>	<u>Restraint Levels</u> <u>(million square yards)</u>
Brazil	11.6 (Includes print cloth from Category 26)
Republic of China	1.7 :
Colombia <u>1/</u>	1.3
India	6.6
Republic of Korea	2.9 (Includes print cloth from Category 26)
Malaysia	2.0 (Includes print cloth from Category 26)
Pakistan	17.3 (Includes print cloth from Category 26)
Poland	1.2
Romania	1.8
Spain	9.8 (Includes print cloth from Category 26)
Thailand	2.0
Yugoslavia	0.6

1/ Includes Category 19 only - Category 18 is subject to undue concentration clause.



Office of Textiles
July 11, 1973



DEC 11 1974

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MEMORANDUM FOR MAJOR GENERAL BRENT SCOWCROFT, USAF
Deputy Assistant to the President
for National Security Affairs

From: *Alan Polansky* Alan Polansky
Acting Deputy Assistant Secretary
for Resources and Trade Assistance

Subject: Cotton Textile Imports from the PRC

Imports from the PRC have continued to increase since Seth Bodner's October 1, 1974 memorandum to you on this subject. In the year ending October, imports totaled 81.3 million square yards, compared to the year ending August 72.2 million square yards equivalent mentioned in the October 1 memorandum. Of this amount, 75.6 million square yards were entered in the January through October period. So far this calendar year, the PRC is the third largest major supplier of cotton textiles to the United States, exceeded only by India and Hong Kong, and higher than that of such traditional suppliers as Taiwan, Japan, Pakistan, Mexico and Brazil.

Another factor has been added to those mentioned in the October 1 Bodner memorandum, that is, the domestic industry is now in a depressed state. Prices of cotton textiles have declined sharply, employment is down substantially, and many mills are on short workweeks or are closing for extended periods of time.

The continued increase in imports of cotton textiles from the PRC, in light of the depressed domestic market conditions and at a rate above that of almost all of our traditional suppliers, places the entire textile program under additional pressure.

If we are to maintain an effective textile program to protect domestic workers and the domestic industry from excessive low

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HR 5/9/01



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import cost competition and to fulfill our commitments of equity to our other bilateral partners, it is essential that we move quickly into discussions with the PRC to stabilize the trade.

I would appreciate hearing from you on this matter.

CLASSIFIED BY ARTHUR GAREL
SUBJECT TO GENERAL DECLASSIFICATION
SCHEDULE OF EXECUTIVE ORDER 11652
AUTOMATICALLY DOWNGRADED IN TWO
CALENDAR YEARS AND DECLASSIFIED ON
DECEMBER 31, 1982

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NSC CORRESPONDENCE PROFILE

Bodner, S.M.

SOURCE/CLASS/DESCRIPTION

TO: PRES _____ FROM: KISSINGER, H _____ S/S _____ REFERENCE: _____ CIRCLE AS APPROPRIATE

KISSINGER _____ COLBY, W _____ OTHER _____ UNCLAS LOG IN/OUT

SCOWCROFT + _____ SCHLESINGER, J _____ LOU NO FORN NODIS

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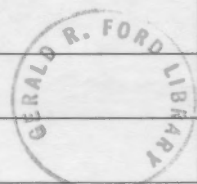
SUBJECT: *Commerce deals New to Scroft re Carter textile imports from PFC*

DISTRIBUTION/INITIAL ACTION ASGMT

INTERNAL ROUTING AND DISTRIBUTION		REC CY FOR	ACTION REQUIRED
	ACTION	INFO	
ADVANCE CYS TO HAK/SCOWCROFT			MEMO FOR HAK (*)
STAFF SECRETARY			MEMO FOR PRES ()
FAR EAST <i>SOLOMON (P) X</i>			REPLY FOR ()
SUB-SAHARAN AFRICA			APPROPRIATE ACTION ()
MID EAST / NO. AFRICA / SO. ASIA			MEMO _____ TO _____ ()
EUROPE / CANADA			RECOMMENDATIONS ()
LATIN AMERICA			JOINT MEMO ()
UNITED NATIONS			REFER TO _____ FOR: _____ ()
ECONOMIC <i>Concurrence X</i>			ANY ACTION NECESSARY? ()
SCIENTIFIC			CONCURRENCE ()
PROGRAM ANALYSIS			DUE DATE: <i>10-10</i>
NSC PLANNING			COMMENTS: (INCLUDING SPECIAL INSTRUCTIONS)
CONGRESSIONAL			<i>OBE</i> →
OCEANS POLICY			
INTELLIGENCE			

SUBSEQUENT ROUTING/ACTIONS

DATE	FROM	TO	S	SUBSEQUENT ACTION REQUIRED (OR TAKEN):	CY TO
<i>4/4</i>				<i>C OBE per Scroft</i>	



NSC/S DISP INSTR

DISPATCH _____

CY RQMTS: SEE ABOVE PLUS: _____

NOTIFY _____ & DATE _____ BY _____

SPECIAL DISPOSITION: _____

CROSS REF W/ *7136 104*

SUSPENSE CY ATTACHED: FOLDER: _____

MICROFILM & FILE RQMTS: _____

APR 03 1975 BY _____

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OPEN *MS* HP NS

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PA DY

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

SECRET

MEETING WITH GEORGE BUSH
CHIEF OF U. S. LIAISON OFFICE, PEKING

Tuesday, October 15, 1974
12:30 p. m. (10 minutes)
The Oval Office

From: Henry A. Kissinger *HK*

I. PURPOSE

To underline your personal interest in US relations with Peking and the importance you attach to Ambassador Bush's assignment.

II. BACKGROUND, PARTICIPANTS & PRESS ARRANGEMENTS

- A. Background: Ambassador Bush leaves Washington October 17 and will arrive in Peking October 21. He has spent much of the past month getting briefed for his new position. He met briefly with Secretary Kissinger and attended the Secretary's dinner in New York for Vice Foreign Minister Ch'iao Kuan-hua, the head of the Peking delegation to the UN General Assembly. Ambassador Huang Chen, the Chief of the PRC Liaison Office in Washington, gave a dinner in his honor last night.
- B. Participants: Ambassador Bush and Brent Scowcroft.
- C. Press Arrangements: Press photo session. Meeting to be announced.

III. TALKING POINTS

- 1. I attach great importance to the US-PRC relationship and to your responsibilities in Peking.
- 2. During your initial calls, please convey my best wishes to Chairman Mao and Premier Chou (including my hope that

SECRET - GDS

HR 5/9/01



Chou will recover his health). Also, please reaffirm to them the validity of past US-PRC understandings and my dedication to the continued normalization of relations between our two countries. (Ambassador Bush probably will not see Mao, and perhaps not Chou, during his initial calls, but he can convey the messages through the Foreign Ministry.)

3. I am confident that you will take in stride some of the frustrations of working and living in Peking, including the low-key nature of our public posture there.
4. You will have an opportunity to participate in the high-level talks with the Chinese during Secretary Kissinger's upcoming visit to Peking. Those talks will play an important part in deciding our next steps in normalizing relations.
5. I look forward to your reports about conditions in the PRC and the future course of US-PRC relations.



4357 D


MEMORANDUM

NATIONAL SECURITY COUNCIL

SECRET

October 14, 1974

MEMORANDUM FOR: GENERAL SCOWCROFT

FROM: W. R. Smyser 

SUBJECT: The President's Meeting with George Bush

Attached is a memorandum to the President giving him talking points for his meeting with George Bush on October 15, our new Chief of the U. S. Liaison Office in Peking.

RECOMMENDATION:

That you sign the attached memorandum to the President

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HR 579/01



THE WHITE HOUSE

WASHINGTON

SECRET

MEETING WITH GEORGE BUSH
CHIEF OF U. S. LIAISON OFFICE, PEKING

Tuesday, October 15, 1974

12:30 p. m. (10 minutes)

The Oval Office

From: Henry A. Kissinger

I. PURPOSE

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A. Background: Ambassador Bush leaves Washington October 17 and will arrive in Peking October 21. He has spent much of the past month getting briefed for his new position. He met briefly with Secretary Kissinger and attended the Secretary's dinner in New York for Vice Foreign Minister Ch'iao Kuan-hua, the head of the Peking delegation to the UN General Assembly. Ambassador Huang Chen, the Chief of the PRC Liaison Office in Washington, gave a dinner in his honor last night.

B. Participants: Ambassador Bush and Brent Scowcroft.

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SECRET - GDS

HR 5/9/01



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5. I look forward to your reports about conditions in the PRC and the future course of US-PRC relations.



Staffing
send copy
up to Gen. S.

THE WHITE HOUSE
WASHINGTON

October 12, 1974

MEMORANDUM FOR: GENERAL SCOWCROFT
FROM: WARREN RUSTAND *WR*
SUBJECT: Approved Presidential Activity

Please take the necessary steps to implement the following and confirm with Mrs. Nell Yates, ext. 2699. The appropriate briefing paper should be submitted to Dr. David Hoopes.

Event: Meeting with George Bush

Date: Tuesday, October 15, 1974 Time: 12:30 p.m. Duration: 10 mins.

Location: The Oval Office

Purpose: Bush is departing for China on October 16 or 17

Press Coverage: White House Photographer

cc: Mr. Hartmann
Mr. Marsh
Mr. Cheney
Dr. Hoopes
Mr. Jones
Mr. Nessen
Mr. O'Donnell
Mrs. Yates
Mrs. Davis
Mr. Theis



NSC CORRESPONDENCE PROFILE

DOC		RECD		LOG NBR		INITIAL ACTION O	
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SOURCE/CLASS/DESCRIPTION

TO: PRES _____ FROM: SMYSER * MISSINGER, J REFERENCE: _____ CIRCLE AS APPROPRIATE

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SCOWCROFT X _____ SCHLESINGER, J _____ LOU NO FORN NODIS

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S CODEWORD

TS SENSITIVE

SUBJECT: Talkw for Pres Mtg Oct 12 w/ Ambassador
BUSH prior to leaving for Rome.

DISTRIBUTION/INITIAL ACTION ASGMT

INTERNAL ROUTING AND DISTRIBUTION	ACTION	INFO	REC CY FOR	ACTION REQUIRED
ADVANCE CYS TO HAK/SCOWCROFT				MEMO FOR HAK (_____)
STAFF SECRETARY				MEMO FOR PRES (_____)
FAR EAST				REPLY FOR (_____)
SUB-SAHARAN AFRICA				APPROPRIATE ACTION (_____)
MID EAST / NO. AFRICA / SO. ASIA				MEMO _____ TO _____ (_____)
EUROPE / CANADA				RECOMMENDATIONS (_____)
LATIN AMERICA				JOINT MEMO (_____)
UNITED NATIONS				REFER TO _____ FOR: _____ (_____)
ECONOMIC				ANY ACTION NECESSARY? (_____)
SCIENTIFIC				CONCURRENCE (_____)
PROGRAM ANALYSIS				DUE DATE:
NSC PLANNING				COMMENTS: (INCLUDING SPECIAL INSTRUCTIONS)
CONGRESSIONAL				
OCEANS POLICY				
INTELLIGENCE				

SUBSEQUENT ROUTING/ACTIONS

DATE	FROM	TO	S	SUBSEQUENT ACTION REQUIRED (OR TAKEN):	CY TO
10/16				<u>C Noted by Pres.</u>	
				<u>m/r Logged after the fact. App't Confirmation attached</u>	

NSC/S INSTR DISP

DISPATCH _____

CY RQMTS: SEE ABOVE PLUS: _____

NOTIFY _____ & DATE _____ BY _____

SPECIAL DISPOSITION: _____

CROSS REF W/ _____

SUSPENSE CY ATTACHED: X FOLDER: _____

MICROFILM & FILE RQMTS:

M/F'D _____ BY _____

OCT 18 1974

CRT ID: _____

OPEN acd SA SF

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WHY _____

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3a

EYES ONLY FOR

Copy to ~~E. S. Sloman~~
orig to ~~W. H. S. S. S.~~ for
file ~~DONG~~



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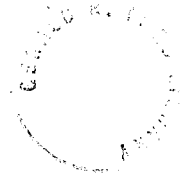
NATIONAL SECURITY COUNCIL

Oct. 29, 1974

Mrs. Davis:

The attached message
has already been sent. Solomon
has copy.

eddy



NATIONAL SECURITY COUNCIL

ACTION

~~TOP SECRET/SENSITIVE~~

October 28, 1974

MEMORANDUM FOR:

GENERAL SCOWCROFT

FROM:

RICHARD H. SOLOMON *RHS*

SUBJECT:

Message to the Secretary Regarding My
Conversation with PRCLO Official

Per our conversation on Saturday, at Tab A is a suggested message to the Secretary reporting my conversation with Chi Ch'ao-chu of the PRC Liaison Office, in which Chi floated several "signals" regarding normalization of U.S. - PRC relations.

I have tried to give as full and accurate account of this discussion as possible, for I think it is of some importance as an indication of Chinese concerns to move ahead on this issue. If, however, you feel the message is too long, or that it might be properly edited in some other manner, please feel free to do so.

Given Ambassador Bush's call on Vice Foreign Minister Ch'iao Kuan-hua tomorrow, you may wish to repeat this message via the Voyager channel to Peking.

Recommendation:

That you approve the message to Secretary Kissinger at Tab A.

Approve *✓ as word* Disapprove _____

That you repeat this report to Peking for Ambassador Bush's information.

Approve _____ Disapprove *✓*



~~TOP SECRET/SENSITIVE~~

DECLASSIFIED

E.O. 12958, SEC. 3.5 *State Dept Review*

NSC MEMO, 11/24/98, STATE DEPT. GUIDELINES TD 9/26/02

BY *HR*, NARA, DATE *1/30/03*

wired
7:30 pm
10/28/74
3d

TOHAK # 55

FROM: RICHARD H. SOLOMON

SUBJECT: PRCLO Political Officer's Comments on
U.S.- PRC Normalization

1. Summary: At an informal family dinner on October 25, PRCLO Interpreter and Political Officer Chi Ch'ao-chu took me aside to emphasize a number of points regarding normalization of relations. He initially expressed some surprise and concern about your characterization of his country as "Communist China" in the James Reston interview published in the New York Times on October 13. He also said that he was surprised to see you imply that China needed to import grain. He said he thought it was understood that his country did not need the grain, but imported it for "other reasons." After dinner, Chi took me aside to a separate room for further discussion. He emphasized four points regarding normalization of relations. The first three were quite familiar: (1) normalization has to be on the "Japanese pattern"; (2) the U.S. should place no obstacles in the way of unification of Taiwan with the mainland; (3) a normalization agreement cannot create a situation of "one China, two governments" or "one China, one Taiwan." The fourth point was an interesting indication of some anxiety in Peking about moving ahead to complete the normalization process. Chi said that it is hoped the process of working out an agreement will not become "stretched out."

DECLASSIFIED
E.O. 12958, SEC. 3.5 *State Dept Review*
NSC MEMO, 11/24/99, STATE DEPT. GUIDELINES *TD 9/26/02*
BY hr, NARA, DATE 1/30/03



2. Seen in the context of your October 2nd dinner discussion with Vice Foreign Minister Ch'iao Kuan-hua, and your forthcoming trip to Peking in late November, Chi's purposeful comments appear to be a clear signal from Peking expressing interest in seriously confronting the issue of a normalization agreement, despite official comments about China not being in a hurry to establish formal diplomatic relations. [In fact, the leadership in Peking is probably anxious to conclude a basic agreement and avoid a drawn-out negotiating process which would either get caught up in their internal situation or put them up against the possibility of a further leadership transition in the U.S. at the time of the 1976 Presidential election.] End Summary.

3. In return for an informal luncheon which I had hosted for PRCLC Political Counselor Tsien Ta-yung and Interpreter/Political Officer Chi Ch'ao-chu in April of this year, the two officers invited me and my family, children included, to an informal dinner at the official residence of Ambassador Huang Chen on October 25. Unexpectedly, Chi Ch'ao-chu took the occasion of the dinner to "exchange views" that seem to represent a clear and official -- if informally conveyed -- message of Peking's concerns about the state of U.S.-PRC normalization on the eve of your forthcoming trip to Peking.

4. Shortly after arriving at Ambassador Huang's official residence at 23rd and S Street, and after a brief tour of the first floor of the



building, Chi steered me to one end of the large living room while Tsien Ta-yung and his wife entertained the rest of the family at the other end of the room. Chi began by commenting that he had recently accompanied Tsien to New York where they had acquainted themselves with the contents of your October 2nd dinner discussion with Vice Foreign Minister Ch'iao Kuan-hua. Chi asked me what my impressions of the meeting were. ~~I replied that it was evident that we were in a particularly delicate period of the transition process.~~ I observed that while you had clearly indicated the problems we had to confront in reaching a normalization agreement, at the same time you and the President had affirmed on several occasions the Administration's intention to complete the normalization process.

5. Chi then commented on your recent interview with James Reston, published in the New York Times on October 13. He said he was surprised and disturbed by your characterization of the PRC as "Communist China." He also said he could not agree with your comment that his country needed to import food grains. He said he thought it was understood that China did not "need" to import such grain. They did so for "other reasons." I replied that I saw no great significance in your use of the term "Communist China." I commented that such things also seem to occur on their side. I recalled for Chi that Senator Fulbright, during the recent Congressional tour of China, had expressed concern to Vice Premier



Teng Hsiao-p'ing about the way PRC media continue to refer to the United States as "U.S. imperialism."

6. I then asked Chi if he had had an opportunity to gain any of Senator

Fulbright's impressions of his trip to China. Chi commented that he

had not. I replied that your interview ^{with} / Reston seemed to me to

~~emphasize the growing interdependence of the countries of the world.~~

~~I said that in contrast some of our public officials, like Senator Fulbright,~~

~~were much more isolationist in their view of world affairs.~~ I said it was

my impression that Senator Fulbright was somewhat disturbed about

Peking's foreign policy orientation as a result of his trip to China. I said

the Senator was surprised at the way PRC leaders brushed aside the

Soviet threat to China, while warning the U.S. that the Russians were

really threatening American interests. At the same time, Fulbright

was surprised to hear leaders like Teng Hsiao-p'ing and Ch'iao Kuan-hua

comment so favorably on the American troop presence in Japan or in

Europe. He also ^{had} / noted the efforts that China is making to build good

relations with so-called Third World countries, in the context of

continuing attacks on both "U.S. imperialism" and "Soviet social

imperialism." I added at this point that you had commented to Ch'iao

Kuan-hua on October 2 that PRC media now seemed to be characterizing

the United States in terms more equivalent to their attacks on the Soviet

Union. I said that Fulbright ^{apparently} / drew the conclusion from his experience

that China wants the U.S. to maintain a presence abroad to counter



Soviet expansionism -- which is clearly of some benefit to China's security -- while at the same time China attacks the U.S. as an imperialist ^{building} superpower and is / a coalition in the "Third World" to be used against us. I said that while you understand the thrust of China's foreign policy, men like Senator Fulbright, who have some Congressional influence over the evolution of our relationship, show some concern about maintaining our security commitments abroad, especially when they feel we are being used.

7. At this point the conversation shifted to informal topics as we went into the dining room for the evening meal. After dinner, Chi again ~~and Senator was surprised~~ steered me away from the rest of the group, this time suggesting that the two of us sit in a small drawing room. While he did not explicitly say his comments were made at the direction of either Ambassador Huang Chen or officials in Peking, the precise way he structured his presentation, as well as the usual reticence of PRC officials to make forthcoming comments on matters of substance unless formally instructed to do so, leaves little doubt in my mind that this was a purposeful signal.

8. Chi resumed the discussion by saying he wanted to make some additional comments on the topics we had been exploring before dinner, adding that he had several points he wanted to make regarding normalization of relations. He said that he hoped it was understood that normalization had to be on the Japanese pattern. I replied that ~~based on your~~



~~conversation with Chairman Mao last November, as well as subsequent~~

^{the} ~~remarks by Vice Foreign Minister Ch'iao~~ ^{were very clear on this point} ~~[we had no question in our~~

~~minds that this was the preference of his government. I reiterated your~~

~~comments to Ch'iao on October 2 that our understanding is that the~~

~~"Japanese model" involves moving our embassy from Taipei to Peking,~~

~~but that we need to have some residual representation in Taiwan, either~~

~~a liaison office or a consulate.~~

9. Chi continued by saying that the U.S. should place no obstacles in the way of an eventual resolution of the relationship of Taiwan to the PRC.

I queried him as to whether he saw the United States now doing anything which constituted the creation of obstacles. He said no, there was nothing we were doing at present that could be characterized in this way, but then recalled the remark which Ch'iao Kuan-hua had made to Ambassador Bruce in April regarding the Unger appointment and the ROC consulates. I responded that we were frankly a bit surprised at the strength of Peking's reaction to these developments, inasmuch as they had occurred in the context of our military withdrawals from Taiwan, of which we had informed them. I said that the largely proforma developments of the Unger appointment and the consulates had to be weighed against the substantive action of the military withdrawal, which was carried out in the spirit of the Shanghai Communique. ~~I characterized the situation in terms of~~

~~"feinting towards the East, while in fact moving toward the West," and suggested that it was in neither of our interests to panic Taipei into some rash action or to create a situation of political chaos on the island. I added that some people had speculated that the strength of the~~



~~PRC's reaction to the Unger appointment and the consulates might have reflected debate within China about the policy of normalizing U.S.-PRC relations. Chi made no comment on this remark.~~

10. Chi continued by saying that in normalizing relations we should not do it in a way that would lead to a "one China, two governments" solution, or "one China, one Taiwan." I said that we understood this point of view very clearly.

11. Chi then made a final point which was less formally articulated than his first three points, although it is perhaps the most important signal of the entire exchange. He said he hoped the process of normalization "would not be stretched out." I replied by reiterating the timetable you had communicated to Ch'iao Kuan-hua during the October 2nd dinner, and ^{ing} recalled your comment that the question of timing was basically related to whether or not "our problems are ripe for overcoming," and that this was a matter of finding an acceptable way of resolving the issue of "peaceful transition" for Taiwan. Chi said that their position on this matter had been made clear for many years, they could not formally commit themselves to such a solution. I replied that I was not authorized to get into this particular area in any detail, but it was my personal impression that both you and the President were quite concerned about the impact on Soviet assessments of our intentions, as well as the confidence of our allies, should we normalize in such a way



that we appeared to be just abandoning a security commitment. I mentioned that it was in our mutual interest that Japan, for example, not have doubts about the constancy of our defense role. I reviewed the history of the 1949-50 period where, according to my interpretation of events, President Truman and Secretary of State Acheson had said Korea was not part of America's security concerns, and how this had led the Soviets to stimulate the North Koreans to attack the South in hopes that this would put Russia in commanding position on the Korean peninsula to outflank both China and Japan. I said the U.S. remained concerned about North Korea's intentions, and if our actions regarding Taiwan caused them to feel we would, once again, be unresponsive to renewed pressure on South Korea, this could complicate China's security as well as our own. For this reason, I said, we appeared to have a mutual interest in resolving the Taiwan issue in a way which did not destabilize areas of common concern to the security of our two countries. I added, reiterating another of your comments to Ch'iao, that it was not in our common interest to normalize in such a way that our relationship became controversial in Congress or in our public political debate in the way that "detente" with the Soviet Union is now subject to attack.

12. I continued that while I personally remained hopeful that full normalization could be achieved, I was somewhat disturbed by a recent change in Peking's foreign policy orientation. I said it was evident that one reason the Shanghai Communique had been achieved was that both



sides, aware of their mutual concern about "hegemony," had reached a common position on the most delicate issue of Taiwan in a spirit of mutual accommodation. I said that over the past year we had noted Chinese leaders repeatedly saying that the Soviet threat was not directed at China so much as the West, and that countering the Russians was America's problem, whereas the Chinese were not worried but were prepared for any eventuality. I said I did not want to get into an unproductive debate about where the Soviet threat really was directed, and noted that views had been thoroughly exchanged on this question. However, I said, one implication that could be drawn from the Chinese position was that they no longer felt the sense of common interest in working with the United States to deal with the problem of "hegemony." I said that if this was the case I was personally concerned that there would not be that spirit of mutual accommodation which had made possible the agreements which led to the Shanghai Communique. Chi replied by saying that we did have our differences on some aspects of the Soviet threat, but that as far as our relations are concerned he felt it was appropriate to quote a phrase of Chairman Mao's that, "although there are twists and turns in the road ahead, the future is still bright."



13. I responded that this was certainly my hope, and that we were well aware of the continuity that Chairman Mao personally brought to a policy of improving U.S.-PRC relations. I noted that he had first expressed

such an interest in 1944, but then added that one additional point of concern for the U.S. was the question of whether there would be continuity in the Chairman's foreign policy when his successors took the helm. I said that some American observers were puzzled by the continuing criticism of Lin Piao more than three years after his disappearance. Some people speculated this was because there was debate in the PRC military about the Chairman's policy of cooperating with the United States to oppose the Soviet Union. I recalled the history of opposition to the Chairman's policy toward the Soviet Union from the military dating back to the Peng Teh-huai incident in 1959, and noted that the Chairman had explicitly told President Nixon and Secretary Kissinger that there were some people in China opposed to his policy of dealing with the U.S. Chi allowed as how of course there were differences of opinion, but he emphasized that the Chairman's policy was broadly disseminated to the party cadre and that there would be continuity. I responded by recalling that Chairman Mao had told you that he was prepared to wait a hundred years on the Taiwan issue. I said that while we had no doubts about the Chairman's word, it was likely that quite a few leaders would succeed the Chairman before the hundred year period was up. I raised the rhetorical question of how the Chairman's comment might be given concrete expression, not just one that was private but which would be politically meaningful when we tried to explain a normalization agreement to our Congress and public. I reiterated to Chi that I was speaking personally and had not been authorized to explore this issue, but that such questions were worth thinking about.



14. Comment: Inasmuch as PRC cadre almost never get into issues of substance unless instructed to do so, and given the precise and focussed nature of his presentation, I can only assume that Chi was seeking to pass you a signal on behalf of his superiors in Peking. The central message ^{of} / this exchange, of course, is that Peking wants to move to a concrete discussion of a normalization agreement. In reiterating the now familiar points about normalization on the Japanese pattern, about not wanting the U.S. to place any obstacles in the way of reunification with Taiwan, and by emphasizing that no normalization agreement can include a "one China, two governments" or "one China, one Taiwan" arrangement, Chi was emphasizing the parameters which Peking hopes will be incorporated into an agreement. The most interesting of his comments, however, was the explicit statement that he hopes the process of normalization will not be "stretched out" -- this in the context of other authoritative statements to the effect that "China is in no hurry to normalize." In fact, of course, Mao and Chou are in a hurry, both because of their age and the degree to which they have committed their foreign policy to an improvement in relations with the U.S. These factors, along with their continuing -- if more muted -- fears of the Soviet Union, will constitute your major levers in discussing a normalization agreement next month.

15. In responding to Chi's comments I sought to stay within the confines of your past official discussions, ^{with Chiao,} although I did try



to provide a little more "elbow room" for negotiations by emphasizing concern about what the U.S. can expect in the way of continuity in the Chairman's current "America policy," and by stressing that I did not think the Administration would see it in the interest of either the U.S. or of Peking to conclude a normalization agreement which would appear to be abandoning Taiwan to its fate. We could not afford to raise doubts about the constancy of America's purposes in security matters in Moscow, Tokyo, or elsewhere, or by making our relationship controversial in our domestic political debate.

