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REASON FOR WITHDRAWAL . . . . ÇNational security restriction  
TYPE OF MATERIAL . . . . . ÇMemorandum  
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RECEIVER'S NAME . . . . . Secretary Kissinger  
DESCRIPTION . . . . . re working dinner meeting with PRC  
Foreign Minister  
CREATION DATE . . . . . 09/26/1975  
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DEPARTMENT OF STATE  
BRIEFING MEMORANDUM

7519055

S/S

CONFIDENTIAL/LIMDIS

September 26, 1975

To: The Secretary

From: EA - Philip C. Habib *H*

Fluor Petrochemical Project in Hong Kong  
and "Secret Message" about Taiwan

On the off-chance that Ch'iao Kuan-hua will mention the subject, you should be aware of the Fluor Corporation's project for a huge petrochemical complex in Hong Kong involving the People's Republic of China. The project, if pushed to fruition, would mark a major new departure in the PRC's policy on developing its petroleum resources. Fluor is a large, reputable, experienced engineering firm which has negotiated a number of projects overseas, but there are many bizarre aspects to this case which call for caution. We have been told by Fluor representatives that the Chinese may approach us about the project, possibly at your level.

The Fluor Project

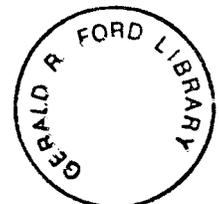
The main elements of the project are as follows:

-- Fluor would contract with a group of Hong Kong businessmen fronting for the PRC to build a multi-billion dollar petrochemical refinery complex in Hong Kong.

-- The PRC would contract with the Hong Kong front company to supply all the necessary petroleum and to take back about 85 percent of the product.

-- Initial financing would come from a consortium of US banks, who would be repaid over a 10-12 year period.

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STATE DEPT, GUIDELINES  
BY HR, NARA, DATE 7/9/08

-- The service charge on the 85 percent of the product supplied to the PRC would pay for the operating costs, while the income from the remaining 15 percent sold on the world market would pay off the bank loans.

Fluor officials are convinced that the project is technically sound and that the PRC is very interested in it. They have pressed hard for an expression of US Government approval of the project, which they wished to use with the Chinese and with various major American banks. The Hong Kong Government is skeptical about some aspects of the proposal, but is keeping an open mind.

The project has some important implications, but because of Fluor's insistence on secrecy at this stage, it has not been fully vetted within the US Government. For this and other reasons, we have restricted our response to telling Fluor informally that we had no problem in principle with the project or with Fluor's desire to pursue it further.

#### Complicating Aspects

Our assessment of the project has been complicated by two factors: the unusual manner in which the Fluor-PRC negotiations have been pursued; and the involvement of a Fluor consultant, Harned Hoose, who has played a major intermediary role in discussions with both the PRC and working levels of the US Government. Hoose is a name-dropper and contact-exploiter par excellence and his injection of implausible political elements stands in marked contrast to the more sober approach of the Fluor representatives, although the latter seem to accept Hoose's account.

In a nutshell, Hoose claims to have developed a "high political channel" directly to PRC Defense Minister Yeh Chien-ying and Vice Premier Teng Hsiao-p'ing. Hoose has alleged at various points that the PRC required a political signal from us (such as troop withdrawals from Taiwan or granting MFN) to indicate our approval for the Fluor project; that Teng would raise the subject with you in Peking; that Teng would confirm PRC interest if the subject were raised by George Bush; and most recently, that the PRC would approach the USG about the project.



Proposed Response on Fluor Project

Stripped of these bizarre political aspects, the Fluor project has elements of plausibility and might conceivably be attractive to the PRC. However, it would represent a significant departure from PRC practices to date and there is a serious question as to the degree of PRC interest.

We consider it unlikely that Ch'iao will raise the subject with you, but should he do so, I recommend that you respond along the following lines:

-- Fluor has told us about the project in general terms and we have indicated we have no objection to Fluor continuing its discussions of the project.

-- It would be premature for the USG to take a position on the project at this stage, but we would like to know how the PRC views the project.

-- Hong Kong Government approval would obviously be required.

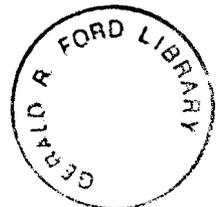
The "Taiwan Message"

Hoose also claims that he was asked through the "high political channel" to inform you that during your trip to Peking the PRC would be receptive to a proposal from you for resolving the Taiwan problem as follows:

-- an area around Taiwan would be declared a "non-military, non-combatant, neutral" zone, to be enforced initially by US and PRC patrols with the eventual involvement of other countries and perhaps the UN;

-- the initial agreement would be for 10 years and could be renewed;

-- with such an agreement, US-PRC diplomatic relations could be established and commercial agreements negotiated.



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4.

Hoose scattered copies of a memo on this subject to various people in the White House, State, CIA, and DOD, insisting that it be brought to your attention and that of the President. We have told him that the PRC has reliable official channels for communicating with us on such matters and advised him to drop the matter.

We find both the content of the message, and the channel used, highly implausible.

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E.O. 11652: GDS  
TAGS: PINT CH  
SUBJECT: CHOU EN-LAI'S HEALTH  
REF: PEKING 1773 (NOTAL); PEKING 1808 (NOTAL); PEKING 1820  
ON MORNING OF SEPTEMBER 27 MFA PROTOCOL DEPARTMENT PHONED  
INVITATION FOR USLO CHIEF AND MRS. BUSH TO ATTEND NATIONAL RECEPTION  
SEPTEMBER 30 IN THE GREAT HALL OF THE PEOPLE. THEY HAVE ACCEPTED,  
IN ACCORDANCE WITH PAST PRACTICE. INVITATION SPECIFIES THAT CHOU  
EN-LAI WILL GIVE THE RECEPTION. IN VIEW, HOWEVER, OF RECENT  
INDICATIONS (REFTELS) THAT CHOU'S CONDITION HAS WORSENERED, IT  
WOULD NOT BE SURPRISING IF ACTUAL HOST AT THE RECEPTION TURNED OUT  
TO BE TENG HSIAO-PING, ACTING CHIEF ON CHOU'S BEHALF.  
BUSH  
BT



\*\*\*\*\*WHSR COMMENT\*\*\*\*\*

HAK, SCOWCROFT, LL

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# Department of State

# TELEGRAM

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PAGE 01 STATE 231059 TOSEC 140002

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APPROVED BY EA:PCHABIB  
S/S -O:LMATTESON

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TO USDEL SECRETARY IMMEDIATE

~~SECRET~~ STATE 231059 TOSEC 140002

NODIS

E.O. 11652: XGDS - 3

TAGS: PFOR, UN, CH, US

SUBJECT: BRIEFING MEMORANDUM - CH'IAO KUAN'HUA'S UNGA  
SPEECH

FOR BARBIAN FROM HABIB AND LORD

1. FOLLOWING IS OUR COMMENT ON CH'IAO'S UN SPEECH, AND SHOULD BE PUT WITH THE BRIEFING BOOK FOR THE SUNDAY NIGHT DINNER. (AMB, MOYNIHAN HAS ALSO ASKED THAT HE SEE ANY ANALYSIS WHICH WE PREPARE.)

2. BEGIN TEXT:

AS YOU NOTED, CH'IAO KUAN-HUA'S SEPTEMBER 26 SPEECH TO THE UNGA TOOK A TOUGH LINE AGAINST THE US. ALTHOUGH AS USUAL THE SOVIETS WERE THE TARGETS FOR SOME OF HIS MORE BITING CRITICISM, THIS TIME HE WERE MORE EQUALLY ATTACKED THAN IN THE PAST. HE PULLED NO PUNCHES WHEN ATTACKING THE US GENERALLY AND SPECIFICALLY, SUCH AS KOREA AND THE MIDDLE EAST. IF TAKEN AT FACE VALUE, THE SPEECH WOULD SUGGEST MORE

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STRONGLY THAN MOST PRC STATEMENTS THAT THE US AND THE PRC HAVE FEW IF ANY COMMON INTERESTS.

IN ADDITION TO WHAT HE SAID ON PARTICULAR ISSUES, SOME EXPECTED, SOME NOT, WHAT IS PERTURBING IS THE CUMULATIVE EFFECT OF HIS CRITICISM OF THE US.

-- THE TWO SUPERPOWERS ARE BLAMED FOR MOST OF THE WORLD'S PROBLEMS; BECAUSE OF THEIR CONTENTION, "THEY ARE BOUND TO GO TO WAR AGAINST EACH OTHER SOME DAY." BOTH SUPERPOWERS "ARE AFTER WORLD DOMINATION." HOWEVER, HE DID SAY THAT "THE DANGER OF WAR COMES MAINLY FROM THE WILDLY AMBITIOUS SOCIAL IMPERIALISM."

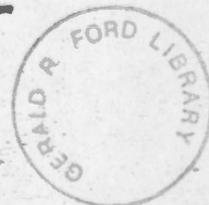
-- "THE MORE EVILS THEY (THE SUPERPOWERS) DO, THE MORE THOROUGHLY THEY WILL REVEAL THEIR TRUE FEATURES..."

-- THE U.S. "HAS NOT LAGGED BEHIND" THE SOVIETS IN STIMULATING CIVIL WAR IN ANGOLA. HOWEVER, THIS IS ALL HE SAYS ABOUT US AND THE SOVIETS ARE ATTACKED AT LENGTH.

-- "U.S. INTERFERENCE IN KOREA IS THE ROOT CAUSE OF CONSTANT TENSIONS IN KOREA." RECENT U.S. PROPOSALS ON THE KOREA QUESTION ARE DESIGNED TO LEGALIZE THE PRESENCE OF U.S. TROOPS IN SOUTH KOREA AND TO PERPETUATE THE DIVISION OF KOREA. THE U.S. DRAFT RESOLUTION IS COMPLETELY UNACCEPTABLE. WHILE NOT BEING SO EXPLICIT IN REJECTING OUR CONFERENCE PROPOSAL, HE IS HIGHLY NEGATIVE ON THAT AS WELL. THE CALL FOR WITHDRAWAL OF US FORCES IS MORE CATEGORICAL THAN IN THE PAST.

-- IN THE MIDDLE EAST, THE U.S. PROPOSES A "STEP-BY-STEP SOLUTION" AND THE SOVIETS A "COMPREHENSIVE SOLUTION". BOTH TRY TO "MASQUERADE AS A FRIEND OF THE ARAB AND PALESTINIAN PEOPLE." THE U.S. HAS NO INTENTION OF BRINGING ABOUT A THOROUGH SETTLEMENT OF THE MIDDLE EAST QUESTION (THE SOVIET UNION IS EVEN LESS INCLINED.) LIKE THE SOVIET UNION, THE U.S. PREFERS A "NO WAR, NO PEACE" SITUATION. THERE ARE SPECIFIC CRACKS AGAINST OUR NEGOTIATING EFFORTS: THE "STRUGGLE OF THE PEOPLE" NOT

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"AGREEMENTS ON PAPER" WILL DETERMINE THE FUTURE, A  
"SUPERPOWER IS TAKING ADVANTAGE OF THE PRESENT SITUATION  
TO SOW DISCORD AND ATTEMPT TO UNDERMINE ARAB UNITY."

-- REGARDING THE WORLD ECONOMIC ORDER, THE U.S. STRESSES  
"INTERDEPENDENCE" IN ORDER TO PRESERVE THE OLD ORDER,  
"SINCE THE USE OF OIL AS A WEAPON BY THE OIL-EXPORTING  
COUNTRIES, ONE SUPERPOWER HAS KEPT HURLING ABUSES AND  
WAVING THE BIG STICK AT THEM AND EVEN THREATENED THEM  
WITH ARMED INTERVENTION..." CH'IAO CLOSELY TIES CHINA  
TO THE THIRD WORLD STRUGGLE,

EVEN WHEN ABBREVIATED LIKE THIS IT IS A FORMIDABLE LITANY,  
BEYOND THE "EMPTY CANNONS" WE HAVE BEEN EXPOSED TO IN THE  
PAST.

WE CAN ONLY SPECULATE ABOUT WHY THE CHINESE LEADERS  
DECIDED TO TAKE SUCH A HARD LINE AGAINST THE US. SOME  
POSSIBILITIES:

-- THEY MAY ASSUME, ON THE BASIS OF PAST EXPERIENCE,  
THAT WE WILL ROLL WITH THE PUNCH AND NOT LET SUCH SPEECHES  
AFFECT OUR BASIC RELATIONSHIP.

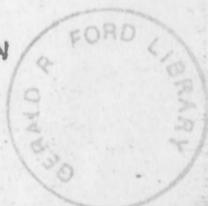
-- PEKING PROBABLY JUDGES (FROM DEBATES IN THIS COUNTRY,  
SLIPPAGE ON SALT AND BREZHNEV VISIT, ETC.) THAT WE ARE  
HAVING TROUBLES WITH MOSCOW AND THAT THIS REDUCES OUR  
LEVERAGE ON THE CHINESE.

-- IN ADDITION, THEY CALCULATE GENERALLY THAT WE ARE  
ON THE STRATEGIC DEFENSIVE AND ARE LESS ABLE TO CONDUCT  
A COHERENT AND EFFECTIVE FOREIGN POLICY.

-- FOR REASONS RELATED TO PRC LEADERSHIP TENSIONS AND  
POLICY DEBATES, EVEN THOSE CHINESE LEADERS WHO SUPPORT  
THE RAPPROCHEMENT WITH THE U.S. FEEL IT IS NECESSARY TO  
PROTECT THEIR FLANKS.

-- THEY HAVE PROBABLY CONCLUDED THAT THE PRESIDENT'S  
TRIP IS UNLIKELY TO RESULT IN A BREAKTHROUGH ON THE TAIWAN

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Department of State

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ISSUE AND ARE THEREFORE NOT PARTICULARLY WORRIED ABOUT THE EFFECT OF A SPEECH LIKE THIS ON OUR ATTITUDE ON THAT ISSUE.

-- IN ANY EVENT, THE SPEECH REFLECTS ONE ASPECT OF PRC STRATEGY IN DEALING WITH US: THE PRC IS NOT GOING TO ADJUST ITS VIEWS TO ACCOMMODATE THE U.S., SO THE U.S. MUST DO THE ACCOMMODATING.

NONE OF THESE EXPLANATIONS ARE FULLY SATISFACTORY IN THEMSELVES. THE PRC MOTIVATION IS PROBABLY AN AMALGAM OF ALL THEM.

WE BELIEVE THAT EARLY DURING YOUR DINNER WITH CH'IAO, YOU SHOULD INDICATE YOUR SERIOUS DISAPPOINTMENT IN HIS SPEECH, PERHAPS ALONG THE FOLLOWING LINES:

-- WE HAVE NOTED THE MARKED CONTRAST BETWEEN CH'IAO'S CRITICISM OF THE U.S. AND YOUR REMARKS ABOUT CHINA IN YOUR UNGA SPEECH.

-- IN ADDITION TO THE GENERAL STRIDENCY, THERE IS

GRATUITOUS OVERKILL ON PARTICULAR ISSUES. WE UNDERSTAND CHINESE DIFFERENCES WITH US AND EVEN THEIR NEED FOR SOME POSTURING, BUT WE DON'T UNDERSTAND WHEN THEY EVEN SINGLE OUT AREAS IN WHICH WE THOUGHT THERE WERE IMPORTANT PARALLEL ELEMENTS IN OUR VIEWS, AS IN THE MIDDLE EAST.

-- HARD-LINE SPEECHES IN THE UN NOT ONLY MAKE THE ATMOSPHERE AT THE UN MORE CONTENTIOUS BUT ALSO DO NOT HELP TO BUILD THE CLIMATE WHICH IS NECESSARY FOR THE FURTHER DEVELOPMENT OF OUR RELATIONSHIP. KISSINGER

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Chiu 222 5

THE WHITE HOUSE  
WASHINGTON

MEMORANDUM OF CONVERSATION

PARTICIPANTS: See Attached List

DATE, TIME,  
AND PLACE: September 27, 1975; 9:40 a.m. - 10:00 a.m.  
The Cabinet Room

SUBJECT: Presidential Meeting with the Scientific and  
Technical Association Delegation from the  
People's Republic of China

The President entered the room and greeted Dr. Chou, who noted that he had met Mr. Ford in 1972. The President recalled his dinner meeting with Dr. Chou and expressed his pleasure at being able to renew their acquaintance. In greeting the deputy delegation leader, Dr. Tseng, the President noted that Dr. Tseng had graduated from the University of Michigan. Dr. Tseng remarked that he had received his Ph.D. from the University. The President responded that he [Tseng] was a "young" scholar [relative to himself]. The President then shook hands with all the other delegation members, and expressed his welcome to the American escorts.

The President: Dr. Chou P'ei-yuan, it is a pleasure to welcome you and the delegation from the Scientific and Technical Association visiting the United States.

It has been very interesting to me to note that a number of your delegation studied in the past in various universities in the United States.

Your visit is further evidence of the growing friendly relations between your government and our government.

We welcome you and other delegations coming to the United States.

I note with some interest that among your scientific and technical delegation are experts on astrology, oceanography, aerodynamics, and other important areas of scientific interest to us and to yourself.



I am sure your delegation will be warmly welcomed on many campuses, colleges, and universities across the United States.

(to Dr. Chou): I deeply appreciate this opportunity to renew our acquaintance which we began in 1972. I do hope that on your return to China you will express to Chairman Mao and Premier Chou my very best wishes. I look forward to the opportunity of seeing them when I visit your country later in 1975.

I remember very vividly, and with many great memories, my visit to China in 1972 with Mrs. Ford. We visited Liaoning Province, and the city of Shenyang, and Anshan.

I hope you will enjoy the opportunity to visit the White House after our conference, and see the residence of the President of the United States. It is a beautiful home, and I hope you will enjoy the experience.

You are in very good hands with the American experts escorting you around the U.S. It is beneficial to your country and to ours that you are making this visit.

Dr. Chou: Mr. President, I would like on behalf of the delegation members of the Scientific and Technical Association of the People's Republic of China to express our deep gratitude for your kind reception.

We will convey your good wishes to our Chairman Mao and Premier Chou when we get back.

We would also like to extend our gratitude to the Committee on Scholarly Communication with the People's Republic of China for its kind invitation. It is a short time since our arrival, but already we have visited some institutions and have been accorded a warm welcome on our visit by American scientists and people. This shows the traditional friendship between the Chinese and American people.

It is our belief that our visit will strengthen the understanding and friendship between the people and scientists of our two countries. We warmly welcome you to visit China.

The President (to Huang Chen): It is nice to see you again, Mr. Ambassador, as well as this delegation of scientists and technical experts.



The exchange of scientific information transcends political philosophies. I am sure this visit will strengthen the excellent relations between our two countries.

Ambassador Huang: I am very glad to be here again, Mr. President, and I am pleased that you are receiving the delegation from the Scientific and Technical Association of our country.

Just now the Chairman of the Scientific and Technical Association delegation has said a few words. I would like to add that to develop Sino-American relations according to the Shanghai Communique is in the interests of our peoples and our two countries.

The President (to Huang Chen): Do you understand all these areas of expertise: oceanography, astronomy, environmental science? I don't!  
(Laughter)

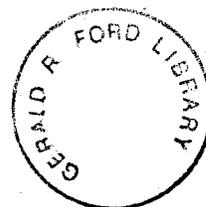
Ambassador Huang: We are in the same boat; we are all laymen (laughter).

The President: But we do depend on these areas of expertise if we are to make a better world.

Thank you very much, and thank you to the American group travelling with you. I am sure they will make your visit a success. I know you will receive a warm welcome from the American people.

(The President and the guests arose.)

(to Dr. Chou): This has been a nice opportunity, I will tell Mrs. Ford that we had a chance to renew our acquaintance. Goodbye.



Participants

U.S. Government

The President

Brent Scowcroft, Lt. General, USAF, Deputy Assistant to the  
President for National Security Affairs

Richard H. Solomon, Senior Staff Member, National Security Council

William Hitchcock, Deputy Assistant Secretary of State for Educational  
and Cultural Affairs

PRC Scientific and Technical Association Delegation

Chou Pei-yuan, Leader

Tseng Cheng-kuei, Deputy Leader

Chuang Feng-kan

Ting Hou-chang

Huang Yung-wei

Chang Ho-chi

Cheng Tsung-shuang

Tsien Hao

Yen Tun-shih

Liu Tung-shen

Liu Ching-yi

Chi Ming-hou

Hsia Kan-yuan

Chu Yung-hang

PRC Liaison Office Officials

Ambassador Huang Chen

Tsien Ta-yung

Shen Jo-yun

National Academy of Sciences' Committee on Scholarly Communication  
with the People's Republic of China (host organization)

Philip Handler, President, National Academy of Sciences

Frank Press, Chairman, Committee on Scholarly Communication

Albert Feuerwerker, Vice Chairman, Committee on Scholarly Communication

Anne Keatley, Staff Director, Committee on Scholarly Communication

Alexander De Angelis

