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[4/20/76]

THE WHITE HOUSE  
WASHINGTON

Dick Cheney)

I've read.  
Timing is just not  
good now.



THE SECRETARY OF COMMERCE  
WASHINGTON

April 16, 1976

NOTE FOR RICHARD B. CHENEY  
ASSISTANT TO THE PRESIDENT

RR-9

I appreciate your informing me of the President's views on the prematurity of the proposed China visit--given the present Chinese political context. While the state of flux in the Chinese situation is, of course, an obvious and important variable in the overall equation, my own analysis of this and other considerations led me to weigh the balance differently. My views--and the views of others whom I consulted--are summarized in the attached "talking point" memorandum which reflects the points I would have made to the President.

At this stage I would not wish to ask the President to reconsider his view, but I would appreciate it if you would bring the attached memo to his attention--in order that he might appreciate the range of considerations which led me to my recommendation.

Thanks very much.

Elliot L. Richardson

Attachment



THE SECRETARY OF COMMERCE

WASHINGTON, D.C. 20230

April 14, 1976

SUMMARY OF POINTS FOR DISCUSSION  
WITH THE PRESIDENT

SUBJECT: PROPOSED CHINA VISIT

I. INTRODUCTION

On March 19, we discussed a proposal to expand my May trip to the Far East in order to take certain Commerce-related initiatives in relation to the People's Republic of China. At that time, you suggested that I do some further consultation--with a view toward your reaching some decision by the second week in April, i.e. in time to allow implementation should you reach an affirmative decision.

II. SUMMARY OF CONSULTATIONS AND RECOMMENDATION

Because the issue of the trip involves considerations of energy policy, trade policy, foreign policy and domestic politics, I have sought the advice of a range of your advisers--whose judgment, in short, would seem to be as follows:

- o Frank Zarb: strongly favorable on several grounds--most significantly with regard to energy policy and potential contribution to ongoing oil negotiations with Soviets and Iran. (It is my understanding that Frank has discussed this with Alan Greenspan who is also favorably disposed.)
- o Fred Dent: strongly favorable--particularly when viewed as follow-up to specific Textile Manufacturers commitment, and more generally, as creative commercial dimension to foreign policy.

- o Henry Kissinger: skeptical on grounds of current internal Chinese conditions and past Chinese reluctance to move on trade issues--however, Henry notes that the question of whether there should be a trip is separable from what should be discussed; if a trip is decided upon, he would wish to keep the substantive agenda within carefully circumscribed limits.
- o George Bush: generally favorable--although uncertain re timing given current Chinese situation.
- o Brent Scowcroft: neutral to favorable on the symbolic (and indirect substantive) value of the trip; although favorable on oil, has serious negative concern re substantive issues of claims and textiles; would wish to go very lightly (if at all) on these, lest Chinese interpret initiative as opportunistic.
- o Rog Morton: favorable on both substantive and political grounds.

My personal recommendation is as follows: that you

- o authorize the trip--to be led by Richardson, accompanied by Zarb and a high-level State Department official (Robinson or US/Economic Affairs or AS/Economic Affairs);
- o limit the substantive agenda to "exploratory conversations" re oil and energy technology; and to only the most gingerly treatment of claims and textiles in the context of a more general discussion of trade relations (details to be worked out in coordination with State/NSC);
- o direct that necessary action be taken with the Chinese to gain the appropriate invitation--perhaps best by indirectly suggesting that the Chinese might, at this point, find it in their own interest to show signs of "business-as-usual" with the West.

### III. SUMMARY OF ARGUMENTS PRO AND CON

#### A. ARGUMENTS IN FAVOR (substantive and political)

- (1) Symbolic value. The trip would seem to build upon your own China visit--in effect giving greater force to your initiative by showing positive, substantive follow-up.
- (2) General pressure on Soviets. For all the Soviet-related reasons which argued for the original China re-opening, it makes general foreign policy sense--particularly in the light of the controversy surrounding "detente." Given the recent change in Chinese leadership, it may be particularly opportune to remind the Russians that U.S.-Chinese relations will continue to be developed nonetheless.
- (3) Help re oil price negotiations. It would provide an opportunity to put pressure on OPEC and on the Soviets with regard to oil prices. China has been distinctly cool over joining OPEC and has undercut OPEC prices for some small sales in Southeast Asia. At the very least, the trip could increase uncertainty over China's potential export role. Although our estimates of likely Chinese export quantities tend to be pessimistic, world press has frequently likened China to a new Saudi Arabia. We should be able to take advantage of the uncertainty to help in our continuing oil negotiations with the Soviets and the Iranians.

Although a significant direct Chinese oil deal may not actually be a likely outcome, the very fact (or even just the presumption) of "exploratory discussions" should be advantageous in other international oil price-setting contexts. (To my mind, the unoptimistic prospects for Congressional action on your full energy program--and the associated unfavorable implications for "independence"--require us to take every reasonable step internationally to help restrain irresponsible cartel pricing. This could be an important helpful step.)

- (4) Other oil-related benefits. The trip would have several other potential oil-related benefits: It could accelerate the Chinese use of U.S. oil equipment (particularly for off-shore development); it could facilitate Japanese acquisition of Chinese crude; it could conceivably increase the U.S. ability to exploit Southeast Asian OCS in areas now claimed by China; and it could advance considerably U.S. knowledge of China's oil potential.
- (5) Possible progress on claims. The trip could provide an opportunity for further discussion of the claims issue--resolution of which is necessary for any significant expansion of Sino-U.S. commercial relations. While the Chinese have resisted settlement of this issue pending resolution of other "political" issues (Taiwan), a case could be made (or re-made) that the Chinese would be well advised to start with small steps in the trade area--from which they might better move toward resolution of political issues.
- (6) Follow-up re textiles. It will provide an opportunity to suggest specific follow-up of your March 29 commitment to the American Textile Manufacturers:

"I can assure you that I am genuinely committed to finding the most appropriate way of dealing with the problem to insure that our domestic market is not seriously disrupted and that our objectives under the multifiber arrangement are met. I can assure you that they will be."

This commitment was clearly understood, widely publicized and much appreciated. But the textile import problem remains. And the textile industry remains highly concerned.

Further, the industry is not politically unsophisticated. It is watching closely for signs of Administration follow-up. It is, as you know, heavily based in the South--and may well move to gain a commitment similar to yours from Carter. But it wants some action before the election. And if none seems likely to be forthcoming, it is reasonable to anticipate mounting Congressional pressure for you to exercise your authority under the MFA and Section 204 of the Agricultural Act to impose unilateral restraints on P.R.C. exports. This situation would be undesirable in foreign policy, trade policy and political terms. It ought to be--and can be--avoided.

This is not to suggest that the trip should or would resolve the textile trade problem. It would, however, inevitably be viewed as a helpful step (regardless of the content of the discussions).

- (7) General political benefits. It would be politically beneficial to you--not simply because it would expand upon your own foreign policy initiatives as noted; but also because it would provide an opportunity to give your foreign policy a commercial dimension suggesting "there's-something-in-it-for-us." The possibility of textile discussions, the possibility of equipment sales, the implicit pressure on the Russians and OPEC (which the press would surely pick up)--these could be cast to your advantage with conservatives, and with important segments of labor and industry, while at the same time the forward movement with China generally would deepen your appeal among the wide base of independents who are concerned that America continue its dynamic internationalism.



B. ARGUMENTS AGAINST

It may reflect a bias on my part, but I have been able to identify only the following three arguments against the proposed trip:

- o Due to the current Chinese internal situation, the Chinese may feel that the timing of the proposed visit is not right.
- o Due to the current Chinese internal situation, the Chinese might view any initiative on claims or textiles as an opportunistic effort on our part.
- o In the past, the Chinese have shown no significant favorable interest in achieving progress on trade issues.

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Elliot L. Richardson