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DEPARTMENT OF STATE
BRIEFING MEMORANDUM

S/S

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January 6, 1977

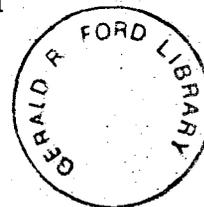
TO : The Secretary
FROM : S/P - Winston Lord *W*

DECLASSIFIED *State Dept.*
E.O. 12958, SEC. 3.5 *Rev. 3/3/04*
STATE DEPT. GUIDELINES
BY *HR*, NARA, DATE *8/4/08*

Your Lunch to Introduce Ambassador Huang
to Secretary-designate Vance

In addition to Ambassador Huang Chen, the Chinese will be represented by the two other officers at your last meeting (Counselor Tsien Ta Yung and the interpreter). I have asked EA to do another roundup of Chinese domestic developments and attitudes on foreign policy similar to the one done for your December 21 meeting. Attached is a transcript of that session, which you may wish to show to Mr. Vance. Highlights of that very cordial meeting included:

- The Ambassador's rather defensive assertion that the situation in China is excellent and that the Central Committee headed by Chairman Hua Kuo-feng (note the emphasis on the collective rather than Hua alone) "has followed Chairman Mao's behest and smashed at one blow the 'Gang of Four' and the anti-party clique." This of course suggests that the situation is not excellent at all -- all the turmoil in China in recent weeks attest to this.
- The Ambassador's assurance that now Peking should be able to implement better Chairman Mao's revolutionary line in foreign policy (i.e., hostility to Moscow and opening to the West). This is a clear indication that the radicals would in fact oppose some of Mao's foreign policy.
- The Ambassador constantly invoked Chairman Mao's authority, including the many detailed conversations with you. He even went

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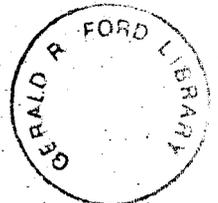
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back to the Chairman as a means of ducking your direct question about what he saw as the biggest problem in future Sino-US relations. "The revolutionary line and policy formulated by Chairman Mao will never change."

- Consistent with the usual line, the Ambassador stressed our common opposition to the Polar Bear as the main element of our relations. He also stressed normalization and the fulfillment of our commitments in this regard, though he used the lighter touch of recent weeks rather than the heavier pressures we experienced over the summer.
- The Ambassador also, in typical Chinese seemingly casual fashion, elucidated your opinions of President-elect Carter and Secretary-designate Vance. Without boxing in the next Administration, you gave general reassurances about the continuity of our foreign policy with respect to Peking and Moscow.
- Similarly, the Ambassador got across his concern about any possible publication of conversations between us in his prolonged inquiries about your memoirs and documents. (Per your request I called the Chinese Liaison Office on the evening of December 30 to knock down as totally fabricated the New York Times article suggesting you would publish your conversations with Chairman Mao.)
- The Ambassador, unsurprisingly, made clear that no Chinese leader would visit Washington so long as we had not shifted our diplomatic relations. He generally dismissed the possibility of another American city without flatly ruling it out. Nor did the possibility

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of a third country come up (for instance, e.g. Japan) though I doubt seriously that anybody above the Foreign Minister would meet with us outside China. (You promised to inform Mr. Vance of the Chinese position.)

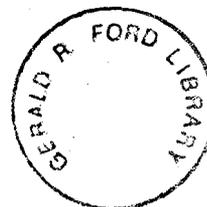
I see the purpose of this lunch as basically to introduce Mr. Vance and the Ambassador, to give Mr. Vance an opportunity to get across some general reassurance on behalf of President-elect Carter, and to symbolize continuity of American foreign policy. In this latter regard I think it is essential that there be a photo opportunity and some press play about the lunch similar to your meeting with Mr. Vance and Ambassador Dobrynin. There is an urgent need for the Carter Administration to make a positive statement about US/China relations against the background of all the attention being paid to US/Soviet relations, a possible Brezhnev visit here, uncertainty about the defense budget and our general posture in the world, and various statements by President-elect Carter and Mr. Vance in recent months to the effect that the security and independence of Taiwan is important and normalization with Peking will go slowly.

In addition to sizing up Mr. Vance and the foreign policy posture of the Carter Administration generally, I believe the Chinese would be most interested in what the Secretary-designate would have to say on the following issues: their attitude toward and relations with Moscow; their commitment and sense of timing on normalization; policies toward NATO, Japan and Western defenses generally; and the regional conflicts in the Middle East, Africa and Korea. The Ambassador presumably would also be interested in any prospects for early high level contacts between the Carter Administration and the Peking leadership. Finally, the Ambassador might want to know whether Secretary Vance will keep them informed of our international actions, particularly with regard to the Soviet Union, as you have done over the years.

Attachment

MemCon of Dec. 21, 1976 meeting

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MEMORANDUM OF CONVERSATION

DATE: Tuesday, December 21, 1976
4:35 p.m. - 5:40 p.m.

PLACE: Secretary Kissinger's Office
Department of State

PARTICIPANTS: Ambassador Huang Chen,
Chief of PRC Liaison Office
Mr. Tsien Ta Yung,
(Counselor at Liaison Office)
(No. 3 man)
Mr. Hsu Shang-wei,
Interpreter

Dr. Henry A. Kissinger,
Secretary of State
Mr. Winston Lord,
Director, Policy Planning Staff

Ambassador Huang: Are you busy?

Secretary Kissinger: Am I busy? Well, I'm somewhat busy. I am spending a lot of time with my successor these days. I'm going to invite you in January to come to lunch so that I can introduce you to my successor.

Ambassador Huang: You are old friends. I know that Secretary-designate Vance was Chairman of the Board of the Rockefeller Foundation.

Secretary Kissinger: Right.

Ambassador Huang: You are old friends.

Secretary Kissinger: I have known him for a long time.

Ambassador Huang: About a week ago David Rockefeller paid a visit to me. He wants to go to China.

He talked to me about your relationship.

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Secretary Kissinger: Between David Rockefeller and me?

Ambassador Huang: He talked about his relationship to Vance and Vance's relationship to you.

Secretary Kissinger: Yes, we have worked together for a long time.

Ambassador Huang: So that's good. It's easier for you to transfer the work.

Secretary Kissinger: Yes, that makes it a lot easier.

Ambassador Huang: As you know Mr. Vance visited China last year as Head of the Delegation of the World Affairs Council.

Secretary Kissinger: He was there just before I was. A number of our Chinese friends referred to his visit when I was there.

Ambassador Huang: He spent more than 3 weeks in China. So you know each other quite well.

Secretary Kissinger: Yes, I know him well and I think his basic philosophy will probably be similar to mine.

Ambassador Huang: Also in terms of foreign policy?

Secretary Kissinger: Especially in terms of foreign policy.

In fact I wanted to see you before I left office on a personal basis to tell you of all the things I have done in public life the opening to China is the policy that has been among the most significant. And as one of the co-authors of the Shanghai Communique I feel even as a private citizen I will always stand for the implementation of the Shanghai Communique and progress for the normalization of our relations.

Ambassador Huang: There have been several months since we met last. The last time we met was when you came to our Liaison Office to pay condolences at the parting of Chairman Mao. During this period United States has held a general election. I can tell you, Mr. Doctor, that



the situation in China is now excellent. Our Party's Central Committee headed by Chairman Hua Kuo-feng has followed Chairman Mao's behest and smashed at one blow the "Gang of Four" and the anti-Party clique. After exposing the interference and disruption of the "Gang of Four", we should even better implement and carry out Chairman Mao's revolutionary line and policy in our foreign affairs. Doctor, you have met the Chairman . . . (Discussion among the Chinese) you have met Chairman Mao 5 times. I can say that no other Foreign Minister has met Chairman Mao so many times. As I know, you have had several long talks with Chairman Mao.

Secretary Kissinger: They were of great importance.

Ambassador Huang: Chairman Mao during these long talks elucidated our position and views on the international situation, Sino/US relations and every major international issue in great detail.

Secretary Kissinger: In great detail and with great profundity.

Ambassador Huang: It proved that there are many common points among us; the most important item is that we join together to cope with the Polar Bear.

Secretary Kissinger: Exactly.

Ambassador Huang: Although Chairman Mao has passed away his revolutionary policy in foreign affairs remains. And in the future we will strictly act accordingly. The revolutionary line and policy formulated by Chairman Mao will never change.

Secretary Kissinger: It's my conviction that the line as we discussed it with Chairman Mao and other Chinese leaders, especially Chairman Mao, about having common interests, especially in relations with the Soviet Union, must be a basic principle of American foreign policy. I will always support this policy and do my best to see to it that it is maintained, and I believe that Secretary Vance will also see matters in a similar light.



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Ambassador Huang: In the last 6, 7, or 8 years, actually we can say that since 1969, Doctor, you have gone through the whole process of the evolution of Sino/US relations. You are quite aware of the background of Sino/US relations.

Secretary Kissinger: I think I have seen every message and every exchange.

Ambassador Huang: And also the commitments made by the US side.

Secretary Kissinger: At least 5 pounds of my over-weight is due to what the Ambassador fed me in Paris.

Ambassador Huang: All of that still remains fresh in my mind. Each friendly meeting is still fresh in my mind. In opening the relationship with the Chinese under the instruction of former President Nixon you have done a lot of work and we are also aware of the role played by you in this.

Secretary Kissinger: And Winston Lord, too.

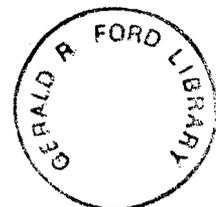
Ambassador Huang: (pointed toward lord) We had dinner during the last Moon Festival and I talked to Mr. Lord about this.

As you mentioned the Shanghai Communique I would like to say a word. The Chinese side still maintains that so long as all the principles in the Shanghai Communique are strictly observed by both sides, the relationship of our two countries can continue to be improved. Any action which runs counter or goes back on the principles of the Shanghai Communique will lead to severe consequences which the Chinese side will oppose too. As to how the future Sino/US relationship will be, this will not entirely depend on the Chinese side.

And during the past years I have personally been in contact with the Doctor and I am very glad personally to have established a friendship with you. I hope I can also establish a friendly relationship with your successor, Mr. Vance, as good as ours.

Secretary Kissinger: This is why I suggested that perhaps the Ambassador could accept an invitation from me in

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January where I would invite Mr. Vance so I could introduce you. (The Ambassador nods in agreement.)

I believe very strongly that the implementation of the Shanghai Communique strictly on both sides must be the guideline of our policy and I will strongly advise Secretary-designate Vance to do this. And I shall always work in this direction. We must never neglect that relationship or permit any doubt to arise about our commitment to oppose hegemony and work toward normalization of relations. (The Secretary repeats this sentence for the interpreter upon the latter's request.) Our policy must always be one in which we conduct ourselves so that no doubt exists that we oppose hegemony and promote normalization. I think you will find my successor open-minded and committed to improving relations. I personally believe, as I have said on many occasions, that a strong China is an element of stability in the world and of equilibrium.

Ambassador Huang: We learned from the newspapers that not long ago you went to Plains, Georgia.

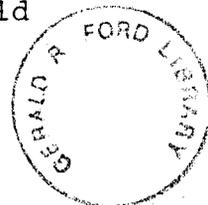
Secretary Kissinger: Yes, I spent about 7 hours with President-elect Carter.

Ambassador Huang: You knew him beforehand?

Secretary Kissinger: Yes, I met the President-elect in 1974 when I went to Atlanta and I met him once again in 1975. And then of course I had a very long talk with him when I visited him in Plains, Georgia, which is a very little town in the middle of nowhere.

Ambassador Huang: Seven hours is a long talk.

Secretary Kissinger: He is a very intelligent man. (Not translated.) We reviewed relations with China and I explained to him the origin and our understandings and my conviction that the Soviet Union understands only strength, that one cannot deal with the Soviet Union from weakness. I told him that the most profound analysis of the world situation I generally heard in Peking from Chairman Mao and others, and that he should pay attention to your view of the world situation.



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Ambassador Huang: We learned also from the newspapers that you said to some reporters that the Chinese mean what they say.

Secretary Kissinger: Right. I said that their word counts.

Ambassador Huang: They quoted your sentence.

Secretary Kissinger: Did you notice, however, that I compared what you can believe the Soviets say to what the Chinese say.

Ambassador Huang: Recently there are some people who raise such questions, that maybe Doctor you also heard, they raised such questions to the effect that the United States has already had two Presidents visit China and now it is the Chinese turn to send you their highest leaders to come to the United States. Our reply is clear and simple. Just as Senator Mansfield said clearly, before normalization it is unrealistic to expect the Chinese leaders to come to the United States, because as always we oppose a two-China policy and here in Washington there is still Chiang's so-called Embassy, so of course high leaders could not come here. When your leaders came to China it was not the situation that they could not go to China because there was another American Embassy in Peking. Thus we regularly oppose a two-China policy as a matter of principle. We can not barter away principle.

Secretary Kissinger: Does this apply to every American city or just Washington?

Ambassador Huang: (laughing) As I told you, Mr. Doctor, we always go through the front gate, not the back door.

Secretary Kissinger: I remember we had these discussions a few years ago already and I will be sure to pass on your view to my successor.

What do you think the biggest problem in our relationship will be over the next few years?



Ambassador Huang: (laughing) Since our late Chairman Mao held several long talks, especially last year in October and December, Chairman Mao has already elaborated on those major issues so I have nothing to add. (Gesturing with his hands) You have talked with Chairman Mao as many as 5 times and in all the long talks Chairman Mao delineated his position and point of view on the international situations, bilateral relations, and also major international issues. Maybe you can tell your successor about these talks for many days.

Secretary Kissinger: You can be sure. We are going to spend several days just on these problems in January. Even after I leave office I will be in contact with various people.

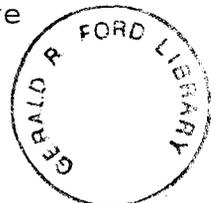
Ambassador Huang: I believe entirely that after you leave this office you will continue to work toward improving relations between our two countries and make your contribution.

Secretary Kissinger: You can be sure that this will be the case.

Ambassador Huang: Recently, Mr. Doctor, you visited Europe and attended the NATO Ministerial Conference. Also you still had several talks about the Middle East situation and also African issues. Is there anything you would like to tell me?

Secretary Kissinger: I think, with regard to NATO, that the relationship between us and the Western European countries has never been better. And there is a realization reflected in the NATO Communique that the defenses of NATO must be strong. And you will see that in the Defense budget for next year which President Ford will submit; it will represent a substantial increase over last year. Unfortunately in Great Britain the economic situation has led to a slight reduction in defense expenditures but the need to strengthen the defenses of NATO was very well understood by all of my colleagues.

With respect to the Middle East it is my belief that we should begin, and we intend to begin, a peace initiative very soon.



Ambassador Huang: From your side? The United States would take the initiative?

Secretary Kissinger: The United States should take the initiative and should do it in a manner that doesn't enable the Soviet Union to re-enter the Middle East situation. We believe that Soviet influence has declined in Syria and that therefore we ought to use this opportunity to make fairly rapid progress, or rapid progress, toward peace in the Middle East. I think that this is also the view of the new Administration.

With respect to Africa, quite candidly the Soviet Union is quite active in Southern Africa. The British will make a new initiative on the Rhodesian problem which we will support, and they are sending a mission next week. But that situation is still complicated, and we must all make sure that there is not a repetition of Angola in other places like Rhodesia and Namibia.

How is my old friend Huang Hua? Is he well settled in as Foreign Minister?

Ambassador Huang: He is also an old friend of yours.

Secretary Kissinger: Yes, he was there on my first visit at the airport.

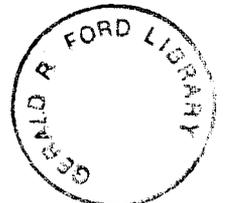
Ambassador Huang: You are old friends.

Secretary Kissinger: He is an old friend. So is Marshal Yeh.

Ambassador Huang: (after discussion among the Chinese) You have many friends in China.

Secretary Kissinger: Well, I think of them with great warmth.

Ambassador Huang: (smiling) I learned from today's newspaper that there will be a Kissinger office for writing memoirs. This will be a gigantic work.



Secretary Kissinger: I am scaring everybody half to death.

Ambassador Huang: We can quite imagine that your memoirs will be quite a best seller. We heard that most of your documents will go to the Library of Congress.

Secretary Kissinger: Yes, but under restrictions where they cannot be opened. This was the best way to protect them, but they cannot be opened for 25 years.

Ambassador Huang: They will observe these restrictions? Is there a legal background?

Secretary Kissinger: Yes, there is a legal contract, a legal document.

Ambassador Huang: There was some previous news reports that part of your papers will be your private papers that you will keep and the other part will go to the public.

Secretary Kissinger: I am giving practically all my papers to the Library of Congress but will not publish any documents.

Ambassador Huang: For example, those records of foreign conversations will also be regarded as formal papers?

Secretary Kissinger: Conversations with foreigners are official papers. They will be treated with the same restrictions as government papers. They will be under exactly the same restrictions as government papers; they will not be available to the public for 25 years and then only if the Department of State agrees to it.

Ambassador Huang: But when you write your memoirs you can use these papers.

Secretary Kissinger: But I cannot quote them.

Ambassador Huang: There are many legal problems.

Secretary Kissinger: I won't quote them but at least they can refresh my memory.

Ambassador Huang: When will your memoirs be published?

Secretary Kissinger: Quite some time. Many years.

Ambassador Huang: Many years, (in English) How soon?

Secretary Kissinger: Four to 5 years. It's not going to happen next year.

Ambassador Huang: I wish I could read your memoirs earlier.

Secretary Kissinger: They will be very friendly to China. I have been a great admirer of your leaders.

Ambassador Huang: We can quite imagine (laughing). They won't include such problems as the fact that each time you came to my office in Paris you put on 5 pounds of weight.

Secretary Kissinger: That I may describe, but not what we said.

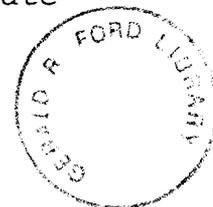
Ambassador Huang: I am very glad once again that I had this opportunity to meet an old friend. I wish you a happy New Year.

Secretary Kissinger: Thank you, the same to you.

Ambassador Huang: Also to your wife.

Secretary Kissinger: I will see you in the New Year with my successor, but if I don't see you alone any more, I want you to know that I have enjoyed working with you.

(There were continued friendly exchanges as the Secretary escorted the Ambassador to the door and Mr. Lord then took the Chinese to the Diplomatic entrance of the State Department.)



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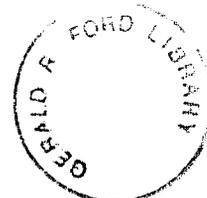
Situation in the PRC

As China enters the new year, the central leadership appears determined to use the opportunity presented by the purge of top leftist leaders to overcome the PRC's persistent political and economic problems. Decisive efforts to deal with these issues had proved impossible as long as Mao was alive, in part because of his propensity to preserve a balanced tension between "red" and "expert" lines of development. The deaths of Mao and Chou during 1976 helped precipitate a series of crucial tests of strength between these two lines, and the stage has now been set for a period of consolidation and revamping in both the economy and the key party organizations.

Major difficulties, however, lie ahead. Although most of the references to factional troubles which have recently appeared in the provincial media and have been replayed in the Western press describe the situation which obtained last summer--before Mao's death and the arrest of the "gang of four"--the situation is in some ways as tenuous as when Chou En-lai sought to steer the country onto a more stable course in the aftermath of the Lin Piao affair in 1971. The outlook, then, is clouded, but for the moment the initiative is in the hands of leaders who apparently believe that China's best interests will be served by a period of orderly development.

With the elimination of the leftist quartet, the central authorities are again placing great emphasis on economic construction, industrial production, orderly planning, and improving the people's livelihood. The idea of "self-reliance" has not been abandoned, but renewed stress has been placed on the importation of foreign technology as a means of speeding the transition to a modern economy.

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BY LR, NARA, DATE 8/4/08

The rigid cultural orthodoxy imposed by Chiang Ching has been somewhat relaxed. A new emphasis on discipline and "book learning" in the classroom seems to be under way, and preparations are being made for greater reliance on examinations as a means of selecting candidates for university-level education. These moves have contributed to a mood of hope and expectation in China that has been missing since before the Cultural Revolution.

Nevertheless, residual leftist resentment against the turn of political events persists, and rightist pressures to go further in the direction of "rationalization" than is politically expedient remain strong. Hua Kuo-feng's own staying power is still untested, and potentially destabilizing rivalry between the civilian and military bureaucracies looms in the background.

The new leaders have not yet apportioned power among themselves, and antagonisms among military leaders presumably remain. Underlying economic and social problems persist, and although they are likely to be tackled energetically, they cannot be easily solved. Moreover, even though foreign policy continuity is being stressed and there has been no recent change in PRC positions on most international issues, the regime will have to make concrete decisions in applying Mao's "revolutionary foreign policy line" to a changing world situation. The state of leadership cohesion will affect how it is able to address these problems, including specific issues in relations with both the United States and the Soviet Union.

Sino-US Relations. The Chinese are adhering to a wait-and-see attitude toward the Carter Administration. Private statements by Chinese officials since the November US elections, as reported through clandestine channels, have stressed the importance Peking attaches to further improving Sino-US relations. Several have said that the current Chinese regime would find progress toward normalization useful in bolstering its authority at home and abroad. A number of officials have said



that Peking does not intend to use force against Taiwan and is willing to wait patiently for reunification to take place. Some have even hinted at possible flexibility in the PRC approach on key issues, such as the handling of US-ROC Mutual Security Treaty and the future status of Taiwan.

These statements do not, however, form a consistent pattern. Most Chinese officials have reiterated standard PRC rhetoric, and a few have used hardline formulas, including statements that Taiwan would be liberated by the PLA. There is no evidence, moreover, of any change in Peking's position on the conditions for normalization. Thus, various officials have emphasized that:

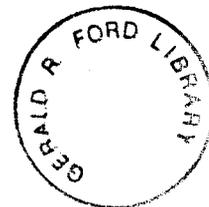
-- although the US and China have common interests of greater importance than Taiwan, fundamental improvement cannot be achieved until a solution to the Taiwan problem is reached;

-- normalization must follow the Japanese formula, including the "three conditions" (termination of the US-ROC security treaty, withdrawal of all US forces from Taiwan, and severing of US-ROC diplomatic ties); and

-- China will not guarantee non-use of force in reunifying Taiwan with the mainland.

On the official level, during Ambassador Gates' courtesy call on PRC Foreign Minister Huang Hua December 31, Huang did not mention Taiwan or conditions for US-PRC normalization but stressed that Sino-US relations would continue to develop "so long as both sides strictly abide by the principles contained in the Shanghai Communique."

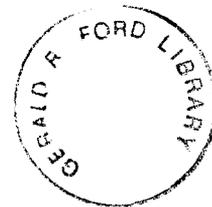
In late December, a former Taiwan politician, Chen Yi-sung, who was elected to the Standing Committee of the PRC National People's Congress in 1975, attracted attention in Tokyo when he granted a long interview to a Japanese newspaper, during which he offered various "personal views" on US-PRC relations.



Chen's reliability, however, is highly suspect. He was the source of earlier fallacious reports alleging that a high-level ROC delegation had gone to Peking to negotiate PRC-ROC differences. Doubts concerning his ability to speak for the regime have been further reinforced by a recent intelligence report in which comments by two PRC officials indicated that Chen had been relieved of his NPC position and had been reluctantly allowed to depart despite fears that he might make anti-PRC statements abroad.

In recent weeks, PRC-controlled newspapers in Hong Kong have portrayed President-elect Carter in relatively favorable terms. One noted that Carter in his December 27 press conference had expressed "deep concern" with growing Soviet military strength and commented that he obviously had not been lulled by Brezhnev's chant of detente. Earlier, however, these same papers had signalled PRC disappointment with Carter's campaign references to the "independence" of the people of Taiwan and expressed hope that the President-elect would realize such views are incompatible with his professed desire to normalize relations with China.

Sino-Soviet Relations. Prompt Chinese rebuttals of Soviet efforts to imply the existence of forward movement in Sino-Soviet relations since Mao's death have resulted in mixed signals from Soviet representatives. Some continue to allege that progress is being made in the border talks, while others realistically discount the likelihood of early progress. A New Year's greeting broadcast via Radio Peking in Russian reiterated Vice Premier Li Hsien-nien's November 15 banquet assertions that the Soviets continue to slander and threaten China while creating a false impression about detente. And a PRC-owned Hong Kong paper declared on December 30 that renewal of the Sino-Soviet border talks was not viewed by Peking as a sign of detente. It added that whatever the outcome of the talks, basic policy toward the Soviet Union will remain the same. Domestic PRC media have continued their steady stream of anti-Soviet propaganda.



At the same time, as noted later in this paper, there have been a number of tentative signs that the PRC may devote less domestic attention in the coming year to defense preparations against the Soviet military threat. While these signs might, if borne out, entail lowered tension between the two countries, this would not necessarily result in any improvements in the political climate of Sino-Soviet relations.

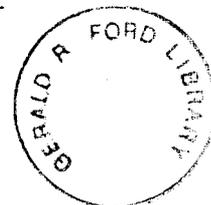
PRC Internal Situation. Over the past several weeks Peking has made several moves designed to demonstrate leadership unity and progress in dealing with China's woes:

-- A national conference on agriculture, which detailed problems and future strategies, was held during December with top leadership turnout. Peking also announced plans for a similar conference on industry to be convened before next May.

-- Chairman Hua Kuo-feng gave a major policy address at the conference in which he laid out four central tasks for the next year--criticizing the gang of four, strengthening the party, boosting economic growth and studying Marxism-Leninism-Mao Tse-tung thought.

-- A 1956 Mao speech on China's strategy for economic and political development was officially published for the first time on Mao's birthday December 26. The speech, which was replete with references critical of the Soviet Union, was quoted by Hua and others at the Agricultural Conference and has been widely circulated for thorough study as the correct analysis of China's problems and guide for its development.

-- Peking has disseminated a new central document on the crimes of the "gang of four" which includes preliminary reports of national and local investigations into the "gang's" activities and has ordered a new upsurge in criticism of the "gang" using this material. Provincial broadcasts began late last year to disseminate material detailing the role of the "gang" in fomenting local factionalism and disorders prior to Mao's death.



-- The central authorities have also continued to show their willingness to use the PLA to restore order and production if local officials cannot handle the situation. Thus, PLA officers were ordered to take charge of a strategic rail junction at Chengchow, Honan, in late December.

Civilian Versus Military Priorities. The publication of Mao's 1956 speech, with its emphasis on rational economic planning, suggests that Peking hopes to put aside the tumultuous experience of the Cultural Revolution and return to an atmosphere of domestic moderation, pragmatic domestic policies, and relative international peace which prevailed in the mid-1950's.

Of particular interest in the speech is Mao's argument that the best way to modernize China's military is to cut defense spending (he proposed by one-third) while building up China's industrial and technological base, thus ensuring the long-run ability of China to support a modern armed force. Mao justified the proposal, in part, by arguing that international tensions had eased, making world war unlikely, and that China was not in danger of attack.

Though PRC media otherwise have not mentioned a defense cut, there are signs that such a proposal may be under consideration. This year's New Year's joint editorial diverged from those of the last three years by omitting two Mao quotes on war preparations, by not mentioning the PLA's war-fighting duties, and by avoiding any comment on the imminence of world war. In addition, a December 26 broadcast concerning a Canton military rally presided over by the powerful Military Region commander, Hsu Shih-yu, stated that Mao's speech lays out "the correct guidelines for strengthening national defense building. ... We must strengthen national defense. Therefore, we must first strengthen economic construction."

Mao's speech could prove a powerful tool to those elements within the leadership who believe that economic construction must be emphasized over defense spending. Such a decision, however, would undoubtedly be controversial within China's powerful military establishment and debate



over the PRC's spending priorities could exacerbate tensions between China's military and civilian leaders. Nevertheless, the military establishment is not a monolith, and this fact could give Hua Kuo-feng and other top civilian leaders some room for maneuver.

The Teng Problem. A second problem plaguing the leadership concerns the fate of Teng Hsiao-p'ing. There is strong sentiment within the party apparatus and among some elements of the military leadership to "rehabilitate" Teng once again on the grounds that the charges against him last spring were trumped up or distorted by the leftist quartet. Teng's "rehabilitation," however, poses a number of troublesome issues for the new leadership in Peking and especially for Hua Kuo-feng, who has in effect stepped into Teng's shoes as the successor to the party and government positions of Mao and Chou. Disagreements within the leadership over how to handle Teng may have held up decisions on how to fill key posts, and Teng's reappearance, unless managed skillfully, could prove destabilizing.

The next few days could provide important clues to Teng's fortunes. Preparations for the first anniversary of Chou En-lai's death January 8 were obvious during the week, and posters appeared in Peking referring to "Comrade Teng" in an implicitly favorable light. A Tibetan radio broadcast has also indicated that the four purged radical leaders may be brought to public trial on the anniversary of Chou's death. Given the close connection between Teng's downfall and the "gang of four," any public moves to wrap up the case against the "gang" could be accompanied by decisions on Teng's own status.



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~~CONFIDENTIAL~~ PEKING 45

E.O. 11652: GDS
TAGS: PINT, CH
SUBJECT: TIENANMEN POSTERS CALL FOR RETURN OF TENG
REF: PEKING 35

1. FIRST ANNIVERSARY OF CHOU EN-LAI DEATH:
SITUATION REPORT AT 2300 HOURS JANUARY 7 LOCAL.

2. AT APPROXIMATELY 1730 HOURS A FOUR-PAGE POSTER
"CALLING FOR THE CENTRAL COMMITTEE UNDER THE LEADERSHIP OF
CHAIKMAN JUA KUO-FENG" TO MAKE A CLEARCUT DECISION
SOON ON THE RETURN OF TENG HSIAO-PING TO WORK WAS POSTED ON
THE WOODEN FENCE SURROUNDING THE TIENANMEN SQUARE CONSTRUCTION
SITE FOR MAO'S MAUSOLEUM. THE POSTER RECOUNTED THE BACKGROUND
OF TENG'S FIRST RETURN TO WORK, NOTED THAT THE PEOPLE HAD
WELCOME THE DECISION, AND ACKNOWLEDGED THAT TENG HAD COMMITTED
SOME NEW ERRORS UPON STARTING WORK AGAIN IN 1975. BUT, THE POSTER
WENT ON, NO PERSON IS IMMUNE FROM ERROR AND TENG'S ERRORS WERE
CONTRADICTIONS AMONG THE PEOPLE (UNLIKE THOSE OF THE GANG OF FOUR).
IN LIGHT OF THIS, IT WAS HOPED THAT THE CENTRAL COMMITTEE COULD MAKE
A
CLEARCUT DECISION "A BIT FASTER" AND "LET THE PEOPLE KNOW" A BIT
EARLIER. THIS LINE -- READ IN A TONE MIDWAY BETWEEN IMPATIENCE AND
THREAT -- RECEIVED SPORADIC APPLAUSE FROM THE THREE OR FOUR HUNDRED
PEOPLE GATHERED AROUND THE POSTER TO HEAR IT READ ALOUD.
LIKE THE POSTER PUT UP YESTERDAY ALONG
CHANG AN STREET NEAR THE PEKING HOTEL (WHICH IS ALREADY

***** WHSR COMMENT *****

SCOWCROFT, HYLAND, MCFARLANE, LL

PSN:046458 RECALLED PAGE 01 TOR:007/19:13Z DTG:071600Z JAN 76

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BY LR, NARA, DATE 8/4/08



TATTERED FROM THE CONTINUOUS PRESS OF MILLING THROUNGS), THIS OPUS RIDICULED THE EQUATION OF TENG WITH HUNGARY'S IMRE NAGY. (REFTEL)

3. OTHER POSTERS ALSO CALLED FOR A REEVALUATION OF THE TIENANMEN INCIDENT, THOUGH IN LESS INSISTENT TERMS. Milder slogans expressing love and respect for Premier CHOU continue to be posted at TIENANMEN AND ALONG CHANG AN STREET.

4. FLORAL WREATHS -- TOTALLING THREE LARGE ONES AND NUMEROUS SMALLER ONES BY 2300 -- COMMEMORATING PREMIER CHOU BEGAN TO APPEAR IN LATE AFTERNOON IN FRONT OF TIENANMEN. HANDWRITTEN POEMS AND INSCRIPTIONS PINNED TO THEM BROUGHT FORTH READERS AND SCRIBES FROM AMONG THE CROWD. AS ONE GROUP TOOK DOWN THE ENTIRETY OF THE MESSAGE, IT GOOD-NATUREDLY RETREATED IN A BODY TO MAKE WAY FOR THE NEXT CONTINGENT TO STEP FORWARD.

5. TO THE EAST OF THE FIRST POSTER WHICH APPEARED YESTERDAY ALONG CHANG AN STREET THERE WERE SUSPENDED FROM A TREE EFFIGIES OF THE GANG OF FOUR -- CHIANG CHING AND CHANG CHUN-CHIAO DANGLING TOGETHER FROM A LOW BRANCH, WITH YAO WEN-YUAN AND WANG HUNG-WEN PERCHED ABOVE. BENEATH THE EFFIGIES -- PREPARED WITH ARTISTRY SO FORMIDABLE THAT NO ONE COULD MISTAKE THE IDENTITY OF THOSE PORTRAYED --

UH
CROWDS GATHERED TO CRACK JOKES AND CARRY ON COMIC DIALOGUES WITH MEMBERS OF THE GANG. ONE JOKE HAD CONSIDERABLE BITE: THE HUNORIST OF THE MOMENT, MINICING ONE OF THE GANG, QUOTH "LEAVE TEIENANMEN SQUARE IMMEDIATELY." THE PERSON TO HIS IMMEDIATE LEFT RESPONDED: "OH YES, THAT'S WHAT WU TEH SAID AT THE APRIL TIENANMEN DEMONSTRATIONS."

6. PERHAPS SIGNIFICANTLY, A LENGTHY POSTER NEARBY PREPARED ON SCHOOLBOOK COMPOSITION PAPER TERMED THE STRUGGLE WITH THE GANG OF FOUR "AN ANTAGONISTIC KONTRADICTION, A LIFE-AND-DEATH STRUGGLE."

7. BY 2200 HOURS CROWDS IN TIENANMEN AND ALONG CHANG AN STREET NUMBERED IN THE THOUSANDS BUT BY 2300 HAD DIMINISHED CONSIDERABLY. PLA AND PUBLIC SECURITY PERSONNEL WERE OMNIPRESENT BUT MADE NO MOVE TO INTERFERE IN THE PROCEEDINGS. CROWD WAS INTENSELY INTERESTED AND TOOK LITTLE NOTICE OF FOREIGNERS SAVE AN OCCASIONAL SHOUTED QUERY "CAN YOU UNDERSTAND ALL THAT?"

8. COMMENT: ASSUMING THAT POSTERS CONTINUE TO GO UP AND CROWDS GROW ON THE 8TH (THE FIRST ANNIVERSARY OF CHOU'S DEATH), PRESSURE WILL BUILD ON HUA KUO-PENG TO ANSWER THE DEMAND FOR A DECISION ON TENG. AS FOR PEKING'S REVOLUTIONARY COMMITTEE CHAIRMAN WU TEH,

RECALLED
PSN:W46456 PAGE 02 TOR:007/19:132 DTG:071600Z JAN 76



THE PORTENTS LOOK BAD! THE SNEERING REMINDER NOTED ABOVE THAT HU
TEN HAD TRIED TO QUELL THE APRIL DEMONSTRATIONS -- NOW UNIVERSALLY
DESCRIBED AS A MANIFESTATION OF THE PEOPLE'S LOVE AND RESPECT FOR
PREMIER CHOU -- SUGGESTS THAT HIS REMOVAL IS ALREADY A FOREGONE
CONCLUSION ON THE PART OF THE CROWDS.

GATES
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DEPARTMENT OF STATE

Washington, D.C. 20520

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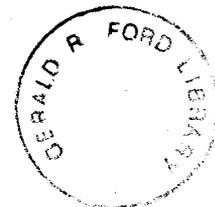
TO: The Secretary

FROM: S/P - Winston Lord *W*

Two further points regarding today's lunch.

First, the Ambassador just returned last night from a four-day visit to Houston and New Orleans. He was accompanied by his wife and the interpreter. I believe the trip was sponsored by the U.S.-China Trade Committee.

Second, you (and Mr. Vance) may wish to keep in mind that there will very likely be a special session (economic) of the United Nations General Assembly in New York about this April. This might afford a cover for a high-ranking Chinese (e.g., a Vice Premier or the Foreign Minister) to come and meet with top officials of the Carter Administration. This would obviously have to take place in New York City. (Reminder: you were to inform Mr. Vance that the Chinese would definitely not come to Washington.)



MEMORANDUM OF CONVERSATION

DATE: Saturday, January 8, 1977
1:15 p.m. - 2:40 p.m.

PLACE: The Secretary's Dining Room,
8th Floor of the Department of State

PARTICIPANTS: Ambassador Huang Chen,
Chief of PRC Liaison Office
Mr. Tsien Ta-yung,
(Counselor at Liaison Office)
(No. 3 man)
Mr. Hsu Shang-wei,
(Interpreter)

Dr. Henry A. Kissinger,
Secretary of State
Mr. Cyrus Vance,
Secretary of State-designate
Mr. Philip Habib,
Under Secretary for Political Affairs
Mr. Winston Lord,
Director, Policy Planning Staff

[Secretary Kissinger introduced Secretary-designate Vance to the Ambassador and the other Chinese officials. The three men walked over to the waiting photographers for a picture-taking session and some brief exchanges:

Secretary Kissinger: As you know the opening to China was one of the most important initiatives of the recent period. We have always attached the greatest importance to the normalization of relations with the People's Republic of China and to the various statements we have jointly made about our concerns with respect to hegemony and our commitment to improving our relations and to normalize our relations. I have had the opportunity to speak to the Secretary-designate about this and he suggested that we might explore these subjects in a conversation with the Chief of the Liaison Office, my

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old friend Ambassador Huang Chen, who incidentally speaks perfect English but won't admit it. This is why we are meeting here.

Ambassador Huang: Thank you (in English). Happy new year!

QUESTION: I wonder if we could ask Mr. Vance a question about how he envisages the Carter Administration's approach to a normalization of relations with China.

Mr. Vance: Insofar as our bilateral relations with China are concerned, they continue to be guided by the Shanghai communique. I think that's all I really should say at this moment.

QUESTION: The President-elect said that he would send you on various missions, Mr. Vance. Do you anticipate going to Peking?

Mr. Vance: At some time I would say I probably will be going to Peking. I have no definite dates for anything like that now.

QUESTION: Could we ask the Chinese Ambassador a question, please, about what initiative the Chinese may take to bring about the normalization of Sino-American relations?

Ambassador Huang: As far as our policy and position is concerned, our leaders have several times talked with your leaders during their conversations, several times. Our position and policy is constant. My old friend, Dr. Kissinger, he is very clear about our policy and position. I believe Mr. Vance is also clear about our policy and position.

QUESTION: I wonder if we could ask another question of the Ambassador. We keep on hearing various stories about military coup d'etat, coups d'etat, and all kinds of changes in China. What exactly is happening?
(Laughter)

Secretary Kissinger: (to the Ambassador) Mr. Ambassador, he asks me worse questions.

Ambassador Huang: (laughing) Rumors. Rumors.



This concluded the exchange with the press as the Chinese and American officials moved into the dining room for lunch at 1:25.]

Secretary Kissinger: Whenever you go to Peking, Cy, you will lose your trim figure.

Ambassador Huang: The year before, in 1975, Mr. Vance did visit China once. At that time I was in Peking, but I didn't have the opportunity to meet you.

Mr. Vance: Yes, I know. The food was superb when I was in China, and in fact I didn't gain too much weight in China.

Ambassador Huang: How long were you in China:

Mr. Vance: About three weeks. (He then gave a run-down of his itinerary, including Peking and Shanghai. The Secretary joked about the fact that hors d'oeuvres were being served at the table.)

Secretary Kissinger: I've been explaining the processes here which are . . . sooner or later . . . Mr. Habib is the senior Foreign Service Officer. I'm sure Cy comes here with the illusion that he will run the Department, but sooner or later they'll get him. (Laughter)

Mr. Vance: I'm forewarned. I've known him before and worked with him before.

Secretary Kissinger: Every once in a while the Department needs a cultural revolution. (Laughter)

Mr. Habib: The Secretary always makes fun of the Foreign Service, but no Secretary has ever made more use of it than he has, so we are very grateful.

Secretary Kissinger: That's true.

Secretary Kissinger: Speaking about food in China, the first time I went there on my secret trip Premier Chou En-lai showed me a stove which cooked peking duck in the great Hall of the People, a tremendous building. The stove is very small and uses a special kind of wood.

Mr. Vance: I didn't see it when I was there.



Ambassador Huang: The whole dinner was served with parts of duck only.

Secretary Kissinger: That's right. It was an all-duck dinner. It was Saturday lunch? (to Lord)

Mr. Lord: Yes, it was after the tour of the Forbidden City.

Secretary Kissinger: We arrived on a Friday and held meetings in the afternoon and evening with the Prime Minister. On Saturday morning we toured the Forbidden City, had a brief meeting, and then the peking duck lunch. Then when we were well-fortified the Prime Minister made a very revolutionary speech to us about "great disorder under heaven". (Laughter)

(Mao tai was then served)

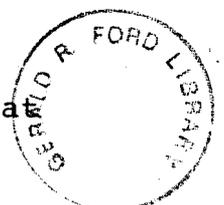
We negotiated the Shanghai Communique, Cy, usually in the evenings after banquets and after a few mao tais, and I did most of the negotiating in Chinese. (Laughter)

Ambassador Huang: Some of the wordings in the Shanghai communique were created by you! (Laughter)

Secretary Kissinger: What impressed the Chinese most about what I have even done was the formula we discussed about how to express the idea of one China. We came up with a formula that the Chinese on both sides of the Taiwan Straits maintain that there is only one China, and the US is not disposed to challenge that position.

Ambassador Huang: In the Shanghai Communique, as you mentioned, the US recognized that there was only one China and that Taiwan is only a part of China. So from that time the United States Government already knew the Chinese Government policy that we are firmly opposed to any plot of creating two Chinas, or one China-one Taiwan, or one China-two governments.

Secretary Kissinger: Perhaps I could sum up what I told Mr. Vance about our relationship and then the Ambassador could see if I have correctly stated it. First, I told Mr. Vance that I've always believed that



our relationship with the PRC was one of the most important initiatives that was undertaken and one of the most important elements of international equilibrium. We expressed this in the Shanghai Communique and in other communiqes -- our mutual concern with respect to hegemony, with respect to the dangers of hegemony in the world. And we therefore developed the practice of informing the PRC quite fully, or fully, about our planned discussions with other key countries. Chairman Mao, in several very extensive conversations with me and in two conversations with American Presidents, elaborated the Chinese point of view on the international situation which on many key points was parallel to our own.

Ambassador Huang: He met five times with you.

[Chairman Mao and the Secretary]

Secretary Kissinger: We'll wait until they are finished (the waiters). These are all old friends (gesturing toward the Chinese) whom we have known now on every trip one way or another.

Mr. Vance: How many trips have you made there, Henry?

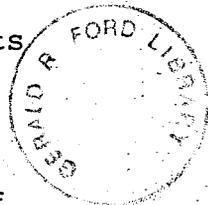
Secretary Kissinger: Nine.

Ambassador Huang: And you met the late Chairman Mao five times. Our Chairman Mao had maybe the longest talks with the Doctor, so many times, on elaborating the issues regarding the international situation, on bilateral relationship and also our views on major international issues. And we talked about our common points, with the main common point being we are against the Polar Bear (Laughter).

Mr. Vance: Yes.

(There were then brief informal mao tai toasts to old friends and new friends.)

Secretary Kissinger: With respect to the Taiwan issue, we have confirmed our commitment to the principle of one China, and we have on a number of occasions made clear that we would not support a two-China policy or a one China-Taiwan policy, or the various formulations that the Ambassador correctly



mentioned. We have not found, while we were here, the exact formula (in response to the interpreter's question, he repeated the "precise formula") to complete the process but we have always understood that it's a process that needed to be completed.

Ambassador Huang: Regarding this issue, our position is very clear. We mentioned three points -- sever the diplomatic relationship with Taiwan, withdraw US troops from Taiwan, and abrogate the Treaty. Since Dr. Kissinger and Mr. Vance are both old friends, and since Mr. Vance also visited China the year before, so today I would just like to frankly mention one point. Recently we noticed that in the recent issue of Time magazine which carried Mr. Carter's conversation with that magazine, in his conversation he openly called Taiwan "China" and even in the same breath put Taiwan on a par with the People's Republic of China. And we think this kind of remark runs counter to the principles of the Shanghai Communique.

Mr. Vance: As far as President Carter is concerned, let me assure you that he stands firmly behind the implementation of the Shanghai Communique as the guiding principle which should govern our bilateral relations.

(Mr. Habib was talking to the Secretary as the Chinese waited, and the Secretary pointed out that he was, as always, getting his instructions from Mr. Habib. Laughter.)

Ambassador Huang: Frankly speaking, the Shanghai Communique constitutes the foundation of the present Sino-US relationship and only if both sides strictly observe all the principles of the Shanghai Communique, then relations between our two countries can continue to be improved. Any action which goes back on the principles of the Communique will result in harming the Sino-US relationship.

Mr. Vance: Let me say that I fully accept the principle of one China.



Secretary Kissinger: Now we have settled this. We will go on to settle all the other issues. (Laughter)

Ambassador Huang: So we have no difficulty on this point.

Secretary Kissinger: (to Vance) During the negotiations with the North Vietnamese, and you know what that can do to one's nerves...

Mr. Vance: Yes indeed, and one's indigestion.

Secretary Kissinger: ... the Ambassador was kind enough to invite me to the Embassy in the evenings and calm me down and give me a Chinese meal. (Laughter)

Ambassador Huang: This is what I should do. I'm sure that each time you put some weight on.

Secretary Kissinger: Yes. We will see how my successor handles this problem.

Mr. Vance: Which problem?

Secretary Kissinger: The weight problem.

Mr. Vance: If all the food is this good, I will not handle the problem very well.

(There was some discussion among the Chinese during which Mr. Blumenthal's name arose.)

Secretary Kissinger: Blumenthal. He was a Chinese citizen. Didn't he live in China?

Mr. Vance: Yes, In Shanghai. He still speaks Chinese.

Ambassador Huang: He can speak Shanghai dialect. He spent several years in China. But unfortunately he was put into a prison by the Japanese.

Secretary Kissinger: Oh, really?

Ambassador Huang: Not long ago I met a very good friend, an old comrade of both of you, David Rockefeller



Secretary Kissinger: Yes..

Mr. Vance: Yes, he's going to China.

Ambassador Huang: He introduced not only Brzezinski but Mr. Vance and Mr. Blumenthal. We were already very acquainted with Mr. Kissinger. And he told us you all belonged to the Trilateral Commission.

Mr. Vance: Right.

Secretary Kissinger: Not I.

Ambassador Huang: Mr. Vance, you are Chairman of the Board of the Rockefeller Foundation?

Mr. Vance: Yes, I was.

Secretary Kissinger: The Trilateral Commission was a government in exile. So now I'm thinking of going there, with all good wishes to Mr. Vance.

Ambassador Huang: Mr. David Rockefeller will arrive in China on January 21.

Mr. Vance/Secretary Kissinger: Yes.

Mr. Vance: I saw him the other night, and he told me he was going to China after his trip to Japan. Speaking of the Trilateral Commission, they have a meeting starting today and as they have sent all the people of the Trilateral Commission into the new Administration there is practically no one left to meet together in Tokyo.

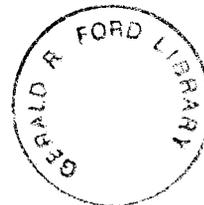
Secretary Kissinger: Cy, I've always found that I could tell our Chinese friends the main lines of our policy -- I cannot say they always agreed to every last step. It was helpful to our mutual understanding to have this kind of frank dialogue.

Mr. Vance: Well I would hope very much that we would continue this kind of frank dialogue.

Ambassador Huang: We would like to do the same.

(There was some discussion among the Chinese which was not translated.

Mr. Vance: Could I say that President Carter has asked me to convey his good wishes to Chairman Hua



and to emphasize the fact that we consider of great importance the continuing relationship between the US and the PRC.

Ambassador Huang: I will convey his kind regards to Chairman Hua, and also I would like to ask you to convey to Mr. Carter our best regards.

Mr. Vance: Thank you, I shall.

Ambassador Huang: (to the Secretary) I learned from the newspapers that you have got a lot of invitations about your future. One recent piece of news is that the Chairman of CBS will soon resign, and he will maybe ask you to succeed him. How true is that?

Mr. Vance: Is that true, Henry?

Secretary Kissinger: The Chairman of CBS is a very good friend of mine, and anyone who knows him must realize that the idea of his resigning is inconceivable to him. Is it conceivable to you? (to Vance)

Mr. Vance: No.

Secretary Kissinger: He is a very good friend, and we meet often socially. I would like to be chairman of something. (Laughter)

Mr. Vance: That would be fine. I would have someone to complain to.

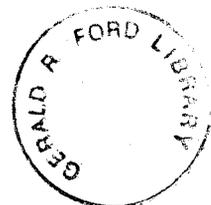
Secretary Kissinger: It's a title that I like. (Laughter)

Mr. Habib: You could be Chairman of the Central Committee.

Ambassador Huang: Chairman is like President.

Secretary Kissinger: But our constitution prevents me from becoming President.

Ambassador Huang: It reminds me that during the talks with President Nixon you told Chairman Mao about your constitution.



Secretary Kissinger: That's correct. The Chairman took a very kind interest in my political future.

Ambassador Huang: And you did say that Nancy Tang could be President.

Secretary Kissinger: (to Vance) Do you know Nancy Tang?

Mr. Vance: Yes.

Secretary Kissinger: She was born in Brooklyn and she has every qualification that I don't have.

Ambassador Huang: (to Vance) Have you met Nancy Tang, the Deputy Director of our Office of American and Oceanic Affairs?

Mr. Vance: Yes. She acted as interpreter for us when I met with the Vice Minister of Foreign Affairs and the acting Premier.

Ambassador Huang: Vice Foreign Minister Han Nien-lung.

Mr. Vance: That's right.

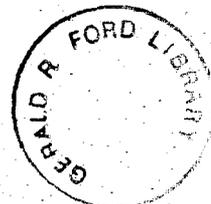
(There were then informal mao tai toasts, including the Ambassador's wish that the Secretary become a "Chairman". Mr. Vance and the Secretary then discussed Mr. Paley's likely reaction to the thought of the Secretary's taking his place. They also agreed that Mr. Paley would be a very good man to invite to China some day.)

Mr. Lord: (to the Secretary) The Ambassador is just back from a trip to Houston and New Orleans.

Ambassador Huang: It was a relatively short trip. I was invited by some companies which have a trading relationship with China.

Mr. Vance: With China?

Ambassador Huang: Yes, it lasted 4 days, and I had to return yesterday.



The Secretary: Did you cut it short because of this lunch?

Ambassador Huang: Not particularly. I had previously arranged it this way, and we also took account of this meeting. We did cut short the program because originally Ambassador Phillips of the US-China Trade Council did invite me to visit Atlanta and Florida, but this part has been postponed.

The Secretary: But I'm sure you can take up that invitation again.

Ambassador Huang: It was a very interesting trip because it was my first trip to the South since I came here. The people in the South were very friendly towards us. Wherever we went they were very warmhearted. Many people do wish for early normalization of relations between our two countries.

Mr. Vance: That's true.

Ambassador Huang: I still remember what Dr. Kissinger told me, that in the opening of the relations toward China by former President Nixon, this step was supported by the two parties.

The Secretary/Mr. Vance: Yes, that is true.

The Secretary: I have also made this point to our Chinese friends.

Ambassador Huang: It will be four years this coming May since I came here. During this period I did experience through contact with your leaders, the Congressional leaders of both parties, the Congress and the Senate, and also government officials and common people -- all this proved what Mr. Kissinger said.

The Secretary: Frankly, when I went to China on the secret trip, I was more worried about the reaction in the Republican Party than in the Democratic Party.

Mr. Vance: That's right.

The Secretary: We had Governor Reagan sitting only fifty miles away from us.



Ambassador Huang: Fifty miles?

The Secretary: I went from China to Pakistan to Paris to San Clemente, and Governor Reagan was in Los Angeles.

Ambassador Huang: This is fifty miles away?

The Secretary: Yes.

I remember when I met with Prime Minister Chou En-lai on my first trip. We were drafting the communique and he said that this announcement would shock the world. (to Tsien Ta-yung) Were you there? (Tsien Ta-yung nods yes.)

Ambassador Huang: (nodding agreement) Chairman Mao also said that the announcement would shock the world and, Doctor, that your name would be well-known.

The Secretary: That's true. I had never had a press conference up to that occasion.

Mr. Vance: Is that true?

The Secretary: Yes, it was the first time on the record. It was always on background before.

Ambassador Huang: Time flies so fast since the first secret trip.

The Secretary: It has been nearly six years. I remember all the communications that came to us through Pakistan.

Mr. Vance: I remember very well reading about the trip when the story broke back here. It was a very exciting moment in history.

The Secretary: I think it was the single most exciting moment for me, that trip to China.

Mr. Vance: Of your career?



The Secretary: And of course it was my first acquaintance with the Chinese style of diplomacy, in which I learned, as I have said publicly, that the Chinese word counts, that one can rely on what our Chinese friends say.

Mr. Vance: Yes.

Ambassador Huang: I still remember the last time when I came to meet with you, and you mentioned this particular sentence. You told us that when you said this to the reporters you made a comparison with the other side [the Soviet Union].

The Secretary: That is correct.

Ambassador Huang: We have also said many times that very frankly our experience in dealing with the Russians is, to sum up in two sentences: first, they will bully the weak and are afraid of the strong. And that their words are usually not trustworthy. (Laughter) That is why you should never be weak. If you are weak, soft, the Polar Bear wants to get you.

The Secretary: My impression is that when you have a Secretary of State who used to be the Deputy Secretary of Defense you have someone who has an understanding of the reality of power.

Mr. Vance: That's true. I think I understand the reality of power.

The Secretary: You know I nominated Mr. Vance for this position six months before he got it. (Mr. Lord commented that he managed to get it anyway.) I was at a meeting of the Board of Time Magazine six months before. They asked me whom I would like to see as Secretary of State if Mr. Carter won, a contingency I was trying my best to avoid, and I said "Mr. Vance."

Mr. Vance: You see, he really is a Chairman.

[The Secretary then rose to make a toast.]

The Secretary: Mr. Ambassador, since this is the last occasion for me to host you officially, I would like to use this occasion to say and to drink to: lasting friendship between our two peoples, the continued improvement of our relations, and the achievement of the great goals we set ourselves in the world and in the



normalization of our relationship.

Ambassador Huang: I would like to toast to friendship between the Chinese people and the American people.

The Secretary: My successor will have my full support in pursuing this policy.

Mr. Vance: Thank you, Henry.

Ambassador Huang: You are quite old friends.

Mr. Vance: Yes, old friends.

The Secretary: I may even talk to Walter Cronkite about him. (Laughter)

[There was then some small talk between the Secretary and Mr. Vance about CBS and Mr. Paley.]

Ambassador Huang: Since you have been Secretary of State so long it takes you a long time to brief your successor about your experiences.

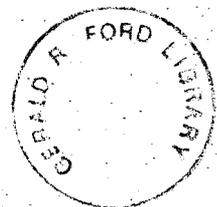
The Secretary: You know, Mr. Vance has wide experience in foreign policy so he doesn't need briefing on fundamental issues. And we have been meeting very frequently since he was appointed.

Mr. Vance: Yes, we have.

The Secretary: Several times a week.

Ambassador Huang: So we believe that our views on major policy issues in international affairs, our policy line and view on international issues and the world situation, you have of course already briefed to Mr. Vance.

The Secretary: You can be confident that I have discussed fully your views on international affairs, and you know it is a matter close to my heart. As you know, Mr. Habib, who was a close collaborator of mine, is staying on as a close collaborator of the new Secretary.



Ambassador Huang: For example, our leaders talk to you continually about our view on the United States-Soviet relationship, and our view is that the United States has vested interests to protect around the world, and the Soviet Union seeks expansionism. This is an objective phenomenon which is unalterable. For instance our view on Soviet policy is that their policy is to make a feint toward the East while attacking the West.

The Secretary: I have also told the Ambassador that this may be true, but to us it makes no difference how the world equilibrium is overturned. We must be concerned with both Europe and Asia.

Mr. Vance: Yes.

Ambassador Huang: (after discussion among the Chinese) We also know your view.

The Secretary: I don't deny that it could happen that way. As you know from our campaign, the President-elect is very dedicated to strengthening the relationship between the United States and Western Europe, and building up the strength there.

Mr. Vance: (to the Secretary) I might say a word on that.

Perhaps I might say a word on that. During the campaign, as Henry indicated, the President-elect said on several occasions that one of the cardinal principles of the foreign policy of the Carter government would be not only strengthening the political relationship of the United States and the countries of Western Europe but also to strengthen our NATO forces -- not necessarily by adding other forces, but by reviewing equipment and making sure that the most modern weapons were in the hands of the troops; that deployments were most strategically located; that the reserves were fully and adequately trained; and that we would have the capacity to move those forces very rapidly from the United States to Europe in the event of any conflict. I would anticipate that sometime during the first year there will be a review of NATO forces to make sure that they are adequately and properly equipped and any changes that need to



be made will be made. Although no final decisions have been made, of course, I would anticipate that the new forces of the United States would also be strong. (Discussion among the Chinese) You may have noticed, Mr. Ambassador, that the Navy has had the foresight to place in the White House four of the five last Presidents. (Mr. Vance and the Secretary discussed the names.)

The Secretary: Actually the last five.

Mr. Vance: A monopoly.

Ambassador Huang: I think what Mr. Vance mentioned about the review and NATO forces is really very important. As we talked to Dr. Kissinger before, the Western European nations are too weak, too soft, so we should encourage them to unite and strengthen their forces. As we know, Europe is in need of the United States and vice versa. So that's why we hope you will strengthen your equal partnership.

We also hope -- another very important thing to take care -- we hope that the Munich thinking in Western Europe should be decreased, because this kind of thinking may lull vigilance and demoralize the peoples' fighting will. If the situation is like this, the forces will have no fighting morale.

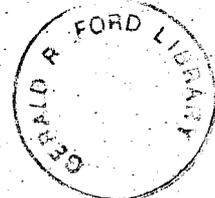
The Secretary: Well the internal situation in Europe is complicated.

Well, Mr. Ambassador, you will be dealing with my friend, Mr. Vance, in the future. I'm glad you did us the honor of visiting us.

Ambassador Huang: But our friendship will remain in the years ahead.

The Secretary: I count on it.

Ambassador Huang: You have many friends in China still.



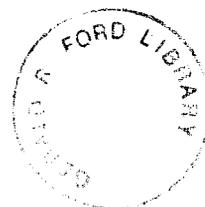
The Secretary: I treasure them very much.

Ambassador Huang: I appreciate very much today your arranging this meeting and letting me have the opportunity to meet your successor, Mr. Vance.

Mr. Vance: Thank you. I look forward very much to continuing in my predecessor's footsteps.

Ambassador Huang: Welcome.

[The two sides then got up from the table. On the way out Ambassador Huang and the Secretary exchanged cordial farewells, including greetings to Mrs. Kissinger and the mutual affirmation that they would stay in touch. Mr. Vance expressed to the Ambassador his pleasure at meeting him and his intention to stay in touch. Mr. Lord then escorted the Chinese officials to the Diplomatic Entrance of the State Department.)



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NOFORN
E.O. 11652: XGDS=1
TAGS: PINT, CH
SUBJECT: ANNIVERSARY OF CHOU'S PASSING: TOP LEADERSHIP REMAINS OUT
OF SIGH X
REF: PEKING 68:

1. CONTINUING FAILURE BY THE PRC'S TOP LEADERSHIP TO ASSOCIATE ITSELF PUBLICLY WITH ACTIVITIES COMMEMORATING FIRST ANNIVERSARY OF CHOU'S DEATH SUGGESTS SERIOUS INDECISION AT THE CENTER. THIS IMPRESSION IS HEIGHTENED BY CURIOUS PRESS AND RADIO HANDLING OF VISIT BY HONDURAS COMMUNIST PARTY DELEGATION. FOR THE FIRST TIME SINCE HUA WAS NAMED PARTY CHAIRMAN, THE MEDIA DO NOT IDENTIFY TIME OF HIS MEETING WITH VISITING DELEGATION BUT REFER INSTEAD TO "RECENT" MEETING IN PEKING WITH DELEGATION OF THE CENTRAL COMMITTEE OF THE MARXIST-LENINIST COMMUNIST PARTY OF HONDURAS. THE INTENT SEEMS OBVIOUS: TO KEEP HUA'S NAME BEFORE THE PUBLIC AT A TIME WHEN HIS ABSENCE IS DIFFICULT TO EXPLAIN.

2. A FURTHER PUZZLING ASPECT OF THE MEETING IS THE ABSENCE OF VICE PREMIER LI HSIEN-NIEN, WHO HAD BEEN PRESENT AT EACH POST-OCTOBER MEETING BETWEEN HUA AND VISITING LEADERS OF OUT-OF-POWER MARXIST-LENINIST PARTIES. IN THIS INSTANCE LI'S PLACE WAS TAKEN BY

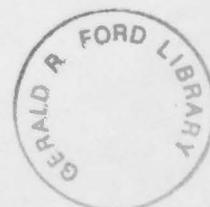
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E.O. 12958, SEC. 3.5 Rev. 3/3/04
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BY *NRA*, NARA, DATE *8/4/08*



THE SHADOWY WANG TUNG-HSING, NOT PREVIOUSLY KNOWN TO HAVE ANY RESPONSIBILITY FOR INTERNATIONAL COMMUNIST AFFAIRS.

3. FOR WHAT IT IS WORTH--AND THE SOURCING IS VAGUE-- A FOREIGN JOURNALIST HEARD TWO DAYS AGO FROM "A FOREIGN EXPERT" LONG RESIDENT IN PEKING THAT "THE CHINESE PEOPLE ARE PARTICULARLY ANGRY WITH TWO INDIVIDUALS: HU TEH AND LI HSIEN-NIEN." THE FOREIGN EXPERT DID NOT AMPLIFY. (PLEASE PROTECT SOURCING.)

4. AND WE HAVE ALSO HEARD A THIRDHAND STORY SOURCED TO THE VIETNAMESE THAT THE CENTRAL LEADERSHIP IS EXPECTED TO ISSUE A DECISION IMMINENTLY. AGAIN, NO DETAILS WERE PROVIDED.

5. MEANWHILE, ACTIVITY AT TIENANMEN SQUARE CONTINUES AT APPROXIMATELY THE SAME LEVEL AS OF 0830 JANUARY 11 LOCAL. WREATHS AND POSTERS ARE STILL ATTRACTING LARGE CROWDS, BUT NO NOTEWORTHY NEW POSTERS HAVE YET BEEN OBSERVED.

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EXDIS
E.O. 11652: GDS
TAGS: PFOR, CH, US
SUBJECT: PRC HINTS AT POSSIBLE FLEXIBILITY ON TAIWAN
QUESTION

1. AN ARTICLE BY THE THEORETICAL STUDY GROUP OF THE PRC FOREIGN MINISTRY, IN EXTOLLING THE CONTRIBUTIONS OF PREMIER CHOU TO CHINA'S FOREIGN POLICY, REPERES TO A CHINESE NEGOTIATING POSITION ON TAIWAN DATING BACK TO THE MID-1950'S, POSSIBLY HINTING AT SOME FLEXIBILITY ON THE TAIWAN ISSUE. THE ARTICLE, WHICH WAS PUBLISHED IN PEOPLE'S DAILY JANUARY 11 AND FRONT PAGED IN BOTH HONG KONG COMMUNIST DAILIES TODAY IS A LENGTHLY COMPELION OF CHOU'S FOREIGN POLICY ACHIEVEMENTS DATING BACK TO THE FOUNDDING OF THE PRC, AND AT SEVERAL POINTS EMPLOYS RATHER STRIDENT ANTI-US LANGUAGE. IN DISCUSSING THE UNITED STATES, HOWEVER, THE PRINCIPLE THRUST IS PEKING'S DESIRE TO IMPROVE SINO-U.S. RELATIONS.

2. ONE SECTION, ENTITLED "SOLENNLY ANNOUNCES WILLINGNESS TO NEGOTIATE WITH THE US LEADING TO THE SINO-US AMBASSADORIAL TALKS", AFTER DEROUNCING US "OCCUPATION" OF TAIWAN AND RESTATING PRC OPPOSITION TO ANY FORM OF TWO-CHINA SOLUTION, STATES, "BUT CONCERNING THE DISPUTE BETWEEN CHINA AND THE UNITED STATES CAUSED BY US OCCUPATION OF TAIWAN, WE HAVE REPEATEDLY PROPOSED THAT THIS BE RESOLVED THROUGH NEGOTIATIONS WITHOUT THE USE OF FORCE". THIS IS A PHRASE RARELY SEEN IN RECENT YEARS, WHICH DATES BACK TO THE MID-1950'S AND THE SINO-US AMBASSADORIAL TALKS WHICH AT THAT TIME WERE INVOLVED IN NEGOTIATIONS ON A POSSIBEL AGREEMENT CONCERNING THE NON-USE OF FORCE (FOR EXAMPLE, THE MEETING OF DECEMBER 8, 1955 AND FEBRU-



***** WWSR COMMENT *****

HYLAND, MCFARLANE, RODMAN

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ARY 9, 1956).

3. CLEARLY THE REFERENCE TO "WITHOUT THE USE OF FORCE" IS NOT INTENDED TO IMPLY THAT THE PRC IS WILLING TO RENOUNCE THE USE OF MILITARY MEANS TO "LIBERATE" TAIWAN. PEKING HAS CONSISTENTLY MADE A CLEAR DISTINCTION BETWEEN THE DISPUTE INVOLVING THE PRC AND TAIWAN, AN INTERNAL QUESTION, AND THE DISPUTE OVER TAIWAN INVOLVING THE PRC AND THE US, AN INTERNATIONAL PROBLEM. IT IS ONLY IN THE LATTER CONTEXT THAT THE OFFER APPLIES. NEVERTHELESS, THE REACHING AGREEMENT ON THE NON-USE OF FORCE, AN AGREEMENT WHICH THE US CLEARLY INTENDED TO HAVE IMPLICATIONS FOR TAIWAN, THE NEGOTIATIONS ULTIMATELY FAILED (DUE AS MUCH TO US INFLEXIBILITY AS CHINESE AS WE RECALL), BUT THE REMENED MENTION OF THIS EARLIER CHINESE POSITION COULD SUGGEST AN AVENUE WORTH CONSIDERING AGAIN.

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DEPARTMENT OF STATE
BRIEFING MEMORANDUM

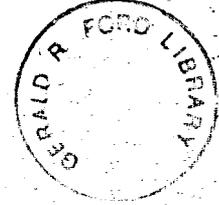
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CONFIDENTIAL

January 13, 1977

NODIS

To : The Secretary
From : S/P - Winston Lord *W*



Farewell Dinner with the Chinese

On the evening of January 11, Ambassador Huang Chen gave me and my entire family a farewell dinner at the Chinese Liaison Office. It was originally scheduled to be at his residence but they moved it to the Liaison Office in order to show my kids movies of acrobats and pandas. (During my formal toast I expressed relief that we were seeing a movie about the panda bear rather than the Polar Bear.)

It was a very warm occasion, with gifts for the children and many references to the evening's being like a family gathering at New Year's. They also dropped several hints that I should return to government service as an ambassador -- they didn't say where. They spoke very warmly of you. (There is no question in my mind that they would have liked to have given you a dinner if it were politically possible.)

While the evening therefore was basically social, the Ambassador and Counselor Tsien Ta-yung did work me over before dinner on the subject of the Carter Administration's intentions. The Ambassador asked me how I thought the lunch with Mr. Vance had gone. I replied that I thought it was a good beginning and useful for the two men to get together. I said I thought that since it was before January 20, Mr. Vance was more prone to listen rather than talk and therefore, understandably, somewhat reserved in his statements. The Ambassador then complained about various Carter Administration statements on Taiwan implying a two-China policy, referring specifically to concepts such as preserving the security and independence of Taiwan. I replied that Mr. Vance had reiterated US adherence to

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the Shanghai Communique during the lunch, and the Ambassador acknowledged that this was the first positive statement that they had heard from the Carter people. When the Chinese referred again to campaign statements, I said that one should not expect every campaign statement to be precisely thought out with respect to all its possible interpretations. Mr. Vance was clearly speaking on behalf of President-elect Carter last Saturday and one could not follow the Shanghai Communique and a two-China policy at the same time. Furthermore the objective interest of both countries would continue to move us along the path we had set out upon. The Chinese frankly remained somewhat skeptical, or at least wanted to look as if they remained skeptical.

A couple of times during the evening the Chinese referred wistfully to the fact that with your and my leaving the government, all their friends were departing. I said this was not true, that many people well-disposed to US/China relations were remaining, including Phil Habib who would be a close adviser of Mr. Vance. I added that you had made clear that you would continue to work for US/China relations as I would.



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~~CONFIDENTIAL~~ SECTION 1 OF 2 PEKING 98

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E.O. 11652: GDS
TAGS: PINT CH US

SUBJECT: AMBASSADOR'S CONVERSATION WITH SHANGHAI REVOLUTIONARY
COMMITTEE VICE CHAIRMAN WANG YI-PING

1. SUMMARY, DURING JANUARY 5 CONVERSATION WITH THE
AMBASSADOR, SHANGHAI REVOLUTIONARY COMMITTEE VC WANG
YI-PING EMPHASIZED THE IMPORTANCE OF SINO-US RELATIONS
AND HIS APPRECIATION OF THE BRASSSADOR'S CONTRIBUTION
TO THAT RELATIONSHIP. WANG EXPRESSED ORTHODOX PLEASURE
AT THE FALL OF THE GANG OF FOUR AND IMPLIED A PERMANENT
ROLE IN SHANGHAI FOR PIENG CH'UNG. WANG SAID SHANGHAI'S
INDUSTRIAL PRODUCTION HAD INCREASED ONLY 1.2 PERCENT
IN 1976. END SUMMARY.

2. DURING AMBASSADOR GATES' JANUARY 7-9 VISIT TO
SHANGHAI, HIS REQUEST FOR A CALL ON A RESPONSIBLE OFFICIAL
OF THE MUNICIPAL GOVERNMENT RESULTED IN AN INVITATION
TO DINNER AT THE SHANGHAI MANSIONS HOSTED BY VICE
CHAIRMAN OF THE SHANGHAI MUNICIPAL REVOLUTIONARY
COMMITTEE WANG YI-PING. WANG, WHO WAS DESCRIBED BY
CHINA TRAVEL GUIDES AS A VETERAN CAORE IN HIS LATE
FIFTIES WITH MANY YEARS EXPERIENCE IN THE SHANGHAI
ADMINISTRATION, WAS RESERVED BUT CORDIAL THROUGHOUT
THE DINNER AND THE BRIEF CONVERSATION WHICH PRECEDED
IT. FOLLOWING ARE THE MAIN POINTS MADE DURING HIS
CONVERSATIONS WITH THE AMBASSADOR:



***** WHSR COMMENT *****

HYLAND, MCFARLANE, RODHAN

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3. SINO-US RELATIONS, WANG SAID HE UNDERSTOOD THAT NORMALIZATION WAS IN THE BEST INTERESTS OF THE PEOPLE OF BOTH COUNTRIES AND CLOSE FRIENDLINESS EXISTED, NONETHELESS HE NOTED SOME DIFFERENCE OF OPINION IN THE US ON THE FUTURE COURSE OF US-CHINESE RELATIONS, THE AMBASSADOR RESPONDED THAT WHILE THERE MIGHT BE SOME APPARENT DISAGREEMENT ON DETAILS, THERE WAS BROAD AGREEMENT WITHIN THE UNITED STATES ON THE OVERALL GOAL OF NORMALIZING RELATIONS BETWEEN CHINA AND THE US AND HE SHARED THE SAME STRATEGIC GOALS, WANG REFERRED SEVERAL TIMES DURING THE COURSE OF THE EVENING TO THE "FRIENDLY RELATIONS" EXISTING BETWEEN THE PRC AND THE US AND OF THE NEED FOR CONTINUING EFFORTS TO STRENGTHEN THEM, HE EXPRESSED, IN PARTICULAR, APPRECIATION OF THE AMBASSADOR'S CONTRIBUTION TO SINO-US RELATIONS AND SAID HE HOPED THE AMBASSADOR WOULD CONTINUE THESE EFFORTS IN THE FUTURE.

4. PERSONALITIES, WANG SAID HE, HIMSELF, WAS PRINCIPALLY OCCUPIED WITH THE ADMINISTRATION OF THE TEN URBAN DISTRICTS WHICH, TOGETHER WITH TEN RURAL COUNTIES, MAKE UP THE MUNICIPALITY OF SHANGHAI, IN RESPONSE TO THE AMBASSADOR'S QUESTIONS, WANG SAID THAT PIENG CHUNG WAS NOW WORKING FULL-TIME IN SHANGHAI, SU CHEN-HUA AND NI CHIH-FU WERE PRESENTLY IN SHANGHAI BUT WERE ONLY WORKING "PART-TIME," SU STILL RETAINED HIS POSITION AS COMMISSAR OF THE PLA NAVAL FORCES AND NI HIS RESPONSIBILITIES IN THE PEKING ADMINISTRATION.

5. INTERNAL POLITICS, THROUGHOUT THE DINNER, WANG RESTRICTED HIMSELF TO ORTHODOX EXPRESSIONS OF DELIGHT THAT THE GANG OF FOUR HAD BEEN OVERTHROWN AND OF FAITH IN KURO-FENG AND VICE PREMIER YEH, "CLASS STRUGGLE" WAS NOT MENTIONED DURING THE COURSE OF THE EVENING, TENG HSIAO-PING, ALSO, WAS NOT MENTIONED BY WANG, WHEN THE AMBASSADOR REFERRED IN PASSING TO THE FALL OF TENG AS ONE OF THE IMPORTANT EVENTS OF 1976, THE TRANSLATOR OMITTED THE REFERENCE IN TRANSLATION, THIS OMISSION WAS THEN CORRECTED BY THE SHANGHAI FOREIGN AFFAIRS BUREAU REPRESENTATIVE PRESENT, WHO TRANSLATED THE ENGLISH PHRASE "FALL OF TENG" WITH THE CHINESE "HSIA T'AI LE." WANG DID NOT COMMENT.

6. ECONOMIC, WANG SAID THAT SHANGHAI'S INDUSTRIAL PRODUCTION HAD AVERAGED 12 PERCENT GROWTH ANNUALLY SINCE LIBERATION, DUE TO THE HARMFUL INFLUENCE OF THE GANG OF FOUR, ONLY A 6.3 PERCENT GROWTH IN PRODUCTION HAD BEEN ACHIEVED IN 1975, IN 1976, PRODUCTION HAD INCREASED ONLY 1.2 PERCENT OVER 1975, DESPITE THE SHARP INCREASE IN PRODUCTION SINCE THE



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SMASHING OF THE GANG OF FOUR, HE SAID SHANGHAI HAD
IEALWAYS BEEN FAVORED BECAUSE OF ITSM IMPORTANCE AND
BECAUSE OF ITS POLITICAL CENTER POSITION, IMPLYING TO
US THAT THE ECONOMIC SITUATION ELSEWHERE PROBABLY
SHOWED A POORER PERFORMANCE,

3/6/77

7. TACHAI CONFERENCE, WANG, WHO HEADED THE DELEGATION
TO THE CONFERENCE AND REPORTED ITS PROCEEDINGS WHEN
HE RETURNED TO SHANGHAI, SAID THAT SHANGHAI WAS NOW
CONDUCTING A LOCAL CONFERENCE TO FOLLOW-UP THE
NATIONAL CONFERENCE ON LEARNING FROM TACHAI HELD LAST
MONTH IN PEKING. MORE THAN 18,000 REPRESENTATIVES
FROM COUNTIES, COMMUNES AND PRODUCTION TEAMS WERE
ATTENDING. THE THREE MAJOR TASKS BEFORE THE SHANGHAI
CONFERENCE WERE: (A) TO BE INFORMED ABOUT CHAIRMAN
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LINDIS
 HUA'S AND VICE PREMIER CHEN YUNG KUEI'S SPEECHES AT
 THE PEKING CONFERENCE AND ABOUT CHAIRMAN MAO'S SPEECH,
 RECENTLY REISSUED, ON THE TEN MAJOR RELATIONSHIPS;
 (B) TO CRITICIZE AND EXPOSE THE CRIMES OF THE GANG OF
 FOUR; AND (C) TO EXCHANGE EXPERIENCE, PARTICULARLY ON
 THE TECHNICAL SIDE OF ALL ASPECTS OF AGRICULTURAL
 PRODUCTION.

8. ADMINISTRATION. WANG TALKED OF A DETERIORATING
 RELATIONSHIP BETWEEN THE SHANGHAI MUNICIPALITY, UNDER
 THE GANG OF FOUR, AND ITS NEIGHBORING PROVINCES. WANG
 SAID THIS SITUATION HAD ALREADY IMPROVED GREATLY.
 WANG NOTED THAT SHANGHAI WAS, IN FACT, TOO BIG TO
 CONSTITUTE A VIABLE ADMINISTRATIVE UNIT, BUT THIS WAS
 THE UNAVOIDABLE RESULT OF HISTORICAL DEVELOPMENT.
 CHINA HAS NOW PURSUING A POLICY OF DECENTRALIZATION
 AND DEVELOPING SMALLER POPULATION CENTERS ONLY IN
 ORDER TO LESSEN THE PROBLEMS OF POLLUTION, MARKETING
 AND SUPPLY, TRANSPORTATION, AND HOUSING THAT ACCOMPANY
 URBANIZATION. THE NEW CENTERS WERE AIMED AT A MAXIMUM
 OF 300,000 EACH, BUT THE LOGISTICS PROBLEMS RELATED TO
 THEIR CREATION WERE EXPENSIVE AND DIFFICULT AND WOULD
 TAKE A LONG TIME.

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