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TELEGRAM

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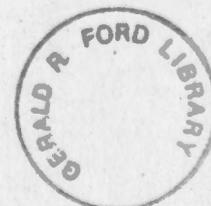
SUBJECT: CONVERSATIONS WITH PROFESSOR C.F. LI

REF: PEKING 1201

1. WE MUCH APPRECIATE YOUR ALERT REPORTS (REFTEL AND MESSAGE THROUGH OTHER CHANNELS) ON YOUR CONVERSATIONS WITH C.F. LI. HIS MESSAGE ABOUT PRESIDENT FORD'S BEING WELCOME IN PEKING REGARDLESS OF PROGRESS ON THE TAIWAN QUESTION PARALLELS OTHER COMMENTS TO THIS EFFECT. HIS SUGGESTION ABOUT A PRC STATEMENT "FOR DOMESTIC CONSUMPTION" REGARDING PEACEFUL UNIFICATION WITH TAIWAN COULD BE NOTHING MORE THAN HIS OWN IDEA. BUT IT MIGHT REFLECT ONE WAY THE PRC WOULD BE WILLING TO MEET OUR PROBLEM AND, IF SO, MIGHT BE WORTH EXPLORING IN CONTEXT OF OTHER ISSUES. WE DO NOT, HOWEVER, WISH TO ENCOURAGE LI INTO ROLE OF AN INTERMEDIARY.

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E.O. 12958, SEC. 3.5
STATE DEPT. GUIDELINES
BY HR, NARA, DATE 7/7/08





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2. ACCORDINGLY, WE REQUEST THAT YOU TAKE NO FURTHER INITIATIVE IN CONTACTS WITH LI. IF HE ASKS ABOUT USG REACTIONS TO HIS REMARKS, YOU SHOULD SIMPLY REPEAT THAT YOU HAVE REPORTED THEM TO WASHINGTON. SISCO



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REASON FOR WITHDRAWAL ÇNational security restriction

TYPE OF MATERIAL ÇMemorandum

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RECEIVER'S NAME Secretary Kissinger

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MEMORANDUM

NATIONAL SECURITY COUNCIL

ACTION

~~TOP SECRET/SENSITIVE~~

July 3, 1975

MEMORANDUM FOR: SECRETARY KISSINGER

FROM: PHILIP HABIB *PH* / WILLIAM GLEYSTEN *WJ*
 WINSTON LORD *WL*
 RICHARD H. SOLOMON *RHS*

SUBJECT: U.S. - PRC Relations and Approaches to the
 President's Peking Trip: Tasks for the
 Rest of 1975

Our China policy at present straddles two very contradictory trends: In one direction we are postured toward the objective established by the Shanghai Communique. The President, in his April 10 speech to the Congress, reaffirmed his interest in visiting Peking later this year in order to "accelerate" the normalization of relations. In your May 9 session with Huang Chen you raised questions about the timing and agenda of the Presidential trip, and expressed interest in Peking's views on these issues. Thus, publicly and privately we have sustained the expectation both for Chinese leaders and our own public that there is still momentum in the normalization process.

In the other direction, however, there are domestic and international political forces enhanced by events in Indochina, and sustained by developments elsewhere abroad, which raise new obstacles to change in our relationship with the Republic of China on Taiwan. Senator Goldwater's public challenge to the Administration at the time of the Chiang Kai-shek funeral is but the most visible indicator of a range of pressures on the President to avoid or delay the modification of our legal and security relations with Taiwan which are at the heart of "normalization" with Peking. As a reflection of these pressures, the President has now publicly (if inadvertently) reaffirmed our commitments to Taipei, and you have stated both privately (to the Japanese Foreign Minister) and publicly (in U.S. News and World Report) that the President's trip to Peking will not necessarily lead to full normalization.

~~TOP SECRET/SENSITIVE~~



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 With PORTIONS EXEMPTED
 E.O. 12958 Sec. 1.5 (b), (c)

MR 97-9, #4; NSC letter 10/23/98

By *let* NARA, Date *11/3/98*.

Underlying these contradictory trends, of course, is the continuing importance to the U.S. of normalization with the PRC for the longer term restructuring of great power political and military relationships. This objective is now in conflict, however, with the immediate need to reassure key allies (and warn possible adversaries) in the wake of our Indochina setbacks. It is further complicated by the domestic political factors the President must consider as he faces re-election in 1976.

This memorandum seeks to give you a sense of several very different ways we might proceed in our relationship with Peking during the remainder of this year. We assume that the actual decisions the President will make on China policy this fall will be shaped by a combination of international developments during the next several months (particularly those associated with Middle Eastern diplomacy and Soviet-American relations) and his own judgment about the impact of possible further moves with Peking on both his foreign policy and domestic political future.

In order to give you a range of approaches to our dealings with the PRC during the remainder of 1975, we explore in the following sections of this paper the problems and issues associated with three ways of handling the Peking summit:

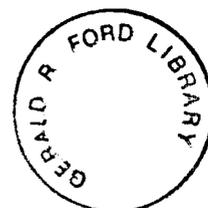
- An indefinite postponement.
- A "sustaining" visit.
- Full normalization.

- In addition, we review the issues which must be addressed if you wish to at least explore with Chinese leaders the terms for a comprehensive normalization agreement.

- We summarize the tasks which remain for this year in our dealing with the PRC irrespective of the type of summit you and the President wish to organize.

- We suggest some problem areas and themes relating to our official dialogue with the Chinese, and their relationship to your forthcoming discussions in Peking.

- In an appendix (Tab A) we review the PRC's current orientation toward the normalization process.



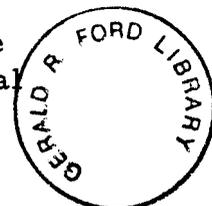
Our own judgment is not that there should be "normalization at any price," but that long-term American foreign policy interests will be served by a consolidation of our present, if limited, relationship with Peking; and that we can avoid future problems with the PRC at a relatively low price as well as posture ourselves in Asia favorably for the future if an acceptable normalization deal can be worked out now. We believe that at minimum there are important reasons for making a serious attempt to explore with senior PRC leaders the terms for a comprehensive agreement on full normalization, even though the President will ultimately have to decide how far he can go. The Chinese -- in the wake of Indochina developments -- appear to be more anxious than ever to have a visible relationship with the U.S. for security reasons. Thus, they probably are as likely as they may ever be to accommodate our political needs; and while Mao and Chou still live there is the authority in Peking to strike a deal and implement it. The exact degree of Chinese flexibility on the most sensitive issue of Taiwan's future security, however, will only be known through direct negotiations.

At the same time, senior PRC leaders in recent days have publicly indicated that they will accept a Presidential visit which does not lead to full normalization. This gives us greater flexibility in planning for the President's trip, although there remain risks (primarily in China's domestic political process) in trying to sustain our relationship with Peking at its present level for several more years. Thus, we believe that if you can get substantial assurances from the Chinese on the Taiwan security question, and if other political and economic elements of a package agreement on normalization are positive, that our interests will be served by consummating a deal in association with the President's trip.

Three Approaches to the Peking Summit: Indefinite Postponement; a Sustaining Visit; or Full Normalization

We assume, without a review of all the arguments, that it is still a basic American foreign policy commitment to work toward the full normalization of U.S.-PRC relations, and to complete the process in as short a period of time as is politically feasible. The questions which remain are the precise terms for a normalization agreement, and the timing of their realization.

We also assume (as you indicated to Huang Chen on May 9) that whatever type of a Presidential trip you wish to organize will be preceded by an advance visit by yourself to negotiate the political



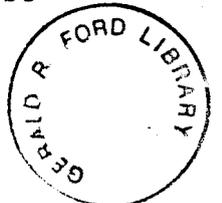
issues. This advance could be scheduled either before or after the Brezhnev summit, although we feel there are political advantages to such a trip beforehand. A visit to Peking sometime after your July meeting with Gromyko (in August, or the second half of September) would presumably build additional heat on the Soviets in advance of the Brezhnev visit; and while the Chinese might be inclined to be less forthcoming on terms for normalization as a price for being played so obviously against the Russians, they would be concerned that a stalling of the U.S.- PRC relationship would incline us toward a closer relationship with Moscow.

From another perspective, Chinese uncertainty about the exact outcome of the Soviet summit (as will be the case prior to Brezhnev's visit to Washington) could provide a better context for your discussions in Peking than a post-summit situation where we might appear to PRC leaders to have moved toward greater "collusion" with Moscow. All the same, however, it can be argued that even substantial movement in Soviet-American relations will just motivate Peking to want to "keep up" with us rather than back away (as appeared to be the case last November after the Vladivostok summit meeting).

Our summary judgment of these considerations is that an advance visit to Peking by yourself before the Brezhnev summit would be most useful and timely. If you were to go to Peking in October or early November there would be the additional disadvantages of having minimal lead time before the President's visit to permit technical planning and preparations related to possible political developments. Such a late advance might force a delay in the President's trip until December or the early winter of 1976.

Indefinite Postponement of the Peking Summit

Inasmuch as we now have a fairly clear sense of the likely elements of a normalization agreement, you and the President may decide that the time is not ripe to consummate a fully normalized relationship with Peking, and that as a consequence the PRC summit should be postponed indefinitely. Such a determination presumably would be crystallized by the discussions you will hold during your advance trip, although if you do not wish to formalize the Chinese



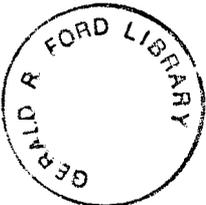
or American negotiation positions you might work out a postponement indirectly through contacts with the PRC Liaison Office.

The impact of an indefinite postponement of the Presidential trip would be substantial on both the future of the U.S.- PRC relationship and on our other international dealings. A major source of pressure on the Soviet Union would be called into question (although this might be of lessened short-term importance in the wake of a successful Brezhnev summit), and there would be a general sense abroad that the U.S.- PRC relationship was stalling out. Indeed, we assume that a decision on our part to postpone the President's trip to Peking would effectively freeze any substantial movement in the relationship until after the elections in the fall of 1976, presumably well into 1977.

In such circumstances, while the leaders in Peking that we have been dealing with will -- by all currently available evidence -- seek to sustain the relationship in its present form, we would be gambling that a number of developments would not occur which could close off the prospects of attaining a stable, fully normalized relationship with the PRC: Mao and/or Chou are quite likely to die in the next two or three years. As a result there could well be a diffusion of the policy consensus and leadership coalition which now gives Peking's politics a coherence unknown for two decades.* Pressures

*There is increasing uncertainty, however, about the physical health and political standing of both Mao and Chou. Indications persist that the Chairman's relations with other senior leaders, particularly in the military, are somewhat strained; however, since his return to Peking in mid-April after a ten month absence, Mao has resumed an overtly active role in political affairs, as by receiving foreign visitors. At the same time, the Chairman's health (as always) appears to be deteriorating. Chou's health and role are also uncertain factors.

We find it very difficult to draw any firm conclusions about the impact of the current leadership situation on our bilateral relations with Peking, although we do have a general sense of Mao and Chou fading from the scene. Day-to-day affairs are ever-more firmly grasped by a "successor" group led by Vice Premier Teng Hsiao-p'ing and Chang Ch'un-ch'iao (on the Party side). We see no evidence, however, which would indicate that Mao and Chou will not continue to influence major foreign policy decisions, or that their foreign policy line of the past five years is being modified.



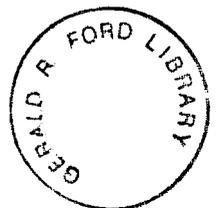
which we have seen reflected in PRC media for a moderated policy toward the Soviet Union -- a line which seems to emanate from the military -- might find expression in a succession struggle. And the possibility of a change of Administration in Washington after 1976 could confront Peking with a new cast of characters they might well view without sympathy, and with whom they would have to build a dialogue de novo.

In short, delay risks the intervention of political forces which could substantially complicate efforts to normalize -- a consideration which of course has to be weighed against the factors on the other side of the equation which should continue to make it in the national interests of both the PRC and U.S. to complete the process which you and President Nixon, Chairman Mao and Premier Chou, initiated in 1970.

Based on the above considerations, we frankly assume that indefinite postponement of the Presidential trip is a non-option. The political rationale which led to the onset of the normalization process still holds true; and despite some cooling of the atmospherics in our dealings with the Chinese, the importance of a stable U.S.- PRC relationship for the larger structure of the Administration's foreign policy would make the virtual termination of the political dialogue with Peking and the elimination of even the optical aspects of our relationship more costly than, for example, a cosmetic Presidential trip. Furthermore, the Chinese are now signalling to us -- in Teng Hsiao-p'ing's remarks to a group of American newspaper editors in early June, and in other official guidance which reaches us -- that they want the Presidential visit to be held whether or not it leads to full normalization.

A "Sustaining" Summit

If you and the President were to decide that Peking's terms for normalization are politically unacceptable, but that you wish to sustain a visible relationship with the Chinese, we believe that Peking would see its own interests served by an optical summit meeting which did not produce a major breakthrough to establishment of diplomatic relations. As senior Chinese leaders have

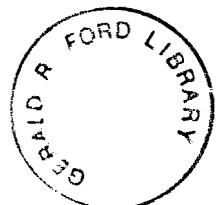


repeatedly told you, while they wish to move on the Taiwan question, they are prepared to wait if the U.S. "needs Taiwan." The world press carried Teng Hsiao-p'ing's comment on June 3 that President Ford will be welcome in China even if there are no agreements on any major questions between the two countries [i. e., Taiwan].

We do not even totally rule out the interpretation that PRC leaders may not want to move on normalization at this time, either because they know our price is unacceptable to them in terms of their domestic politics or because they do not wish to induce further political changes in their region in the wake of Indochina developments which would give the Soviets additional openings that China might have to counter with limited assets. At least one can say that the present state of U.S.- PRC relations, and the American "holding" position on Taiwan, represent an acceptable minimum position in terms of PRC interests at this time.

We see two problems, however, with a cosmetic summit meeting designed just to sustain our relationship with Peking at its present level -- each related to problems of constructing a meaningful agenda. There will be problems in formulating a significant outcome short of full normalization which would clearly justify a second Presidential visit to Peking. A trip merely to "exchange views on issues of common concern" could be criticized in the press as unworthy of the occupation of so much of Mr. Ford's time and an unnecessary commitment of Presidential prestige to a second visit to the Chinese capital. It would encourage cynicism about the U.S.- PRC relationship.

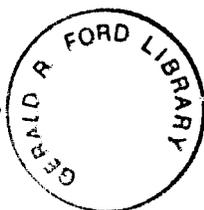
What agreements might we reach with Peking short of full normalization which would justify to our public a second Presidential trip? Thus far the Chinese have been unwilling to move with us on certain economic and exchange issues (solution of the claims/assets problem, or a more active cultural exchange relationship) in the absence of progress on the key political issue of Taiwan. The Chinese would have to re-evaluate this posture and be willing to show more flexibility in solving secondary issues than they have done to date. Thus, we might seek a final resolution of the claims/assets problem. Maritime or air transport agreements, or a governmental trade agreement, might be worked out "in principle"



(although considerable time will be needed to negotiate the details of such arrangements). Or certain visible cultural programs might be worked out, such as exchange of students or permanent press representation. In return, we might "give" Peking virtually full withdrawal of our military presence from the island (except for a residual intelligence and liaison cadre of a few hundred men), or a reduction of the level of our diplomatic representation.*

Based on Peking's position up to now, however, we have limited expectation that the Chinese will agree to further increments of the above sort without some fairly specific commitments to progress on the Taiwan issue. The problem the President faces, of course, is that any commitment he might make on the political issues really requires implementation in conjunction with his trip to Peking or its immediate aftermath. It will be difficult, for domestic political reasons, to reveal or institute substantial changes in our relationship with Taiwan during the 1976 campaign season; and the President presumably would not want to offer (and the Chinese would probably not accept) a political deal which is contingent upon his re-election -- or left to the discretion of his successor.

A related agenda problem is reaction on the PRC side to a second summit meeting that does not solve the Taiwan question. Even though we believe senior PRC leaders wish to have a Presidential visit which may not produce a breakthrough, they may be faced with growing domestic pressures for some visible benefit to China from the Washington connection. A case can be made from a Chinese perspective that Peking has made all the compromises thus far while receiving little in return. Not only has Taiwan not been "liberated," but the U. S. has a new senior Ambassador there and the ROC has two additional consulates in the U. S. Trade is substantially in America's favor, is weakening China's "self-reliance," and is inducing PRC scientists to "worship foreign things." The cultural exchange program is exposing Chinese intellectuals to disturbing foreign ideas; while the American journalists and intellectuals who visit the PRC return to the U. S. to publicly criticize what they see in China, especially domestic political problems.



While the above sort of argument can be overdrawn, there is good evidence that our bilateral contacts with the PRC

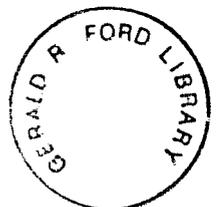
*See a more extensive check-list of possible areas for agreements which would sustain or broaden the relationship, at Tab B.

have generated the above sorts of criticism, especially from China's political left. The argument that China increases her security against the Soviets by dealing with the U.S. is a very sophisticated rationalization accepted by a limited few. Indeed, China's military seems to be a continuing source of pressure for a less hostile attitude toward the Russians (although we have no direct evidence of their opposition to dealings with the U.S.).

Given these considerations, the strategy of a "sustaining" agenda should be to include developments which will enable PRC leaders to hold the commitment of the "left" and military to our present relationship. Unilateral security actions we might take (such as further troop reductions from Taiwan), or proposals in such areas as technology transfer or military cooperation which would enhance PRC defenses, will be helpful in minimizing resistance to the relationship from the Chinese military. Unfortunately some of the things we need in order to cope with conservative American opinion, such as future sales of military equipment to Taiwan, will probably antagonize the PLA. Similarly, the kinds of cultural and scientific exchanges which will hold the interest of our intellectuals and journalists in the China relationship are exactly the programs which are seen as threatening by China's political radicals. Such contradictory factors will have to be balanced out in almost any trip agenda, but particularly in one which seeks to sustain the U.S.-PRC relationship in its present, semi-consummated condition.

A Normalization Summit

We believe that despite certain signs of a hardening in Peking's foreign policy orientation (such as increasing unwillingness to be cooperative with us on certain third country issues, their pressuring Japan on terms for a peace treaty, and somewhat more visible support for certain Maoist insurgent movements abroad) that the Chinese continue to see U.S.-PRC normalization as in their own interest. Developments in Indochina have sharpened PRC concerns about the Soviets having new political openings on their periphery; and we interpret the heightened visibility of Chinese support for North Korea and the new government in Cambodia as an effort to



preempt Soviet access by presenting themselves to these and other countries in the region as a more reliable political ally than the Soviet Union. . . . reporting in recent weeks has revealed active concern among Chinese officials that President Ford might cancel his trip to Peking. Evaluated solely from the perspective of Peking's mood, the current context may be as favorable as we may have for some time (in terms of the motivation of the Chinese leadership, and the state of the PRC political system) for a move to full normalization.

If there is one crucial point of concern in Peking about their dealings with us, it is uncertainty about how far we will go with Moscow, and new doubts about how actively we can and will work to counter the Soviet presence in their region. While the Chinese will not be in a position to pressure us on our dealings with Moscow as they are now attempting to do with the Japanese, there is no question that developments in Soviet-American relations in the coming months will be a major factor affecting the mood of the Peking summit.

The Chinese cannot demand that we give up "detente" as a price for normalization with them; but to the degree that we appear to be casting our dealings with the PRC solely in terms of our Soviet policy, we will heighten their fears about being exposed on security and political issues by their relationship with us. As Chou En-lai indicated to you as early as February, 1973, there are high-level concerns in Peking that we are dealing with them merely to get at the Soviets "by standing on China's shoulders."

The implication of the above line of reasoning for the President's trip is that our approach to resolving the Taiwan question and finding terms for a fully normalized relationship -- along with the outcome of the Brezhnev summit -- will be an important test for the Chinese of how seriously we take our relationship with them. If we are correct in the assumption that the Chinese see normalization as much in their interest as ever, the effort to negotiate an agreement on your next advance trip should expose their maximum degree of flexibility, especially on the issue of Taiwan's security. Even if you are unable to achieve terms acceptable to the President, you will at least have



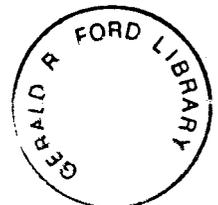
put on the record for discussion at some future time as accommodating a position as the Chinese are likely to find acceptable. Moreover, we will be able to say to our own people (as well as to the Chinese) that we made a determined effort to reach agreement, and that we expect peaceful assurances on the Taiwan question before any future normalization deal can be made. In sum, we believe a serious effort should be made now to determine if agreement is possible.

Where do we now stand on the specific issues which must be addressed in negotiating a package normalization deal? Without reviewing in detail all the elements of such an agreement (which are discussed in the October, 1974 analysis, at Tab C), following are the major points which remain at issue:

-- Recognizing the PRC as the "sole legal government" of China, exchanging ambassadors, and upgrading our liaison offices to embassies. These developments will require working out arrangements to the following associated problems:

- Agreeing with Peking on some verbal formula by which we go beyond the Shanghai Communique statement that the U.S. "does not challenge" the assertion of "all Chinese on either side of the Taiwan Strait" that Taiwan is part of China to a more direct formulation implying or expressing support for the principle of the unity of China. This could be an indirect approach stressing continuity with past American policy by reaffirming our commitment that Taiwan be returned to Chinese control as was expressed in the Cairo and Potsdam declarations, or it could draw on the precedents of other recent recognition formulas in which various states have "taken note of," "acknowledged," "recognized" or expressed "understanding and respect for" Peking's assertion that Taiwan is an inalienable part of China. (Our specific position on this issue might be linked in negotiations to the degree of Peking's assurances on the future security of the island.)

- We will have to develop an understanding with Peking about a residual (official or semi-official) presence on the island to replace the withdrawal of our embassy. Peking has now rejected the notion of such a presence being called a "liaison office"

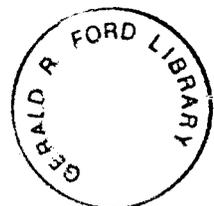


or a consulate. We will presumably have to find some new verbal formulation (possibilities range from a broad formulation such as a "U.S. Representative's Office" or "Sino-American relations society" to a more narrowly conceived "trade office") and institutional arrangements which will make it possible for seconded State Department and other governmental personnel to handle our contacts with the authorities on Taiwan.

Undoubtedly Peking would prefer that our remnant presence in Taipei be formally unofficial -- on the Japanese pattern. Such an arrangement, however, will be undesirable with regard to its impact on Taiwan and here at home. Furthermore, a preliminary analysis of such a non-governmental arrangement indicates there would be significant problems related to USG funding, the handling of consular matters, and management of a military sales program, if our Taipei embassy operation were to be taken over by a private American association. In addition, unless we maintain a government consulate in Taipei (by whatever name), the need for Congressional legislation to enable us to fund and conduct USG business through a private association would open up the Administration to the complicating political effects of legislators on the Hill shaping the process of institutionalizing a normalized China policy. These aspects of the situation are being thought through in a separate analysis which will give you options on how to retain a USG presence in Taipei.

● We will have to negotiate with Peking an understanding that the U.S. will maintain its present economic and social ties to the island, including the ability to sustain investment in the island's economy and physical access to Taiwan via air and sea communications. (In this regard, the playing out of the negotiations between Peking and Tokyo in 1973 on Japan's air service with the PRC, in which the Japanese acceded to the Chinese demand that they cease treating the Republic of China's flag airline as a national airline, has set a difficult precedent for Taipei, and for us.)

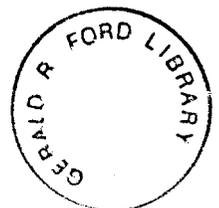
-- The future security of Taiwan remains the core issue to be negotiated. The Chinese may ask us for an explicit, public declaration that we are abrogating the U.S.- ROC Mutual Defense Treaty.



They also will probably want a constricting limit -- and perhaps a rapid cut-off -- in sales of American arms to the island. (Their counter concern will be that too-rapid a removal of the entire American security relationship with Taiwan might stimulate the ROC to turn elsewhere for weapons and political support. PRC officials see such a possibility enhanced now that Chiang Kai-shek has passed from the scene.) Chinese leaders also have not encouraged us to believe that they might make a public commitment of some sort expressing the intention to "liberate" the island by peaceful means only. Not only has Teng Hsiao-p'ing repeatedly emphasized to you privately that the PRC will permit no foreign interference in the process of Taiwan's eventual reincorporation into the mainland, but in his June 2 interview with American editors he implied that force might have to be used, "as in removing dust from a floor with the aid of a broom" (a Mao quote). While past public and private statements to you by Chou En-lai suggest some hope for a Chinese statement of peaceful intentions regarding Taiwan, we are not overly optimistic that an acceptable unilateral formulation will be forthcoming.

State Department lawyers, in contrast, have urged that you seek from Peking a joint statement expressing a mutual commitment not to use force in settling the Taiwan question. Such a statement, they say, would at least enable us to plausibly claim that the U.S. retained a legal basis for assisting Taiwan in its defense if it were ever attacked from the mainland. We have no expectation, however, that Peking would agree to such a joint statement; indeed, the Chinese would very likely see a proposal for such an arrangement as a provocation or an unacceptable demand designed to stall negotiations. Other proposals for dealing with the security question (which we have not explored as they seem impractical) include an agreement between the U.S. and PRC to treat Taiwan and the Strait as a demilitarized zone, or to encourage Peking and Taipei to negotiate a mutual renunciation-of-force agreement.

Your own approach to this problem, since you first raised the idea during your October, 1971 trip to Peking, has been to seek from Peking a unilateral and general statement of intention -- presumably to be included in a normalization communique -- expressing the

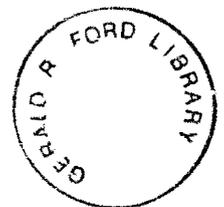


willingness to strive for a peaceful settlement of the Taiwan question. Last fall you had us draft parallel, unilateral American statements (which could be either included "back-to-back" with a Chinese statement in a communique, issued separately in a press conference, or embodied in a Congressional resolution) expressing a residual interest in Taiwan's security, the desire that the island's future be resolved peacefully, and perhaps linking the maintenance of our fully normal relationship with Peking to the assumption that force will not be used against Taiwan.

Teng Hsiao-p'ing hinted to you on the last day of your November, 1974 talks that he assumes he will be discussing some arrangement of this type with you at a later date. Exactly how far Peking will go in this direction will not be known in the absence of direct negotiations. We believe you should negotiate for a unilateral statement by Peking expressing the idea that the PRC does not contemplate the use of force in resolving the Taiwan question. We assume that we will have to accept language which qualifies the circumstances under which Peking would exercise restraint (see suggestive alternative formulations which were drafted for your November, 1974 trip, at Tab D). We also assume we will parallel Peking's statement with a unilateral statement of our own, as is noted above.

A less favorable alternative would be a statement by Peking which merely expresses the "hope for" and a willingness to strive for a peaceful settlement of the Taiwan issue. A further fall-back would be a statement from the PRC side expressing a willingness to exercise patience and restraint in seeking settlement of the island's future (see alternative formulations at Tab D).

We assume that the exact content of the parallel, unilateral statements which we and Peking might make about the future security of Taiwan will be linked in the negotiating process to agreement on a residual program of sales of American military equipment to the island (i. e., the more forthcoming a statement from the Chinese, the more limited our sales program might be). As noted above, the PRC will probably see its own interests served by having a gradual



trail-off in U.S. arms sales; but you may wish to relate an understanding with Peking about the level and duration of such sales to the specific language of restraint that the PRC is willing to agree to, as part of a package agreement on normalization.

(An additional aspect of the modification of our security relationship with Taiwan will be further withdrawals of our residual military [and intelligence] presence on the island. While this will not be an issue you would negotiate with Peking, it will constitute one element of your discussions with PRC leaders. As such, further troop withdrawals directly relate to the consummation of a normalization agreement. You have been sent, via NSC channels, two options papers on reduction schedules for our remaining troop..... presence on the island, and a residual program of military sales.)

-- Thus far in your approach to a normalization agreement, you have not linked third-country issues to consummation of the process -- except for the matter of troop withdrawals from Taiwan being related to "reduction of tensions in the area." For reasons that we detail on pages 25 and 26 below, you may want to consider relating increased PRC cooperation on issues like Korea to the evolution of a fully normal bilateral relationship.

If the above issues are the key bilateral questions to be resolved through negotiation, it must be said that at this point in the evolution of your discussions with PRC leaders the room for maneuver on a normalization agreement does not seem great. If there is to be full normalization, we will have to recognize Peking as the sole legal government of China, and imply or express in some verbal formulation acceptance of the view that Taiwan is part of China. We will maintain some type of "private-but-governmental" office in Taipei staffed by seconded State Department personnel, and -- on the Japanese pattern -- we will maintain our trade and social contact with the island. At the time of normalization we will indicate tacitly or explicitly that the U.S.-ROC Mutual Defense Treaty is no longer operative, but that the end of this formal relationship will be compensated for by a Chinese statement of peaceful intent,



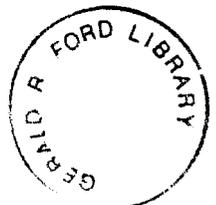
by our own unilateral expression of concern (perhaps expressed in a Congressional resolution) for the future security of Taiwan and the expectation that its differences with the mainland will be resolved peacefully, and by a residual program of American arms sales to the island.

[If Peking proves unwilling to agree to any package of arrangements relating to the future security of Taiwan (including such elements as parallel public statements, a residual American arms supply arrangement, and a paced withdrawal of our remaining military presence) it seems likely that the President would find it impossible to reach a normalization agreement. Indeed, we would recommend against a deal on such a basis.]

We will have to answer those who criticize a normalization agreement on the grounds that we denied the people of Taiwan the option of self-determination with the argument that self-determination has never been an element at issue in America's China policy, and that those Taiwanese intellectuals who have advocated independence (primarily as residents of the U.S. or Japan) have been unable to evoke a substantial response from the people or authorities on the island.

For those who would criticize normalization on the grounds of our having sold out an old ally, we will have to respond that even our recently deceased "old ally" maintained that Taiwan was part of China, and that our national interests require recognizing -- belatedly in comparison with the rest of the world -- the enduring reality of Peking's control over the preponderance of Chinese territory. We will point to those aspects of the Asian political and military balance which are likely to stay Peking's hand from a direct military effort to gain control over the island, and mention our continuing economic ties and program of military sales as a way of helping to preserve for Taiwan the reality of its present status. And we will presumably have a sufficiently direct statement of peaceful intent from Peking to reaffirm our own concern that the people of the island be able to work out in a peaceful manner the nature of their future relations with the mainland.

And for some, there will be the question of what, if anything, the U.S. has gained from Peking in return for normalizing on the PRC's terms. This is a question that can only be answered in terms of the strategic value to us of a non-confrontation posture with the PRC, the impetus it has given the diplomacy of "detente" with the Soviets, and the long-term benefits to the U.S. of having eliminated one front of the Cold War battle lines of the 1950s and '60s. (One additional reason for seeking greater PRC cooperation on third-country issues, of course, is to be able to justify normalization on broader international grounds than just gaining leverage over the Soviets.)



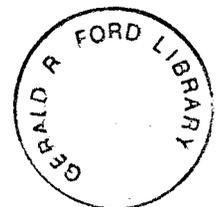
Tasks for the Remainder of 1975

In view of the above discussion and analysis, the following tasks remain for 1975 if you are to at least explore with PRC leaders the possibilities for further steps toward a fully normalized relationship:

-- Preparing a negotiating package. If you will give us guidance on your preferred approaches to further negotiations with the Chinese on the question of normalization, we will prepare a negotiating package for use during your advance trip to Peking later in the year. In addition to the bilateral questions which must be considered in such a package, there is the related issue of how you might wish to coordinate negotiations with the PRC with the evolution of our contacts with the Soviets during the year -- specifically whether you want to schedule an advance trip to Peking before or after the Brezhnev summit. As well, there is the question of whether you want to begin to link [lack of] PRC cooperation on third-country issues (such as Korea) and perhaps international questions (food, energy, etc.) to further steps in our bilateral relations.

-- Planning further force withdrawals from Taiwan. On February 8, Mr. Habib informed PRCLC that by mid-1975 we will have drawn down our military manpower level on Taiwan to about 2,800 men, put Tainan airbase on caretaker status by mid-year and Ching Chuan Kang airbase on caretaker status by the end of the year. The PRC was also told that they would be informed later about an even lower manpower level to be reached by the end of 1975.

Two major inter-agency studies relating to the U.S. military manpower presence on Taiwan and our military sales program have just been completed and sent to you and the President for decision via NSC channels. The NSSM 212 response provides you options on general policy guidelines for future sales of military equipment to -- and U.S. force levels in -- the ROC. The second study is an Intelligence Community staff analysis of our presence on Taiwan.....

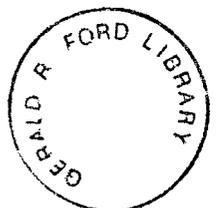


This study presents options for further reduction of the approximately..... personnel who will remain on the island after July 1975.

-- Preparing our public. This far our relations with Peking have evolved with the government shaping public opinion through various official initiatives. You or the President have acted; the public has responded -- with a substantial degree of support. We are now at a point in the evolution of U.S.- PRC relations, however, where difficult decisions are less likely to evoke a generally favorable public response. If there is progress toward a fully normalized relationship, certain issues (particularly those related to Taiwan) are likely to provoke a negative reaction from some members of Congress, the media, and private citizens. And if there is no progress, there are likely to be questions about why not. "Why has the relationship stalled" may become an issue in the 1976 campaign.

The PRC in recent months has initiated more active efforts to shape opinion on the normalization question. These include the encouragement and of the "U.S.- China People's Friendship Association" to tout PRC political views, cultivation of the Chinese-American community through the cultural exchange program and trips to the PRC, and various efforts to stimulate sympathetic Congressmen and the American press on the normalization issue. The Nationalist Chinese, for opposite reasons, have similarly sought to project their views on the growing U.S.- PRC connection in the Congress and the media. In the early months of this year Taipei's diplomats embarked on an active effort to convince important opinion groups in the U.S. that normalization has proceeded as far as necessary to serve American interests, particularly by calling on the support of influential Americans like Senator Goldwater. Since the Gimo's passing ROC public relations efforts have flagged, but we can anticipate more activity as the President's trip to Peking approaches.

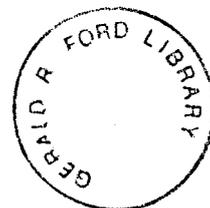
The question we now face is how to try to shape with greater purpose from the Administration's perspective public attitudes on the remaining issues associated with U.S.- PRC normalization.



There is a basic problem to such an effort. Until you have made your advance trip to Peking and sounded out PRC leaders on the prospects for an agreement, it is obviously in our interest to prevent the build-up of a positive mood of anticipation about the Ford trip.* This would only constrain your room for maneuver in negotiations with Peking, and might also mobilize groups hostile to further progress. At present we should project an attitude of "we would like to see further progress, but we have significant problems which have to be resolved -- and which will require PRC accommodation -- before further progress can be made."

Depending on the results of your advance trip, our public relations effort could go in several directions: If you see a strong possibility of full normalization associated with the President's trip, you will have to build support for the terms of an agreement with the Congress (which may have to assist by passing a supporting resolution, or enabling legislation as we move to a "private" relationship with Taiwan) and prepare public opinion for anticipated developments. If your advance trip implies limited prospect for further progress, or perhaps a postponing of the President's trip, we will be faced with the task of explaining to the Congress and public why the relationship has "stabilized" at its present level.

*Teng Hsiao-p'ing's comments of June 2 to the American newspaper editors has already helped to deflate expectations that there must be a major outcome from the trip. We believe Teng made his remarks precisely because PRC leaders are concerned that the President might back out of the trip. They are well aware of pressures on him which make it difficult to bring about further change in the relationship. We are also receiving indications of recent date that Chinese officials at PRCLC and in Hong Kong are sustaining Teng's relaxed attitude about the need for progress on Taiwan, and their desire for a Presidential visit under any circumstances.

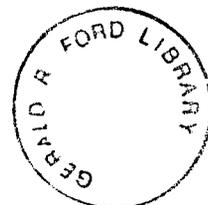


At this point we will not go any further into the public relations aspect of our dealings with Peking other than to flag the issue as one which will have to be considered in greater detail as the year progresses.

-- Preparing Taiwan for normalization. Should the results of your advance trip imply strong prospects for a normalization agreement, there will also be the need to begin more active measures to prepare the authorities on Taiwan for the further evolution of our relations with both Taipei and Peking. There is obviously some danger in giving ROC authorities the kind of advance notification which might enable them to work against further progress with the PRC. At the same time, there are dangers in being totally passive about preparing the leadership in Taipei for moves on our part which will affect their basic interests (although they clearly anticipate that sooner or later we will recognize Peking and break with them).

The recent passing of Chiang Kai-shek has removed one major constraining, and stabilizing, factor which has held Taiwan to a "one China" course for more than a quarter-century. There is no evidence as yet that the elder Chiang's death has destabilized the situation on the island, or is inclining the Nationalists in some other direction. But as Peking, Taipei, and Washington adjust their policies to the new political and international context in the months ahead, we should be sensitive to new possibilities in the Taiwan factor, and seek to actively influence the evolution of the island's policies consonant with America's larger interests. (We are now preparing a separate paper for you on the Taiwan situation.)

-- Preparing Japan. While the Japanese, at some level of perception, assume we will eventually normalize with Peking, there still lingers the hope (particularly in the business community, and among Foreign Ministry officials) that the U.S. will sustain its present "two China" position. Our enduring relations with Taiwan give the Japanese a sense that their interests on the island are protected; and the measured pace of our diplomacy with Peking has given Tokyo greater freedom of action in dealings with the Chinese.



Should we recognize Peking this fall, for example, the Japanese would feel under greater pressure to conclude a peace and friendship treaty with the PRC on Peking's "anti-hegemony" terms.

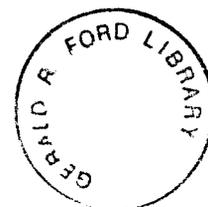
For these reasons, as well as to avoid recriminations on the basis that the U.S. never learned the lessons of the first "Nixon shocks," we should make an effort to at least inform the Japanese in good time of any further developments in our relations with the PRC.

-- Preparing the PRC. While your advance trip to Peking will be the primary vehicle for developing the basis for further developments in U.S.- PRC relations, you may also want to take certain unilateral steps in advance of the President's trip to generate an appropriate mood in Peking. These might include symbolic measures (such as having the President, or yourself, give a major speech on China in the fall, or having Mr. Ford receive at the White House the major PRC trade and scientific delegations which will visit Washington in September), or certain unilateral actions such as communicating to Peking further U.S. troop reductions from Taiwan, or perhaps an initiative in the economic area.

Some Final Thoughts on a Negotiating Posture

By way of conclusion, let us suggest several problem areas relating to the pace and orientation of our negotiations with Peking on the normalization issue which could significantly affect the future evolution of U.S.- PRC relations:

-- To Move or Not to Move to Full Normalization? As noted in the above analysis, the short-run costs of moving to establish diplomatic relations with Peking are substantial for the President, particularly in the wake of developments in Indochina and in the context of the approaching 1976 election campaign. All the same, we remain convinced that there are strong reasons for attempting to negotiate a normalization agreement within the coming five months which would help to stabilize a non-confrontation relationship with the PRC. Without reviewing all of the arguments about



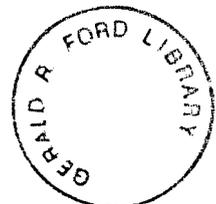
the long-term value to us of such a development, we would like to emphasize three arguments for such an effort:

First, by following through on the diplomatic momentum we have established since 1971 we would complete normalization at our own initiative and on the basis of a relatively cooperative relationship with Peking. If we let this momentum lapse, however, our relations with the PRC could deteriorate as internal pressures in Peking about being strung along by the Americans intensify. This could then mean that Peking would revert to pressure tactics to get us out of Taiwan and recognize the PRC as the sole legal government of China. Obviously in such a situation "normalization" would be much more costly for an Administration to carry out, for we would be doing it in a reactive way. Recall that in 1969 the Administration was concerned about the PRC playing on our domestic politics. This could become a problem again.

Secondly, the other side of the first argument is that if the Mao/Chou initiative toward the U.S. appears to have been successful from China's perspective, we will have maximized the possibilities of the Chairman sustaining an anti-Soviet foreign policy line within China -- with all its obvious benefits for our own foreign policy.

Thirdly, there remains the complex of international factors which make normalization basic to stabilizing the structure of the Administration's foreign policy: maintaining one of our primary levers over the Soviet Union; preventing American isolation on the China issue in multilateral forums (such as the U.N.) and in our bilateral diplomacy; and maximizing the possibility of sustaining if not enhancing parallel foreign policy moves with Peking in a number of third-country areas (Europe, the Middle East and Subcontinent, Japan, and -- hopefully -- regarding Korea and Southeast Asia).

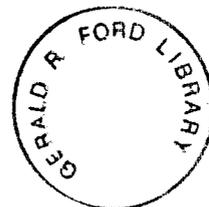
-- What Negotiating Themes to Emphasize? In reviewing the evolution of our negotiations with Peking on the normalization issue, we are concerned about the manner in which the Chinese have attempted to box us in on the themes of the "Japanese model" and Teng Hsiao-p'ing's "three principles." This is obviously a good



tactic from Peking's perspective; but at the same time we believe the Chinese have given us an opening on a more flexible general theme which could be used to structure the final phase of negotiations. In the November, 1973 Communique, Premier Chou En-lai explicitly gave you an apparently more flexible "condition" for full normalization -- on the basis of "confirming the principle of one China." We never really responded to Chou's opening. It seems notable that the Premier repeated this formulation as the only condition which Chairman Mao had set for normalization in the unpublished version of his speech to National People's Congress delegates in January of this year. It is possible that the Premier (and perhaps the Chairman), in using this phrase both publicly and privately, are indicating the basis upon which they would attempt to sell a compromise normalization agreement to their own cadre. In preparing for your next round of talks in Peking, you could structure your discussion of the normalization issue around this theme and avoid being boxed in on the question of whether or not our terms strictly meet the "Japanese model" or Teng's "three principles" -- although obviously at this point in the discussions we will have to take these aspects of Peking's private negotiating position into account.

Similarly, we may find it in our interest to press the Chinese to make good on Mao's comment to you about not needing direct control of Taiwan for "a hundred years." While this statement may very well have been intended by the Chairman only as a symbolic formulation, it is one of the few points on which we can seek to box in the Chinese with the sacred words of their own leader. Similarly, past public and private statements by Premier Chou about a willingness to strive for a peaceful settlement of the Taiwan situation should be cited as precedents for a forthcoming unilateral statement by the Chinese on the issue of the island's security.

-- Who's Afraid of the Big Bad Bear? While the Soviet factor has obviously been central to the evolution of our relations with Peking over the past five years, we are disturbed by signs that the Chinese feel they are being manipulated by us with the Soviet threat. There were a number of statements in 1974 by Vice Premier Teng and Foreign Minister Ch'iao to the effect that they were not certain they were getting the straight story on the Russians from the U. S. ;

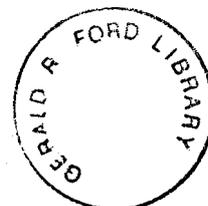


and beginning as far back as the winter of 1973 Mao and Chou shifted from a posture of emphasizing the Soviet threat to China to the view that the Russians had only a million men on their border (which was not enough for defense, much less an attack) and that Moscow was "feinting toward the East while intending to attack in the West." This led to some rather unproductive exchanges with the Foreign Minister over whether China or the U.S. was the party more threatened by the Soviet Union. Obviously the Chinese have attempted to create the impression that our leverage over them because of what we presume to be their fear of the Russians was not as great as we might wish it to be.

Whatever the realities of the Russian threat to China, there are several difficult psychological dimensions to the way we might play the Soviet issue. To the degree that we appear to be emphasizing the Russian threat to "scare" Peking, we make the Chinese feel they are being manipulated, and thus erode whatever credibility we have built up with them. Moreover, in an ironic way we may be increasing the pressure on Mao to be more flexible in China's dealing with Moscow. We know that in the wake of the 1973 U.S.-Soviet agreement on preventing nuclear war that Chang Wen-chin, one of your interlocutors in drafting the Shanghai Communique, and now PRC Ambassador to Canada, wrote a paper in the Foreign Ministry calling into question the value of China's relationship with the U.S. in the context of our increasingly active dealings with the Soviets. The suspicion that we are manipulating them with the Soviet threat must also increase the inclination of "pragmatic" politicians like Teng Hsiao-p'ing (and perhaps even the Premier) to give greater flexibility to China's foreign policy by a limited accommodation with the Russians (and to concurrently reduce our own maneuverability).

How to be straightforward with Peking about our assessment of Soviet capabilities and intentions while not appearing manipulative in our use of this factor is a difficult problem in negotiating tactics.

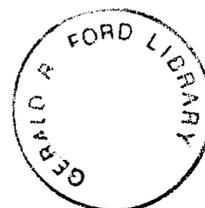
Furthermore, to the degree that the Chinese assume that our dealings with them are largely a function of our efforts to gain leverage over the Russians, the more they will probably assume that we will accommodate them on bilateral issues in order to



sustain our position vis-a-vis Moscow. We believe such a situation would create substantial problems for the evolution of U.S.- PRC relations. Not only would it engender cynicism in Peking about their dealing with us, but it would increasingly tempt the Chinese to pose us with difficult choices about whether to accommodate their interests on particular bilateral issues or risk visibly damaging the Sino-American relationship -- and by extrapolation, our leverage over Moscow. And to the degree that decisions on our part begin to convince our press, the Congress, and academic community that we are being "soft" on the Chinese, we will erode support for our China policy among important vocal elites whose patience with PRC game-playing is already wearing thin. (It was precisely for this reason, among others, that we urged a firm position on the Taiwan "liberation" song issue.)

In short, for tactical reasons if nothing else, we should approach Peking with a greater sense of concern about the evolution of our bilateral relationship. If we do not appear to take the Chinese seriously on their own grounds, we are unlikely to build a relationship with the PRC that will gain sustained support in Peking and the U.S.

-- Link U.S.- PRC Normalization to Cooperation on Third Country Issues? While the Shanghai Communique linked our military withdrawal from Taiwan to the reduction of tensions in Indochina, in general our relationship with Peking has evolved without much effort to directly relate further progress on bilateral issues to cooperation in international affairs. This is as it should have been, inasmuch as to press Peking for visible cooperation with us in areas where China's own security interests would have been compromised (as in Indochina) very likely would have overburdened the fragile beginnings of normalization. Moreover, a review of Peking's behavior on Vietnam and Cambodia over the past four years indicates that while the Chinese have not been positively cooperative, neither were they actively obstructionist in a situation where the trend of events was clearly in the direction of their allies, where our own ability to act was increasingly constrained by domestic factors, and where to actively resist the trend would have exposed them to serious political pressures from the Russians, who would have tried



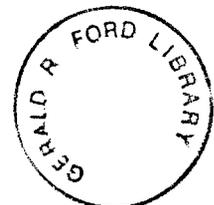
to embarrass them with their "third world" clique. Moreover, Peking was helpful to us on an issue like Korea as late as the fall of 1973 -- but pulled back from such "collusion" precisely when Moscow undercut their position at the UNGA on the basis of their cooperation with the U.S.

At the same time, more recent PRC behavior on a range of international issues -- Korea and the U.N. Command, Indochina, the food and energy conferences -- has been such as to give us little prospect that after normalization we might expect to work positively with Peking in coping with a range of third country questions. There is now some grumbling both within the USG and in public to the effect that we are really getting very little out of our relationship with Peking.

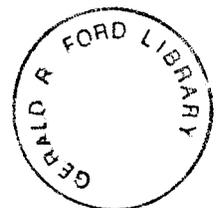
There are major limitations on the leverage we might develop with the Chinese which might induce them to be cooperative on a range of international issues (Korea being a prime example); but at the same time you may wish to consider laying the groundwork for some linkage between further steps toward full normalization and more cooperation on third country questions. Just as important leadership groups in this country will ask what we are getting from Peking in bilateral affairs in return for our concessions on Taiwan, there will also be questioning about "normalization" if we cannot point to some degree of Chinese cooperation on international problems.

Recommendation:

That you convene a meeting with us at an early date to discuss the issues explored in this paper, and to give us instructions on how we should proceed in preparing for your advance trip to Peking.



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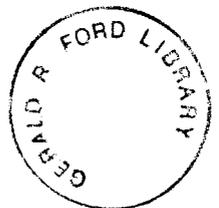
Peking's Current Posture Towards Normalization

Since the beginning of your direct political discussions with PRC leaders in 1971, the Chinese have made it clear that they expect the resumption of relations to lead to full normalization. In your November 1973 meeting with Mao, the Chairman indicated an interest in moving on this issue, but he also said that he was prepared to defer a decision on Taiwan if we still needed the island, and that he would not rush us. This position was reiterated by Teng Hsiao-p'ing during your April, 1974 meeting in New York; and during your discussions in Peking last November Teng even seemed to back away from the previous understanding of a 1976 deadline when he commented that the Chinese side is prepared to wait "for a few years" for full normalization.

At the same time, Teng seemed to be carefully building up a record of statements about the Chinese desire to move, and the lack of a U.S. response because of our continuing "need" for a relationship with Taiwan. Teng appeared to be trying to justify (to domestic critics?) the righteousness of the PRC position, while at the same time laying on the U.S. the burden of inaction. As he said on the last day of the talks, "If you need Taiwan now, we can wait. This in no way means that we do not want to solve this issue as early as possible. . . It does not mean from a moral and political point of view that we have no right to demand or ask for an early solution."

At the time that Teng was presenting this view in private, however, other Chinese officials were initiating a press campaign designed to convey a sense of unhappiness in Peking about the slow pace of U.S.-PRC normalization. This was most noticeable in news coverage of Senator Mansfield's December trip to China. The campaign of needling was turned off, however, in response to Assistant Secretary Habib's December 24th demarche to Han Hsu, in which it was indicated that the President's forthcoming visit to the PRC would be "complicated" if it occurred in a context of what appeared to be pressure tactics for progress.

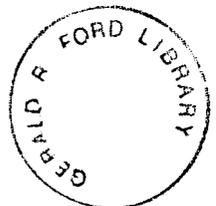
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Subsequent to the Habib demarche, the signs of press stimulation by the Chinese promptly stopped. Chou En-lai and Ch'iao Kuan-hua made public statements debunking the rumors of discontent on their part about U.S.- PRC relations; and with Huang Chen's return to Washington in early February, the Chinese appeared to shift to a "smiles" campaign -- by being forthcoming to American officials at social functions and responsive on the question of visits, and by extending the tour of the archaeological exhibition -- in order to create a positive mood of anticipation in advance of the President's trip.

The mid-March confrontation with the Chinese over the Taiwan "liberation" song, in our view, resulted from the game-playing of middle level cadre who have pursued the same tactic in the past with the Japanese and other target countries in their cultural exchange program. When Peking's political-level decision-makers were confronted with our unyielding position they had no alternative but to stand their own ground, given the symbolic importance of the Taiwan issue. We have some reason to believe the lower-level PRC cadre involved in this flap may have been burned by their superiors for having been overly provocative on a petty issue. In any event, we do not see this incident as having been initiated by senior leaders in Peking (who now are explicitly revealing their sensitivity to complicating the domestic pressures on the President in the wake of developments in Indochina); and we continue to believe that our firm stand on the song issue will be useful to you and the President in negotiations later this year -- and also in encouraging Peking to discipline its game-playing cadre.

Subsequent to the Communist victories in Indochina, PRC leaders appear to have reassessed the impact on their security of the diminished American presence in Southeast Asia. on the remarks of senior PRC officials abroad suggests that the following conclusions were reached: Peking is concerned about the Soviets having new opportunities for influence in Southeast Asia, especially via Hanoi. While this situation is not out of hand, the PRC's interests are served by having the remnant American presence in the region sustained for the immediate future (as in Thailand and the Philippines). Moreover, Peking wishes to maintain a visible and positive relationship with Washington, as through the visit of President Ford. There is concern



that the President might cancel his trip to Peking because under current circumstances he is constrained in how far he can go in implementing the Shanghai Communique. However, China will welcome him whether or not he can conclude major agreements affecting the future of Taiwan. (This last point of view was made public by Teng Hsiao-p'ing on June 2, and has been repeated subsequently in private conversations by diplomatic officials at PRCLC and at other posts abroad, as well as by political leaders in Peking.)

Where does the above combination of private statements and public actions indicate that Peking now stands on the question of normalization? We believe PRC leaders are in fact anxious to reach an agreement which would lead to full normalization of relations. They down-play their apparent interest in progress to avoid creating the impression that they "want" us (and thus would be willing to pay a political price for full recognition), and because they are concerned the President might not come this fall. At the same time, they probably do believe our present relationship -- while not meeting their maximum objectives -- is an acceptable interim arrangement under current circumstances.

Uncertainty remains, however, about the critical question of how far PRC leaders will go in accommodating us on the issue of their future intentions toward Taiwan. This, of course, is the core question which makes normalization such a costly process for the U.S. to consummate. We will only know through direct negotiations whether the Chinese will be willing to make an acceptable public statement of peaceful intentions; however, an interesting straw in the wind of recent date is Ambassador Bush's report of a conversation Premier Chou had on June 26 with the Chinese-American doctor C. P. Li (a school-days acquaintance of Chairman Mao). Li implied that there might be receptivity in Peking to making "a statement for PRC domestic consumption" on the peaceful liberation theme. We do not know whether this idea came from Chou or Li. Moreover, a number of critical details relating to precise language, the timing of such a statement, and how it might be linked to our own moves toward full normalization are still unclarified. The fact that Chou gave personal attention to Li, however, and that he (Li) repeated Teng's "the President is welcome whether there is any progress on Taiwan or not" line, raises the possibility that the Premier was sending us a signal.



The Margin for Negotiation

As we noted in an analysis last fall which reviewed the evolution of your discussions with PRC leaders on the normalization question (see Tab), consideration of this issue during your first six visits to China -- including the Nixon summit -- tended to define in general but latent terms the outlines of an agreement. Your seventh visit, in November of 1974, did little to advance the preceding discussion; indeed, a review of the record of these most recent talks conveys the clear impression that PRC leaders did not really wish to bring into sharp focus the terms for normalization at that time. Your brief and largely non-substantive meeting with Premier Chou, the absence of a session with the Chairman, and Teng Hsiao-p'ing's lack of response to your presentation on bilateral issues as well as his dogged repetition of "three principles" for normalization, all add up to the impression that Peking was not prepared at that time to bring negotiations on a normalization agreement to a head.

There seem to be two explanations for the apparent stalling. First, it seems likely that last fall Peking was preoccupied with preparations for the National People's Congress and related domestic political issues, and did not want the "distraction" of having to confront a contentious international question which might have complicated Mao and/or Chou's political position at that time. A second, and perhaps complementary, explanation is that the Chinese wanted another Presidential visit as a way of creating the context for a major decision (as they indirectly indicated on the first day of your visit by proposing a trip by Secretary Schlesinger). When it became evident that we would be responsive to their desire, they had no incentive to "give" in their position as a way of gaining the visit. Indeed, they seem to have attempted to use the occasion of your November trip to chip away a bit more at the edges of our room for maneuver on the terms for an agreement, leaving the final negotiating process for the second Presidential summit (and presumably an advance trip by yourself).

What actually came out of the November discussions? You sketched for the Chinese two roads to normalization: the first a gradual drawdown of our presence on Taiwan and a corresponding buildup

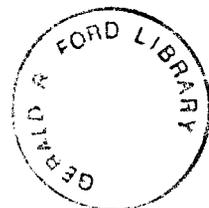


in our relations with the PRC, while waiting for an "opportune time" to complete the normalization process with one decision; the second, a rapid completion of political normalization by solving the symbolic issue of PRC sovereignty over Taiwan, while finding some way to express in concrete terms Chairman Mao's view that the re-integration of Taiwan with the mainland need not come for "a hundred years." In effect, you offered Peking the prospect of either an open-ended "Vietnamization" approach (as Teng Hsiao-p'ing explicitly noted on the last day of talks), or a rapid decision on symbolic reunification linked with a willingness on the PRC's part to restrain its hand on a physical take over of the island through some form of public statement about patience regarding "liberation."

Furthermore, you indicated to the Chinese that in any event we would bring about a substantial reduction of the U.S. military presence on the island (you had mentioned on the first day of talks a willingness to reach agreement on a reduction schedule of 50% by the summer of 1976, with the remainder to be withdrawn by the end of 1977), and that we would "reduce the size and status of our diplomatic presence on the island by mid-1976." Teng responded by scoffing at "minor changes" in our troop presence on the island, or the level of our official representation, as being "not very important issues."

Teng Hsiao-p'ing also rejected the notion of a paced transitional arrangement for Taiwan as being "too complicated." As he said on the last day of the talks, "What reason is there to drag the Taiwan issue [along] like the questions of Vietnam and Cambodia into such an untidy mess?!" He structured his responses to your remarks about normalization around "three principles," which he said could not be reconsidered in working out an agreement. Various phrased on the three days of talks, the points were:

-- The U.S. has to follow the Japanese model in normalizing, including breaking diplomatic relations with Taipei, so that there is no implication of a "two China, one China - one Taiwan, or 1 1/2 Chinas" solution. Teng explicitly rejected the notion of a switch of embassy and liaison offices between Peking and Taipei as being inconsistent with this "principle." He also rejected the notion



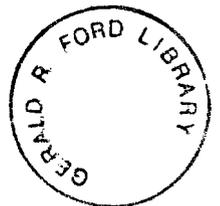
of a U.S. consulate on Taiwan. (You indicated, in response, that while we expect a residual presence on the island, the precise name it would carry does not present an insoluble problem.)

-- The U.S. will have to "abolish" its defense treaty with the ROC and withdraw its troops from the island. The Chinese have begun to float this point in public, suggesting that they may expect us to make a formal statement at the time of normalization explicitly declaring our abrogation of the treaty. There will obviously be some hard negotiating on this point (if Peking presses for such an explicit abrogation, as they did with Japan) linked to other aspects of the future security of the island, such as the precise language of whatever unilateral statement of intention Peking might make, and our future arms supply relationship with the island (a difficult issue that has hardly entered into your official discussion thus far).

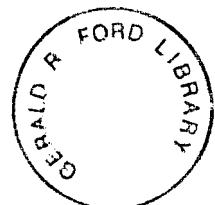
-- The PRC asserts that solution of the Taiwan question is an internal matter to be solved by the Chinese themselves. Peking will make no commitment regarding this domestic affair. No third country can interfere in, review, or guarantee the process by which Peking and Taiwan work out their differences.

On the last day of the November talks you expressed acceptance of Teng's "three principles," but indicated that there were two outstanding issues: how to give practical expression to the Chairman's idea of completing normalization before reintegration of Taiwan into the PRC; and our concern that the reintegration process be peaceful. When Teng said that the PRC could not make any commitments about this domestic affair, you suggested that the Chinese side could make "a general statement of [its] unilateral intentions." Teng began to respond by asking you what might be included in such a statement, but then broke off the subject with the remark, "Anyway, we think this is something we are bound to discuss again."

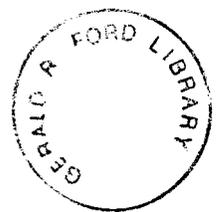
In sum, the remaining margin for negotiation in advance of the President's trip to Peking relates primarily to the complex of security issues affecting the future of Taiwan: whether or not Peking will make an acceptable unilateral statement of peaceful



intentions or patience toward the island; whether they will press us for an explicit abrogation of the U.S.-ROC security treaty (as opposed to letting the treaty quietly lapse with our withdrawal of recognition from Taipei); the relationship of these symbolic issues to the question of further sales of American arms to Taiwan, and the timing of the withdrawal of our remaining military [and intelligence] presence on the island. Secondary issues of the form of our future "private" governmental presence in Taipei, and an understanding about continuing American access to the island for commercial activity and social contacts, will also have to be clarified.



B



Checklist of Possible Areas for Bilateral Agreements
Which Would Strengthen U. S. -PRC Relations

Governmental contacts:

- Expand the size and functions of our liaison offices (already agreed to in principle in the November, 1973 communique, but will require more physical space for USLO)
- Agree to a new site in Peking for a future USG building
- Reciprocal opening of branch liaison offices
- Agreement to exchange several Congressional and National People's Congress delegations per year
- Agreement to exchange visits of Cabinet and Ministerial-level officials, or to hold periodic intergovernmental consultations at this level

Security issues:

- Unilaterally eliminate the U. S. military presence on Taiwan (except for a small liaison and intelligence cadre)
- Unilaterally eliminate certain marginal U. S. reconnaissance activities now targeted on the PRC (perhaps in return for PRC cessation of their jamming of VOA)
- Unilaterally be more forthcoming on certain U. S. technology with an indirect security implication (as computers, or nuclear power plants [already agreed to within the USG if IAEA safeguards, or an intergovernmental safeguard agreement, can be worked out]).

Cultural and Scientific exchanges:

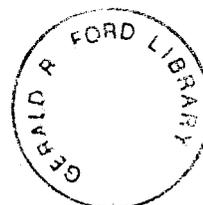
- Expand the current numerical level of exchanges, perhaps via an intergovernmental exchange agreement



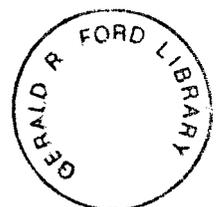
- Develop new levels of exchange activity:
 - Reciprocal permanent press representation in Peking and Washington
 - Student exchanges
 - Exchanges for substantive scientific research activity
- Reciprocal exchange of governmental promotional material (USIA magazines and books in return for PRC materials)

Economic issues:

- Resolve the claims/assets problem
- Establish agreements in principle in areas of:
 - Maritime transport
 - Civil air transport
- Sign a governmental "trade agreement" (an agreed agenda of items to be addressed by governmental negotiating teams over an unspecified period of time, which would promote economic normalization, including the ultimate goal of granting MFN status to the PRC)



C



~~TOP SECRET SENSITIVE EXCLUSIVELY EYES ONLY~~

THE OPERATIONAL ISSUES ASSOCIATED WITH A
NORMALIZATION AGREEMENT

In order to approach the question of a normalization agreement in terms of a comprehensive set of proposals which might be presented to Peking on your next trip, it will be helpful to begin by detailing the essential elements of any agreement, and then combine them into alternative packages.

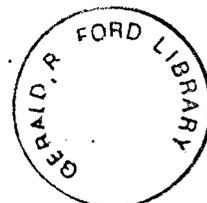
The essential elements of any agreement are the following:

-- Diplomatic recognition of Peking, including some formal public statement about the PRC being the "[sole] legal government of China," and exchanging ambassadors.

-- Withdrawal of recognition of the ROC as a state, and lowering the level of our official representation in Taipei. Alternatives on this issue which seem to hold the prospect of being acceptable to Peking begin with a complete break in diplomatic relations and include reduction of our embassy to a consulate [accredited to either the "authorities" in Taipei, or to the provincial government in Taichung], conversion of our embassy into an official "liaison office" (as we now have in Peking), a semi-official "trade office," or some formally private presence on the Japanese pattern (which involved both Tokyo and Taipei setting up private "exchange" or "East Asian relations" associations which were staffed by seconded diplomats and partially funded by the two governments). There is also a solution along the "Baltic" pattern [alluded to by Chairman Mao] which would appear to involve withdrawing our official presence from Taiwan while continuing to accredit or give courtesies to a governmental representative from Taipei in Washington. This approach would be inconsistent, however, with our withdrawal of recognition of the ROC.

An additional pattern would involve not withdrawing legal recognition of the ROC as a state [which would enable our defense treaty to remain in force], but lowering the level of our official presence in Taipei to that of, say, a consulate, and reiterating that we viewed the ROC as a legal entity only over the territory which it actually

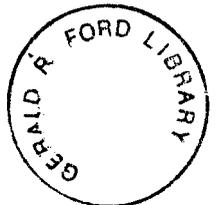
~~TOP SECRET SENSITIVE EXCLUSIVELY EYES ONLY~~



controls. While it could be argued that this approach would not contravene the principle of "one China" (as the ROC claims it is the legal government of China), it would almost certainly be unacceptable to Peking, which has consistently denounced a "one China, two governments" solution. In addition, it would appear to go against the Administration's assurance to PRC leaders that it does not intend to support a "two China" approach to normalization. Thus, we would not recommend that you incorporate this pattern into a negotiating package. You may wish, however, to keep it in mind as an alternative position to fall back to should the PRC prove totally unwilling to give us anything adequate to cover U. S. domestic requirements and Taiwan's concerns on the critical security issue of "peaceful reintegration."

Of the various alternatives to maintaining some form of official contact with Taiwan, we believe that the two viable negotiating options are either reduction of our presence in Taipei to a consulate, or conversion of our embassy into a "liaison office" (each approach to be presented with a specific package of associated agreements, as is spelled out in the following section of the paper). As far as which alternative would be more acceptable to the PRC is concerned, we note that Chinese officials on at least two occasions have either commented favorably on the notion of an embassy-liaison office switch (as was publicly proposed by Senator Jackson) or have not criticized this concept when they had an opportunity to do so. On the other hand, on at least one official occasion Vice Premier Teng Hsiao-p'ing did reject the notion of consular relations with Taiwan being maintained by a country which wanted to establish full diplomatic relations with Peking.

-- Affirming the status of Taiwan as Chinese territory. Since 1970, most nations establishing diplomatic relations with the PRC have "taken note of," "acknowledged," "recognized," or expressed "understanding and respect for" Peking's assertion that Taiwan is an inalienable part of the territory of China or the PRC. An alternative open to the U. S. is to reaffirm our commitment expressed in the Cairo Declaration that "Taiwan shall be restored to the Republic of China" and the Potsdam Declaration that "the terms of the Cairo Declaration shall be carried out." Our political problem is to "confirm the principle of one China" while at the same time using communique language which either commits the PRC to a peaceful solution of the Taiwan question or does not foreclose for the U. S. the



possibility of resorting to lawful military action to prevent the forcible conquest of Taiwan. The following formulation on the unity of China would appear to meet Peking's needs (while the following section of this analysis includes formulations on the question of Taiwan's security):

The U. S. side, [in recognition of the fact that all Chinese on either side of the Taiwan Strait maintain there is but one China and that Taiwan is part of China, and] consistent with its position expressed in the Cairo and Potsdam Declarations [that Taiwan shall be restored to China], reaffirms its own commitment to the principle of one China.

This statement could be reinforced by communique language expressing U. S. opposition to any third country seeking to establish hegemony over the island. While such a public affirmation of our latent security relationship with the PRC might be too provocative to the Soviets or Japanese, and might be difficult for Peking to accept because of its apparent conflict with their policy of "self-reliance," it also could be useful to them as a way of further limiting the possibility of Taipei turning to the Soviets for security assistance as we fully normalize.

-- Our defense commitment to the Republic of China. The lawyers say that once we withdraw legal recognition from the ROC as a state, our Mutual Defense Treaty will automatically lapse. Our problem here is to work out some alternative arrangement which takes into account our moral commitment to the security of the people of Taiwan, and the potentially disruptive impact on our domestic politics and foreign relations of a unilateral abrogation of a defense agreement with an old ally. At the same time, it is in our interest to minimize as far as possible a direct U. S. involvement in Taiwan's future security affairs (as an arms supplier, or through a public statement of some sort committing the U. S. to the future security of the island) which over the long run would very likely prove a major irritant in our dealings with Peking.

For Peking's part, on the one hand Premier Chou has expressed the view that our military withdrawal from the island should not be too rapid (as it might stimulate "the ambitions of a third country"); on the other hand, private comments to you by Mao and Chou regarding the



use of force in regaining control over the island indicate that the PRC will be most reluctant to make a flat statement renouncing the use of force in Taiwan's "liberation."

At the same time, however, a conditional statement from Peking regarding the "peaceful liberation" of Taiwan (or preferably, "peaceful reintegration") may be possible in terms of several previous Chinese statements to this effect already in the public record, and on the basis of Premier Chou's private comments to you and President Nixon about PRC willingness to strive for this type of solution. For the U.S., some form of statement on this issue by Peking will be critical to dealing with the domestic and international repercussions of our terminating the diplomatic and defense relationship with Taipei.

We see three forms which such a statement might take. Most preferable from our perspective would be a joint formulation along the following lines:

The two sides recognize the necessity of ensuring that past differences over the issue of Taiwan are reconciled. To this end, the United States, consistent with the Cairo and Potsdam Declarations, reaffirms its commitment to the principle of one China. The People's Republic of China notes that it is a well established historical and legal principle that Taiwan is part of China and reaffirms its determination that Taiwan be reintegrated into the motherland by peaceful means, provided that the authorities on Taiwan neither allow other parties to establish hegemony over the island nor attempt to repudiate the principle that Taiwan is part of China. Each side will do its utmost to ensure, in the interim, that there is no threat or use of armed force in a settlement of the Taiwan question.

This type of commitment would enable us to claim that, even though our Mutual Defense Treaty with the ROC was legally no longer in effect, we had provided for the island's security by a PRC commitment not to use force in solving the Taiwan question. Such a



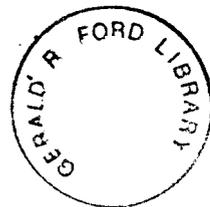
commitment would also enable us to assert with some plausibility that we retained a legal basis for asserting the right of the U. S. to defend Taiwan if it ever was threatened from the mainland. This approach, while most helpful to us, is probably not one, however, which we should expect to be acceptable to Peking. At the same time, you may wish to make it part of an initial negotiating position.

Two additional formulations seem likely to be acceptable to the Chinese, but they would not provide the U. S. any legal justification for a post-normalization role in the defense of Taiwan (other than any private understanding you might reach in Peking about a continuing American arms-supply relationship with the island). The first of these is a unilateral and conditional "peaceful reintegration" statement by the PRC of the following sort:

The Chinese side states that the Chinese people and government remain willing and are prepared to strive for the peaceful reintegration of Taiwan into the motherland. The Government of the People's Republic of China believes [or, the Chinese people believe] that the possibilities for peaceful reintegration will continue to increase so long as the authorities on Taiwan neither allow other parties to establish hegemony over the island nor attempt to repudiate the well-established historical and legal principle that Taiwan is part of China. China does not contemplate the use of force in resolving the internal question of Taiwan's reintegration in the absence of provocations of this nature.

An even less favorable fallback position, which would merely restate Chairman Mao's line that "we can wait a hundred years," might be expressed in the following formulation:

The Chinese side declares that the liberation of Taiwan is China's internal affair in which no other country has the right to interfere. This is a question which must eventually be resolved. The government of the People's Republic of China is willing to strive for the peaceful liberation of Taiwan, and is prepared to hold discussions with the authorities on Taiwan at any time. The Chinese are a patient people. The



Chinese government and people declare that so long as the authorities on Taiwan neither allow any other party to establish hegemony over the island nor attempt to repudiate the well-established historical and legal principle that Taiwan is part of China, they are prepared to wait for many decades for the final resolution of this question.

A unilateral PRC declaration on the order of the two above formulations could be further strengthened by a parallel American statement -- in a communique, at a press conference, and/or embodied in a Congressional resolution -- reaffirming our interest in a peaceful settlement of the Taiwan question by the Chinese themselves (and perhaps expressing the willingness of the USG, if both Chinese parties desire, to lend its good offices to any effort to reach a negotiated accommodation).

The U. S. side welcomes the statement of the PRC regarding the future of Taiwan, and reaffirms its own interest in a peaceful settlement of this question by the Chinese themselves. [In furtherance of this end, the U. S. side is willing to lend its good offices to efforts to reach a negotiated resolution of the Taiwan question if both Chinese parties desire.] Furthermore, it has been with the prospect of a peaceful accommodation in mind that the U. S. withdrew its military forces [and installations] from the island. However, should any actions by the parties concerned, or by a third country, call into question the possibilities for a peaceful resolution of the Taiwan question, the U. S. side would have to re-evaluate its position.

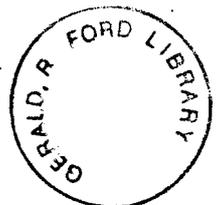
The major problem with a unilateral American statement, including some form of Congressional resolution, pledging U. S. support for Taiwan's future security is that legally it would be an "empty cannon" certain to be attacked by the lawyers as representing nothing more than a statement of intent to interfere in the internal affairs of a state we now recognize as sovereign over Taiwan. Politically, such a statement could be picked up by opponents of U. S.- PRC normalization in Peking and criticized as representing an American "tail" on the island.



In terms of a negotiating strategy, you will have to decide which of the three possible forms of declaration by the PRC would meet our minimal political needs, and which form you will initially press for. The underlying issues are to what degree we can appear to be simply taking Peking at its word about peaceful intentions or a willingness to delay the day of Taiwan's "liberation," and whether we retain the kind of residual relationship with the island which is likely to sour our political dealings with the PRC and perhaps drag the U. S. back into a military confrontation if "peaceful reintegration" never comes. Counterbalancing these factors, of course, are the issues of the domestic political reaction to a normalization agreement, and the impact of such an agreement on our international relations.

-- Military sales to Taiwan. Premier Chou's intensive questioning of you in February and November, 1973 regarding our military sales and F5-E co-production arrangements with the ROC suggests political sensitivity in Peking to our maintenance of the island's defense capability -- presumably for its impact on Taipei's willingness to negotiate rather than because of any currently active planning in Peking to liberate the island by force. From our perspective, however, an understanding with the PRC that Taiwan would continue to be able to buy from the U. S. defensive military equipment on a cash basis [rather than with FMS credits] probably constitutes an important domestic political balancer to termination of our formal defense relationship with the island. Indeed, even from Peking's perspective, a continuing, if limited, U. S. military supply relationship with Taiwan is probably desirable as a way of preempting "third countries" from establishing such a position. Thus, we believe normalization discussions should include some understanding with Peking about future cash military sales. Our present law would have to be changed to permit sales by the U. S. Government to Taiwan once we no longer recognize the GRC as a state, but direct sales by the manufacturers would still be possible. In order to formulate a more precise negotiating position on this issue, we have recommended to you that it be studied via the NSSM process -- or on a more closely controlled basis by an NSC-chaired ad hoc interagency working group -- prior to your next trip to Peking.

-- Maintenance of economic and social ties to Taiwan. A normalization agreement should also include an understanding with Peking that we will maintain our economic relationship with Taiwan as well as direct political and social contact with the people of the island. The

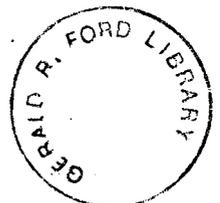


manner in which Japan's relations with Taiwan have been maintained subsequent to normalization gives us substantial assurance that Peking will not object to our maintaining such ties. We should, however, conduct a technical level study of the effects of withdrawal of legal recognition from the ROC on our commercial dealings, private travel, and protection of U. S. citizens on the island, as there may be specific problems we should address in negotiations with Peking.

The above are key elements of a normalization agreement as they affect "confirmation of the principle of one China." In addition, there are a number of related issues -- establishment of formal consular relations, resolution of the private claims issue as well as the matter of governmental claims, the MFN question, and agreements affecting civil aviation and maritime relations -- that are important to the establishment of truly normal state-to-state ties. Given the experience of other states in developing bilateral relations with the PRC (even those which Peking considers to be "friendly") we should have no illusions that working out technical agreements which would strengthen bilateral ties will be anything but a time-consuming and at times exasperating process. Our own experience on such issues as private claims, the Marine guard, and consular relations has (unfortunately) provided a good sense of what we can, and cannot, expect. Moreover, once a normalization agreement has been reached at a political level, we may lose some leverage on the remaining technical issues.

There are three strategies which might be pursued in approaching these latter issues: seek to engage the PRC in negotiations before a normalization agreement is worked out; seek negotiations after the terms for normalization have been reached privately but before they are implemented (to preserve some bargaining leverage on these technical issues); or postpone negotiations on these issues until after formal diplomatic relations have been established.

It is our expectation -- based on Peking's practice in dealing with other states -- that the Chinese will not want to consider any of these questions until full normalization has been consummated. However, it may be in our interest to press Peking to begin discussion of at least some of these issues once the basic political terms for normalization have been negotiated. In the context of the present analysis we set aside these issues and confront the basic question of how the key political elements might be combined for negotiations. You may wish



to consider, however, the manner in which you want to handle these issues in terms of an overall strategy for normalizing relations.

Two Package Approaches to Normalization: A "Clean Break," or a "Bridge"

We see basically two package approaches to a normalization agreement. Each includes establishing formal diplomatic relations with Peking, but they differ in the level of representation we would maintain with Taipei and on the degree of future U. S. involvement in the island's security. The key to which approach we pursue will be whether or not Peking will agree to a joint "peaceful reintegration" commitment [or a unilateral statement of intent to strive for "peaceful reintegration" as a fallback].

The negotiating package which would provide the U. S. the best basis for an on-going relationship with Peking might be termed "the clean break" as it minimizes our formal contacts with Taipei and our future security role. The one difficult element in this approach is the "peaceful reintegration" statement. Its elements are:

- Formal diplomatic recognition of the PRC as the "sole legal government" of China, with exchange of ambassadors.
- Withdrawal of legal recognition of the ROC, with transformation of our embassy into a "liaison office" [or, less preferably, a formally unofficial presence on the Japanese pattern].
- Explicit U. S. affirmation of the principle of "one China." (See the suggested communique language on page 3 above.)
- Termination of our defense treaty with the ROC, complete removal of our remaining MAAG/TDC and intelligence cadre, and elimination of our military sales to Taipei [or reduction of such sales to a minimal level and on a cash basis if Peking will not agree to a joint "peaceful reintegration" commitment].
- A joint "peaceful reintegration" commitment [with a unilateral statement of intent to "peaceful reintegration" as a fallback]. (See suggested communique formulations on pp. 4 and 5 above).
- PRC agreement to continuing U. S. commercial, political, and social access to the island.



A second approach would leave the U. S. in more of a "bridging" relationship between Peking and Taipei through stronger institutional ties to the island and by maintaining a higher-profile security relationship. As such, this type of a normalization solution would be far less costly from a domestic U. S. political standpoint, and would be more consistent with past Presidential statements about continuing support for our "old friends" on Taiwan. It could also be argued that by continuing to link the island with the mainland we were not contravening the principle of "one China," and were meeting Peking's needs by "holding" the island from either the independence or Soviet options. We doubt that such a rationalization will carry much weight in Peking, however, as this solution is very close to a "one China, two governments" arrangement. As such, it would not provide the most constructive basis for a long-term relationship with the PRC because of the many ways in which our residual relationship to the island could become an issue in Peking's internal politics or involve the U. S. in a future military confrontation with the PRC over Taiwan should a negotiated accommodation either fail or fail to get started.

The elements of this package are:

-- Formal diplomatic recognition of the PRC, exchange of ambassadors, [and perhaps trimmed communique language regarding Peking as just the "legal government of China"].

-- Break in formal diplomatic relations with the ROC; but with transformation of our embassy into a "liaison office" or consulate-general.

-- Explicit U. S. affirmation of the principle of "one China" [see the suggested communique language on page 3 above].

-- Termination of our defense treaty with the ROC, but with a residual military and intelligence cadre pending "peaceful reintegration" and maintenance of a cash military sales program with Taipei.

-- A unilateral PRC statement expressing the hope and intention to strive for "peaceful reintegration" [but without the explicit degree of commitment in the preferred joint formulation] or the less-preferable unilateral statement indicating patience in resolving the Taiwan issue as a fallback. See the suggested communique language on pp. 5 and 6 above.

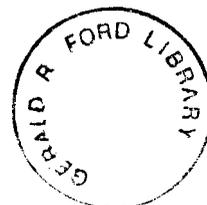


-- A unilateral U. S. statement, perhaps reinforced by a Congressional resolution, expressing interest in a peaceful resolution of Taiwan's future and intent to re-evaluate our relationship with the PRC if it should initiate military action against the island [see suggested communique language on page 6 above].

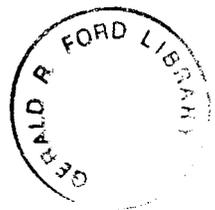
-- PRC agreement to continuing U. S. commercial, political, and social access to the island.

* * *

Subsequent to your October 2 dinner session with Ch'iao Kuan-hua, if you will instruct us on the way you wish to proceed in handling the above elements of a normalization agreement, we will further refine the negotiating packages suggested here and prepare talking points for your November trip to Peking.



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CONCEPTUAL APPROACHES TO FORMULATING
U.S. AND PRC STATEMENTS ON THE SECURITY OF TAIWAN

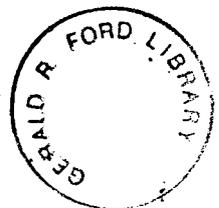
In formulating alternative approaches to U.S. and PRC statements relating to the future security of Taiwan, there are basically four approaches which might be used:

-- A joint U.S.-PRC statement. We have suggested one formulation along this line which would preserve a legal basis for collective self-defense with Taiwan through a common U.S.-PRC commitment not to use force in resolving the Taiwan question (Tab A). We doubt, however, that this approach would be acceptable to the Chinese, for reasons which are spelled out in the normalization paper. Indeed, such a proposal would very likely be viewed by the Chinese as provocative. You have agreed with these reservations.

-- Separate but linked U.S. and PRC statements. This approach draws on the technique of the Shanghai Communique, and has the added advantage that it presents less of an affront to Chinese sovereignty than a joint statement as the PRC would make a "unilateral" statement at its own initiative. At the same time, the linking of "unilateral" statements in a common document will enable us to reinforce the Chinese position and make our own conditional upon Peking's. We have drafted a number of alternative statements using this approach (at Tab B), varying the degree of Chinese commitment to peaceful means, non-use-of-force, or patience in resolving the Taiwan issue, and in complementary fashion varying the harshness of the U.S. response if our expectations about a peaceful resolution of the Taiwan question are not met.

-- Parallel U.S. and PRC statements. A third approach would be parallel U.S. and PRC statements made public in separate documents or contexts (Tabs C and D). This approach could also involve linking our terms for normalization to the Chinese statement, but it would be less forceful than if the statements were contained in one document. You have indicated you do not incline toward this approach.

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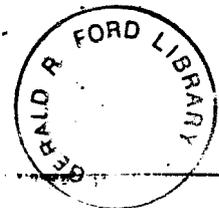


-- A unilateral PRC statement. If the Chinese are willing to make a strong unilateral public statement committing themselves to resolve the Taiwan question by peaceful means (which we doubt), then it might not be necessary for the U.S. to make a parallel statement -- although we could publicly take note of the PRC position. This approach would have the advantage that the Chinese would bear the burden of a public commitment to use non-violent means in resolving the Taiwan question, and it would minimize our "tail" in the island's future security. However, because we doubt the Chinese will be willing to take this approach, and because it will be useful politically for the U.S. to make some public statement, we have not developed alternatives in this direction.

-- A unilateral U.S. statement of support for Taiwan's security. This approach, for obvious reasons, would be least costly to the Chinese. But, at the same time, it should be unacceptable to the U.S. because Peking would be publicly committed to nothing, and our security "tail" in Taiwan would be maximized. We have not pursued this approach in providing you alternative formulations.

-- Private PRC assurances to the U.S. A final approach, which could be used to some degree in all the above alternatives, would be to get from the Chinese private assurances about non-use-of-force in resolving the Taiwan question. You will want to keep this possibility in mind in negotiating some form of statement, inasmuch as the Chinese will probably be reluctant to be too explicit or unconditional in their assurances about either non-use-of-force or patience. (For instance, while they will probably be willing to say they will be patient in resolving the Taiwan question, they will probably not be willing to publicly state a willingness to wait a hundred years. They very likely would be willing to reach an understanding of this degree of explicitness in private, however.)

The disadvantages of private assurances are that they are not very helpful to us in dealing with the domestic political problems associated with normalization, or with Taiwan's reaction. In addition, given the hostile public mood in the U.S. to "secret deals," and recent media criticism of your diplomatic style, you will



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- 3 -

want to make our understandings with Peking on the matter of Taiwan's security as completely public as possible. This approach, of course, will also impose the greatest political constraint on Peking.

NOTE: All of the formulations in this package include an explicit U.S. acceptance of the Chinese position that Taiwan is part of China. This is consistent with your past private assurances to PRC leaders. However, you should be aware that most countries have just "taken note of" or expressed "understanding and respect for" Peking's position. Given what we are seeking from the PRC in the way of assurances about a peaceful transition for Taiwan, or non-use-of-force, this degree of explicitness can be viewed as appropriate to a trade-off where a basic issue of sovereignty is involved. However, you may wish to consider more indirect language on this point either as an initial negotiating position or if the Chinese are not forthcoming on the peaceful transition issue.

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POSSIBLE U.S. AND PRC STATEMENTS ON TAIWAN
AND NORMALIZATION

A. Joint U.S.-PRC communique statement ensuring that there will be no use of force in resolving the Taiwan question--thus preserving a legal basis for collective self-defense with Taiwan.

However, you should
just taken note of

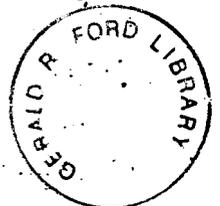
B. Linked U.S.-PRC communique statements making normalization conditional on a peaceful settlement. There are several variants depending on how forthcoming the Chinese are about "peaceful reintegration," non-use-of-force, or patience.

direct language of
negotiating position

C. Unilateral PRC communique statement expressing willingness to use peaceful means and to avoid the use of force in resolving the Taiwan question. Separate U.S. statement.

D. Unilateral PRC communique statement expressing patience in resolving the Taiwan question. Separate U.S. statement.

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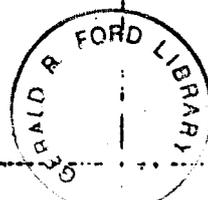
TO: COLONEL ~~KENNEDY~~ BRENT SCOWCROFT
FROM: THE SECRETARY

PASS TO HUMMEL FOR GEORGE ALDRICH

1. We need immediate guidance on the following question related to the U.S. preserving some legal basis for supporting Taiwan's security in a post-derecognition situation.

2. We assume the Aldrich to Hummel memo of November 14, in which you stressed the need for a joint U.S.-PRC statement of intention to ensure that peaceful means are used in solving the Taiwan question if we are to preserve some legal basis for collective self-defense with Taiwan, was based on the assumption that the U.S. explicitly recognized Taiwan as part of China. Our analysis in the talking paper to which you reacted had the U.S. either reaffirming its commitment to the Cairo and Potsdam Declarations, or explicitly stating that it accepts the PRC position that Taiwan is part of China.

3. Please clarify: if the U.S., in a normalization agreement, only "notes," "acknowledges," "recognizes," or "understands and respects" the PRC position that Taiwan is part of China (/ ^{using one of} the formulations used by most other countries in establishing diplomatic relations with Peking), would it provide sufficient

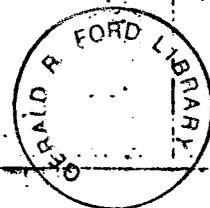


ambiguity about our own acceptance of Taiwan's position as part of China so that--under circumstances where Peking resorted to force--we could assist Taiwan in defense and claim that because the U.S. had not directly stated that it recognizes Taiwan as part of China we were not interfering in the PRC's internal affairs ?

4. For illustrative purposes we have the following text in mind as a working draft. BEGIN TEXT:

The Chinese side reiterated that Taiwan is a province of China and states that the Chinese people remain willing and are prepared to strive for the peaceful reintegration of Taiwan into the motherland.

The U.S. side notes the Chinese position and reaffirms its own position that a settlement of the Taiwan position should be achieved by the Chinese themselves by peaceful means. It is on this basis that the U.S. agrees to complete the normalization of relations, including recognition of the Government of the People's Republic of China as the sole legal government of China. Should any developments call into question the possibilities for a peaceful resolution of the Taiwan issue, the U.S. would reevaluate its position and determine an appropriate course of action. END TEXT.



5. We need your judgment on this issue, along with any ^{negotiating} verbal formulations you might suggest, by opening of business in Peking Tuesday at the latest.

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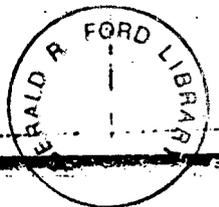
6. Warm regards.

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The two sides recognize the necessity of ensuring that past differences over the issue of Taiwan are reconciled. To this end, the United States, consistent with the position it expressed in the Cairo and Potsdam Declarations, reaffirms its commitment to the principle of one China and that Taiwan is part of China. The People's Republic of China notes that it is a well-established historical and legal principle that Taiwan is part of China and reaffirms its determination that Taiwan be reintegrated into the motherland by peaceful means, provided that the authorities on Taiwan neither allow other parties to establish hegemony over the island nor attempt to repudiate the principle that Taiwan is part of China. Each side will do its utmost to promote the peaceful reintegration of Taiwan, and to that end shall ensure, in the interim, that there is no threat or use of armed force, either from Taiwan or against the island.

A



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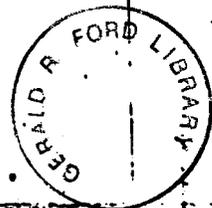
Each side will do its utmost to promote the peaceful reintegration of Taiwan, and to that end shall ensure, in the interim, that there is no threat or use of armed force, either from Taiwan or against the island.



The Chinese side reiterates that Taiwan is a province of China and states that the Chinese people remain willing and are prepared to strive for the peaceful reintegration of Taiwan into the motherland.

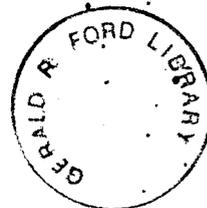
The U.S. side notes the Chinese position and reaffirms its own position that a settlement of the Taiwan question should be achieved by the Chinese themselves by peaceful means. It is on this basis that the U.S. agrees to complete the normalization of relations, including recognition of the government of the People's Republic of China as the sole legal government of China. Should any developments call into question the possibilities for a peaceful resolution of the Taiwan issue, the U.S. would re-evaluate its position and determine an appropriate course of action.

B



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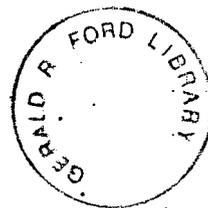
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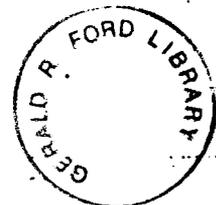
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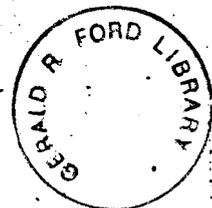
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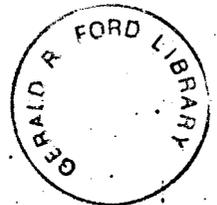
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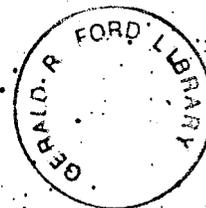


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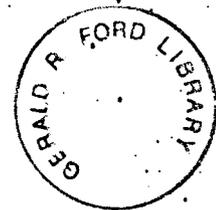
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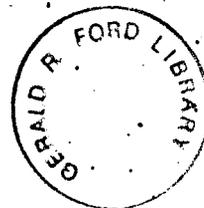
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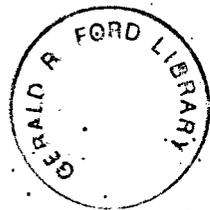


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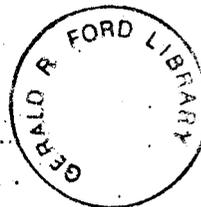
provocations of this nature.



The Chinese side declares that the liberation of Taiwan is China's internal affair in which no other country has the right to interfere. This is a question which must eventually be resolved. The government of the People's Republic of China is willing to strive for the peaceful liberation of Taiwan, and is prepared to hold discussions with the authorities on Taiwan at any time. The Chinese are a patient people. The Chinese government and people declare that so long as the authorities on Taiwan neither allow any other party to establish hegemony over the island nor attempt to repudiate the well-established historical and legal principle that Taiwan is part of China, they are prepared to wait for many decades for the final resolution of this question.



The U.S. side . . . the statement of the Chinese side regardi . . . the Taiwan question, and re- iterates its own int . . . in a peaceful settlement of this question by . . . Chinese themselves. It is with this prospect in . . . and that the U.S. has agreed to complete the norma . . . tion of relations with the People's Republic of . . . a, including affirmation that Taiwan is part of . . . na and recognition of the People's Republic . . . China as the sole legal government of China. . . ver, should any actions by the parties concerned, . . . by a third country, call into question the possi . . . ties for a peaceful resolution of the Taiw . . . question, the U.S. side would have to re-evaluate its position and determine appro- priate courses of acti



The Chinese side declares that the liberation of Taiwan is China's internal affair in which no other country has the right to interfere. This is a question which must eventually be resolved. The government of the People's Republic of China is willing to strive for the peaceful liberation of Taiwan, and is prepared to hold discussions with the authorities on Taiwan at any time. The Chinese are a patient people. The Chinese government and people declare that so long as the authorities on Taiwan neither allow any other party to establish hegemony over the island nor attempt to repudiate the well-established historical and legal principle that Taiwan is part of China, they are prepared to wait for many decades for the final resolution of this question.



The U.S. side notes the statement of the Chinese side regarding the Taiwan question, and reiterates its own interest in a peaceful settlement of this question by the Chinese themselves. It is with this prospect in mind that the U.S. has agreed to complete the normalization of relations with the People's Republic of China, including affirmation that Taiwan is part of China and recognition of the People's Republic of China as the sole legal government of China. However, should any actions by the parties concerned, or by a third country, call into question the possibilities for a peaceful resolution of the Taiwan question, the U.S. side would have to re-evaluate its position and determine appropriate courses of action.

