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March 25, 1971

MEMORANDUM FOR: THE PRESIDENT THE PRESIDENT HAS SEEN....

FROM: HENRY A. KISSINGER *HK*

SUBJECT: Steps Towards Augmentation of Travel  
and Trade Between the Peoples Republic  
of China and the United States

As you requested, I have asked the NSC Under Secretaries Committee to produce some suggested changes in the U. S. trade and travel regulations with respect to Communist China with a view toward implementing additional relaxations in our present controls. These steps would be intended to further your policy of broadening communications between the U. S. and the Peoples Republic of China by removing obstacles to personal and commercial contacts.

The Under Secretaries Committee went all out and developed a large package of proposals which set a workable course in the direction which you desire. The Committee did so not in the expectation of any substantial immediate increases in trade or travel, but because the adoption of these proposals would show the genuineness of our desire to improve relations and possibly eventually develop significant trade. No new legislation or negotiations with the Chinese would be required.

At the same time, however, the Committee's proposals would, if fully implemented, put a severe strain on our relations with the GRC and perhaps cause a crisis in U. S. -GRC relations. There would also be implications for our relations with the USSR. It therefore appears that a balance will need to be struck between furthering your objectives with respect to Communist China on the one hand, and the desirability of minimizing U. S. -GRC strains, and keeping a watch on Soviet reactions on the other. The questions of timing and the extent to which we should go in our approaches to Peking will clearly need to be carefully considered.

Accordingly, I have broken down the large package from the Under Secretaries Committee into three segments which we could carry out sequentially after an assessment of the results attained (including the Chinese Communist, GRC and Soviet responses) following each of the preceding segments. After assessing these results, we could then consider whether to go on to the next segment.

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(Actually, in effect there were originally four segments, of which the first was the non-extension of U.S. passport restrictions on travel to the Peoples Republic of China after these restrictions expired on March 15. You have already approved this step on the basis of the position put forward by State, Defense, and other agencies -- over the opposition of the Department of Justice -- that the fabric of American society was strong enough to resist the additional strains which removal of the passport restrictions might put upon it via increased contacts between U.S. radicals and PRC intelligence agents.)

#### Group I - For Implementation Within the Near Future

Our purpose in this Group would be to show significant movement in the direction of easing travel and trade restrictions with Communist China while not going so far as to antagonize or alarm the GRC unduly nor complicate our relations with the USSR.

-- Entry of Chinese. Following the expiration of the restrictions against using U.S. passports to travel to Communist China, in order to establish our willingness to facilitate on a reciprocal basis a flow of people between the two countries, the Committee recommends a public statement by the U.S. Government offering to expedite visas for groups of visitors from the Peoples Republic of China to the U.S. This would implement your references to removing needless obstacles to broader opportunities for contacts in your Foreign Policy Report. Justice opposes this because it would afford the PRC better opportunities for intelligence acquisition, permit close clandestine contacts between American Maoists, advocates of domestic violence and the PRC, and make it easier for the PRC to recruit intelligence agents. Commerce favored increased travel as necessary to exploit commercial opportunities. State, Defense and the other agencies felt that the American people were sufficiently resilient to resist any added subversive burdens which the presence of Chinese Communist travelers might introduce. Very few Chinese are likely to apply in the foreseeable future.

-- Currency Controls. Relaxation of our currency controls to permit Chinese use of dollars would be essential in conjunction with a decision to permit direct trade with China (discussed below), but could also be put into effect independently.

-- Bunkering. The Committee recommends the ending of restrictions on American oil companies providing bunkers except on Chinese owned or chartered carriers bound to or from North Vietnam, North Korea, or Cuba. This relaxation covers ships as well as planes, but would not affect our existing controls on entry of PRC carriers into U.S. ports.

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-- Shipping. The Committee recommends granting permission to U.S. vessels to carry Chinese cargoes between non-Chinese ports, and U.S.-owned foreign flag vessels to call at Chinese ports.

All of the foregoing moves involve relatively minor adjustments on our part and would inspire little or no reaction from the GRC and the USSR. The main GRC objection would be regarding the admission of Chinese Communists into the U.S., and we could anticipate receiving an official GRC expression of concern at the Ambassadorial level. The totality of our moves would of course bother the GRC, but probably not to a point where real trouble would ensue. The Soviets would be suspicious of our intent and also suspect some behind-the-scenes U.S.-Chinese contacts, but are not likely to make much of an issue out of the individual moves.

There is, however, a more complex proposal in Group I which deserves special attention:

-- Trade. The Committee recommends that we should now commence relaxation of our controls on direct trade between the United States and China. With Defense and Commerce dissenting, it observes that, "The closer our treatment of trade with the PRC approaches that applied to the Soviet Union, the more seriously our assertions of willingness to improve relations with the PRC will be believed, and the more likely it becomes that Peking will eventually respond favorably to our initiatives." Defense and Commerce take the position that we should not set in advance a policy of bringing our trade controls with China into line with those affecting the USSR. In fact, a public policy of placing China trade on a par with Soviet trade would be galling to both the GRC and the Soviets. The Soviets would take the equal treatment of China with them as an intentional slight, and would profess to believe that this signified U.S. intentions to go further in the political field. Even though many of the trade measures would obviously be in the U.S. commercial interest, the Soviets would not accept such explanations. The GRC's view would be that a stated policy of putting China trade on the same basis as that with the USSR, when added to the totality of the other moves in Group I, indicated a definite U.S. intention of downgrading GRC interests in favor of improving relations with Communist China. In the formal sense, the GRC's response would probably be to lodge a diplomatic protest, but we might in addition expect GRC non-cooperation in other matters of joint concern such as Chirep tactics.

Nevertheless, the recommendation for commencing relaxation of our controls on direct trade was unanimous, and the upshot was to leave as an accepted course the approach favored by Defense and Commerce: to place individual

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Once direct trade of a limited nature is on the books, the Committee would then favor direct imports from China of a similar and correlated limited nature.

Group II

A reasonable period after implementation of Group I, and following an evaluation of the results and the PRC, GRC, and Soviet reactions, the Under Secretaries Committee would report to you the effect of these moves on our relations with Moscow, Taipei, and Peking, and request approval to implement additional moves, as set forth below. In making these moves, we would be going beyond steps of a limited and still quasi-symbolic nature and working toward the development of substantial two-way trade. With the Group I steps already on the books, we would be making it plain that the relationship we seek with the Chinese is one of substance and not just show.

-- Exports. Approve export to the PRC of all commodities currently under general license to the USSR except those deemed to be of strategic significance to the PRC.

-- Imports. Authorize direct commercial imports into the U.S. from the PRC on essentially the same basis as the Soviet Union in a manner correlated with allowing direct exports.

-- Aircraft Sales. End the restriction against the sale of American and foreign airlines of older American civil aircraft not under COCOM restrictions, on a case-by-case basis, after strategic equipment is removed. This would provide the airlines with the capital to buy new American aircraft -- which would be much welcomed by our industry.

With the Group II moves we would be coming close to placing trade with China and the USSR on much the same basis, and both the Soviets and the GRC would, for the reasons outlined above, be disturbed. They on balance would both probably live with the situation, however, though we could anticipate a strong protest from the GRC coupled with the difficulty already noted in obtaining its cooperation in matters such as Chirep. If we did succeed in getting its cooperation, the price would almost surely be considerably higher than would have been the case otherwise.

I might note that the question of the sale of older American civil aircraft to China could become an active issue, since Pakistan International Airways is



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attempting to dispose of some Boeing 720s to the Chinese. This issue, if it actually arises (there has been no firm Chinese offer), could be handled as a separate item from the other steps with fewer repercussions and problems.

### Group III

A reasonable period after implementation of Group II, the Under Secretaries Committee would report to you the effect of these moves on our relations with Moscow, Taipei, and Peking, and request approval to implement a final group of steps. These would make it very evident that we would be willing to go a considerable distance in improving relations with the Chinese Communists, and to this end would be prepared to accept a large measure of Soviet and GRC displeasure.

-- Trade Delegations. The Committee recommends authorization of a proposal to the PRC to exchange trade delegations if circumstances warrant. Justice opposes for the same reasons cited under the travel option (Group I). The Chinese delegation would by the very nature of the regime be an official one, and ours would probably assume something of an official character in the public eye.

-- Grain Sales. The Committee notes that a decision in the export field to permit grain sales to the PRC -- a major importer of grain -- would raise the question of whether to allow more favorable treatment of the PRC than the USSR by not requiring that 50 percent be shipped in American bottoms. If we do extend the 50 percent requirement to apply to the PRC, we might defeat the purpose of permitting sales of grain to the PRC because of high shipping costs. Moreover, regulations would have to be amended to permit U.S. ships to call at Chinese ports.

Waiving the 50 percent shipping requirement would constitute more favorable treatment for China than for the USSR in a historically sensitive area, and might be misunderstood politically abroad. In addition, the longshoremen and other unions have vehemently opposed any relaxation of the shipping requirement for the USSR; they would presumably be at least equally vociferous against Communist China, for both commercial and ideological reasons. The unions would maintain their opposition against the USSR if we were to relax on both to avoid a discrimination in favor of China.

If we were to take this step, you would be taking on a major domestic political battle. Since previous relaxations would have placed our trade with China and the USSR under approximately the same level of restrictions, I see no need to allow the PRC more favorable treatment by exempting grain exports from the 50 percent American bottom shipping requirement. However, Agriculture vigorously favors this move.

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If you disapproved waiving the 50 percent shipping requirement, you would wish to consider amending regulations to permit U.S. ships to call at PRC ports, which is necessary in view of the 50 percent shipping requirement to make grain sales a credible possibility and thereby to avoid legitimate PRC claims that our moves are a sham.

A strong adverse reaction could be anticipated from both the USSR and the GRC to the steps in Group III. From the Soviet standpoint, a more favorable treatment for China than the USSR in the question of requirements for using American ships would indicate that the U.S. attached a higher value to good relations with China than with the USSR. Selling grain on the same terms would not cause as much of a reaction, but even in this case the Soviets would be suspicious that our motives were political rather than economic. Even if an attempt to sell grain came to nothing, the Soviets would mark it down as a sign of a change in the U.S. attitude.

The GRC would focus first upon the official quality of the proposed trade delegations, seeing in them a U.S. desire to move toward diplomatic relations with Peking. Grain sales and shipments to China on terms more favorable than those granted the USSR would signify the same thing to the GRC. (Grain sales alone would not be regarded differently from any other non-strategic trade item, however.) Since the GRC would assume as a corollary a U.S. disposition to bargain away its interests, we would need to take into our calculus the possibility of a severe crisis in U.S.-GRC relations. Management of such a crisis could prove very difficult, and we might not be able to count on the GRC's past practice of backing away from extreme positions which it threatens to take.

RECOMMENDATION:

That you approve the implementation of the steps outlined in Group I.

Approve PR Disapprove \_\_\_\_\_

That you authorize me to inform the Under Secretaries Committee that the further steps proposed by it will be considered only after due consideration of the results gained from the Group I steps, including an assessment of the reactions of the PRC, the GRC, and the USSR.

Approve PR Disapprove \_\_\_\_\_

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