

Central Intelligence Agency



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Areas of Growth in Sino-Soviet Relations

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China continues to rule out a fundamental improvement in Sino-Soviet political relations until Moscow reduces its threat to Chinese security, the so-called three obstacles. Nonetheless, over the past two years, there has been considerable movement in other areas. In our judgment, Beijing seeks to reduce tensions to buy time for its modernization program. The Chinese are interested in testing the limits of Soviet General Secretary Gorbachev's flexibility, but concerns in Beijing about alienating Washington will restrain the development of Sino-Soviet ties.

Sino-Soviet economic ties are showing the most impressive and dynamic growth, with three separate Soviet economic delegations visiting Beijing last year. Trade has doubled in the last two years, and reached \$2.4 billion in 1986:

- Recent agreements to exchange trade exhibitions, build additional rail links, and open reciprocal trading and shipping offices should help boost Sino-Soviet trade to an average of \$3 billion a year for the rest of the term of a five-year trade agreement that extends to 1990.
- Moscow's 3-percent share of China's trade makes the Soviet Union China's sixth-largest trading partner, still far behind Japan (27 percent), Hong Kong (22 percent), and the United States (11 percent).

China's scientific and technical contacts with the Soviet Union are also increasing, although less rapidly than in the trade sphere. In our judgment, Beijing will seek greater Soviet assistance over the next few years, particularly in the energy and heavy industry sectors, where Soviet technology is often on par with that available from the West:

- Last year, the Soviets agreed to renovate 17 factories and to construct seven new facilities in China, most located in the industrial northeast. Several hundred Soviet technicians ultimately will be sent to China for these and other industrial programs, with an equal number of Chinese personnel sent to the Soviet Union for training.
- Nonetheless, the fewer than 30 Sino-Soviet projects are dwarfed in number by the thousands of major contracts for Western assistance -- involving more than 10,000 Western technicians in China over the past two years alone -- signed by the Chinese since 1979.

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Even in the political arena, where movement has not been nearly as striking, atmospheric changes are evident. The number of venues and levels of contact suggest that, although Moscow and Beijing continue to have sharp disagreements, the sessions are no longer the "dialogue of the deaf" described by a Chinese diplomat early last year:

- Beijing proposed the revival of the border talks that began in February after a nine-year hiatus.



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- The two sides last year concluded their first consular agreement since 1962. Consulates opened in Leningrad and Shanghai in December and are expected to open in Nakhodka (near Vladivostok) and Shenyang.

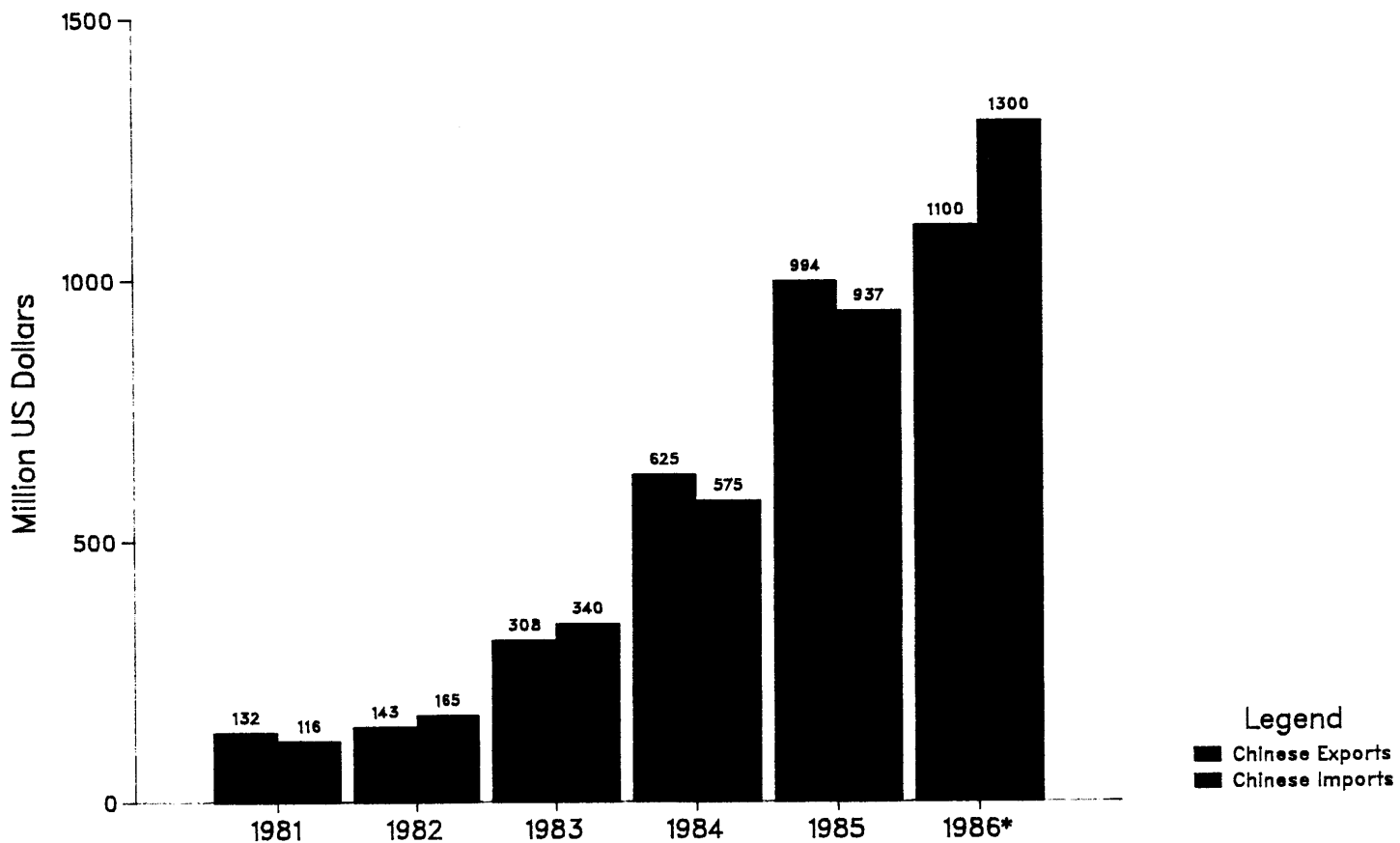
The turmoil in the Chinese leadership caused by the forced resignation of General Secretary Hu Yaobang is unlikely to lead to a reassessment of Beijing's Soviet policy. The charges against Hu include criticisms that rash statements on his part complicated relations with the United States and Japan and that he was pro-Soviet. Whatever the merit of these accusations, they indicate that Beijing does not see its strategic interests running parallel with Moscow, and we expect Beijing to continue cooperation with Washington in responding to the Soviet threat in Asia.



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Sino-Soviet Trade, 1981-86



* Estimated.