

MEM

[Redacted]

[Redacted]

is a NIC

consultant. I asked him  
to write the attached

for our mutual use.

Your analysts know him.

Date

Dave

9 July 1982

MEMORANDUM FOR: David D. Gries

FROM :  STAT

SUBJECT : Downgrading of relations between the US and the PRC

If Deng Xiaoping declines Reagan's final proposal and decides to downgrade relations, that will mean that he sees no possibility of further progress on the Taiwan arms sales issue so long as Reagan is in office. I doubt that he and his advisers would have concluded that they could provoke a groundswell of opposition to Reagan on the China issue that would force him to reverse himself. Consequently, they would have to anticipate a minimum of two and one-half years of downgrading relations before a new administration could take a new look at the issue.

My guess is that downgrading would take the following form:

- (1) Diplomatic -- Here there are two possibilities: one, that they would withdraw Chai and either ask Hummel to leave or sharply reduce his access to senior Chinese officials; the second is that they would demand the formal reduction of the Embassies in Beijing and Washington to the "Office of the Charge d'Affaires" level, as they did with the Dutch. I think the former is slightly more likely than the latter, as it is much easier to resume normal relations from that position than from the second. In addition, they probably would not send top level officials (head of state, premier, ministers) to Washington or receive comparable US officials in Beijing.
- (2) Military relations -- these would be frozen at the present level in order to avoid giving the impression that they might be willing to trade continuing US arms sales to Taiwan for access to US arms for themselves.
- (3) Economic relations -- the substance of economic relations would not be much affected, but the Chinese would try to give the impression that trade would improve if the US were more "reasonable" on the arms sales issue. When they made a big purchase from the French or the Japanese they would imply to the US competitor that the state of political relations between Washington and Beijing had made the key difference.

- (4) Government-to-government technical cooperation and exchange -- those agreements from which the Chinese felt they were deriving important benefits would continue without change, but there might be a slowdown in areas they had found not too productive.
- (5) Student and scholar exchanges -- Important to the Chinese and unlikely to be much affected.

In propaganda to the American people the downgrading would be presented as the result of a serious mistake in judgment by the Reagan administration which was costly to the United States in terms of its efforts to mobilize a united front against Soviet expansionism.