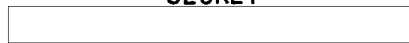


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THE DIRECTOR OF
CENTRAL INTELLIGENCE

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National Intelligence Council

29 December 1983

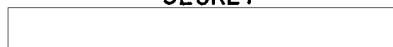
MEMORANDUM FOR: Acting Director of Central
Intelligence
FROM : National Intelligence Officer
for East Asia
SUBJECT : Attached

If you approve, I would like to send this paper to the addressees via the Friday morning PDB briefer.

Casey has an earlier draft with him in Florida -- at his request -- and is aware of the plan to offer the paper to the Cabinet officers who will be dealing with Zhao. However, I don't know whether Casey approves of the paper, since I haven't heard from him. My guess is that he would not object to our sending it out before he returns.

David D. Gries

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The Director of Central Intelligence

Washington, D.C. 20505

National Intelligence Council

MEMORANDUM FOR: The Secretary of State
 The Secretary of Defense
 The Assistant to the President for National Security Affairs

THROUGH : The Acting Director of Central Intelligence

FROM : David D. Gries
 National Intelligence Officer for East Asia

SUBJECT : Zhao Ziyang's Visit to Washington: His Needs and
 Expectations

The Foreign Policy Setting

Premier Zhao Ziyang's visit to Washington comes at a time when the Chinese leadership is trying to consolidate its current improved relations with the United States in accordance with decisions taken early in 1983 -- probably following Secretary Shultz's visit to Beijing -- and reconfirmed at the Party's Second Plenum held just after Secretary Weinberger's visit.

- The decision to consolidate relations appears to reflect recognition that the deterioration in US-Chinese ties -- which lasted from 1980 through the signing of the Taiwan Arms Sales Communique in 1982 -- weakened rather than strengthened China's ability to manage relations with the two superpowers. In this sense, the decision was defensive; it was designed to prevent a downward drift.
- The decision also reflects Chinese recognition that it might be dealing with the Reagan administration through 1988. In this situation, the Chinese probably believe their best course is to consolidate the relationship at its current improved level, since they probably do not expect much further deepening of political or strategic ties over the next few years. Economic and commercial relations are a different matter: the Chinese look forward to steady improvements.

The pace and scope of the improved relationship is attested to by the number of visitors that flowed between Beijing and Washington in 1983 -- Secretaries Shultz, Baldrige and Weinberger to Beijing and Ministers Wu,

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Wang, Gao, He and Qian to Washington. These high level visits were buttressed by concrete accomplishments -- a textile agreement, Chinese engagement of legal counsel in the Huguang bond case, progress on technology transfer and exploration of military sales and exchanges.

Impact of Taiwan

Although Taiwan is not an immediate territorial issue in Beijing -- Chinese expectations of achieving reunification with Taiwan any time soon are nil -- Deng Xiaoping and his circle have long held that the road to Taipei runs through Washington. Only Washington, they claim, can persuade Taipei to display flexibility on reunification arrangements. Having given up the notion of solving the territorial issue in his lifetime, Deng probably believes that discussions with Taipei about reunification -- even though they may last for years or even decades -- are an acceptable, face-saving substitute. The Chinese expect Washington to help.

- But Zhao will not ask for direct US help in starting discussions with Taipei. Beijing believes, however, that large US arms sales to Taiwan and continuing high level contacts impede reunification, and Zhao will probably urge that both be cut back.

Beijing's leaders also recognize that as the China-born generation currently in control on Taiwan makes way for Taiwan-born successors, reunification arrangements will become more difficult to negotiate. Beijing's current handling of negotiations with London over Hong Kong's future suggests that Chinese leaders do not understand what makes capitalist economies like Hong Kong or Taiwan tick. Moreover, the accelerating divergence between the economies and social systems of Taiwan and China will in time make all but token reunification more and more unlikely, though even token reunification would in itself be significant.

- For Beijing, starting discussions with Taipei, even if they are inconclusive, is a way out.
- Zhao will drive this point home in Washington, and, in an effort to underscore Chinese seriousness, may repeat the comment Deng made to Secretary Weinberger about the possibility of blockading Taiwan if peaceful reunification measures fail. Zhao believes this threat will induce Washington to foster discussions.

Impact of Chinese-Soviet Relations

Less than two months after Zhao returns to Beijing from Washington, the Chinese and the Soviets will sit down in March for their fourth round of talks. A meeting between Chinese and Soviet foreign ministers, the first time this has happened since 1969, could come even sooner. Zhao knows that the Chinese hand is strengthened in these talks by Soviet perceptions of stable US-Chinese relations. He also knows that a perception of progress in Chinese-Soviet talks heightens anxieties in Washington, thus explaining why the Chinese bracket high-level contact between Chinese and US leaders with important events in the evolving Sino-Soviet dialogue.

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that the visit will facilitate improvement of China's position in the "triangular relationship".

- Beijing also believes it can remain in the catbird's seat in the Washington-Beijing-Moscow relationship so long as Washington's relations with Moscow are severely strained.
- And Beijing sees important advantages in remaining there: the two-front threat to China of the 1960s, replaced by the two-front threat to Moscow of the 1970s, has given way in the 1980s to a reduced threat to China on both the US and Soviet fronts (or so Beijing claims).

Nonetheless, given fundamental obstacles to major improvements in Chinese-Soviet relations, China has no alternative to maintaining reasonably cordial relations with the US. Thus, periodic Chinese threats to downgrade relations with Washington and improve those with Moscow should be regarded mainly as negotiating ploys. Beijing still clearly views the Soviet Union as the principal threat to China, [redacted]

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[redacted] as "an expansionist, aggressive power."

- Zhao can be expected to reflect these sometimes conflicting viewpoints in discussions about the Soviet Union in Washington.
- Meanwhile, the Chinese are reassured by evidence of a buildup of US forces worldwide and in the Pacific. Negotiating with Moscow is less risky for them in such circumstances.

Domestic Political Factors in China

Zhao's visit also comes at a time of heightened Chinese sensitivity towards foreign policy issues that involve sovereignty questions, such as China's inability to make discernible progress towards reunification with Taiwan. Such sensitivities are a response to tensions in Chinese domestic politics that resurfaced during 1983, when the modernizers around Deng came under pressure from opposition elements who object to portions of Deng's program. Fearing an opposition attack on his policy of an opening to the West, which opposition elements have used to attack him in the past, Deng coopted their issue and launched his own campaign against "corrupting Western influences", especially American influences, that tarnish China's youth and cultural life, [redacted] that promote "the interests of bourgeois liberalism." Repeated public references in the campaign to American support for the anti-Communist Sino-American Cooperative Organization (SACO), a joint US-KMT intelligence activity that operated during World War II, underscores the anti-American theme and may be intended to imply that continuing US-KMT cooperation is blocking reunification of Taiwan.

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Deng, Zhao and Party Chairman Hu Yaobang have recently used more nationalistic rhetoric when discussing domestic and foreign policy issues. They have not, however, abandoned anything important either on their modernizing agenda or on the Chinese agenda for US-Chinese relations. Their nationalistic rhetoric is meant to mollify those opposed to Deng's policy of an open door to the West; [redacted]

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Zhao is well aware of these opposition currents -- to a limited extent, Hu may be a target of the anti-Western campaign, bringing it painfully close to Zhao. As a consequence, Zhao in conversations here is likely to use nationalistic rhetoric regarding Taiwan and two-China issues, while pursuing the broader goal of promoting stability in US-Chinese relations.

- These same currents also increase the pressure on Zhao to succeed in Washington: failure would raise questions not only about Zhao's ability to perform well in the West, but also about Deng's major foreign policy accomplishment of the last four years -- the relationship with Washington. [redacted] Hu spoke without authorization in Japan in November when he questioned whether Zhao should visit Washington, thus raising doubts about Hu's ability to perform well abroad.
- Nonetheless, such nationalistic objectives as reunification with Taiwan and settlement of border problems with Moscow, both of which affect the US, are long-range, long-term Chinese policies that have a life of their own. Tensions in Chinese domestic politics affect the rhetoric with which these objectives are restated, but have less effect on the substance.

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Zhao's Personal Political Objectives

Zhao also comes to Washington with political resources and his prestige dependent on a favorable outcome. Just as China is consolidating its US policy, so Zhao must also consolidate his political position as premier. Less successful than Hu in surrounding himself in Beijing with committed supporters, he is aware of the fragile nature of the succession architecture drafted by Deng; he knows it depends on managing relations between himself and Hu, perhaps in a kind of analogue to the relationship that once existed between Brezhnev and Kosygin. [redacted]

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[redacted] Hu's stock is falling, thus presenting opportunities and risks for Zhao. A successful visit will strengthen his position in part by demonstrating that he can handle foreigners skillfully, long recognized as an attribute of leadership. In this context, it is not surprising that Zhao's advance party pushed hard for extensive TV and print media coverage. They hope it will play well in Beijing, though it is worth nothing that the viewing audience that counts there is the Central Committee, not the public as the Chinese sometimes claim.. Zhao probably also intends to use such coverage to explain Beijing's position on the Taiwan issue directly to Americans.

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In addition, Zhao has gradually become identified with China's US relationship, as Deng moves into the background and designates Zhao -- not Hu -- as the successor picked to deal directly with Americans. Against the backdrop of Deng's successful visit to the US in February 1979, Zhao must also succeed in Washington, though not on the same scale. Moreover, Zhao's visit comes only two months after Hu's visit to Japan. Where Hu came across to some Japanese as occasionally ill-mannered and uninformed, Zhao undoubtedly hopes to etch a more polished image. In doing so, he must show his Central Committee constituency that he can consolidate current improved relations with the US, while at the same time using nationalistic rhetoric at appropriate

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moments. It is a difficult assignment and puts Zhao under considerable pressure.

When Secretary Shultz visited Beijing in January and discussed a possible Zhao visit to the US, the Chinese evidenced concern about whether Zhao could accomplish something substantial in Washington. Nonetheless, the symbolic aspect of a leadership visit to Washington cannot be overestimated. Forced to conduct its foreign policy from a position of weakness, among the poorest of the developing countries, China's leaders continue to seek acceptance and legitimacy in the world community. Visits of foreign leaders to Beijing and of Chinese leaders to foreign capitals confer a kind of legitimacy, and among these none is more important than a visit to Washington. Thus Zhao's visit itself conveys a symbolic message that the Chinese media will define as evidence of superpower courtship: China is treated as a global, not regional power; her friendship is sought; Zhao is an accepted world leader. As a consistently substantiated source explained it in December, Beijing believes its influence in the international arena will increase as a result of the visit.

Zhao's Checklist for Washington Discussions

Zhao's checklist undoubtedly contains positive and negative points, and the Chinese must choose between making them publicly or privately.

- They can make their points publicly in scheduled interviews with the three TV networks; in discussions with Washington Post, Newsweek, or New York Times editorial boards; or in the toast that Zhao will give during the state dinner at the White House.
- They can make their points privately directly with the President or the Vice President, or alternatively, with one of the Cabinet secretaries whom Zhao will meet.

Positive points on the checklist probably include signing an extension of the US-Chinese scientific and technical agreement, completing a protocol on industrial cooperation, announcing a nuclear cooperation agreement and discussing Chinese proposals previously raised by Deng regarding confederal arrangements on the Korean Peninsula. On a less concrete level, promotion of the transfer of high technology and an increase in American trade and investment probably top Zhao's agenda. He is expected to stress these themes with business groups in New York and San Francisco and with Secretaries Weinberger, Regan, and Baldrige. Zhao will also claim (falsely) that China never equates US behavior with Soviet behavior around the world, and can also be expected to sound Third World themes in public statements.

Among negative points, Zhao will forcefully criticize US performance on the Taiwan issue.

- He will allege publicly and privately that the US is not only disregarding commitments made in the Taiwan Arms Sales Communique, but is also challenging the Shanghai and Normalization Communiques by occasionally implying the existence of something more than unofficial ties with Taiwan. Zhao told an American governors delegation in Beijing in December that he hoped in the US "to improve the American

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people's understanding with regard to the Chinese position on Taiwan", thus suggesting an intent to go over the heads of American leaders.

- Zhao may also complain about the Pell Resolution and language on Taiwan in IMF legislation and other Congressional actions. He will maintain that the Executive Branch is responsible, even though the Chinese know better.

Although pleased with new US positions on technology transfer and arms sales, Zhao is likely to complain about slow implementation of both -- he has told recent visitors that the new US position is helpful, but controls should be reduced further.

Implications for the US

As Zhao works through his checklist, US responses can contribute to educating the Chinese on areas of convergence -- bright trade prospects, common goals in IndoChina, Afghanistan, and to some extent in Korea -- and on areas of divergence -- Taiwan; labelling the US as a hegemonist; criticizing US policy in Third World areas.

- Zhao and his Central Committee constituency have demonstrated a lack of understanding of US Taiwan policy that encompasses unofficial relations with the people and authorities on Taiwan and support for the principle of one China, but that within this framework, also encompasses friendly, durable relations between Washington and Taipei, including arms sales. Zhao should recognize that the Chinese agreed to all this in the Normalization and Taiwan Arms Sales Communiques.
- Nor does Zhao understand why the US believes that it is incompatible with friendly relations when Chinese public criticism of the US has the effect of supporting Soviet goals, as in Syria, Nicaragua, and INF deployments in Western Europe. Zhao does not understand how negatively the US reacts to such criticism.
- Zhao probably does not realize that US officials noted the September visit of Peng Zhen, chairman of the Standing Committee of the National People's Congress, to the captured US intelligence ship "Pueblo" and his dockside statement that China and North Korea must fight against imperialism and hegemonism.
- Most important of all, Zhao will be impressed with authoritative explanations of how US officials react to continued Chinese public statements linking US and Soviet international behavior. When Zhao denies in private that the Chinese make such linkage, he can be reminded that the linkage was restated by Foreign Minister Wu as recently as September before the U.N. ("the hegemonists' (the US and USSR) aggression against ...Third World countries have given rise to frequent wars and emergencies..."), and again by Hu in Tokyo in November ("As long as...China and Japan...are united, it is possible to prevent the hegemonists (the US and USSR) from throwing their weight around...").

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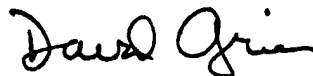
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On the other hand, the Chinese undoubtedly hope for an unstated US recognition that domestic political factors in Beijing sometimes sharpen nationalistic rhetoric in Chinese foreign policy. Since the substance of Chinese policy has remained generally unaffected in recent months at least and the US ability to influence outcomes in Beijing is low in any case, such recognition is mainly useful as a way of improving the atmosphere for discussions.

Zhao probably expects American officials to reiterate their interest in a strategic relationship with China directed against the Soviet Union. The Chinese have avoided discussions of a strategic relationship for several years. Striving for the balancing catbird seat in the Washington-Beijing-Moscow relationship, uninterested at this juncture in strengthened strategic ties, they probably do not want to discuss a strategic relationship now.

In any case, the Chinese do not believe that shared hostility towards the Soviet Union is the only cement binding Washington and Beijing together. On the contrary, they expect economic, commercial, educational, scientific and technological and perhaps military ties to cement future relations, and will respond accordingly to American efforts to develop them. Zhao and other senior leaders have repeatedly stressed the potential of these kinds of ties in meetings with influential Americans.



David D. Gries

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