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DIRECTORATE OF INTELLIGENCE

22 January 1985

USSR-China: Impact of Arkhipov Visit

Summary

The agreements on scientific, technical and economic cooperation signed during Soviet First Deputy Premier Arkhipov's visit to China in late December are the most significant developments in this area since the Soviets withdrew their advisers in the early 1960's. Beijing, with a view to counterbalancing its expanding ties with the US, made a point of giving Arkhipov a warm welcome. Moscow was more circumspect in its public and private handling of the visit, out of continuing suspicions of Chinese game playing and concerns about the sensitivities of its Asian allies. Both sides, however, apparently expect the visit to improve the political atmosphere and restore some momentum to the dialogue on other issues. [Redacted]

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No progress was made on the intractable issues--Afghanistan, Indochina, and the Soviet troop deployments near China--that continue to hamper a normalization of political relations, but the visit did produce agreement on a return visit to the USSR by a Chinese vice premier and the first visit to Moscow by a Chinese parliamentary delegation in over two decades. [Redacted]

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The agreements reached during Arkhipov's visit do not add up to a major breakthrough, but they may help pave the way for progress on other issues later this year--for example, an agreement to resume discussions on their border dispute, suspended since 1978. In the meantime, the next round of

This memorandum was prepared by [Redacted] the Third World Activities Division, Office of Soviet Analysis. It has been coordinated with the Office of East Asia Analysis. Questions and comments are welcome and may be addressed to the Chief, Third World Activities, SOVA [Redacted]

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political talks between deputy foreign ministers scheduled for Moscow in April should help us judge the political impact of Arkhipov's visit. [REDACTED]

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Expanding Economic Contacts

During the visit Soviet First Deputy Premier Arkhipov and his Chinese hosts signed three well-publicized agreements which should promote a continuing, gradual expansion of trade and related contacts in the next few years. Initially proposed by the Soviets more than a year ago, the three agreements are the most significant development in this area since the early 1960's, when the USSR withdrew its advisers from China.

- The economic and technical cooperation agreement stipulates that the two countries will study and exchange production technologies. More specifically, they will design and build new--or refurbish existing-- industrial enterprises, provide each other with technical services, and train each other's specialists.
- The scientific and technological cooperation agreement calls for the exchange of scientific and technological groups as well as students and other experts, the exchange of scientific and technological information, and unspecified joint projects.
- A projected joint committee for economic, trade, scientific and technological cooperation will be concerned with supervising the implementation of agreements and protocols in those areas. Co-chaired by deputy premiers from each side, it is to meet once a year to outline specific projects to be undertaken in accordance with the first two agreements. Its first meeting is being planned for this spring, at which time permanent working groups may be established to supervise specific areas of cooperation. [REDACTED]

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The two sides also negotiated a supplementary trade protocol for 1985, increasing the target figure to about \$1.8 billion--almost 30 percent more than they had agreed to in late November, and approximately 65 percent higher than last year's goal. They also plan to sign a long-term trade agreement next spring, as the Soviets have persistently urged. This will put bilateral trade during 1986-90, the period covered by the next five-year plan on both sides, on a more solid foundation by providing long-term targets for the yearly trade negotiations. [REDACTED]

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There are also signs of an increased willingness on the Chinese part to enlist Soviet help in refurbishing China's factories. [REDACTED]

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Arkhipov and China's Economic Reforms

The new economic reforms announced in Beijing last October--designed to curtail routine party and governmental interference in enterprise management, reward and punish enterprises based on their profits, and institute a price system that reflects actual costs--are controversial in Moscow. The provisions for technological innovation at the plant level, acquisition of foreign capital and increased joint ventures with US and other Western businesses are likely to lead to increased dealings with the West, especially the United States, and thus add to the strains between Moscow and Beijing. The Chinese reforms have, in fact, already entered into Kremlin deliberations about how to deal with Beijing--decentralized planning in China will, for example, make it more difficult for Moscow and Beijing to coordinate their economic programs--as well as about steps toward Soviet economic reform.

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Arkhipov's visit is not likely by itself, however, to change what remains the official hard line in the Soviet media--that the reforms are tantamount to a flirtation with capitalism, and may undermine the "socialist" system in China. Arkhipov's remarks about the reforms have not been publicized by the Soviet media, despite having been given wide play in the Hong Kong press and Western news reports. Soviet political commentator Fedor Burlatskiy, during a discussion with US officials last November, observed that it was "impossible" for Soviet specialists to publish on the subject since officials in Moscow oppose any suggestion that the Chinese model may be applicable to the USSR.

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Political Implications

Soviet and Chinese handling of the visit indicates that both sides expect it to improve the political atmosphere, even though the obstacles to a full normalization of relations remain. Both sides may be content with having taken the chill out of their relationship that has been evident since last spring, while trying to use the results of Arkhipov's visit as new leverage in their separate dealings with the United States.

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Beijing's handling of the visit was particularly forthcoming. A Chinese official, briefing US diplomats in late December, stated that Arkhipov's visit had gone smoothly, produced results, and thus had "importance for the

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normalization of relations." The official claimed that Arkhipov--while insisting that he was in China to talk economics, not to discuss third country issues--had promised to relay to senior Soviet leaders the points that Premier Zhao had made during their brief discussion of the "three obstacles" to better relations--Afghanistan, Indochina, and the Soviet military deployments along China's northern perimeter. The official also confirmed that the silence of the Chinese media regarding the fifth anniversary of the Soviet invasion of Afghanistan was intentional, noting that "after all, Arkhipov was in China at the time." [redacted]

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The Chinese media gave extensive coverage to Arkhipov's visit, probably to demonstrate--for both domestic and foreign audiences--some balance in China's dealings with the superpowers, and hence to retain some potential maneuvering room in the Sino-Soviet-US triangle. The references to Arkhipov as "comrade" and "old friend" by some of his hosts seemed calculated in particular to underscore China's socialist credentials and subtly remind Washington not to take Beijing for granted. [redacted]

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Apart from a session with Premier Zhao, however, Arkhipov's contacts were limited to those within the Chinese leadership most prominently identified with the Soviet aid program of the 1950s. The Chinese media, moreover--by playing up Arkhipov's visit to the centerpiece of current Chinese economic reforms, the Shenzhen special economic zone--implicitly signaled Beijing's interest in expanded ties with the West and the limits of potential Soviet participation in China's economic modernization drive. [redacted]

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The Soviets have exercised more restraint than the Chinese in commenting on Arkhipov's trip. The Soviet media--like the Chinese--did describe the atmosphere during Arkhipov's visit in warmer terms than they had used last fall to describe the fifth round of political consultations at the deputy foreign minister level. A few Soviet news reports also mentioned the party posts held by Arkhipov's hosts in addition to their governmental positions--a positive gesture that had been consistently avoided by the Soviet media in recent years. Overall, however, the Soviet media gave the visit relatively low-key coverage, and a follow-up effort by Soviet propagandists to make political capital out of the visit was noticeably lacking. [redacted]

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The Soviets probably have a number of reasons to play down the visit's significance at this time. They are aware that the Chinese are likely to continue to tilt toward the United States while regarding the USSR as the main threat to their security. Moreover, because Arkhipov's visit focused primarily on bilateral economic matters, and not on the basic political questions at issue between the two countries, it has not produced the sort of results that would give the Soviets reason to expect major changes in the triangular relationship anytime soon. Moscow also is likely to be wary of the outside factors--such as an escalation in Sino-Vietnamese tensions, the Soviet military buildup in Asia, or Soviet operations in Afghanistan--that could deal another setback to the Sino-Soviet dialogue. [redacted]

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In sum, the Soviets probably see the visit as having laid the institutional groundwork for a further expansion of their exchanges with the Chinese, while leaving the two sides to continue to differ on several fundamental points. Under these circumstances, it is not surprising that Moscow does not want to appear too optimistic about future prospects, lest this give the Chinese added leverage in their dealings with both Moscow and Washington in the coming months. The Soviets are also sensitive to both Mongolian and Vietnamese concerns about any signs of an improvement in Sino-Soviet relations, and may have felt that more effusive coverage of Arkhipov's visit would only alarm the USSR's two Asian allies. [redacted]

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Prospects

We believe high-level contacts will continue to expand during the coming year.

- The Chinese have already agreed to a return visit by a vice-premier this year. They reportedly have not decided whether this will be in connection with, or separate from, the joint economic commission meeting in Moscow this spring, leaving open the possibility that two vice-premiers could visit the USSR in 1985.
- The parliamentary delegation that the Chinese have agreed to send to the USSR could provide a means of allowing a Politburo member, wearing his parliamentarian hat, to visit Moscow and hold talks with senior Soviet leaders. [redacted]

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Neither side, however, has given any sign as yet of a change in its position on the main issues hampering an improvement in political relations.

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[redacted] Soviet concern probably has been heightened by the visit to China by JCS Chairman General Vessey in mid-January, and it will be fueled further if Chinese President Li Xiannian eventually sets a date for his proposed visit to the United States. The Chinese, for their part, still consider the USSR as the main threat to their security, and they are unlikely to abandon that assessment as long as Moscow refuses to address their concerns regarding Afghanistan, Indochina, and the Soviet forces deployed along China's northern perimeter. [redacted]

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Nonetheless, many Soviet officials apparently remain convinced that an expansion of trade and other economic contacts, together with similar "small steps" on a number of other fronts, will eventually lead to an improvement in their relations with China. There is, moreover, a good market in the USSR--especially in the Soviet Far East--for Chinese foodstuffs, textiles and other consumer goods, while the sluggish world demand over the past few years for Soviet exports other than oil probably has made China an even more attractive market in Soviet eyes. The main problem for the Soviets may be the extent to which the current reforms in China--specifically, the decentralization of

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economic planning--will make it more difficult for Moscow and Beijing to coordinate trade and other forms of economic cooperation in the next few years. [Redacted]

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The Chinese are happy to have Soviet aid in renovating their 1950's-era industrial plants and increased trade with the USSR, but are almost certain to continue emphasizing trade with Japan and the West, because the latter provides Beijing with the advanced technology it needs for modernization. Even if Sino-Soviet trade were to reach \$6 billion by 1990, as a few officials on both sides have suggested, China's trade with the Soviet Union at that time probably would be markedly less than that with Japan or the United States, and only a small fraction of China's overall trade. [Redacted]

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In sum, the agreements reached during Arkhipov's visit do not add up to a major breakthrough, but over the longer term they may eventually help pave the way for progress on other issues. If the atmosphere does improve sufficiently to produce some movement on other issues, a resumption of discussions on the border dispute--suspended since 1978--later this year may be the most likely development. Senior Chinese leaders hinted last year on several occasions that they may be prepared to resume such discussions. [Redacted]

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It is conceivable that the new joint committee for scientific and economic cooperation could set a favorable precedent for border discussions if it gets off to a successful start this spring. [Redacted]

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[Redacted] The next round of political talks at the deputy foreign minister level scheduled for April in Moscow will provide an early test of the political impact of Arkhipov's visit. [Redacted]

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ANNEX A

Economic and Technical Cooperation Between the USSR and China

Moscow and Beijing reportedly have agreed to five general areas of economic cooperation: coal, metallurgy, energy, communications (railroad electrification in particular) and machine-building. Some work in these areas has already begun: the two sides exchanged visits of coal delegations in late 1983, and the Chinese reportedly awarded the Yiminhe open-pit coal mining project in Inner Mongolia to the Soviets last March. The Chinese sent a second group of coal mining experts to the USSR in April for talks in Moscow and a tour of Siberian open-pit mines, and the two sides continued to engage in such exchanges even after the abrupt postponement of Arkhipov's visit to China in early May. The list of such exchanges for the May-December period of last year includes:

- A two week visit to China in May by a Soviet merchant marine group to exchange views on maritime transport and port management. The group arrived in China on 10 May, the same day that Arkhipov had originally been scheduled to arrive.
- A two-week visit to China in late June-early July by Soviet specialists in urban management to tour several of China's main cities and exchange ideas on urban planning.
- A two-week visit to the USSR in mid-July by a Chinese group of agro-economists to tour Soviet research institutes and farms, and to hold talks with various Soviet officials.
- A delegation of senior officials from the PRC Ministry of Water Resources and Electric Power visited the Soviet Union in August for talks with their counterparts in Moscow, a tour of several research institutes, and excursions to several of the USSR's main hydroelectric power stations.
- A deputy minister of the PRC Ministry of Geology and Mineral Reserves led a delegation to the Turkmen SSR, where his group visited several research institutes and were given a tour of the Shatlyk gas fields in September.
- Chinese railroad officials were in Moscow in October to attend a seminar on the electrification of freight lines and learn more about Soviet expertise in locomotive production. The PRC Minister of Railways also was in Moscow at that time for talks with the Soviet Rail Minister on how the two sides could improve passenger and freight service between their capitals. The two men reached an agreement on measures to improve the passenger service, and presumably intend to continue working on freight service.

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ANNEX B

Scientific and Technological Exchanges

The two sides reached an agreement in early 1983, following round two in their current series of political consultations at the deputy foreign minister level, to resume student exchanges. They agreed last fall to increase the number of annual exchanges from 10 to 70.

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The Soviet side, at the October 1983 round of talks, also proposed 22 exchange programs in cultural and scientific fields, and the two sides subsequently signed a protocol on improving meteorological links. In November 1984, a Soviet official told a US diplomat that the USSR and China would host eight artists and five scientific and technological delegations from the other side in 1984. The latter presumably included:

- The Soviet group that attended an international meeting of meteorologists held in Hangzhou last March to study climatic conditions.
- The Soviet group that attended an international seminar on demographic questions held in Beijing in late March.
- The Chinese delegation, headed by deputy minister of Geology and Mineral Reserves, that attended the 27th International Conference on Geology, held in Moscow in August.

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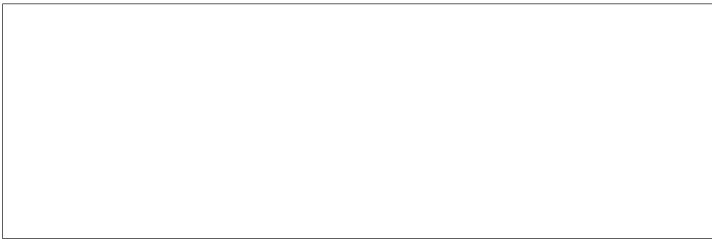
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