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Back-up Book for NSC Meetings on China

16 & 17 April 1984


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THE SECRETARY OF STATE
WASHINGTON

MEMORANDUM FOR: THE PRESIDENT
FROM: George P. Shultz
SUBJECT: Your China Trip: Setting and Issues

I. THE SETTING

Your trip to China April 26 - May 1 will cap the series of discussions you and senior members of your Administration have held with Chinese leaders during the past year. These discussions have placed our bilateral relationship back on track, and the Chinese evidently share our desire to consolidate and develop further our ties. Your seven hours of talks in Beijing with China's four top leaders -- political strongman Deng Xiaoping, Chief of State Li Xiannian, Communist Party General Secretary Hu Yaobang, and Premier Zhao -- will reinforce and elaborate the themes developed in the course of this year-long bilateral dialogue, and explicitly underscored in your own meetings with Premier Zhao in mid-January. Both your private statements to Chinese leaders and your two scheduled major addresses will convey that this nation:

- regards China as a friendly, non-allied country and wishes to advance our ties on that basis;
- stands ready, willing and able to lend support as appropriate to China's economic, S&T and defense modernization;
- seeks enhanced consultations and coordination where our interests are similar (e.g., Korea, Kampuchea, Afghanistan); and
- will abide by our commitments vis-a-vis Taiwan but will expect patience in handling this complex issue.

The Chinese have made abundantly plain in word and deed that they want your visit to be a success; Premier Zhao stated this explicitly to Don Regan in Beijing. To this end the Chinese made unprecedented concessions to us on logistical and administrative requirements for your visit; they yielded ground on a bilateral tax treaty which you will sign; they geared up, on instruction of Premier Zhao, for serious negotiations on a bilateral investment treaty; they decided to issue a temporary authorization to Northwest Airlines to begin passenger service to China, thus avoiding a serious civair confrontation; they conducted a remarkably cordial round of consultations with us on textiles, the most acrimonious of all our bilateral economic issues; and, during recent working-level talks on possible U.S. military sales, they have displayed renewed interest in investing our relationship with a strategic dimension.

Beijing wants several things from your visit (before setting a date for Zhao's trip here they pushed hard for our agreement on your reciprocal visit). First, China's reformist

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leadership -- Deng, Hu and Zhao in particular -- has a personal and political stake in presenting to doubting opponents the appearance and reality of a thriving bilateral relationship with the U.S. This need accounts in part for the mild public complaint by Zhao on departing Washington last January that he hoped for more "substantive" talks with you in Beijing. It also accounts in some measure for the extraordinary Chinese effort to assure that your visit commences on a positive note.

Second, having apparently concluded both that they had earlier misread your China policy and that you will likely win reelection in November, they want to solidify a personal relationship with you.

Third, they will seek to turn the favorable atmosphere following the Zhao visit to their advantage in pressing you to: take note of Chinese concerns on Taiwan (especially our arms sales and manifestations of stronger support in Taiwan and this country for Taiwan "independence" formulas); ease further the restrictions you have already relaxed on transfer of advanced technology; pledge your support for measures to increase Chinese access to concessional U.S. financing; ease restrictions on Chinese textiles; and, perhaps, intervene to break the impasse in our nuclear and investment negotiations. Foreign Minister Wu recently cited these issues, along with amending the Foreign Assistance Act and renewing the Maritime Agreement, as "issues of importance" to China.

Finally, global considerations will shape the Chinese substantive and rhetorical approach to your visit. Over the past two years they have carefully calibrated their policies toward the Soviets and us so as to gain maximum leverage and to do minimum damage to China's coveted image of a developing nation that pursues an independent foreign policy. China's rhetoric is crafted to lend credence to this "independent" stance by linking the U.S. and Soviets as "hegemonist" powers. But despite recent efforts to ease Sino-Soviet tensions, Beijing acknowledges to one and all that it sees the USSR as the principal current and long-term threat to its security. Moreover, the Chinese do not conceal their assessment that only ties with the U.S. and the West hold out promise of affording access to the high technology, advanced learning, investment capital, and modern managerial skills which are vital to the success of their modernization program.

II. ISSUES

1. Taiwan. The Chinese have muted their public criticisms of us, and let pass with minimum complaint our 1983 arms sales. But Zhao pressed you in January on the Taiwan Relations

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Act; Zhao and others have manifested rising concern over the political clout of elements in the U.S. favoring various formulas for Taiwan independence; and Deng has aired a "confederal" scheme to resolve the Taiwan question which he may raise with you in Beijing. In response, your best course of action is to reaffirm our consistent stand and note the requirement for patience.

2. Korea. The Chinese will anticipate a continuation of your dialogue with Zhao in January on ways we might work in tandem to reduce tension on the Korean Peninsula. We have recently sought again to explore Chinese willingness and ability to be helpful -- either as direct participants or "from the sidelines" -- should multilateral talks get underway. The Chinese did not respond, and have displayed little inclination or ability to involve themselves in multilateral discussions at this juncture. We should at minimum reaffirm our interest in having the Chinese engage themselves in a process aimed at creating the conditions for stability on the Peninsula.

3. Concessional financing. Premier Zhao has asked for US concessional loans for major power projects, including nuclear plants. Don Regan told him in March that although the US was amending the legislative prohibition on aid with China, we had no bilateral aid program planned and China would have to rely on the World Bank and private sources.

4. Discriminatory measures. Along with the aid prohibition, China's leaders have criticised other elements of "US discrimination" against China. As evidence, they cite the lack of preferential tariffs (GSP), annual review of most favored nation status (under the Jackson Vanik amendment), controls on technology, textile restrictions, dumping and countervailing duty petitions, and the court suit for repayment of Huguang railway bonds. We see these as the result of security, political, or economic factors which are not traceable to any "discrimination" against China, and we have no plans to change our current policies.

5. Grain Trade. You will want to make clear that China must meet its commitment under our Long Term Grain agreement to purchase and ship 12 million tons of US grain in 1983-84. Our data on shipments indicate the Chinese may fall short. Fulfillment of the commitment affects a major part of US-China trade and is important for China's credibility.

6. Export Controls. Chinese leaders appreciate your liberalization of export controls last year, but may question its implementation and complain that China is the only friendly country whose exports are reviewed by COCOM. The statistics on licensing and the new technical levels of exports show that the policy is being successfully implemented, although we are still making

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improvements. We do not believe that there is the necessary consensus among our allies to drop China from COCOM nor do we believe that this course is advisable from the standpoint of security.

7. Asian Development Bank. Since November 1982, China has been talking to the US, Japan, and the President of the ADB about membership. China does not seek to expel Taiwan from the ADB, but does seek a change to "associate member" status for Taiwan. This would require modification of the ADB charter, which Bank members oppose. Moreover, Resolutions by Congress have called for Taiwan to retain full membership. We have told the Chinese, most recently during the Regan visit, that they should work out arrangements acceptable to all parties with the Bank President.

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Secretary/President Memo on China Trip

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Central Intelligence Agency



Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

15 March 1984

Deng-Zhao Talks with Brzezinski--An Assessment

While it is easy to overinterpret the sometimes Delphic pronouncements of Chinese leaders, Deng and Zhao's remarks to Zbigniew Brzezinski and other members of a Georgetown University delegation on 22 February strike us as revealing a good deal about current Chinese foreign policy concerns.

The Chinese have often used visits by such unofficial US groups in the past for tactical purposes--to air their concerns in strong terms, thus hoping to place subsequent official visitors on the defensive even before their arrival. In this case, however, both Deng and Zhao appeared anxious initially to signal their satisfaction with Zhao's visit in January and President Reagan's April trip, and to highlight the strategic and economic importance China continues to attach to close relations with the US.

Both became defensive and critical of US policy only after some members of the delegation accused China of inconstancy in its policies. In rebuttal, Deng and Zhao sought to cast themselves as friends offering advice, but they strongly criticized US foreign policy in general and toward China in particular over the past few years. We believe this sharp reaction reflects underlying Chinese fears of being relegated to a less important strategic role in US calculations and a deep seated Chinese concern that China will be treated as less than an equal by the US--just as Moscow dealt with Beijing during the 1950's.

This memorandum was produced by the China Division of the Office of East Asian Analysis in response to a National Security Council request. Questions and comments are welcome and may be addressed to the Chief of the China Division

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Shifting Strategic Assessment

The Chinese assessment of the strategic balance has changed significantly over the past few years. During much of the 1970's China saw the US and its NATO allies on the defensive and Soviet power and influence expanding. Hence, China favored a "united front" strategy to check Soviet expansion and viewed normalization of relations with the US as a key ingredient of that strategy.

But, since 1980 the Chinese believe the balance has begun to shift back in favor of the West. The US and its allies have greatly strengthened their military power and resolve in the face of the Soviet challenge, while the Soviets have become increasingly beset by domestic and foreign policy problems. Deng indicated the Chinese see little chance of that changing under Chernenko's "transitional" leadership.

From China's perspective this shift has had both positive and negative consequences, some of which Beijing clearly did not anticipate. Over the short run, for example, it has lessened Chinese concern over the Soviet threat to their security. It has also allowed them to drop their call for a united front, to distance themselves from the US publicly, and to adopt a more flexible strategy toward the Third World designed to enhance Chinese influence and combat the Soviets. The Chinese have been particularly critical of those US policies toward the Third World they regard as counterproductive and as playing into Soviet hands, such as US support for Israel. China's resulting "independent" policy has also reflected its deep suspicion of US policy on Taiwan.

But as the US has moved to rebuild its military strength and political resolve, the Chinese fear it has:

- Stimulated US-Soviet competition in Asia that threatens to weaken China's position and thus make it even less of a factor in the strategic calculations of both superpowers.
- Raised in turn the prospect that China will have even less leverage with the US over Taiwan as time goes by.

China's Advice

Deng and Zhao's complaints and advice to the delegation should be seen as reflecting these concerns and therefore as self-serving. Both, for example, emphasized that the United States should temper its military buildup and seek to ease tensions with the USSR by seeking an arms accord. They also held the United States should avoid military actions in the Third World or close association with the so-called "four unsinkable aircraft carriers"--Taiwan, South Korea, South Africa and Israel.

In our view, China would prefer to see a rough strategic parity maintained that gives China maximum maneuverability and leverage on both sides. Increased superpower tensions and arms competition in particular will only complicate China's ability to deal with resulting growth in Soviet military capabilities in Asia. The Chinese are also concerned that the Soviets might still succeed in driving a wedge between the US and its European allies by exploiting public concern in Europe over the deployment of more US missiles there.

At the same time, China wants to develop closer economic, political and perhaps even military ties with the United States, but to avoid tarnishing its reputation with the Third World and "progressive" parties in the developed countries, or with nationalists at home concerned with the issue of Taiwan.

Deng also criticized US policy in East Asia, especially US support for allies and friends like South Korea and Taiwan, asserting that this impedes the search for stability in the region. Deng stressed his desire to get out of the "blind alleys" of the past which, in the case of Korea, could result in what he called a "slide into war." He referred to President Carter's troop withdrawal plan as a "good idea." He offered his own vaguely defined proposals stressing "confederation" as a means to stabilize the situations not only in Korea and Taiwan, but also Hong Kong, Macao and the Nansha (Spratly) Islands. We believe Deng sees a stronger US as less willing to compromise on issues like Taiwan and Korea on terms advantageous to the PRC or its North Korean ally.

Finally, Deng and Zhao focused on alleged American unwillingness to modify US laws and procedures (e.g. Taiwan Relations Act, Export Administration procedures) to accommodate China. This again reflects in part China's concern that the US no longer needs China as much as in the past as a strategic asset against the USSR, and therefore will be less likely to accommodate Chinese interests. Zhao was especially outspoken in asserting that China "will never agree" to be a "second class partner" of the US, but will resist just as it resisted Soviet efforts to make China a "junior partner" in the past.

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E.O. 12356: DECL: OADR
TAGS: PREL, TW, CH, US
SUBJECT: DENG XIAOPING CONVERSATION WITH CSIS DELEGATION
1. SECRET - ENTIRE TEXT.
2. SUMMARY. ON FEBRUARY 22 DENG XIAOPING MET WITH A
GROUP FROM THE GEORGETOWN CENTER FOR STRATEGIC AND
INTERNATIONAL STUDIES HEADED BY ZBIGNIEW BRZEZINSKI.
IN CHARACTERISTICALLY FRANK AND VIGOROUS FASHION, DENG
REVIEWED THE HISTORY OF SINO-AMERICAN RELATIONS OVER
THE LAST TEN YEARS, ACKNOWLEDGING THE ELEMENTS OF STRA-
TEGIC COOPERATION THAT HAD PLAYED AN IMPORTANT PART IN
THE RELATIONSHIP IN THE EARLY YEARS, WHILE TOUCHING ON
THE ALLEGEDLY NEGATIVE ROLE OF THE TAIWAN RELATIONS ACT
SINCE ITS PASSAGE. DENG ARGUED THAT THE CHANGE IN

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CHINA'S FOREIGN POLICY TO DOWNPLAY SINO-AMERICAN STRATEGIC COOPERATION WAS THE RESULT OF A REVERSION ON THE PART OF THE U.S. TO THE DULLES DOCTRINE OF UNSINKABLE AIRCRAFT CARRIERS -- U.S. STRONGHOLDS ABROAD SUCH AS SOUTH KOREA, TAIWAN, ISRAEL AND SOUTH AFRICA, WHICH ALIENATE THE THIRD WORLD FROM THE U.S. AND RAISE QUESTIONS ABOUT THE U.S. VIEW OF CHINA OVER THE LONG TERM. DENG DESCRIBED THE NOW ABANDONED U.S. INTENTION (UNDER THE EARLY CARTER ADMINISTRATION) TO WITHDRAW U.S. TROOPS FROM SOUTH KOREA AS A GOOD STRATEGIC MOVE, WHILE ACKNOWLEDGING THAT KOREA CONSTITUTED A SPECIAL SITUATION BECAUSE OF ITS REGIONAL IMPACT. IN ALL THESE CASES, HOWEVER, THE U.S. SHOULD RECOGNIZE THE STRATEGIC DISADVANTAGE RESULTING FROM WIDESPREAD INTERNATIONAL OPPOSITION TO U.S. POLICIES.

3. ON SINO-SOVIET RELATIONS, DENG SAID HE EXPECTED NO CHANGES FROM ANDROPOV'S POLICIES UNDER THE CERNENKO REGIME, AND THUS NO DRAMATIC CHANGES IN SINO-SOVIET RELATIONS. DENG ALSO SPOKE AT LENGTH OF HIS INTEREST IN THE IDEA OF "CONFEDERATION," BOTH AS A SOLUTION TO THE HONG KONG AND TAIWAN CASES THAT "COULD BE EXPLAINED TO OUR PEOPLE" AND THAT COULD RESULT IN "ONE CHINA AND THREE SYSTEMS." THIS OR OTHER SOLUTIONS TRANSCENDING THE QUESTION OF SOVEREIGNTY ALSO COULD BE APPLIED TO THE KOREAN PENINSULA CASE AND EVEN TO OTHER INTERNATIONAL PROBLEMS, SUCH AS THE SPRATLY ISLANDS, THE FALKLANDS AND JAPAN'S NORTHERN ISLANDS.

4. DENG'S CRITICISMS OF U.S. STRATEGIC POLICY REMIND US THAT CHINA'S INDEPENDENT FOREIGN POLICY HAS ANOTHER DIMENSION BEYOND THE CHINA-US-USSR TRIANGULAR RELATIONSHIP: IT STRENGTHENS THIRD WORLD SUPPORT FOR CHINA ON THE TAIWAN QUESTION. HIS BROAD BRUSH SUGGESTIONS ABOUT THE USE OF THE "CONFEDERATION" APPROACH EMPHASIZE AGAIN THE SCOPE OF HIS REGIME'S PROPOSALS FOR HONG KONG AND TAIWAN AND CHINESE READINESS TO ACCEPT THE LOOSEST SORT OF CONFEDERATION AS AN APPROACH TO RESOLVING TENSIONS ON THE KOREAN PENINSULA. END SUMMARY.

5. PRC LEADER DENG XIAOPING ON FEB 22 HELD LENGTHY TALKS WITH VISITING U.S. GROUP FROM GEORGETOWN CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES. DENG GAVE SOMEWHAT NEW TWISTS TO OLD THEMES, PARTICULARLY ON THE REASON FOR DIMINISHED PRC INTEREST IN PARALLEL STRATEGIC POLICIES AND ACTIONS WITH USG. DENG ALSO FLOATED A RATHER CLOUDY NEW WAY OF THINKING ABOUT PROBLEMS OF SOVEREIGNTY VS ACTUAL CONTROL IN CASES OF HONG KONG, TAIWAN, KOREA, MALVINAS/FALKLANDS, ETC. EMBASSY COMMENTS APPEAR AT END OF THIS MESSAGE. AMB. HUMMEL WAS PRESENT, TOOK NOTES, AND DRAFTED THIS.

6. LED BY DR. AMOS JORDAN, THE CSIS GROUP INCLUDED MELVIN LAIRD, ZBIGNIEW BRZEZINSKI, SENATOR FRANK MURKOWSKI, CONGRESSMAN MATTHEW MC HUGH, MR. ERIC HOTUNG (COSMOPOLITAN PROPERTIES AND SECURITIES), MR. JOHN MAROUS (WESTINGHOUSE), AND DR. LERRIT GONG (CSIS).

7. DENG OPENED BY REFERRING, AS HE OFTEN DOES, TO HIS

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OWN AGE AND ALLEGED FRAILTY, AND TO HIS REDUCED OFFICIAL DUTIES. HE SAID HE WAS LOOKING FORWARD TO MEETING, AND HOSTING LUNCH FOR, PRESIDENT REAGAN IN APRIL, AND NOTED FROM THE TELEVISION HE HAD SEEN THAT THE PRESIDENT, AT 73, IS VERY VIGOROUS. DENG EMPHASIZED THE NEED FOR GREATER UNDERSTANDING BETWEEN THE U.S. AND PRC, SO THAT EXDIS

E.O. 12356: DECL: OADR

TAGS: PREL, TW, CH, US

SUBJECT: DENG XIAOPING CONVERSATION WITH CSIS DELEGATION THE FURTHER PROGRESS IN BILATERAL RELATIONS, WHICH BOTH SIDES WANT, WOULD BE FACILITATED.

8. BRZEZINSKI RAISED A SUBJECT THAT TOOK UP MOST OF THE MEETING. HE POINTED OUT THAT US/PRC RELATIONS BEGAN WITH A SHARED STRATEGIC PERSPECTIVE. DENG HAD RE-EMPHASIZED THE STRATEGIC ELEMENT IN TALKS WITH BRZEZINSKI IN 1978 AND 79, WHEN DENG AGREED THAT SHARED PERSPECTIVE MADE POSSIBLE EXPANDED RELATIONS IN OTHER FIELDS. HOWEVER, NOW THAT PERSPECTIVE HAS DIMINISHED, AND THE CSIS GROUP HAD BEEN TOLD IN RECENT DAYS THAT THE CURRENT U.S. MILITARY BUILDUP IN FACT CONTRIBUTES TO THE GLOBAL ARMS RACE, AND INCREASES THE DANGER OF WAR. BRZEZINSKI EMPHASIZED THAT IN THE U.S. VIEW, THE U.S. BUILDUP IN FACT DETERS WAR AND DETERS SOVIET ADVENTURISM. HE CLOSED WITH THE OBSERVATION THAT IF THE TWO COUNTRIES DIVERGE STRATEGICALLY, THEN U.S. POPULAR SUPPORT FOR THE RELATIONSHIP, WHICH IS STRONG AND GETTING STRONGER, WILL BE REDUCED.

9. DENG EMBARKED ON A LONG (AND SOMEWHAT TORTURED) EXPLANATION. THE FOLLOWING IS NEAR-VERBATIM.

10. I HAVE BEEN, AND AM, AN ENTHUSIASTIC SUPPORTER OF GOOD RELATIONS WITH THE U.S. I SHALL REVIEW THE HISTORY OF THOSE RELATIONS IN THE LAST FEW YEARS. MAO, ZHOU, NIXON AND KISSINGER PRODUCED A TURNING POINT IN RELATIONS. OUR CHINESE STRATEGY THEN, LED BY MAO, WAS TO PRODUCE AN ANTI-SOVIET UNITED FRONT FROM EAST TO WEST, IN THE FACE OF A VERY AGGRESSIVE SOVIET STANCE, WHERE THE SOVIETS WERE INTERFERING IN MANY AREAS OF THE WORLD. THE SOVIETS WERE ON THE OFFENSIVE WHILE THE U.S. WAS ON THE DEFENSIVE. I REMEMBER TELLING A U.S. CONGRESSIONAL GROUP IN '74 OR '75 THAT EACH STEP FORWARD BY THE SOVIETS IS LIKE EATING A PIECE OF THE U.S. AT THE END OF WW II, THE U.S. WAS IN A CONTROLLING POSITION, BUT EVERY STEP BY THE SOVIETS DIMINISHED THE U.S. THE U.S. WAS TOO FAT AND TOO WEAK. SOVIET MILITARY STRENGTH THEN EXCEEDED THAT OF THE U.S. AND WESTERN EUROPE COMBINED. WE TOLD ALL OF THE VISITORS TO CHINA THAT TO DEAL WITH SOVIET AGGRESSION THEY SHOULD NOT RELY ONLY ON THE U.S., BUT SHOULD PRESENT A UNITED FRONT, FROM EAST TO WEST.

11. I TOLD PRES. CARTER THAT RHETORIC WAS NOT ENOUGH TO DEAL WITH THE SOVIETS, AND THAT WE NEEDED SERIOUS WORK, FOR INSTANCE FULL DIPLOMATIC RELATIONS BETWEEN THE U.S. AND CHINA, A CHINA-JAPAN TREATY OF PEACE AND FRIENDSHIP, ETC. THE PEAK PERIOD IN US/PRC RELATIONS WAS THE ESTABLISHMENT OF DIPLOMATIC RELATIONS. AFTER

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THAT THERE WERE TWISTS AND TURNS, PARTICULARLY THE PASSAGE IN THE U.S. OF THE TAIWAN RELATIONS ACT. WE PROTESTED THEN, BUT NOT VERY STRONGLY, BECAUSE THAT WAS ON THE EVE OF THE PRESIDENTIAL ELECTION CAMPAIGN AND WE THOUGHT WE MIGHT CAUSE DIFFICULTIES FOR THE ADMINISTRATION (COMMENT: TRA ACTUALLY WAS PASSED, AND CHINESE PROTESTED IN APRIL 1979). BUT WE HAVE NEVER UNDERESTIMATED THE INJURY TO CHINA CAUSED BY THE TRA.

12. ON THE GLOBAL SCENE THE U.S. HAS AUGMENTED ITS MILITARY STRENGTH, AND WE DO NOT CRITICIZE THAT, BUT THE U.S. DOES SOME THINGS WITH WHICH WE DO NOT AGREE. WE HOPE THAT OUR U.S. FRIENDS WILL ASSESS THE THINGS YOU ARE DOING, SOME OF WHICH ARE NO, POPULAR WITH MANY OF THE WORLD'S PEOPLES. (I AM SAYING THESE THINGS, YOU NOTE, IN A CALM ATMOSPHERE WITH THE CONSTRUCTIVE PURPOSE OF INCREASING OUR UNDERSTANDING OF EACH OTHER.)

13. MANY GOOD IDEAS PREVIOUSLY DEVELOPED BY U.S. STRATEGISTS HAVE NOW DISAPPEARED. FOR INSTANCE SOME IN THE U.S. ONCE ADVOCATED WITHDRAWAL OF YOUR FORCES FROM SOUTH KOREA, BUT THAT IDEA HAS BEEN ABANDONED. THAT WOULD HAVE BEEN A GOOD STRATEGIC MOVE. THEN THERE IS THE QUESTION OF ISRAEL. I ASKED PRES. CARTER WHY THE U.S. SHOULD BE HOSTILE TO 140 MILLION ARABS AND IN FAVOR OF ISRAEL, AND POINTED OUT TO HIM THAT IF THE U.S. CHANGED THAT POLICY THE SOVIETS COULD NOT EXDIS

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TAGS: PREL, TW, CH, US

SUBJECT: DENG XIAOPING CONVERSATION WITH CSIS DELEGATION DO ANYTHING IN THE MIDDLE EAST. I ADVOCATED THIS FROM THE POINT OF VIEW OF DEALING WITH SOVIET DESIGNS WORLD-WIDE. WHY SHOULD THE U.S. TAKE THE SIDE OF THE UK IN THE FALKLANDS DISPUTE? DID YOU THINK THE UK WAS NOT STRONG ENOUGH (LAUGHING)? YOU SEEM TO THINK THAT, IF YOU ARE STRONG FROM THE MORAL POINT OF VIEW, THAT'S ENOUGH. THERE ARE SIMILAR MISTAKES IN THE CARRIBEAN.

14. THUS THE CHANGE IN OUR GLOBAL VIEW CAME ABOUT BECAUSE OF CHANGES BY THE U.S., NOT BY CHINA. THERE HAS BEEN A CHANGE IN THE U.S. ATTITUDE TOWARD TAIWAN, ALSO. THE SOVIETS HAVE BEEN AGGRESSIVE, AND WE DO NOT OBJECT TO A U.S. BUILDUP TO CORRECT THE BALANCE. THE PROBLEM IS WHAT YOU WILL DO LATER WITH THAT STRENGTH WHICH MAY NOT HAVE THE SUPPORT OF THE CHINESE PEOPLE.

15. IN MY MIND SOME U.S. POLITICAL FIGURES HAVE REVIVED PARTS OF AN OLD DULLES DOCTRINE. IF THE U.S. WANTS TO REGAIN THE INITIATIVE, YOU SHOULD ABANDON YOUR IDEA OF UNSINKABLE AIRCRAFT CARRIERS -- ALL FOUR OF THEM IN SOUTH KOREA, TAIWAN, ISRAEL, AND SOUTH AFRICA. THE SOUTH KOREA SITUATION IS A SEPARATE QUESTION BECAUSE IT IMPACTS ON AN ENTIRE REGION. BUT I WILL TALK ABOUT TAIWAN, WHERE BECAUSE OF YOUR IDEA OF AN UNSINKABLE AIRCRAFT CARRIER YOU CANNOT SAY THAT YOU ARE A TRUE FRIEND OF THE ONE BILLION CHINESE PEOPLE. IN THE MIDDLE EAST, BECAUSE YOU SUPPORT 3 MILLION ISRAELIS, YOU JEOPARDIZE

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RELATIONS WITH 140 MILLION ARABS. BY YOUR SOUTH AFRICA POLICIES YOU ALIENATE ALL OTHER AFRICANS. THUS THERE ARE INSOLUBLE PROBLEMS BETWEEN YOURSELVES AND THE 4 BILLION PEOPLE (SIC) OF CHINA, THE ARABS, AND AFRICA.

16. PRES. REAGAN SHOULD MAKE A SOBER ASSESSMENT. HOWEVER, I WILL OF COURSE NOT GO THIS FAR OR THIS DEEPLY IN MY TALKS WITH THE PRESIDENT. STILL, YOU SHOULD CONSIDER WHETHER YOU HAVE GAINED OR LOST IN ALIENATING SO MANY PEOPLE BY YOUR POLICIES OF THESE FOUR UNSINKABLE CARRIERS. I AM NOT DELIBERATELY TRYING TO BE CRITICAL, BUT WANT TO MAKE A HELPFUL ASSESSMENT AS WE SEE IT.

17. BRZEZINSKI THANKED DENG FOR HIS FRANK AND USEFUL COMMENTS, AND FOR SHARING HIS OPINIONS. HOWEVER, HE SAID, HE WANTED TO DIFFER WITH DENG BOTH ON CENTRAL ISSUES AND ON PERIPHERAL ONES. FOR ONE THING, THE U.S. HAS BEEN DETERRING THE SOVIETS MUCH MORE EFFECTIVELY NOW THAN IN THE RECENT PAST. AS A RESULT, THE WHOLE WORLD HAS BENEFITTED. THE US/CHINA RELATIONSHIP IS CENTRAL TO WORLD PEACE, AND WE WANT TO STRENGTHEN IT. WE DO NOT DELIBERATELY CREATE PROBLEMS OVER TAIWAN. THERE ARE DIFFERENT VIEWS AMONG DOMESTIC GROUPS IN THE U.S. OVER TAIWAN, BUT IN THE CONTEXT OF WIDENING OF US/PRC RELATIONS, HE WAS CONFIDENT THAT TAIWAN WOULD BE ADDRESSED IN WAYS CONSISTENT WITH THE DESIRES OF THE CHINESE PEOPLE. ALSO, CENTRAL TO US/PRC RELATIONS, HE WAS CONFIDENT THAT TAIWAN WOULD BE ADDRESSED IN WAYS CONSISTENT WITH THE DESIRES OF THE CHINESE PEOPLE. ALSO, CENTRAL TO US IS THE ISSUE OF PEACE IN KOREA. IF WE WERE TO WITHDRAW OUR FORCES FROM THE SOUTH, THAT WOULD CREATE INSTABILITY UNLESS PRECEDED BY POLITICAL AGREEMENTS BETWEEN NORTH AND SOUTH.

18. JORDAN ASKED FOR DENG'S ASSESSMENT OF THE NEW LEADERSHIP IN THE USSR.

19. DENG REPLIED: I KNEW ANDROPOV, BUT I DO NOT KNOW CHERNENKO. I THINK THERE WILL NOT BE ANY CHANGE. CHERNENKO CANNOT DECIDE ALONE ON ANY POLICY. ANDROPOV HAD SOME ABILITY TO DECIDE ALONE, BUT NOT CHERNENKO. ANDROPOV WAS MORE CAPABLE AND MORE KNOWLEDGEABLE THAN BREZHNEV. NO, THERE WILL BE NO CHANGES, AND THEY WILL BE MORE RIGID AND IT WILL BE DIFFICULT FOR THEM TO MAKE BIG DECISIONS. SO, I THINK CHERNENKO IS A TRANSITIONAL FIGURE. THEY HAVE NOT SOLVED THEIR SUCCESSION PROBLEMS, AND THIS DEMONSTRATES THEIR DIFFICULTIES.

20. AS FOR SINO-SOVIET RELATIONS, WE WILL STICK TO OUR INSISTENCE THAT THEY MUST REMOVE THE "THREE OBSTACLES." HOWEVER, WE ARE NEIGHBORS, AND SO LACK OF EXDIS

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SUBJECT: DENG XIAOPING CONVERSATION WITH CSIS DELEGATION
PROGRESS SHOULD NOT PREVENT DEVELOPMENTS IN SOME
FIELDS SUCH AS TRADE AND EDUCATION. HOWEVER, PROGRESS
WILL BE LIMITED AND WITHOUT DRAMATIC CHANGES.

21. ON KOREA, WE BOTH HOPE FOR STABILITY ON THE
PENINSULA. IN ORDER TO HAVE STABILITY, KIM IL SUNG'S

FILE:
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PROPOSAL FOR CONFEDERATION IS GOOD. I HAVE BEEN THINKING FOR MANY YEARS THAT THE IDEA OF CONFEDERATION MAY BE A GOOD THING FOR CHINA. OUR POLICIES TOWARD TAIWAN ARE REASONABLE. THERE ARE TWO DIFFERENT SYSTEMS, CAPITALIST AND SOCIALIST, BUT THERE COULD BE ONE CHINA WITH TWO SYSTEMS. IN THE CASE OF HONG KONG ALSO, THERE COULD BE ONE CHINA AND TWO SYSTEMS, SO THAT ALTOGETHER IN CHINA THERE COULD BE THREE SYSTEMS, WITH THOSE IN TAIWAN AND HONG KONG DIFFERENT. THIS IS A GOOD FORMAT ALSO FOR KOREA, TO AVOID A SLIDE INTO WAR TO SETTLE THAT PROBLEM. THIS SORT OF FORM COULD BE EXPLAINED TO OUR PEOPLE. IN FACT, IN MANY INTERNATIONAL DISPUTES YOU SHOULD CONSIDER CAREFULLY OUR POLICY ON KOREA -- IN TERMS OF ONE KOREA WITH TWO SYSTEMS TO INCREASE LONG-TERM STABILITY. WE WILL RESUME SOVEREIGNTY OVER HONG KONG WITHOUT ANY HARM TO THE LIVING STANDARDS OF THE PEOPLE THERE. SOME DAY GERMANY MAY UNIFY ITSELF WITH TWO DIFFERENT SYSTEMS. WE MUST WORK OUT OF SOME BLIND ALLEYS WE ARE IN.

22. ON ANOTHER TOPIC, JAPAN, THEY HAVE ASKED US TO SUPPORT THEIR STAND ON THEIR NORTHERN ISLANDS, WITH DISCUSSIONS WITH THE SOVIETS. I TOLD THE JAPANESE THIS COULD NOT BE DONE NOW, BUT PERHAPS LATER. MAYBE IN DUE COURSE THERE COULD BE JOINT DEVELOPMENT OF THE AREAS, WITHOUT DECIDING ON THE SOVEREIGNTY QUESTION. ALSO IN THE MALVINAS, MAYBE A NEW WAY OF THINKING COULD BE USED; OTHERWISE, THE ARGENTINES WILL NEVER GIVE UP THEIR CLAIM. THERE ARE MANY SIMILAR PROBLEMS IN THE WORLD THAT NEED NEW WAYS OF THINKING. FOR INSTANCE, OUR NAN-SHA ISLANDS (IN THE SOUTH CHINA SEA) HAVE ALWAYS BEEN CHINESE TERRITORY. TAIWAN HAS OCCUPIED ONE, WHICH SHOWS THAT IT IS CHINESE TERRITORY, BUT VIETNAM, THE PHILIPPINES AND MALAYSIA HAVE ALSO OCCUPIED SOME OF THESE CHINESE ISLANDS. WE MUST INSIST ON CHINESE SOVEREIGNTY REGARDLESS OF WHO OCCUPIES THEM. BUT CAN WE FIND SOME NEW APPROACH? OTHERWISE, THERE COULD BE LONG-TERM AND EVEN EXPLOSIVE PROBLEMS. I AM MERELY TALKING FROM THE TOP OF MY MIND. IF THE OLD WAYS OF DEALING WITH SUCH THINGS ARE NOT GOOD ENOUGH, CANNOT WE FIND NEW WAYS?

23. SOME OF MY REMARKS MAY NOT BE WELL THOUGHT OUT. BUT WE MUST EARCH FOR WAYS TO INCREASE STABILITY AND PEACE IN THE WORLD. WE CHINESE ARE NOT LESS HOPEFUL FOR PEACE THAN OTHERS. WE MUST CONCENTRATE ON OUR MODERNIZATION PROGRAMS. YOU GENTLEMEN ARE ARCHITECTS OF POLICIES, AND I INVITE YOU TO CONSIDER SUCH NEW WAYS.

24. I HAVE ENJOYED MEETING YOU.

25. COMMENT. DENG'S PRESENTATION WAS SOMEWHAT DIFFUSE, BUT AS DELIVERED TO THE DELEGATION, IT WAS CHARACTERISTICALLY VIGOROUS. DENG APPEARED HEALTHY AND ALERT, WITH A CLEAR SENSE OF THE POINTS HE WANTED TO MAKE. AMONG THESE ASPECTS OF ,HE DISCUSSION WHICH STRIKE US MOST STRONGLY:

- -- FIRST, EVEN AS ONE OF THE MAIN ACTORS, DENG IS

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PREPARED TO SKEW HISTORY SOMEWHAT TO EMPHASIZE CHINA'S "CONSISTENT" VIEW OF THE TAIWAN RELATIONS ACT AS A CENTRAL IMPEDIMENT TO GOOD U.S.-CHINA RELATIONS. CHINA MAY WELL HAVE EASED UP ON ITS EARLY REACTION TO THE TRA IN CONSIDERATION OF U.S. DOMESTIC POLITICAL CONSIDERATIONS. MORE LIKELY, DENG'S OWN DOMESTIC POLITICAL PROBLEMS LEFT HIM UNABLE OR UNINTERESTED IN CASTING MUD ON HIS MOST VISIBLE POLITICAL SUCCESS. IN ANY EVENT, DENG'S VERSION WILL CONSTITUTE REVEALED TRUTH ON THIS POINT FOR THE CHINESE.

EXDIS

E.O. 12356: DECL: OADR

TAGS: PREL, TW, CH, US

SUBJECT: DENG XIAOPING CONVERSATION WITH CSIS DELEGATION

- -- SECOND DENG'S REITERATION OF THE "UNSINKABLE AIRCRAFT CARRIERS" LINE IN HIS CRITICISM OF U.S. STRATEGIC DOCTRINE IS, AS USUAL, SPARKED BY CONCERN THAT THE U.S. SEES ITS RELATIONSHIP WITH TAIWAN AS A STRATEGIC ASSET FROM WHICH TO "CONTAIN" CHINA, I.E., AS EVIDENCE THAT THE U.S. CONTINUES TO SEE CHINA AS A POTENTIAL ADVERSARY. WE NOTE, HOWEVER, THAT DENG'S COMMENTS ABOUT THE PROBLEMS CAUSED FOR THE U.S. BY OUR SUPPORT OF SOUTH KOREA, TAIWAN, SOUTH AFRICA AND ISREAL ON THIS OCCASION HIGHLIGHT "POPULAR" OPPOSITION TO U.S. POLICIES AMONG THIRD WORLD COUNTRIES. DENG NEVER REFERS DIRECTLY TO CHINA'S READJUSTMENT OF FOREIGN POLICY TO A MORE INDEPENDENT STANCE IN THE LAST FEW YEARS, NOR TO CHINA'S SHIFT TOWARD SUPPORT OF THIRD WORLD POSITIONS ACROSS THE BOARD. HE ALSO OMITTED ANOTHER CONSIDERATION WE KNOW TO HAVE BEEN A STRONG FACTOR -- CHINESE SENSITIVITY TO SOVIET AND OTHER CRITICISMS THAT THE PRC MERELY FOLLOWED ALONG BEHIND U.S. POLICIES. BUT HIS COMMENTS ARE A REMINDER THAT CHINA'S "INDEPENDENT" FOREIGN POLICY HAS A DIMENSION BEYOND THE U.S.-USSR-CHINA TRIANGULAR RELATIONSHIP.

- -- ON KOREA, DENG'S COMMENTS MANIFEST THE AMBIVALENT ATTITUDE THAT HAS FOR SOME TIME MARKED CHINESE PUBLIC COMMENTS. ON THE ONE HAND, U.S. WITHDRAWAL FROM THE PENINSULA IN THE LATE 70'S WOULD HAVE BEEN A GOOD STRATEGIC MOVE; ON THE OTHER HAND, KOREA IS A SEPARATE QUESTION FROM THAT OF THE OTHER AMERICAN STRONGHOLDS BECAUSE IT IMPACTS ON AN ENTIRE REGION.

- -- DENG'S BROAD-BRUSH SUGGESTIONS ABOUT THE USE OF THE "CONFEDERATION APPROACH" EMPHASIZE AGAIN THE SCOPE OF HIS REGIME'S PROPOSALS FOR HONG KONG AND TAIWAN AND CHINESE READINESS TO ACCEPT THE LOOSEST SORT OF PAPER CONFEDERATION AS AN APPROACH TO RESOLVING TENSIONS ON THE KOREAN PENINSULA. SIMILARLY HIS SUGGESTION THAT WAYS MIGHT BE FOUND TO TRANSCEND THE ISSUES OF SOVEREIGNTY THAT UNDERLIE OTHER TERRITORIAL DISPUTES IS AN ENCOURAGING SIGN IN THE CONTEXT OF THE SPRATLY AND SENKAKU DISPUTES. ALTHOUGH VAGUE AND ILL-DEFINED, THIS "THINKING OFF THE TOP OF THE MIND" REFLECTS DENG'S PENCHANT FOR BOLD STROKES THAT CUT AT THE PRACTICAL PROBLEMS FACING CHINA AND HIS READINESS

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TO SHORT-CHANGE LEGAL CONSIDERATIONS WHICH TO FOREIGN
OBSERVERS MIGHT APPEAR CRUCIAL, IF NOT INSUPERABLE;
SUCH RUMINATIONS BY DENG OFTEN EVOLVE INTO SPECIFIC
POLICY PROPOSALS. HUMMEL

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**Director of
Central
Intelligence**

Secret

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Prospects for US-Chinese Relations During President Reagan's Visit to China

Special National Intelligence Estimate

Secret

*SNIE 13/9-84
30 March 1984*

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SNIE 13/9-84

PROSPECTS FOR
US-CHINESE RELATIONS
DURING PRESIDENT REAGAN'S
VISIT TO CHINA

Information available as of 30 March 1984 was
used in the preparation of this Estimate.

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THIS ESTIMATE IS ISSUED BY THE DIRECTOR OF CENTRAL INTELLIGENCE.

THE NATIONAL FOREIGN INTELLIGENCE BOARD CONCURS.

The following intelligence organizations participated in the preparation of the Estimate:

The Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, and the intelligence organization of the Department of State.

Also Participating:

The Assistant Chief of Staff for Intelligence, Department of the Army

The Director of Naval Intelligence, Department of the Navy

The Assistant Chief of Staff, Intelligence, Department of the Air Force

The Director of Intelligence, Headquarters, Marine Corps

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KEY JUDGMENTS

We believe that China will work to make the visit a success in both substance and appearance. Beijing's major expectations will be in the economic area—especially on prospects for trade and improved technology transfers—where it will attempt to remedy the “substantive” deficiencies that Premier Zhao perceived in his visit to the United States. In particular, the Chinese want to gain greater access to US technology and investment capital to enable them to further their modernization programs. We doubt they will reciprocate for any US concessions.

Perhaps Beijing's primary objective in receiving the President will be to solidify a personal relationship at the highest levels of the two governments to give a sense of continuity to relations with the United States. To achieve this, the Chinese are likely to make certain that the visit has the appearance of significant accomplishment. They will invest the visit with ceremonial pomp and lavish detail in order to convey a favorable impression to the American public.

Beijing probably believes that the President, in this election year, would like to portray his trip to China as a clear success, thus giving China extra room to exploit it to their benefit, particularly by pressing for concessions in the economic and technology areas. It may also press for a general Presidential affirmation of US willingness to consider the transfer of advanced military technology.

Taiwan remains the one issue on which the relationship could founder. The Chinese hope the United States will handle its relations with Taiwan in a way that allows Beijing to pursue broader objectives with the United States. Although Beijing already has protested the announced level of US arms sales to Taiwan for fiscal year 1985, they may also press the issue vigorously during the visit. Given the recent growth of Chinese concern over possible support in the United States—especially in the Congress—for Taiwan independence, the President is likely to be pressed by the Chinese leaders for reassurances that the United States adheres to a one-China policy. Furthermore, they may specifically ask for an administration commitment to oppose any Congressional actions in support of Taiwan independence.

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The Chinese are likely to engage in strategic discussions with the President somewhat broader in scope than those undertaken during Zhao's visit, but the Chinese will attempt to avoid projecting a public image of collaboration with the United States. The Chinese leaders will probably use these talks to urge a greater US role in Kampuchea and Afghanistan. The Chinese will reaffirm their interest in stability on the Korean Peninsula and support the North Korean interest in tripartite talks.

Beijing clearly believes that Chinese interests are best served for the foreseeable future by productive and stable relations with the United States, but there are also equally clear constraints on how far it is willing to permit those relations to develop. One such limit is its need to be perceived by the rest of the world as not under US (or Soviet) influence. There are sharp limits on the extent to which China will cooperate with the United States on strategic issues. This is more than merely a tactic to enable Beijing to show that it pursues an "independent" foreign policy. It represents the balance that China is attempting to strike in its foreign policy as it moves somewhat closer to the United States but continues to pursue other goals that at times conflict with US policies.

Beijing opened its dialogue with the United States in the early 1970s to obtain a strategic counterweight to Soviet power. This remains a basic consideration as Beijing formulates its policies toward the United States. China will use its contacts with the United States—especially the President's visit—to attempt to underscore the commonality of US-Chinese security concerns regarding the Soviet involvement in Afghanistan and Southeast Asia. Beijing may also hope to increase pressure on Moscow to make concessions on issues of major security concern to China but does not appear optimistic about a breakthrough.

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DISCUSSION

Recent Developments in US-Chinese Relations

1. The atmosphere surrounding US-Chinese relations has improved substantially over the past year. Although still circumscribed by differences in a number of areas, these relations have passed through several difficult periods to achieve a new stability and direction. The successive visits to China in 1983 of the Secretaries of State, Commerce, and Defense, as well as visits to Washington of five Chinese ministers during the same period, helped revitalize these relations and laid the groundwork for the exchange of visits between President Reagan and Premier Zhao.

2. While far from complete, the process of stabilization advanced during the past year largely because Beijing recognized that its interests are served better by healthy Sino-US relations than by continued mutual acrimony. It appears that China made this adjustment sometime in the spring of 1983—following the Secretary of State's talks in Beijing—after a period in which it had managed a number of relatively minor irritants in a way that suggested a willingness to allow relations to stagnate.

3. Several factors encouraged this shift toward improving relations. The Chinese realized that the present administration might well be returned to office for another term in 1984. At about the same time, the United States eased controls on the transfer of technology to China. These two events appear to have convinced the Chinese leaders that it was both necessary and possible to do business with the Reagan administration. The Chinese were also concerned last spring that the administration was beginning to accord a lower priority to relations with China. Beijing may have believed that this was at least in part the result of the generally sour tone that it had given to relations.

4. In addition to these calculations were those relating to the USSR. In the spring of 1983, Beijing appeared dissatisfied with the pace of bilateral talks with the USSR, and it may have concluded that the apparent impasse in Chinese-US relations had reduced

Moscow's incentive to reach agreements with China. At the same time, Chinese public statements suggested some concern that the USSR and the United States might be moving toward a moderate reduction in their bilateral tensions, a step that could weaken Chinese freedom of maneuver between the superpowers. Subsequent events, in particular the KAL incident, convinced China that there was no immediate prospect of a reduction in US-Soviet tensions. Moreover, Beijing was reassured by the firm US position at INF talks opposing regional sublimits that discriminated against the East Asian countries.

5. Improved relations with Washington also appeared attractive because of China's recognition that Soviet power around China's periphery continued to increase with the upgrading of forces poised against China and Japan, the steady deployment of SS-20s in the East, the continued expansion of the Soviet Pacific Fleet, and steady expansion of the Soviet presence in Vietnam.

6. As a result of these factors, China has muted somewhat its criticisms of the United States, with the exception of a period in late November and early December 1983 when a flareup over Congressional actions relating to Taiwan momentarily appeared to jeopardize the exchange of visits between Zhao and the President. Beijing quickly backed off from its implied threats—voiced by party Chairman Hu Yaobang in Tokyo—to cancel Zhao's visit, but only after it received what it could regard as reassurances on US policy toward Taiwan.

7. Chinese domestic politics have also played a role in setting the tone of Beijing's responses to US actions. We are, however, unable to determine what weight to give this factor. It appears, for instance, that residual opposition to improved relations with Washington began to emerge at the time of the November flareup over Taiwan and may have sharpened the Chinese response to US actions by fusing itself with the current campaign against spiritual pollution. At present, however, we believe that Deng is able to contain the

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opposition and will probably continue to be able to do so over the coming months, in part because there is agreement among Chinese leaders concerning the strategic importance of the relationship.

The United States in China's "Independent" Foreign Policy

8. The recent improvement in Sino-US relations has taken place within the context of a readjustment of Chinese foreign policy over the past three years. Described by Beijing as "independent," this foreign policy has sought to accommodate conflicting desires and interests in a manner that gives Beijing maximum flexibility and room for maneuver between the superpowers. The main features of this policy have been efforts to ease tensions with the USSR, moves to improve Chinese standing in the Third World, greater contacts with the industrially advanced countries, and a redefinition of interests in dealing with the United States.

9. This readjustment was caused by a number of factors, including Beijing's uncertainty over US policies toward Taiwan; concern over policies in the Third World, which increased the cost to China of close identification with the United States; and indications of a Soviet desire to ease tensions with China. China continued to share with the United States the perception that the Soviet Union represented its primary security threat, but it was no longer seen as either necessary or desirable for China to be seen in a "united front" with the United States against Moscow. Behind these tactical circumstances there was also a broad Chinese theoretical reassessment of the world situation. This reassessment has been based on Beijing's perception of a slow but progressive economic and political weakening of both the United States and the USSR in relation to the rest of the world. In the Chinese view, over the long term this situation will diminish the ability of the superpowers to dominate the world scene and to control their respective blocs. This, in turn, has led China to believe that over the next decade and more there will be progressively greater opportunities for other powers, including China, to seek gains and to assert their own interests with less reference to the United States and the USSR.

10. This same perception has led the Chinese to believe that they can maneuver more freely between

the United States and the USSR. Thus, for instance, in dealing with the USSR China has concluded that the Soviets' own economic, political, and military problems have made the threat of an immediate Soviet attack on China less likely, enabling China to permit tensions to ease and to pursue such goals as increased trade. China has also concluded that it can and should criticize US international conduct in areas such as the Middle East and southern Africa, both to distance itself from the United States and to attempt to provide an outside source of support to those groups that do not want close association with either Washington or Moscow.

11. Beijing has followed this approach actively in Western Europe, where it publicly has opposed new missile deployments of both superpowers. However, in private conversations the Chinese have reportedly sometimes supported deployment and sometimes opposed it. In condemning both US and Soviet "hegemonism," Beijing has given moral support to the European peace movement.

12. One of the difficulties that Beijing has created for itself has been that of structuring relations with the United States in a manner compatible with its revised perspectives on the international situation—the so-called independent foreign policy. In recent years Chinese policy has sought to strike a workable balance between the strategic importance of Sino-US relations and China's ambitions to be independent in the world. This has led to inconsistencies in Chinese behavior and has accounted for some of the continuing tension in Sino-US relations. Currently, the Chinese leaders have moved toward closer relations with the United States, without, however, muting their independent foreign policy line. This has occurred in part because China has a less immediate fear of a Soviet attack and also as a consequence of its perception that the United States is no longer on the defensive in dealing with the USSR in the world.

What China Seeks From the United States and the Visit

Beijing's Goals for President Reagan's Visit

13. We believe that China will work to make the visit a success in both substance and appearance. Beijing's major expectations will be in the economic

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area—especially on prospects for trade and improved technology transfers—where it will attempt to remedy the “substantive” deficiencies that Zhao perceived in his visit to the United States. There also will be greater attempts to achieve breadth in political and strategic discussions, but the Chinese will avoid projecting a public image of collaboration with the United States. In addition, Beijing is almost certain to seek reassurances that US support for a one-China policy has not changed.

14. Perhaps Beijing’s primary objective in receiving the President will be to solidify a personal relationship at the highest levels of the two governments. This will be done in the expectation that the current administration will probably be in office through 1988. The Chinese appear anxious at this point to give a sense of continuity to relations with the United States, attaching great importance to the establishment of good personal relationships between leaders. Deng probably has initiated this effort, hoping to leave to his successors a solid US-Chinese relationship at the political and personal levels. To achieve this, the Chinese are likely to make certain that the visit has the appearance of significant accomplishment. They will invest the visit with ceremonial pomp and lavish detail to convey a favorable impression to the American public.

15. *Expanded Trade and Technology Transfer.* Unlike President Nixon’s visit to China in 1972, when the Chinese wanted to discuss strategic concerns, Beijing will probably attempt to use the favorable atmosphere that they have generated this time mainly to press for progress in the economic sphere. In particular, they want to gain greater access to US technology and investment capital as part of their effort to obtain from the outside world the equipment and capital that will enable them to further their modernization programs. They hope that the United States will provide broad access to its modern technology and to its capital markets to assist them to achieve this goal. We doubt, however, that they will reciprocate for any such US concessions. China also looks to the United States to continue to provide specialized education to its future technicians and managers; there are currently over 10,000 Chinese students in the United States, almost all of whom are in the areas of science and technology.

16. Access to US trade and capital markets is important to China both intrinsically and as a means

of leverage to gain greater access to the technology and investment capital of other advanced countries. Since China is determined to avoid the appearance of close association with any single advanced country, including the United States, Beijing hopes to deal with all of the advanced countries of the West and also, to a limited degree, the USSR. China, moreover, sees that good relations with the United States will greatly ease access to the Japanese and the West Europeans. Finally, China also looks to the United States to lead the way in easing COCOM restrictions on technology exports.

17. Beijing probably believes that the President, in this election year, would like to portray his trip to China as a clear success, thus giving them extra room to exploit it to their benefit, particularly by pressing for concessions in the economic and technology areas. One tactic they might pursue, for example, would be to delay substantive negotiations on unresolved current issues (for instance, the possibilities of nuclear, investment, or tax treaties) until the President arrives, hoping for last-minute US concessions to obtain signatures on important agreements during the trip. Although there will certainly be an element of pressure in Chinese tactics, this pressure will be controlled by Beijing’s current calculation that its interests are best served by good relations with the United States and that it will gain more over the longer term by restraint than by confrontation.

18. In addition to possibly seeking final agreement on a number of treaties, the Chinese are likely to pursue expanded economic relations in other areas:

- They will certainly press for greater relaxation of US controls on access to advanced technology, perhaps presenting a wish list. They are likely to cite statistics selectively on license applications and on allegedly low rates of approvals of items contained in various lists submitted to the United States over the years.
- They will also press for greater administration support for changes by Congress that would make China eligible for concessional loans from the United States.
- The Chinese leaders will devote some time during the visit to probing US thinking on Chinese membership in international financial

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institutions. Depending on progress already made in talks with officials of the Asian Development Bank and with its members, China may use the visit to press the United States to take a more active stand on Chinese membership in the Bank, and it will make clear its willingness to allow Taiwan to remain in the Bank in some form. The visit of Treasury Secretary Regan to China in March will provide a clearer picture of Chinese intentions in this area.

19. China is also likely to raise trade issues. Having limited the import of US agricultural commodities in retaliation for US limitations on China's access to the US textile market, Beijing will press the President to ease these restrictions. It will hold out prospects for a revival of the growth in US exports to China, but will at least implicitly tie this to the need for the United States to curtail its restrictions on the entry of Chinese goods to the US market. It is possible that Beijing will raise the issue of its membership in GATT, and US willingness to support its membership.

20. During the visit the Chinese may reaffirm their interest in US arms technology and military exchanges and press for a further relaxation of US controls, but we believe that the bulk of these talks will continue to take place between military experts on the two sides and with US manufacturers. They may press for a general Presidential affirmation of US willingness to consider the transfer of advanced military technology. Beijing may use the President's visit to announce dates for the visit to the United States of Defense Minister Zhang Aiping, a step that might give impetus to the transfer of military technology. China is also discussing arms purchases with a number of West European countries, and we believe that it hopes to diversify its sources of supply and to avoid becoming closely associated as an arms client with any Western country, including the United States.

21. *Reassurance on the Taiwan Issue.* Taiwan will remain the single issue upon which the relationship could founder. It is the one issue on which the Chinese have required assurances from the United States since the relationship began in 1971, and it will continue as such for the foreseeable future. At the present time, the Chinese hope the United States will handle its relations with Taiwan in a way that allows Beijing to pursue broader objectives with the United States.

22. Nonetheless, the President will be read a firm statement on Chinese policy toward Taiwan. The Chinese understand the limits of US tolerance for such lectures, but the great importance of this issue and its extreme political sensitivity in China will require a lengthy exposition of Chinese views, probably by Deng himself. Although the Chinese may reiterate general warnings concerning Taiwan, we believe that they will not make specific demands or lay down ultimatums. Substantively, Beijing will put its strongest emphasis on the need for palpable reductions in arms sales to Taiwan. They may revert to earlier efforts to draw the United States into prior consultations concerning the level of each year's sale of arms to Taipei.

23. The Chinese have already protested the announced level of US arms sales to Taiwan for fiscal year 1985. They may press the point more vigorously during the President's visit. The strength of Beijing's statements during the visit will be based on its judgment concerning US long-term intentions in this area, and the Chinese will seek reassurances from the President that there will be a decline over time in the levels and quality of US arms sales to Taipei.

24. Given the recent growth of Chinese concern over possible support in the United States—especially in the Congress—for Taiwan independence, the President is likely to be pressed by the Chinese leaders for reassurances that the United States adheres to a one-China policy, that it will not inject any role of officiality into its contacts with Taiwan, and that it will not encourage those supporting independence for Taiwan. Furthermore, they may specifically ask for an administration commitment to oppose any Congressional actions in support of Taiwan independence. They may also strongly urge that US officials cease discussing in public the subject of Taiwan.

25. Overall, the Taiwan portion of the President's talks will be frank, but probably nonconfrontational, and will be aimed at keeping the record clear with both the United States and the hardliners in Beijing. The latter need reassurance that Chinese interests have been safeguarded. The Chinese will also attempt to demonstrate that their policies for reunification with Taiwan are reasonable. They will probably repeat what Deng told a private American delegation in February: China envisages some form of "confederation" with Taiwan that would constitute "one China

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Highlights of Sino-US Commercial Relations

	<u>US Firm Name</u>	<u>Nature of Relationship</u>	<u>Value ^a</u> <u>(million US \$)</u>
1980	E-S Pacific	Joint venture: Great Wall Hotel, Beijing	36
	Foxboro	Joint venture: produces electronic instruments	5
1981	Beatrice Foods	Joint venture: Guangmei Foods	5
	Westinghouse	Steam generator technology	31
	Combustion Engineering	Power plant boiler technology	NA
1982	ARCO/Santa Fe	Oil exploration, South China Sea	NA
	Lotus	Coal-mining equipment	7
1983	Kowin Development	Joint venture: Jinhua Hotel, Xian	5
	Bechtel Corp.	Feasibility study for coal mines	NA
	Baker Marine Corp.	Joint venture to build/lease drilling rigs	10
	American Motors Corp.	Joint venture to produce four-wheel-drive jeeps	16
	Solid State Scientific	Wafer fabrication equipment for digital watches (pending approval)	8
	Owens-Illinois, Inc.	Modernize a glass container plant	NA
	Beloit Corp.	Papermill machinery	7
	R. J. Reynolds	Joint venture to produce cigarettes	6
	McDonnell-Douglas	Two MD-80 jetliners	40
	Amace Holding Corp.	Joint venture: supplies offshore oil facilities	NA
	Fluor	Consultancy and design for coal mines	NA
	Emhart Corp.	Machinery to upgrade tire plant	NA
	S. Samash & Sons	Joint venture: produces silk fabrics	NA
	General Electric	220 diesel-electric locomotives	200
	Harnischfeger	Power shovel technology and equipment	NA
	John Deere	Farm equipment and technology	NA
Chevron/Texaco	Oil exploration	NA	
IBM	11 Mainframe 4300-series computers	NA	
Boeing	Five 737s and one 747 jetliner	140	

^a For joint ventures, listed value is US firms' share of capital assets.

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with two systems." In essence, the Chinese have probably decided that they stand a better chance of favorably influencing US policies on Taiwan—particularly on the issue of arms sales—by demonstrating "reasonableness" on the question of reunification rather than by uttering threats. Consequently, as during Zhao's visit, the Chinese will probably back off from an initially hard line on Taiwan and tacitly acknowledge by the end of the visit that relations can continue to improve as long as the United States lives up to the three communiques dealing with Taiwan issued between 1972 and 1982.

26. *Strategic Issues.* The Chinese are likely to engage in strategic discussions with the President somewhat broader in scope than those undertaken during Zhao's visit. The Chinese leaders will probably use these talks to urge a greater US role in Kampuchea and Afghanistan. Beijing may be concerned that the MIA issue might induce the United States to ease its pressure on Hanoi on the Kampuchean issue, and thus the Chinese leaders may press for more active and visible US support for the anti-Vietnamese coalition in Kampuchea. The Chinese will reaffirm their interest in stability on the Korean Peninsula and support for the North Korean interest in tripartite talks. China, however, almost certainly will continue to resist being drawn into any talks, in the initial phase at least, and will continue to support the North Korean bargaining position that currently calls for confederation and opposes cross recognition.

27. It is possible that the Chinese leaders will also advise the United States to take steps to reduce tensions with the USSR. For instance, the Chinese may cite the concrete advantage in an early INF agreement that would reduce or at least freeze SS-20 deployments in the East. Beijing's concern over the consequences of the growth of US military power was strikingly evident in conversations that Deng and Zhao separately held in February 1984 with a private US delegation. Both leaders revealed concern over what the United States may do with the military strength it has acquired and seemed to hold the United States at least partially responsible for the aggravation of international tension in recent years. In the same conversations, Deng stated his concern that a more active US policy will not be in China's interests and, in particular, could lead the United States to look to Taiwan as

an "unsinkable aircraft carrier," that is, as a strategic asset that the United States would be unwilling to abandon. Zhao, moreover, revealed extreme Chinese sensitivity to the implication of US dominance in the US-Chinese relationship and underscored Beijing's continuing need to be respected and to be perceived as an equal in relations with the United States. We believe that this is intended to signal Chinese concern that the United States will be held responsible by large parts of world opinion for any further worsening of the international atmosphere and that China would find it increasingly difficult to be seen cooperating with the United States under these circumstances.

28. Zhao's willingness to discuss Sino-Soviet relations during his visit to Washington in January 1984 and China's announcement of these discussions marked a striking departure from recent Chinese practice. We believe that Beijing did this to signal displeasure with Moscow's continued buildup around China's periphery, Moscow's tactics in the bilateral talks, such as a failure to make basic concessions, and to pressure the Soviets to begin to meet Chinese demands in these talks. The extent to which China will be willing to consult, and to be seen consulting, with us on strategic issues during the visit will be determined in part by the state of Sino-Soviet relations and particularly by the results of the fourth round of Sino-Soviet talks in March.

29. We doubt that there will be anything approaching a breakthrough in Sino-Soviet relations prior to the President's visit, and thus the Chinese leaders will probably give the President a fairly extensive account of their differences with the USSR. Such a discourse will be intended in part to reassure the United States. At the same time, however, if Sino-Soviet relations are discussed, Beijing may again announce this fact publicly to prod the Soviets and to try to demonstrate that the Chinese enjoy a high degree of maneuverability within the strategic triangle. The Chinese may also see a renewed willingness to discuss Soviet affairs with the United States as an incentive for the United States to be more forthcoming on bilateral US-Chinese issues.

Constraints on US-Chinese Cooperation

30. Beijing clearly believes that Chinese interests are best served for the foreseeable future by productive and stable relations with the United States, but there are also equally clear constraints on how far it is willing to permit those relations to develop. One such

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limit is its need to be perceived by the rest of the world as not under US (or Soviet) influence. Another is its very practical need to keep tensions with the Soviet Union at a manageable level.

Domestic and International Public Opinion

31. China will be highly conscious of the various audiences, including the Soviets, who will be observing how it handles the President's visit. Much of Beijing's conduct will be determined by this factor. This will place limits on the substance of the talks and will influence the public characterization of the President's visit. We believe that Deng and his colleagues are conscious of the need to demonstrate clearly and repeatedly to opposing domestic leadership elements the benefits that China derives from relations with the United States and that they want to be seen as vigilantly protecting Chinese interests on sensitive issues such as Taiwan. This, we believe, will continue to impose limits on the development of ties between China and the United States and often makes the achievement of almost any significant agreement a lengthy and arduous task.

The Limits on Strategic Cooperation With the United States

32. The Chinese, during Zhao's visit to Washington in January 1984, went further than they had in recent high-level visits to the United States to highlight areas of agreement with the United States. Nonetheless, they have kept up private and public criticisms of US policies in various areas of the world, and they continue to label the United States a "hegemonist" power. Thus there are sharp limits on the extent to which China will cooperate with the United States on strategic issues. This is more than merely a tactic to enable Beijing to show that it pursues an "independent" foreign policy. It represents the balance that China is attempting to strike in its foreign policy as it moves somewhat closer to the United States but continues to pursue other goals that at times conflict with US policies.

33. Underscoring these conflicts with some US policies, Beijing has publicly stated that it will not establish a strategic partnership with the United States. China will keep its distance from the United States on

selected world issues, will oppose some US policies intended to counter the USSR, and will not engage in such activities as joint planning. Nonetheless, China does tacitly cooperate with the United States on selected strategic issues of joint concern. It will continue to do so while attempting to maintain wide options in dealing with the USSR and the Third World.

Containing Tensions With the Soviets

34. The Soviet threat has always been a key factor in Chinese calculations relating to the United States. Beijing opened its dialogue with the United States in the early 1970s to obtain a strategic counterweight to Soviet power, and this remains a basic consideration as Beijing formulates its policies toward the United States. China is equally conscious, however, of the need not to overly alarm the Soviets about the possibility of a US-Chinese alliance directed against the USSR. This has led to a carefully balanced approach in which China seeks to hold Moscow at bay by strengthening ties with the United States, but not to the point that Moscow would be unwilling to pursue some relaxation of tensions with Beijing.

35. Thus, a major Chinese objective in recent years has been to maintain a distance—but not equidistance—from each of the superpowers and to conduct relations with each that are neither "hot nor cold." Beijing's desire to maintain at least a degree of evenhandedness in its contacts with the United States and the USSR was demonstrated most recently by the attendance of Vice Premier Wan Li at Andropov's funeral, Chinese participation in the fourth round of talks with the Soviets in Moscow in March, and the Chinese invitation to First Deputy Premier Arkhipov to visit China in May.

36. China will use its contacts with the United States—especially the President's visit—to attempt to underscore the commonality of US-Chinese security concerns regarding the Soviet involvement in Afghanistan and Southeast Asia. Beijing may also hope to increase pressure on Moscow to make concessions on issues of major security concern to China but does not appear optimistic of a breakthrough. At the same time China will also continue to take steps to ease tensions with Moscow, believing that an expanded dialogue with the USSR enables it to demonstrate that China pursues an independent foreign policy.

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