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US-China Relations: Short-Term Prospects



An Intelligence Assessment

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EA 84-10135
July 1984

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US-China Relations: Short-Term Prospects

An Intelligence Assessment

This paper was prepared by [redacted] Office of
East Asian Analysis. Comments and queries are
welcome and may be directed to the Chief, China
Division, OEA, [redacted]

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EA 84-10135
July 1984

US-China Relations: Short-Term Prospects

Key Judgments

*Information available
as of 15 June 1984
was used in this report.*

Beijing since the spring of 1983 has begun implementing a basic decision to improve relations with the United States. Chinese leaders—who are acutely conscious of China's relative military weakness and absorbed by China's ambitious modernization program—want to retain the United States as a strategic counterweight to the USSR and gain greater access to US technological and economic resources.

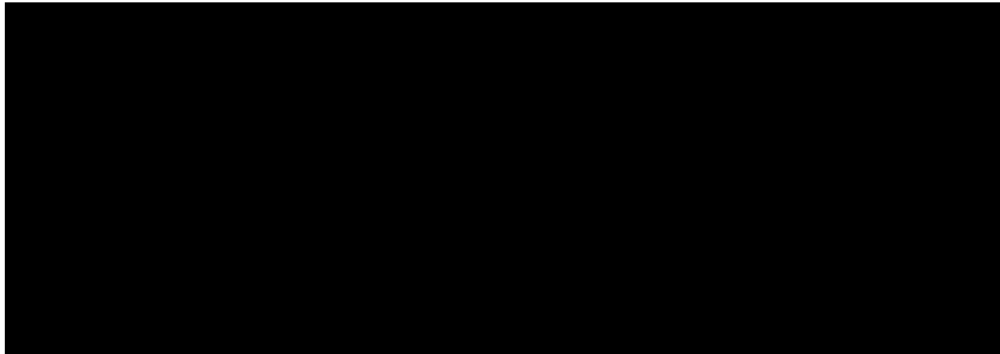
We believe Beijing will subordinate criticism of US policy toward Taiwan and other bilateral issues at least through the end of 1984 in order to build a more stable, working relationship with the Reagan administration. Beijing intends—in our view—to build on the positive atmosphere developed during the visits of Premier Zhao and President Reagan and will probably work to prevent US-China relations from becoming entangled in the US election campaign.

There are limits to Beijing's ability to expand relations, however. Beijing does not want to undermine its ability to manage the Soviet threat through negotiations or to pursue expanded ties with the Third World and touchy associates, such as North Korea, by identifying too closely with Washington. As China does improve relations—especially military relations—with the United States, it will take even greater care to preserve the appearance of “independence” in its foreign policy.

During the next six months, we believe China will gradually attempt to strengthen security ties with the United States by:

- Continuing steps toward the purchase of defensive weapon systems.
- Broadening discussions of strategic issues.

China will continue to press for a greater US role in economic modernization through increased US investment in Chinese enterprises, greater access to US technology, and an end to alleged US trade “discrimination” against China. As the United States and China broaden their economic ties, however, Chinese expectations may exceed the ability of the United States to fulfill them. The Chinese may express their disappointment publicly. We expect the Chinese to press for US ratification of the Nuclear Cooperation Agreement, for instance, and to react—sometimes harshly—to Congressional statements doubting Chinese promises on nuclear proliferation. Nonetheless, we do not believe that the Chinese will risk damage to the overall relationship by pursuing the issue too aggressively.



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We believe that internal Chinese political factors will play only a minor role in US-China relations in the next six months. Some senior leaders apparently do not share Deng Xiaoping's enthusiasm for relations with the United States, but we have no evidence of significant opposition.

Although Chinese leaders will be constrained by the existing strategic situation, the death of Deng Xiaoping would probably lead to a period of less activity in bilateral relations while a new leadership begins to assert itself.

Over the longer term, a fundamental shift in international pressures on China or altered domestic political and economic priorities would almost certainly prompt China to review its approach to the United States. Even so, we believe that, as long as China remains primarily committed to economic modernization and faces an expanding Soviet threat, Beijing's need for a security tie to Washington will remain.



US-China Relations: Short-Term Prospects

After three years of strongly pressing the Reagan administration for concessions on Taiwan and other matters, Chinese leaders have made a basic decision to improve relations with the United States. Beijing has elected to subordinate criticism of US policy toward Taiwan and other divisive issues in the interest of building a more stable, working relationship—including improved economic and military ties. For at least the short term—through the end of 1984—we believe the Chinese intend to build on the positive atmosphere developed during the last year and will work to prevent US-China relations from becoming entangled in the US election campaign.

Beijing has changed tactics—in our view—primarily because it feared that further decline in US-China relations would undermine Chinese security and diplomatic leverage in the face of the continuing Soviet military buildup. Chinese leaders are well aware of China's relative military weakness and the need for time to complete military modernization. They therefore want to retain the United States as a strategic counterweight and to cautiously increase military ties. China's long-term need for US and Western economic and technical assistance provides them with additional incentives to seek a closer US connection.

the appearance of "independence" in its foreign policy. We expect the Chinese to take further steps toward the purchase of US military technology and weapon systems—following the June 1984 visit of Defense Minister Zhang Aiping and during succeeding visits by military delegations—and to broaden their discussions of strategic issues with US policymakers. The Chinese will almost certainly take advantage of the visits of senior US military officials, such as General Vessey, to do so. Beijing probably intends to consult the US increasingly on matters of mutual strategic interest—such as arms reduction negotiations or Southeast Asia.

Publicly, we expect that China will underline for Moscow its evolving security cooperation with the United States but will continue to preserve an air of ambiguity about the relationship—in order not to precipitate overly hostile Soviet reaction nor to alienate friends and associates in the Third World and elsewhere.¹ While sending Defense Minister Zhang Aiping to the United States in June, for example, Beijing indicated its intention to send Vice Foreign Minister Qian Qichen to Moscow for talks and had Premier Zhao publicly express China's support for closer ties with Europe.

Chinese leaders have indicated they will continue to urge the United States to provide greater long-term assistance for their ambitious economic modernization program. Beijing continues to stress its interest in increased US investment in Chinese enterprises, greater access to advanced US technology, concessionary financing for joint ventures and industrial projects, increased funding from international financial organizations in which the United States plays a prominent role, and an end to alleged US trade

¹ Beijing also wants to preserve an image of independence in its foreign policy—and avoid overly close identification with Washington—to further its relations with North Korea, East European nations with whom China is seeking closer ties, including Romania, Yugoslavia, and East Germany, and the socialist and Communist parties of Western Europe.

Chinese Expectations

During the next six months, we believe China will gradually attempt to strengthen its security ties with the United States while striving not to compromise

"discrimination" against China. During the period in question, the Chinese will probably continue to press discreetly but persistently for US action on economic issues raised during the President's visit, such as technology transfer and the amendment of some US trade laws. We expect Beijing to also seek US approval of the Nuclear Cooperation Agreement, but we believe that it is prepared to wait rather than risk a major political controversy over the issue this year.

[REDACTED]

[REDACTED]

China's Concern About Its Strategic Position

Chinese leaders demonstrated concern in early 1983 that their "independent" stance in foreign policy threatened to jeopardize long-term Chinese security and development interests. In the two preceding years, angered by perceived US slights over Taiwan and encouraged by the increasingly strong US response to the Soviets, Beijing had set in abeyance its interest in joining the United States in an anti-Soviet "united front." Chinese leaders instead strongly pressed the United States on bilateral disputes, stressed China's fundamental identity with the Third World, and revived political consultations with the Soviet Union. Beijing was in part exploiting a perceived US need for good relations with China, and Chinese leaders judged that Beijing's new "independence" would increase its leverage within the US-China-USSR strategic triangle.

We believe, however, that by early 1983 Chinese leaders realized they had miscalculated. Talks with the Soviets had failed to slow the pace of the Soviet drive for military and political dominance in East Asia. At the same time, Chinese leaders were met by

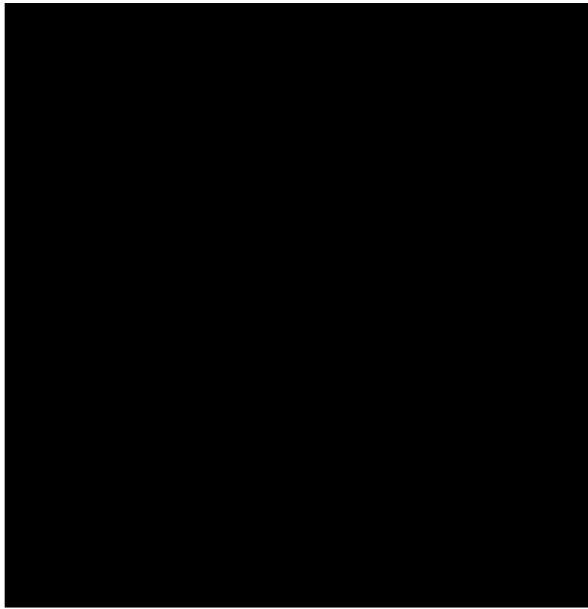
US firmness on bilateral issues and were concerned that Washington had downgraded China's strategic value. They were worried in particular that growing US military ties with Japan, South Korea, and ASEAN—without taking Chinese interests into account—could leave China strategically isolated against the USSR in East Asia. Further,

[REDACTED]

Increased Chinese concerns since then about the growing Soviet military and political threat in East Asia have also pushed China closer to the United States. A recent series of *People's Daily* articles, for instance, detailed the buildup of the Soviet Pacific Fleet, the strengthening of Soviet forces stationed at Cam Ranh Bay, and the expanding deployment of SS-20 intermediate-range missiles in Siberia.

In unusually strident language, the Chinese media recently accused the Soviet Union of supplying massive military and economic aid to Vietnam for "strategic reasons" and stated that unprecedented Soviet-Vietnamese joint naval exercises in the Tonkin Gulf in March were aimed at encouraging Vietnamese "aggression and expansion" against China.

[REDACTED]



United States:

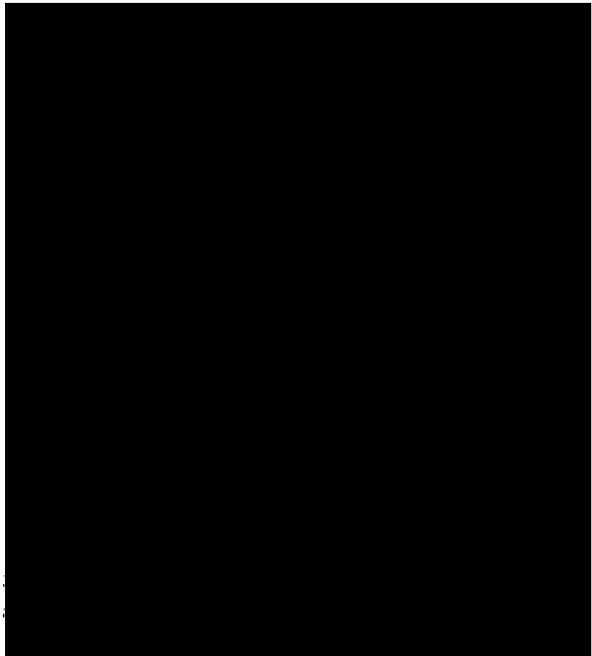
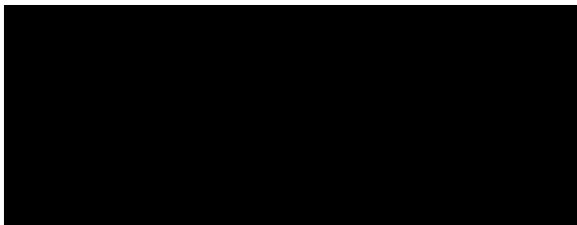
- To provide an undergirding for bilateral relations during times of political stress.
- To create leverage within the United States.
- To demonstrate tangible benefits from good relations with the United States to skeptics in China. [REDACTED]

Chinese leaders have ceased for now to elevate economic disputes to a level that would sour overall bilateral relations. During the past year, they have sought to emphasize the potential for bilateral economic relations while continuing to press for greater US concessions. Minister of Foreign Economic Relations and Trade Chen Muhua, for instance, told Xinhua news agency in April 1984 that "many obstacles and difficulties" remain in bilateral economic relations. But she also took pains to emphasize the considerable development of bilateral trade, US investment in Chinese industries, and the removal of bureaucratic impediments to further development by both countries. [REDACTED]

The Chinese also revived a close, detailed dialogue with the United States on Soviet strategy in East Asia and globally. During the President's visit, Chinese leaders pointed to the Soviet threat to China as one of several areas in which US and Chinese strategic interests converge. Following the visit, they attempted publicly to convey the impression that the United States approved Chinese military activity against Vietnam. Nonetheless, China continues to criticize some US actions in the Third World and Europe that it believes permit the Soviets to gain advantage (see inset). [REDACTED]

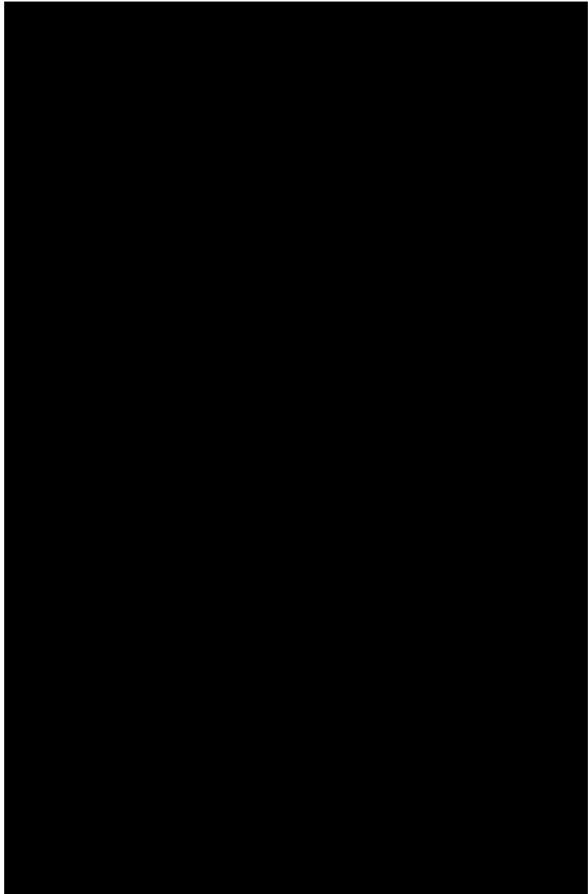
The Importance of Economic Ties

Chinese leaders regard closer economic ties with the United States as vital to the long-term success of China's ambitious modernization program. As senior policy adviser [REDACTED] indicated last August, China wants continued access to what it believes will be the world leader in high technology for a long time. Chinese leaders also attach broader political significance to building stronger economic ties with the [REDACTED]



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Renewed Interest in Closer Strategic Ties



parallel US-China strategic interest. They also tried to convey an impression of US approval for China's escalated military action against Vietnam—including an unprecedented naval exercise in the South China Sea—in April and May 1984. [REDACTED]

Beijing timed the action to coincide with the President's visit. The Chinese media highlighted an unusual separate meeting between Chinese Defense Minister Zhang Aiping and military officials in the President's party— [REDACTED]

[REDACTED] Zhang publicly indicated an interest in a carefully calibrated increase in military ties during a visit to Washington in June. [REDACTED]

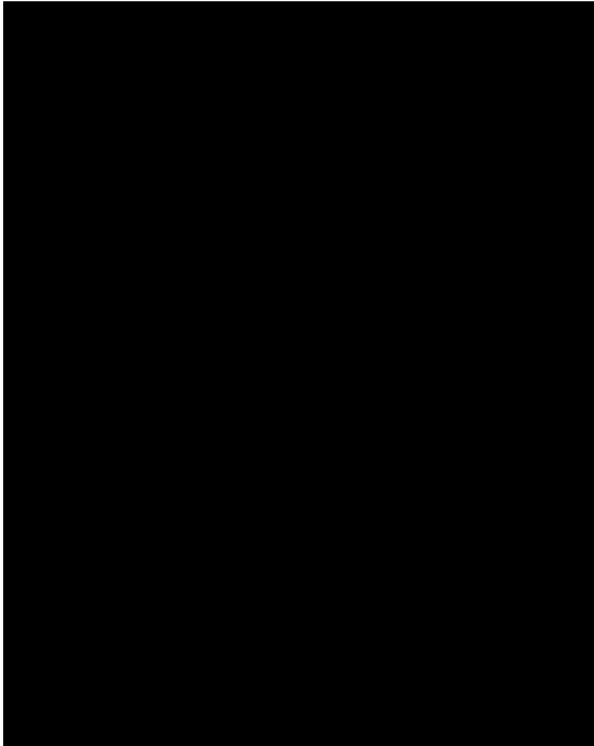
Despite basic agreement on strategic issues, Chinese leaders continue to place different emphases—publicly [REDACTED]—on policy toward INF, the Third World, and other areas. They see the United States overplaying its hand to the ultimate benefit of the USSR. Chinese leaders now argue, for instance, that the United States should attempt to reach an arms control agreement with the Soviets in Europe. [REDACTED]



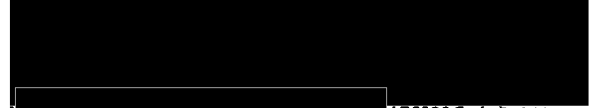
Chinese treatment of Premier Zhao's January 1984 visit to Washington and President Reagan's visit to Beijing this spring further defined China's growing interest in developing cooperation on parallel strategic matters. In Washington, Zhao told leaders of Congress that China could not accept "comprehensive strategic cooperation" with the United States but indicated a genuine interest in arms purchases from the United States. At the same time, Zhao noted the "great strategic importance" of US-China relations and termed good bilateral relations "an irresistible trend of history." [REDACTED]

In Beijing, despite their censorship of the President's remarks on the Soviet Union, the Chinese underscored the Soviet threat to China and points of

On the Third World, Chinese leaders told the visiting President of Niger in May that the United States constituted an effective counterweight to Soviet activities in Africa. But the Chinese continue to criticize the United States for its support of "unsinkable aircraft carriers," such as Israel and South Africa, that alienate natural opponents of the Soviets in the Third World—and create opportunities for Soviet meddling. They also publicly oppose the handling of US policy in Central America and the Middle East—despite agreement with the anti-Soviet thrust of US policy there. [REDACTED]

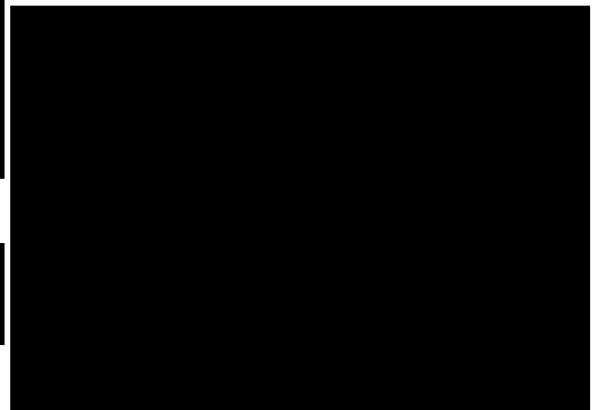
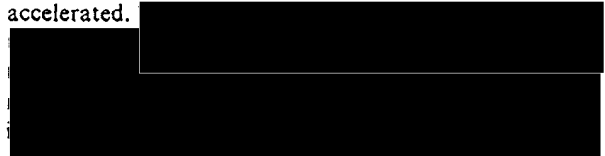


Since the exchange of visits between Premier Zhao and President Reagan, Beijing's public treatment of US-Taiwan policy has changed markedly. Recent authoritative media commentary has not emphasized past demands, threats, or sharp accusations that the United States is not fulfilling the joint communiques



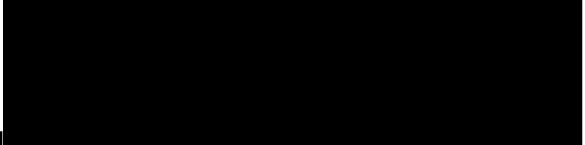
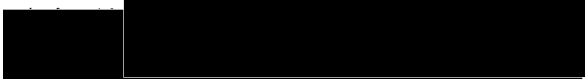
instead, Chinese leaders for the first time have publicly accepted US claims that the United States is reducing arms sales to Taiwan and have urged that the pace of reduction be accelerated.

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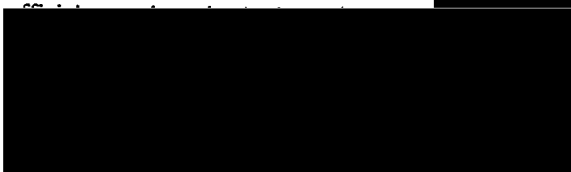


Taiwan

US policy toward Taiwan remains the most contentious issue

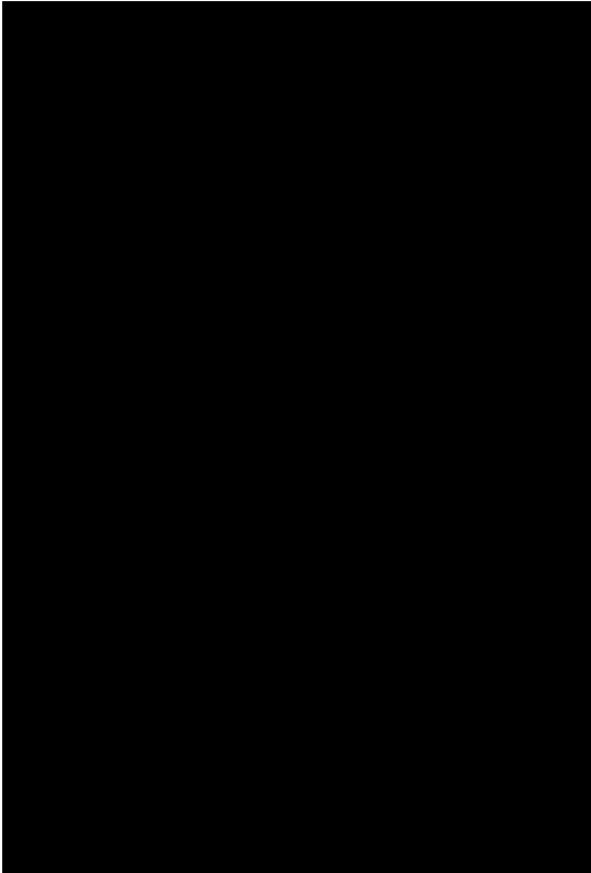


Beijing's public treatment of US policy toward Taiwan last year was laced with accusations that the United States favored a "one-China, one-Taiwan" policy and continued to violate the August 1982 joint communique. Chinese commentary during this period, however, also included calls for strengthening "mutual trust" and improving relations.



Meanwhile Beijing has launched an invigorated effort to convince Taiwan—and overseas Chinese—that its reunification proposals are reasonable. While in the United States, Premier Zhao appealed to Chinese-American audiences in San Francisco and New York to accept Beijing's efforts toward Taiwan. Beijing has publicly urged Washington not to "interfere" in the process (through stepped-up arms sales, for example) though it has not pressed for US support.

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inflare ongoing bilateral disputes. A *People's Daily* commentary during the height of the spiritual pollution campaign last fall, for instance, contained some strident anti-American overtones. The antiforeign element of the campaign was short lived and was thoroughly discredited by the leadership, however. Although Hu Yaobang's remarks threatening the cancellation of Premier Zhao's trip to the United States were made at the height of the campaign. [REDACTED]

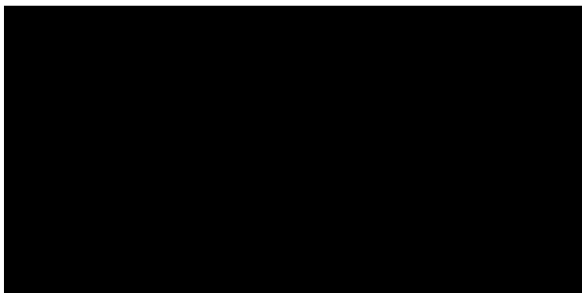
The strongest supporters of relations with the United States, with the exception of Deng himself, are represented most prominently by Premier Zhao and those most deeply involved in the management of China's modernization program. Senior officers of the Army's General Staff Department and Defense Minister Zhang Aiping also appear to be strong supporters of improved US-China relations, especially the strategic and defense elements. In fact, on the eve of the President's trip to China, Zhang publicly identified himself with emerging US-China defense cooperation—which he dated to the visit of Secretary of Defense Weinberger. [REDACTED]

Party General Secretary Hu Yaobang has not clearly articulated his views on relations with the United States and probably is still content to follow Deng's lead on foreign policy. Hu is now becoming personally identified with China's strategic opening to the West, especially Japan, however, and is beginning to play a greater role in US-China relations. Although Hu has expressed some ambivalence about the United States in the past and was the chief articulator of China's "independent" foreign policy line, he has increasingly lent his support to the strategic aspects of bilateral relations. [REDACTED] he supports Chinese efforts to buy United States military technology. [REDACTED]

Chinese Domestic Politics

We believe that internal Chinese political factors will play a relatively small role in US-China relations over the course of the next six months. Beijing's decision to improve its relations with the United States was based primarily, we believe, on its assessment of China's strategic and development needs. Unlike domestic policy, China's foreign policy is formulated by a small group of senior leaders and is not usually debated beyond the Politburo. China's current policy toward the United States reflects the views of Deng Xiaoping—China's dominant leader and primary strategic thinker. Most other leaders appear to support it, though there may be some disagreement over the pace of development of the relationship. [REDACTED]

Domestic political arguments, however, could affect the tone of Chinese foreign policy statements or

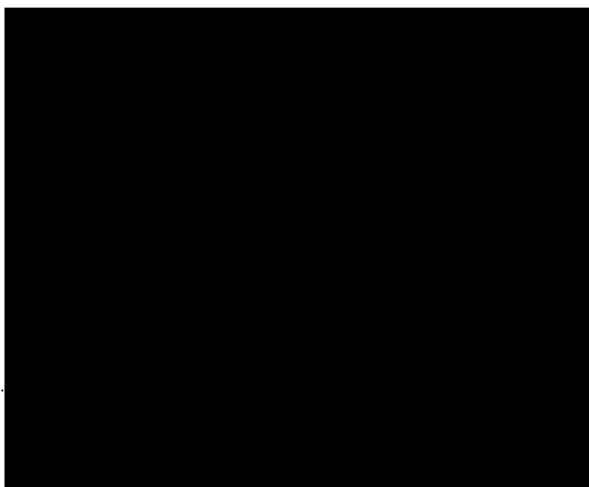
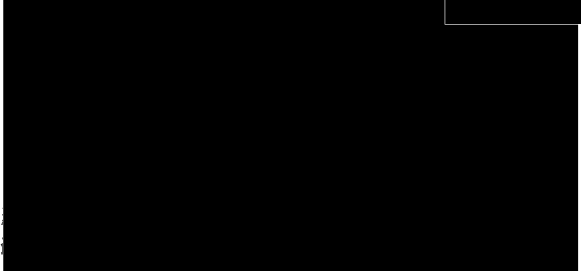


The occasional opposition of some senior Army and party conservative leaders, like Chen Yun, to relations with the United States stems primarily from their concern with the byproducts of the opening to the West. These leaders worry about the infatuation of Chinese youth with Western ideas and material goods and the consequent deleterious impact on public order and revolutionary purity. Some of them, such as Politburo member Wei Guoqing, have lost key positions from which they could have rallied support against the open-door policy, however. ■

Continuing Irritants

We believe that China will carefully nurture the positive momentum in US-China relations for the rest of this year and will take special care to preserve the strategic basis of its relations with the United States. Chinese leaders will try to confine unanticipated disputes over bilateral issues and to deal with them in a way that will not sour relations as a whole. Nonetheless, there remains a distinct but low-level chance that accumulated friction over US policy on such sensitive issues as Taiwan, Chinese nuclear proliferation policy, or Korea could raise bilateral tensions substantially. ■

The Chinese remain extraordinarily sensitive to perceived shifts in US policy toward Taiwan. ■



Chinese leaders appear to be concerned that the Korean Peninsula could become an issue in US-China bilateral relations as well. ■



The Chinese are especially concerned that North Korean leader Kim Il-song could strike agreements with the Soviets leading to greater Soviet involvement on the peninsula—and more intense pressures on the Chinese to woo the North. In this case, China would probably feel constrained to adopt a more publicly anti-US position on Korea, including stronger calls for withdrawal of US troops from South Korea or greater insistence that the United States participate in tripartite talks on Korean reunification. ■

The Chinese appear to have had high expectations that the United States would soon ratify the Nuclear Cooperation Agreement that was initialed in Beijing last May. Nonetheless, China remains very sensitive about disclosures—in the media or before Congress—that it may have transferred nuclear technologies to other countries. Should the administration be buffeted by strong Congressional or other criticism of China's nuclear proliferation policy, China may react defensively. We believe, however, that Chinese leaders will want to limit damage done by debate over China's nuclear policy—though they may express their asperity over it to US officials privately or through public statements. ■

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Other possible economic irritants include:

- *Technology Transfer:* The Chinese are pressing the United States to remove China from COCOM restrictions, or, at a minimum, to remove additional COCOM restrictions from sensitive US technologies—such as fiber optics communication technology. China hopes to sign a Telecommunications Protocol with the United States in the fall that incorporates some of these wishes. If that effort fails, Beijing probably will moderately protest US reluctance to accommodate Chinese interests.
- *Textiles:* The Chinese are pressing the United States to allow greater imports of textiles and have expressed resentment of the administration's "unreasonable" restrictions. If restrictions on Chinese textiles go up markedly this year, China would certainly protest—though probably also at a low level. [REDACTED]

Although Deng Xiaoping appears to be in good health, his death could also have a significant impact on US-China relations in the near term. If Deng Xiaoping dies within the next six months, an interim leadership—probably led by Party General Secretary Hu Yaobang—would most likely be absorbed by efforts to construct a new leadership and would not be in a position to implement initiatives in foreign affairs. Although a new leadership would continue to be bound by the existing strategic imperatives, it might feel constrained to adopt a more nationalistic posture or to place greater stress on China's foreign policy "independence." [REDACTED]