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Central Intelligence Agency



Washington, D.C. 20505

**DIRECTORATE OF INTELLIGENCE**

09 May 1989

**Sino-Soviet Relations: The Summit and Beyond** [redacted]

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**Summary**

General Secretary Gorbachev's visit to Beijing--15 to 18 May--will formally end the estrangement of the past three decades. For Beijing, the summit offers an unprecedented opportunity to reduce the near-term Soviet military threat and build up Chinese leverage in its relationship with the United States. For Moscow, the summit sends a signal to Washington that the Soviets have now achieved a more balanced position in the strategic triangle and will continue to use warming US-Soviet ties to prod China to be more cooperative. We believe Gorbachev views the summit as also advancing the Soviet goal of playing a significantly larger role in Asia and justifying the proposed unilateral troop cuts along the Sino-Soviet frontier. [redacted]

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This memorandum was prepared by [redacted] Office of East Asian Analysis, and [redacted] Office of Soviet Analysis, with a contribution from [redacted] Office of East Asian Analysis. Information as of 8 May 1989 was used in its preparation. Comments and queries are welcome and may be directed to the Chief, [redacted] OEA, [redacted]

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While visiting Beijing, Gorbachev is likely to announce specifics on his proposed 200,000-man force reduction in the Soviet Far East, and he will press Beijing to respond. Beijing appears in no hurry to offer reciprocal reductions, and will probably opt to discuss potential confidence-building measures instead. Gorbachev could also make a dramatic offer of unilateral cuts in the Soviet Pacific Fleet or propose some other arms control initiative to influence governments in non-Communist East Asia. Although we do not expect a border demarcation agreement to be ironed out before the summit, the Soviets may offer to relinquish the disputed islands opposite Khabarovsk if Beijing assures them of Chinese compromises on the western sector. An important achievement of the summit may be a joint communique establishing the foundation for a new relationship, but it may also contain dissenting Chinese and Soviet views on Cambodia.

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In the wake of the summit, we see the likelihood of some significant new areas of Sino-Soviet interaction, particularly in the military-industrial sphere. China is exploring Soviet alternatives to Western military hardware and technology, increasing the possibility that Chinese firms will provide Moscow with controlled Western technology. China is unlikely to risk its access to advanced Western technology by deliberately violating reexport controls on dual-use technology, but Beijing lacks an effective means to control the export of high technology by its several thousand trading companies.

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Despite improving Sino-Soviet relations, a variety of sources indicate China will continue to place priority on good ties to Washington. Beijing looks to the United States to provide a counterweight to the Soviet Union and Japan, and believes that only the West can provide the levels of investment, advanced technology, and large markets required for Chinese economic and military development. Although a gradual rejuvenation of party links between the Communist giants is inevitable, we believe China and the Soviet Union will remain separated by Beijing's lingering distrust of Moscow's ultimate goals and their rivalry for influence in Asia.

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#### Goals of the Summit

Beijing and Moscow hope for a cordial summit to demonstrate that 30 years of acrimonious Sino-Soviet relations are ending and to ratify a document establishing the foundation for a new relationship. We believe that, from China's vantage point, President Bush's visit to Beijing in February and a successful Deng-Gorbachev summit promote Beijing's desire to have better relations with Moscow and Washington than they have with each other. Beijing has nervously watched the increasing warmth in US-Soviet contacts over the past two years and probably scheduled the summit--even before the so-called "three obstacles" to normalized relations were fully resolved--to ensure that it maintains its leverage with both superpowers.

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~~SECRET NOFORN NOCONTRACT ORCON~~**A Preview of Gorbachev's Key Meetings**

Gorbachev's most important meeting will be with **Deng Xiaoping**. The Deng-Gorbachev meeting will be the first leadership summit since Khrushchev met with Mao in 1959, even though Deng's official post is not head of state or party but Chairman of the Chinese Military Commission. Chinese analysts and officials are portraying the summit as a personal triumph for Deng, one that sets a new basis for the development of bilateral ties before he finally retires.

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Deng and Gorbachev have created a legacy of bold reforms to revitalize economies sagging from overreliance on central planning. They have attempted to decrease the official role in controlling the economy and cut bloated military establishments. Deng and Gorbachev hold sharply different views on the value of political liberalization, however, as Deng has pursued market-oriented economic reforms and openness to the West with only feeble attempts to make the Communist Party more responsive to criticism.

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Gorbachev's meeting with General Secretary **Zhao Ziyang** will effectively mark the reestablishment of party-to-party ties. Beijing will look for Gorbachev to admit mistakes in past party relations and promise noninterference and equality in the future. Chinese media may carry only limited coverage of their meeting--in comparison with the press fanfare anticipated for Gorbachev's other meetings--to play down the significance of the restoration of party ties.

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Gorbachev's meeting with Premier **Li Peng** will include substantive discussions on unilateral issues. During his meeting with President Bush, Li assumed a greater foreign policy role than he has in the past, and we anticipate his talks with the General Secretary will include discussions of troop strengths along the Sino-Soviet border and the Soviet troop presence in Mongolia, the Cambodian issue, economic cooperation, and progress on demarcating the Sino-Soviet border. Li may be the Chinese leader who will pay the first high-level return visit to Moscow, perhaps this year.

[redacted] Li would be an unusual choice; he is not Gorbachev's host and his position does not correspond to any that Gorbachev holds.

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Gorbachev's meeting with his nominal host, President **Yang Shangkun**, may be more symbolic than substantive. Yang extended the official invitation to Gorbachev--making it a state rather than a party visit--probably out of deference to Western sensitivities. As Gorbachev's host, he will probably receive an invitation to visit Moscow.

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Beijing also views the summit as an unprecedented opportunity to reduce the near-term Soviet military threat to China. China almost certainly still perceives the Soviet Union as its most credible long-term threat, but lessened security tensions until at least early in the next century can assist Beijing in building the economic and military strength it now lacks. The summit also allows Chinese leader Deng Xiaoping, now 84, to set the parameters of Sino-Soviet relations before he loses his ability to assert his political will. [redacted]

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For Gorbachev, a rejuvenated relationship with Beijing means the ability to divert resources from military preparedness on yet another long border, advances the Soviet goal of playing a significantly larger role in Asia, and perhaps begins a process of halting the steady expansion in Sino-US cooperation in East Asia. Gorbachev probably views his meeting with Deng as a strong message to the United States and domestically that he has achieved a major breakthrough with the Chinese by overcoming opposition from the Chinese leader who has been the most suspicious of Moscow. Gorbachev also sees the summit as justification for Soviet military reductions in the Far East, which he hopes to translate into savings for the domestic economy. Moscow will also continue to use warming US-Soviet ties to prod China to be more cooperative. The Soviets, for example, scheduled Secretary Baker's visit to Moscow just a few days before the summit. [redacted]

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#### Parameters of the Joint Communiqué

Aside from the first face-to-face discussions between Gorbachev and senior Chinese leaders--Gorbachev has met only Premier Li Peng--the most important bilateral achievement of the summit is likely to be a joint communiqué. Moscow has sought such a document for years and probably sees it as the equivalent of the Sino-US communiqué of 1972, which formally ended Sino-US animosity and defined the principles of the relationship. Beijing, for its part, finds such documents extremely useful in diplomatic interactions, offering the Chinese the tool to influence the conduct of the other nation by claiming violations of the principles or the spirit of joint communiqués. [redacted] the communiqué will focus on the five principles of peaceful coexistence--noninterference in each other's domestic affairs, respect for sovereignty and territorial integrity, nonuse of force, good-neighborliness, and friendship. [redacted]

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Soviet and Chinese diplomats have already held extended meetings to shape the document, and the most contentious points probably have not yet been resolved and may be skirted entirely. Deputy Foreign Minister Rogachev's late April visit to Beijing reportedly focused on ironing out disagreements, with Cambodia apparently the main stumbling block:

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### Cambodia: Room For Compromise?

Although Soviet and Chinese press are downplaying prospects for a breakthrough on Cambodia at the summit, both sides seem to be moving closer on the composition of an international control mechanism to monitor the Vietnamese withdrawal and the convening of an international conference. Beijing has increased pressure on Moscow, probably out of concern that Hanoi has seized the diplomatic initiative with its recent announcement of an "unconditional" Vietnamese pullout from Cambodia by September. The Chinese also worry that People's Republic of Kampuchea (PRK) Premier Hun Sen's recent initiatives and his growing international stature will enhance his ability to dominate Cambodia after the Vietnamese pull out. [redacted]

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The Chinese have tried to gain Soviet commitment to several aspects of a comprehensive settlement including:

- Endorsement of Prince Sihanouk as the head of a quadripartite provisional government and dissolution of the present PRK Government.
- Support for reducing the four Cambodian military forces to the same low level (approximately 10,000 to 15,000 men per faction) and their reintegration in a unified defense force. [redacted]

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Moscow has increased pressure on Hanoi to be more responsive on key issues on the eve of the summit, but is unlikely to go beyond the positions Vietnam is advancing at the Sino-Vietnamese talks from 8 to 10 May:

- In an attempt to break the stalemate over power-sharing arrangements, Moscow has been advocating an expanded version of an old PRK proposal on establishing a quadripartite "supreme council of national reconciliation" which would be "above" the PRK government--not in place of it--and responsible for holding elections.
- Moscow probably will continue to support the PRK's stance against the Chinese proposal to reduce each party's forces to an equal level because it would leave the PRK at a disadvantage and could allow the Khmer Rouge to regain exclusive power. Moscow will also push Beijing to cut off aid to the Khmer Rouge during instead of after Hanoi's pullout. [redacted]

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- Beijing reportedly seeks a written Soviet commitment to a comprehensive Cambodian settlement that includes power-sharing arrangements for a future government in Phnom Penh headed by Prince Sihanouk.
- Although [redacted] Moscow is [redacted] stepping up pressure on Hanoi on the eve of the summit--and had told Beijing it would help resolve the internal side of a settlement--the Soviets insist they cannot dictate policy to Vietnam or the PRK. (b)(1)  
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Barring a dramatic breakthrough on Cambodia--a possibility but not a likelihood during the Sino-Vietnamese Vice Ministerial talks in Beijing from 8 to 10 May--the communique may well contain separate statements on Cambodia, with Beijing and Moscow agreeing to disagree. [redacted] Rogachev has studied the 1979 and 1982 Sino-US agreements on Taiwan, suggesting that Moscow seeks ways to finesse Cambodia and other outstanding issues. [redacted] (b)(1)  
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A second major complication is whether the document will codify the resumption of party ties. [redacted] reports that the Soviets are pushing for a set of principles and objectives of party-to-party ties possibly similar to a 1988 Soviet-Yugoslav joint declaration. The Chinese reportedly are demurring, arguing that this would upset the United States and would prefer that the meeting between party General Secretary Zhao Ziyang and Gorbachev signal, without fanfare, a return to normalcy. Chinese party leaders, however, may see advantages in spelling out in writing that the Soviet paternalism of the 1950s has ended and that future ties are based on independence, equality, mutual respect, and noninterference in each others internal affairs. Beijing might attempt to use the prospects of a statement on party relations to entice Moscow to be more responsive on Cambodia. [redacted] (b)(1)  
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Whether party ties are codified in a summit communique, a gradual rejuvenation of party links across the board is inevitable. Chinese party representatives are likely to attend future world Communist meetings convened by Moscow, and regular party exchanges will begin. The Soviet All-Union Komsomol and the Communist Youth League of China have already agreed to resume contacts after the summit, and both sides are discussing future exchanges of journalists, teachers, and students, according to Soviet radiobroadcasts. Beijing reportedly is especially interested in sending Youth League members to apprentice in Soviet scientific research institutes and industrial enterprises. While party-to-party connections may not accomplish much more than transactions through existing government channels, they will create a special dimension in Sino-Soviet ties that the West does not enjoy. [redacted] (b)(3)

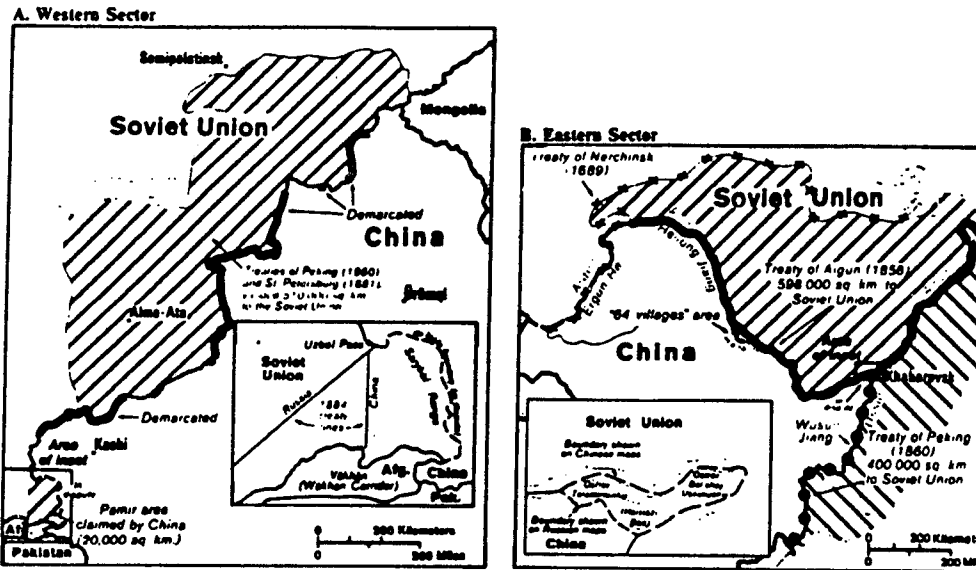
#### Security and Border Issues

Gorbachev is likely to bring to Beijing specifics on the proposed 200,000-man force reductions in the Soviet Far East, but will push Beijing to reciprocate. [redacted] not only will military manpower in the Far East be cut--and that all but one 12,000-man Soviet division in Mongolia will be withdrawn by [redacted] (b)(1)  
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**Chinese and Soviet Views on Border Demarcation**



The Soviets seek a comprehensive border accord that could trade Heixiazi Island opposite the Soviet city of Khabarovsk for Chinese concessions in the west. The Chinese have dropped a demand for the repudiation of the unequal treaties and appear willing to settle for the Soviets giving back the land that they took beyond the border marked by the treaties in the west. [redacted]

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In our judgement, Moscow has been prepared for some time to give Heixiazi back. Gorbachev set the stage for a compromise when he publicly announced Soviet agreement with the long-held Chinese position that the eastern border passes along the main channel of the Amur River in his Vladivostok speech. The Soviets later agreed to begin aerial photography of the eastern sector, which Moscow must have realized would show Heixiazi on the Chinese side of the main channel. The Soviets will probably be careful to claim that the natural flow of the river has changed the border to avoid setting a precedent that could apply to any other disputed territories along the USSR's borders; a rationalization that Moscow would be unable to use in the western sector. Beijing will also approach the more legalistic territorial dispute in the west with caution to avoid setting damaging precedents for its territorial claims on the border with India and in the Spratly Islands. [redacted]

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1991--but that forces will be restructured to a defensive configuration. The reduction and restructuring of Soviet units could affect half of the ground force divisions opposite China--through reductions in personnel strength, conversion to static defense divisions, and disbandment. Although the Soviets would retain a qualitative superiority, the changes could cut Soviet tank strength--estimated at 14,200--by some 5,000. China has approximately 5,900 tanks in regions opposite the Soviet Union. Thus far, China has pointed to its own 1-million-man reduction in the size of its armed forces since 1985 and appears in no hurry to schedule meetings of a military and diplomatic experts group that was agreed to in principle at the Foreign Ministers' discussions in December and February. [redacted]

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Chinese leaders probably calculate that because Gorbachev's offer of cuts was unconditional, they stand to gain little at this time by offering reciprocal reductions. We believe Beijing first wishes to see some of the Soviet cuts implemented and, in our judgment, the extent of Beijing's willingness to offer reciprocal Chinese actions will depend on the ultimate outcome of a current debate within the Chinese leadership over defense strategy and the nature of the strategic threat to China. At the summit, Beijing will probably opt simply to discuss with Gorbachev potential confidence-building measures--such as limiting the scope and number of exercises and providing advance notice of training activities. [redacted]

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Marked increases in the number of meetings involving the border demarcation issue in the past few weeks suggest to us that both sides are seeking at least an agreement in principle on the disputed territories at the summit. To date, most of the territorial issues in the eastern sector have been settled and only the areas near the Pamirs in the west remain largely unresolved. We judge that if the Soviets are assured of future compromises in the west, Gorbachev may concede the islands opposite Khabarovsk to the Chinese during this visit. According to a Chinese-controlled Hong Kong newspaper, Zhenbao (Damansky) Island--the site of bitter clashes in 1969--has already been turned over to China. Chinese troops are reportedly now patrolling the island unarmed, which could be a signal to Moscow that China will not place major military installations on Heixiazi Island if it is returned. [redacted]

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#### Addressing the World Stage

In many ways, Gorbachev and Deng will be playing as much to the United States, the rest of Asia, and the world as to each other during the summit. Gorbachev, for example, could announce plans to unilaterally reduce the size of the Soviet Pacific Fleet or propose other dramatic new arms control proposals to impress Japan, South Korea, Taiwan, the ASEAN nations, Australia, and New Zealand with his sincere desire for better relations in East Asia. [redacted]

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[Redacted] the Soviet leader would probably prefer to make such a grand gesture at a summit in Japan but, given the poor prospects for such an event this year, may choose the second best podium in East Asia. Gorbachev, however, will be careful to avoid giving Beijing the impression that Moscow is using China as merely a tool to reach other Asian countries and may even informally sound out Beijing to gauge possible Chinese reaction to any dramatic proposal. [Redacted]

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For the Chinese, the summit risks reawakening fears in the West and non-Communist Asia of the rebirth of monolithic Communism, which could jeopardize Chinese access to Western technology and markets. Thus, as they have done over the past few months, Beijing will try to find ways to reassure the world that Sino-Soviet rapprochement is constrained. The surprise decision by Beijing to send a navy ship to Hawaii in April for its first Western port call since 1949 was clearly designed to remind all concerned of the special nature of US-China military ties. In addition, Beijing's invitation to a US naval task group to visit Shanghai beginning on the afternoon of the day that Gorbachev is scheduled to leave Shanghai demonstrates that in the military sphere China continues to lean to the West. [Redacted]

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Similarly, we believe Beijing's insistence on highly specific language on Cambodia is intended to reassure its friends in ASEAN and the West, particularly Thailand, that Beijing is not losing sight of important regional concerns and will also serve to highlight continuing sharp differences with Moscow. [Redacted] Beijing is insisting on language in the communique that will state flatly that Sino-Soviet relations will not return to their status of the 1950s or affect bilateral ties with third parties. We expect both Beijing and Moscow to quickly brief their allies and friends after the summit. [Redacted]

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**Looking Beyond the Summit**

Despite Beijing's cautious statements, this new beginning in Sino-Soviet relations may yield some significant new areas of interaction, particularly in the military-industrial sphere:

- A Chinese delegation from the military's Ministry of Aerospace Industry visited the Soviet Union, Czechoslovakia, and East Germany in late April and early May. The eight-man team of senior managers--apparently the first visit of its kind since the Sino-Soviet break of the early 1960s--discussed trade cooperation and technology transfer, among other issues.

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Bilateral economic interaction has grown steadily for the past four years despite a lack of normalized political relations. In 1985, for example, the two sides signed their first five-year trade agreement in more than 25 years:

- Sino-Soviet trade approached \$3.3 billion last year, far less than the \$14 billion Sino-US trade but 10 times the level of Sino-Soviet trade in 1982. Cross-border trade--which made up only 3 percent of overall trade in 1987--topped \$400 million in 1988, accounting for more than 10 percent of trade.
- In 1986 the Soviets agreed to renovate 17 factories and construct seven new facilities, most in northeastern China. Several hundred Soviet technicians ultimately will be sent to China for these and other industrial programs, and an equal number of Chinese will be sent to the USSR for training. One roadblock to progress has been Chinese dissatisfaction with the quality and technical level of Soviet industrial equipment Moscow has offered. [redacted]

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New areas of cooperation for 1989 include joint ventures in the energy field, limited Soviet financial assistance to Chinese projects, and Chinese labor exports to the Soviet Far East:

- Moscow has offered Beijing nuclear power plants and [redacted] technical details for a plant in Liaoning Province have been agreed upon but financial arrangements are still under negotiation. Moscow is already a major supplier of thermal power plants with over a dozen contracts, mostly in northern China.
- The Soviets recently agreed to extend a \$125 million credit to Beijing for steel-manufacturing equipment, the third known Soviet credit to China in the past year. Previously, China had avoided any credit arrangements because of the bitter experiences of "Soviet aid" in credits in the early 1960s.
- Beijing is sending over 10,000 Chinese laborers to the Soviet Union as part of three labor agreements signed in 1988, according to the Chinese press. This is part of complicated compensatory-trade arrangements which--in some cases--exchange Chinese labor services for a percentage of the goods produced from such labor. [redacted]

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China has traditionally purchased passenger aircraft, transport helicopters, and trucks from the Soviets, and we believe there is a strong possibility that this cooperation will extend to military hardware and technology. China's military would almost certainly like to acquire Soviet radar and electronic warfare gear, export versions of Soviet main battle tanks, and attack helicopters, particularly if the sales package includes production technology.<sup>2</sup> In our judgment, the unresolved question is how far Moscow is willing to go in transferring capabilities that can markedly improve the quality of Chinese forces facing the Soviet Union and its allies. [redacted]

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The Chinese and Soviet military establishments may also begin a dialogue on regional affairs and limited intelligence exchanges--areas which Beijing had in the past refused to consider. [redacted]

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Sharing of dual-use technologies in electronics research and production is another area in which Sino-Soviet cooperation may reach new levels. China is already providing its highly advanced gallium arsenide technology--used in microelectronics to enhance remote sensing and high-speed computing--to Moscow in exchange for silicon production technology, and Beijing recently proposed exchanging top experts in microelectronics. Soviet technology is attractive to many Chinese because it is cheaper and more easily assimilated than comparable Western equipment. [redacted]

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[redacted]

Closer Sino-Soviet science and technology relations increase the prospects that Beijing--or one of the several thousand trading companies in China--will provide Moscow with controlled Western technology. [redacted]

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[redacted] recently told [redacted] that the Soviet military is eager to get dual-use technology from China that it cannot obtain from the West, particularly computer technology. Although we judge Beijing is unlikely to risk its access to advanced Western technology by deliberately violating reexport controls, China's Ministry of Foreign Economic Relations and Trade lacks an effective means for controlling the export of high-technology goods. [redacted]

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<sup>2</sup> In a related area, Beijing and Moscow are talking increasingly about cooperation in manned space programs. [redacted]

[redacted] China hopes to put a man in space early in the next century. [redacted]

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Although we expect economic ties to continue their steady growth after the summit, both sides appear somewhat disappointed with the pace of expansion to date.

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The Chinese have suggested that less ambitious programs be discussed and probably want to see results on existing agreements first. A major problem has been that while many agreements in principle have been signed, bureaucratic and other problems have delayed their implementation. Nonetheless, Sino-Soviet trade probably will exceed a \$3 billion average annual figure for the rest of the five-year barter trade agreement that extends to 1990. And new cooperation in such areas as border trade, joint ventures, Soviet financial credits, and labor exchanges--particularly the export of Chinese construction, agricultural, and timber workers to Siberia--holds new promise of mutual economic benefit. [REDACTED]

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**Regional Implications**

Better Sino-Soviet relations are likely to have a positive impact on some aspects of East Asian security. Sino-Soviet rapprochement has already contributed to reducing somewhat Chinese tensions with Vietnam, India, and Mongolia. Both Beijing and Moscow also have a vested interest in easing tension on the Korean peninsula and finding a way to establish official relations with Seoul. Should the Soviets and Chinese begin to cooperate on such issues as jointly encouraging North Korean restraint, this cooperation could have positive implications for regional stability. [REDACTED]

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The continued improvement in Sino-Soviet ties that we foresee in the next year or two will give Moscow and Beijing more weight in regional affairs, but we believe there are few major arenas of potential bilateral cooperation in East Asia, as each will seek to advance its own competing influence. In particular, as Moscow steps up overtures to the non-Communist Asian countries, increased competition for investment and trade opportunities as well as political influence is likely. Moscow will probably not be a serious economic competitor in the near term because economic development in the Soviet Far East lags behind Chinese reform efforts. In the long term, however, competition for investment and trade almost certainly will increase, especially if the Soviets are willing to compromise on political issues important to regional actors--such as Japan's claim to the Northern Territories and pressure on North Korea to be more accommodating toward Seoul. The Soviets are also beginning to develop special economic zones in the Far East--modeled after China's--which could compete with those in China. Beijing is likely to look with suspicion upon any future Soviet inroads in the region--which China has traditionally viewed as its "backyard." [REDACTED]

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~~SECRET NOFORN NOCONTRACT ORCON~~**Implications For Washington**

Improved Sino-Soviet relations will increase Chinese and Soviet leverage in relations with the United States and add to Gorbachev's image as a peacemaker. The already minimal potential for Sino-Soviet military conflict will recede even further, presenting new challenges to US foreign policy. In an atmosphere of triangular detente, Japan probably will be under greater pressure to improve its relations with the Soviet Union. Moreover, if the image of the Soviet military threat in East Asia is diminished, non-Communist East Asians may see less need to spend money on defense or to permit US military access, especially if Moscow announces it will abandon its military base at Cam Ranh unilaterally, further curtail its naval deployments in the Asia-Pacific region, or return the contested Northern Territories to Japan. It is conceivable that the Soviets will eventually make all of these moves, with the withdrawal from Cam Ranh probably the most likely in the near term. If Sino-Soviet relations improve too rapidly, however, others may turn more to Washington as a counterweight to the two Communist giants. Some Asian countries--such as India and Vietnam--may seek greater interaction with the United States if they perceive warming Sino-Soviet relations as threatening. [redacted]

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Moscow and Beijing may also cooperate on a number of UN issues, arms control questions, and in multilateral forums where Soviet and Chinese positions are closer than China's are to the United States. In some of these cases, however, China's positions are largely rhetorical--such as on Nicaragua and the debt question--and are primarily aimed at a Third World audience to demonstrate China's independent foreign policy. In our judgment, Beijing looks to the United States to play a strong role in maintaining stability in Asia and will remain extremely wary of Soviet calls for an international forum to discuss Asian security. China almost certainly believes that any such collective Asian security pact would lend legitimacy to Soviet attempts to extend influence in East Asia and, in any event, represents a ruse for obtaining US military force cuts. [redacted]

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While Beijing seeks to enhance its leverage in triangular relations, the Chinese have gone to some lengths to reassure the United States that improvements in Sino-Soviet relations do not portend a radically different US-China relationship. Chinese leaders have reportedly decided that relations with the United States must remain (b)(1) paramount and have apparently avoided trying to score gains with the Soviets at the (b)(3) expense of the United States. In recent meetings with Chinese leaders, US officials have been reminded of the unique and enduring aspects of Sino-US relations, such as the close cooperation in the military sphere. [redacted]

The United States will remain central to Chinese foreign policy because of the continuing need for a counterweight to the Soviet Union and Japan, and the belief that only the West can provide the investment, advanced technology, and large hard currency paying markets required for Chinese economic and military development. We believe the Chinese leadership continues to judge that, although the Soviet Union sincerely desires a period of extended peace to rebuild its economy, it will eventually again attempt to bring China under its sway. Moreover, Chinese leaders probably calculate

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that solid Sino-US relations prod Moscow to be more forthcoming on Chinese demands.

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A key area of uncertainty is how Beijing will use improved ties with Moscow as leverage against the United States. The Chinese deny they would play a Soviet card, but they appear to genuinely believe that the United States has abiding concerns about Sino-Soviet rapprochement that Beijing could exploit. They might decide, for example, to be more assertive on the issue of Taiwan, pointing up Moscow's long support for their position.

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But the Chinese will have to balance possible gains against the fact that new strains in their relations with Washington could also be exploited by Moscow.

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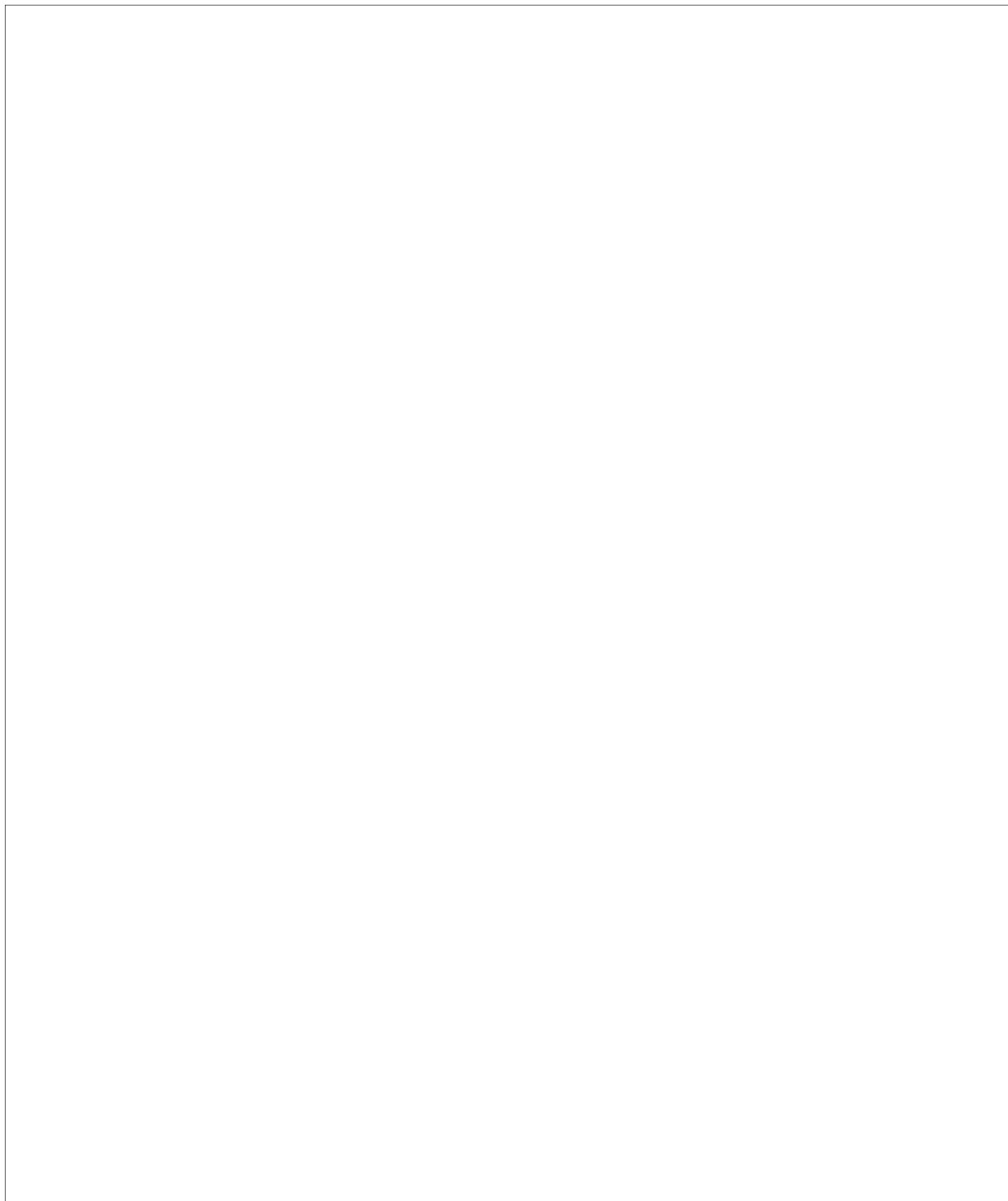


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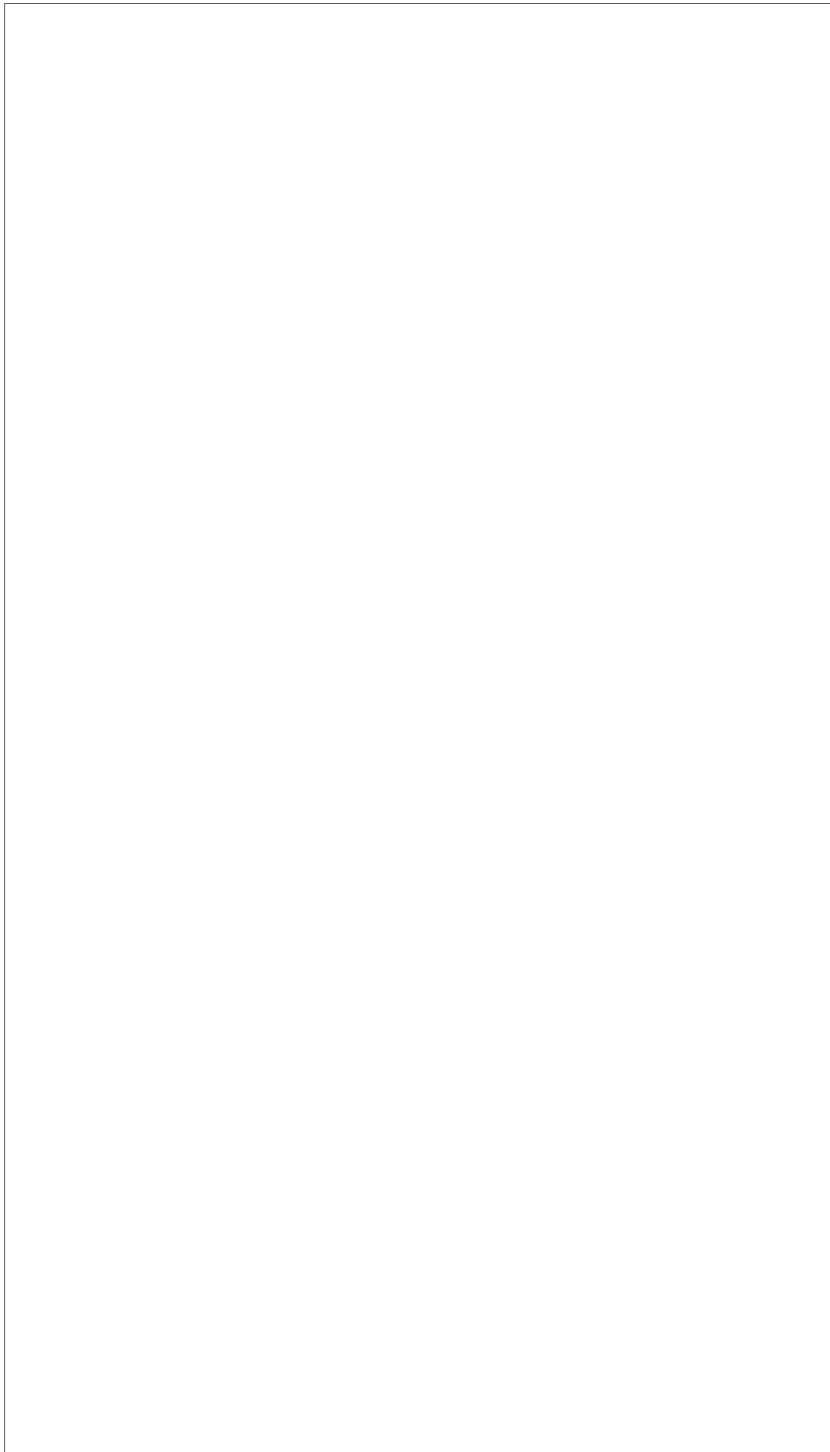


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