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**Collection:** Executive Secretariat, NSC: Country  
File: Records

**Folder Title:** China, PRC [People's Republic of  
China] (July 1981) (1 of 2)

**Box:** RAC Box 6

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# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** EXECUTIVE SECRETARIAT, NSC: COUNTRY FILE

**Withdrawer**

RBW 1/2/2009

**File Folder** CHINA, PRC (JULY 81) (1 OF 2)

**FOIA**

F02-025/1

**Box Number** 6

COHEN, WARREN

1

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
59947	MEMO	LILLEY TO ALLEN RE. NEW CHINESE PARTY CHAIRMAN	1	7/1/1981	B1
59977	CABLE	BEIJING 6740 <i>R 10/18/2013 M386/1</i>	3	7/1/1981	B1
59948	MEMO	POATS TO THE FILES RE. US-CHINA JOINT ECONOMIC COMMITTEE <i>R 10/18/2013 M386/1</i>	2	7/1/1981	B1
59949	MEMO	LENZ TO BREMER RE. SECRETARY HAIG'S MTG. <i>R 10/18/2013 M386/1</i>	1	7/7/1981	B1
59950	MEMO	ALLEN TO BUSH, REGAN, BALDRIGE, DONOVAN, AND CASEY RE. CANTON VALEDICTORY ON CHINA <i>R 10/18/2013 M386/1</i>	2	7/13/1981	B1
59951	PAPER	RE. REFLECTIONS ON LEAVING CANTON <i>R 10/18/2013 M386/1</i>	5	6/3/1981	B1
59952	MEMO	LILLEY TO ALLEN RE. CANTON TELEGRAM REWORKED [W/NOTATIONS] <i>R 10/18/2013 M386/1</i>	1	7/8/1981	B1
59954	MEMO	LILLEY TO ALLEN RE. CANTON VALEDICTORY ON CHINA [W/NOTATIONS] <i>R 10/18/2013 M386/1</i>	2	7/2/1981	B1

The above documents were not referred for declassification review at time of processing

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** EXECUTIVE SECRETARIAT, NSC: COUNTRY FILE

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RBW 1/2/2009

**File Folder** CHINA, PRC (JULY 81) (1 OF 2)

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F02-025/1

**Box Number** 6

COHEN, WARREN

1

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
59955	CABLE	GUANGZHOU 1249 <i>R 10/18/2013 M386/1</i>	3	6/30/1981	B1
59956	DISTRIBUT. RCD.	RE. A CANTON VALEDICTORY ON CHINA <i>PAR 3/12/2013 M386/1</i>	1	7/13/1981	B1 B3
59957	CABLE	BEIJING 6827 <i>R 10/18/2013 M386/1</i>	4	7/10/1981	B1
59964	MEMO	STEARMAN TO ALLEN RE. SOVIET UNION [COPY OF DOC. 59960 W/O NOTATIONS] <i>R 10/18/2013 M386/1</i>	1	7/6/1981	B1
59978	CABLE	6 JUL 81 <i>R 3/12/2013 M386/1</i>	2	7/6/1981	B1 B3
59960	MEMO	STEARMAN TO ALLEN RE. SOVIET UNION [W/NOTATIONS] <i>R 10/18/2013 M386/1</i>	1	7/6/1981	B1
59975	CABLE	BEIJING 6906	2	7/7/1981	B1
59976	MEMO	LILLEY TO ALLEN RE. CHINA [W/NOTATIONS] <i>R 10/18/2013 M386/1</i>	2	7/8/1981	B1

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NSC/S PROFILE

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ID 8104001

UNCLASSIFIED UPON REMOVAL  
OF CLASSIFIED ENCLOSURE(S) *RW 1-5-29*

UNCLASSIFIED UPON REMOVAL  
OF CLASSIFIED ENCLOSURE(S)

RECEIVED 01 JUL 81 18

TO ALLEN

FROM LILLEY

DOCDATE 01 JUL 81

KEYWORDS: CHINA P R

SUBJECT: NEW CHINESE PARTY CHMN COMMENTS ON MARXIST POLITICS

ACTION: FOR INFORMATION

DUE:

STATUS IX FILES

FOR ACTION

FOR COMMENT

FOR INFO

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ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
<i>C</i>	<i>7/06</i>	<i>noted by RVA w/comment</i>		<i>JL</i>

DISPATCH

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FILE

*PA* (C)

*Per*

# WITHDRAWAL SHEET

Ronald Reagan Library

Free:

*Collection Name*  
EXECUTIVE SECRETARIAT, NSC: COUNTRY FILE

*Withdrawer*  
RB 1/2/2009  
W

*File Folder*  
CHINA, PRC (JULY 81) (1 OF 2)

*FOIA*  
F02-025/1  
COHEN, WARREN

*Box Number*  
6

1

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
59947	MEMO  LILLEY TO ALLEN RE. NEW CHINESE PARTY CHAIRMAN	1	7/1/1981	B1

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C. Closed in accordance with restrictions contained in donor's deed of gift.

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O P 011509Z JUL 81  
FM AMEMBASSY BEIJING

DECLASSIFIED

NLRR M386/1 #59977

BY KML NARA DATE 10/18/13

TO SECSTATE WASHDC NIACT IMMEDIATE 3407  
INFO ALL CHINA POSTS COLLECTIVE PRIORITY

~~CONFIDENTIAL~~

LIMITED OFFICIAL USE BEIJING 6740  
E.O. 12065: N/A  
TAGS: CH, PINT  
SUBJ: CHINA CELEBRATES THE 60TH ANNIVERSARY OF THE  
COMMUNIST PARTY

1. SUMMARY: CHINA MARKED THE 60TH ANNIVERSARY OF THE  
FOUNDING OF THE COMMUNIST PARTY WITH A LARGE MEETING  
IN THE GREAT HALL THAT WAS ADDRESSED BY NEWLY ANOINTED  
PARTY CHAIRMAN HU YAOBANG. THE SENIOR CHINESE  
LEADERSHIP MADE ITS FIRST POST-PLENUM APPEARANCE  
WITH ALL IN PROPER ORDER, BUT VICE CHAIRMAN YE  
JIANYING WAS CONSPICUOUSLY ABSENT. HU'S SPEECH  
CONTAINED A NEW FORMULATION WHICH SEEMED TO CONSTITUTE  
A LOW KEY REMINDER TO THE US ABOUT CHINESE SENSITI-  
VITIES OVER TAIWAN. MOST OF THE SPEECH WAS  
CONCERNED WITH DOMESTIC AFFAIRS, ECHOING MANY THEMES  
CONTAINED IN THE SIXTH PLENUM'S HISTORICAL RESOLUTION.  
WHAT IS MOST STRIKING ABOUT HU'S SPEECH, HOWEVER,  
IS THE RELATIVELY ORTHODOX IDEOLOGICAL NOTES  
SOUNDED THROUGHOUT. END SUMMARY.

2. ON JULY 1 CHINA MARKED THE 60TH ANNIVERSARY OF THE  
FOUNDING OF THE COMMUNIST PARTY WITH A LARGE MEETING  
ATTENDED BY SOME 10,000 PERSONS IN THE GREAT HALL  
OF THE PEOPLE. PREMIER ZHAO ZIYANG PRESIDED AND  
NEWLY ANOINTED PARTY CHAIRMAN HU YAOBANG DELIVERED  
A LENGTHY SPEECH. THE SENIOR CHINESE LEADERSHIP,  
INCLUDING POLITBURO AND SECRETARIAT MEMBERS, MADE  
THEIR FIRST APPEARANCE SINCE THE SIXTH PLENUM. PARTY  
VICE CHAIRMAN YE JIANYING WAS CONSPICUOUSLY ABSENT,  
BUT THE REST OF THE STANDING COMMITTEE LINED UP IN

\*\*\*\*\*

SIT:  
EOB: LILLEY  
WHSR COMMENTS:

PAGE 01

BEIJING 6740

DTG:011509Z JUL 81  
TOR: 182/1649Z

PSN:010961  
CSN:HCE623

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THEIR NEW RANK ORDER. THEY WERE FOLLOWED BY ORDINARY POLITUBURO MEMBERS WHO CONTINUE TO BE LISTED IN THE CHINESE EQUIVALENT OF ALPHABETICAL ORDER.

3. HU'S ADDRESS TO THE ASSEMBLAGE - DELIVERED IN A FORCEFUL AND HIGHLY ANIMATED STYLE - DEALT WITH DOMESTIC AND FOREIGN AFFAIRS. MANY OF THE THEMES ECHOED THOSE SOUNDED IN THE PLENUM'S HISTORICAL RESOLUTION (SEPTEL). THOUGH THE TREATMENT OF FOREIGN POLICY WAS RELATIVELY BRIEF, HU AFFIRMED CHINA'S DETERMINATION TO MAINTAIN ITS "NATIONAL SELF-RESPECT IN THE FACE OF HEGEMONISTIC THREATS OF FORCE OR IN OUR RELATIONS WITH ALL STRONGER AND RICHER COUNTRIES." THE MENTION OF "STRONGER AND RICHER COUNTRIES," ALSO CONTAINED IN THE HISTORICAL RESOLUTION, SEEMS TO BE A NEW FORMULATION REFERRING TO THE US. UNLIKE THE HISTORICAL RESOLUTION, HOWEVER, HU APPEARED TO LINK THIS POINT TO TAIWAN WHICH HE NOTES STILL STANDS APART FROM THE MOTHERLAND. THIS REFERENCE SEEMS TO CONSTITUTE A LOW KEY REMINDER TO THE US ABOUT CHINESE SENSITIVITIES OVER TAIWAN.

4. MUCH OF HU'S SPEECH CONSTITUTED AN APPEAL TO PARTY MEMBERS AND THE CHINESE PEOPLE TO KEEP FAITH WITH THE CCP DESPITE ITS MISTAKES OVER THE YEARS. IN THIS CONNECTION HE CHARACTERIZED THE CULTURAL REVOLUTION AS "A GROSS BLUNDER" FOR WHICH MAO ZEDONG AS WELL AS VETERAN PARTY MEMBERS ALIKE SHARERESPONSIBILITY. THE COMMUNIST PARTY LEARNS FROM ITS MISTAKES AND WILL NOT REPEAT THEM, HE SAID.

5. WHAT WAS MOST STRIKING ABOUT HU'S MAIDEN SPEECH AS PARTY CHAIRMAN WAS THE RELATIVELY ORTHODOX IDEOLOGICAL THEMES SOUNDED THROUGHOUT. STRESSING THE IMPORTANCE OF PARTY LEADERSHIP AND SPIRITUAL VALUES, AT ONE POINT HU SAID THAT THE HISTORIC L EXPERIENCE OF THE PAST 60 YEARS CAN BE SUMMED UP IN ONE SENTENCE: "THERE MUST BE AMARXIST, REVOLUTIONARY LINE AND A PROLETARIAN PARTY CAPABLE OF FORMULATING AND UPHOLDING THIS LINE." AT ANOTHER POINT HE WARNED HIS AUDIENCE TO BE ON GUARD AGAINST THE CONTRADICTION BETWEEN "PROLETARIAN AND NON-PROLETARIAN IDEOLOGY." IN HIS DISCUSSION OF MAO, HE WENT SO FAR AS TO CALL HIM THE "GREATEST NATIONAL HERO IN CHINESE HISTORY." THERE WAS RELATIVELY LITTLE ATTENTION TO POLITICAL REFORMS WITH WHICH HU HAS BEEN CLOSELY IDENTIFIED IN THE PAST. WHEN HE DID ADDRESS REFORM, HE EMPHASIZED THE IMPORTANCE OF GRADUAL CHANGE.

6. COMING ON THE OCCASION OF THE PARTY'S 60TH ANNIVERSARY, HU'S SPEECH WAS PROBABLY LESS OF A PERSONAL STATEMENT THAN A REFLECTION OF THE PARTY'S POLITICAL CENTER OF GRAVITY AT THIS

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TIME. NEVERTHELESS, THE ORTHODOX PITCH OF HU'S SPEECH RE-  
SONATES WITH HIS REMARKS TO MILITARY UNITS IN JINAN ON MAY DAY  
AND POSSIBLY REFLECTS HIS OWN EFFORTS TO CUT AN IMAGE THAT  
IS PALATABLE TO A BROADER RANGE OF PARTY MEMBERS.

ROY  
BT

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81 JUL 2 A10: 50

JANET COLSON

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DICK ALLEN

DWA 1239

IRENE DERUS

ijd 6/8911

JANET COLSON

JC

BUD NANCE

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KAY

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RW 1/5/09

RECEIVED 01 JUL 81 20

TO FOR THE RECORD

FROM POATS

DOCDATE 01 JUL 81

KEYWORDS: ECONOMICS

INTL TRADE

CHINA P R

SUBJECT: PREPARATIONS FOR US-CHINA JOINT ECONOMIC COM ON COMMERCE & TRADE

ACTION: FOR RECORD PURPOSES

DUE:

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MEMORANDUM

NATIONAL SECURITY COUNCIL

~~CONFIDENTIAL~~

July 1, 1981

MEMORANDUM FOR THE FILES

FROM: RUTHERFORD POATS *RP*

SUBJECT: Preparations for US-China Joint Economic Committee and US-China Joint Committee on Commerce and Trade (U)

Marc Leland convened at Treasury all agencies interested in US-China economic and technical relations and started preparations for a fall meeting of the Joint Economic Committee in Beijing. He suggested that there be some overlap between the subject coverage of the Joint Economic Committee and of the new Commerce Committee. The Commerce Department representative, Bill Morris, said Secretary Baldrige was about to propose a winter meeting in Washington of the new joint committee. (U)

Leland asked agencies to submit proposed items for resolution at the fall Joint Economic Committee meeting. (U)

I suggested that joint working parties meet on such action items some weeks in advance of the Joint Economic Committee meeting so as to increase the likelihood of achieving concrete agreements at the JEC meetings. (U)

Mike Armacost reported on Haig's visit, noting particularly Haig's promise to liberalize US export controls and accelerate processing of export cases; Chinese skepticism as to whether we would in fact do this; Chinese agreement to the creation of a second joint committee on commerce and trade; Haig's reaffirmation of the US commitment to provide \$2 billion of Export-Import Bank credits to China over a five-year period which began more than a year ago; and the focusing of Chinese development interest on plant modernization, technical assistance in gold and bauxite mining and soybean production, and technical and financial assistance in hydropower, oil and gas development. (U)

ExIm representatives noted that the PRC is not currently exploiting the ExIm credit offer, beyond two early applications, because of high US interest rates, Chinese budgetary constraints on most development activities, and Chinese administrative problems. (U)

~~CONFIDENTIAL~~  
 Review on  
 July 1, 1987

DECLASSIFIED  
 NLRR M386/1 59948  
 BY KML NARA DATE 10/18/13

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

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~~CONFIDENTIAL~~

2

Leland suggested that the Joint Economic Committee deal with: (1) US policy toward financial assistance to China, through both the World Bank and Asian Development Bank and US national programs (ExIm, CCC, TDP, and OPIC); (2) US private sector investment and operational contracting in China; (3) bilateral tax treaty issues affecting US business operations in China; (4) trade policy, including textile trade restrictions, the Civil Aviation Agreement, maritime cooperation, and the copyright agreement. (C)

Ben Huberman reported on plans for a fall meeting of the Science and Technology Commission, and an Energy Department official pointed out that budget cuts have made it impossible to agree to China's request for a second round of technical consultations on hydropower technology, as promised by Vice President Mondale. (C)

cc: Norman Bailey  
Henry Nau  
Jim Lilley

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~~CONFIDENTIAL~~

1006

NATIONAL SECURITY COUNCIL

TO: NSC / S

for the files

JRP

file  
PA

UNCLASSIFIED UPON REMOVAL  
OF CLASSIFIED ENCLOSURE(S)

RECEIVED 07 JUL 81 08

TO LENZ

FROM LILLEY

DOCDATE 01 JUL 81

LENZ

07 JUL 81

KEYWORDS: CHINA P R

HUANG HUA

DENG XIAO PING

BO YIBO

SUBJECT: REQUEST FOR TRANSCRIPTS OF SEC HAIG MTGS IN PEKING

ACTION: LENZ SGD MEMO TO BREMER

DUE:

STATUS C

FILES PA *(circled)*

FOR ACTION

FOR COMMENT

FOR INFO

LILLEY

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COMMENTS

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ACTION OFFICER (S)

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*INDEX*

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*ed 7/7/81 [signature]*

W/ATTCH FILE

(C)

## NATIONAL SECURITY COUNCIL

July 7, 1981

~~CONFIDENTIAL~~

MEMORANDUM FOR L. PAUL BREMER III  
Executive Secretary  
Department of State

SUBJECT: Transcripts of Secretary Haig's Meetings in  
Peking

For our records we request that full transcripts of the  
Secretary's meetings with the following Chinese leaders be  
sent to me as they are completed:

Huang Hua - both meetings


Deng Xiao Ping

Bo Yibo

Geng Biao

Chai Chengwen

In addition to the Chinese above, it would be helpful to have  
the transcripts of State's meetings with Zhang Wenjin and  
other key Foreign Ministry officials.

  
Allen J. Lenz  
Staff Director

~~CONFIDENTIAL~~

Review on 7/1/87

DECLASSIFIED

NLRR M386/1 \*59949

BY KML NARA DATE 10/18/13

## NATIONAL SECURITY COUNCIL

July 2, 1981

TO: JANET COLSON  
FROM: ALLEN LENZ

This seems okay to me, but in view of recent events, thought I should run it by you before releasing it.

Allen -

7/2

It's my understanding that Dick approved this at yesterday's staff meeting with division heads. John Coindexter concurs.

Janet





RECEIVED 02 JUL 81 19

TO ALLEN

FROM LILLEY

DOC DATE 02 JUL 81

KEYWORDS: CHINA P R

SUBJECT: CANTON VALEDICTORY ON CHINA

ACTION: FOR INFORMATION

DUE:

STATUS IX FILES

FOR ACTION

FOR COMMENT

FOR INFO

ALLEN

GREGG

COMMENTS

REF#

LOG

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ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
<i>JL</i>	<i>5</i>	<i>note by RVA w/ comment. for further action</i>	<i>7/8</i>	<i>OG</i>
<i>RA</i>	<i>4</i>	<i>memo prepared for VP etc. in</i>	<i>7/13</i>	
<i>C</i>	<i>7/13</i>	<i>RVA Agd memo</i>		<i>32, 16, Index</i>
<i>HW</i>	<i>7/14</i>	<i>("Sheet")</i>		<i>(17) (C)</i>

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4046 add-on

THE WHITE HOUSE

NLRR M386/1 #59950

WASHINGTON

BY KML NARA DATE 10/18/13

July 13, 1981

~~CONFIDENTIAL~~

MEMORANDUM FOR THE VICE PRESIDENT

THE HONORABLE DONALD T. REGAN  
The Secretary of the Treasury

THE HONORABLE MALCOLM BALDRIGE  
The Secretary of Commerce

THE HONORABLE RAYMOND J. DONOVAN  
The Secretary of Labor

THE HONORABLE WILLIAM J. CASEY  
The Director of Central Intelligence

SUBJECT: A Canton Valedictory on China (U)

The attached State telegram is one of those rare instances of objective reporting which is also perceptive. I suggest you read it all as a balance to the numerous reports of a "New China" which may emerge from the recent plenum and leadership changes. (C)

Dick Williams, the author, has a Chinese wife and has been in Canton for two years as our Consul-general. He opened up our Consulate there and now after two years summarizes his experiences. (U)

Canton, facing Hong Kong, is influenced by both capitalist momentum and corruption. Two million Hong Kong visitors come each year. One result, the volatile, hot-blooded Cantonese speak disparagingly of northern Chinese confusion and interference. Consumerism in Canton is increasing, including even glitzy Hong Kong blue-jean display rooms. The Province has an overall favorable balance of trade, and its numerous contacts with the outside world have produced joint ventures and manufacturing projects. It has avoided political infighting and exploits current liberalized economic policies. It appears reasonably vigorous, at least measured against the standards of the rest of China. (C)

But Williams is pessimistic. He notes the phenomenal economic growth in Taiwan, because of its close access to the U.S., its Japanese-constructed infrastructure, its political stability, and enlightened, sustained economic policies. But, China today is where Taiwan was 25 years ago, before it reached the take-off

~~CONFIDENTIAL~~

Review on 7/8/87

~~CONFIDENTIAL~~

point. At China's present rate, it would take at least 50 years to reach Taiwan's current levels. (C)

The real problems in China are formidable structural and attitudinal obstacles. The people are listless, lazy, and locked into the "jobs for everybody -- fire nobody" of the Chinese "reforms" of the early 1950's. Williams' Chinese wife says, "I never thought I'd see the day when Chinese people would be lazy." The country is trying to dig itself out of the psychological rubble of 20 years of political carpet bombing. Officials are paralyzed in inaction, virtually incapable of decision. And yet it is from this group that somehow China must sustain its efforts at modernization. (C)

After a two-year stint in China, Williams sums it up this way: his single strongest impression is of the apathy and ineffectuality which pervades the bureaucracy and the factories. He sees very little evidence that current reforms can alter this. China, he says, is likely to enter the 21st Century still no more than the largest of the Third World countries. (C)

FOR THE PRESIDENT:



Richard V. Allen  
Assistant to the President  
for National Security Affairs

Attachment

Tab A State telegram

19

A

59951

~~CONFIDENTIAL~~

20

COPY

DEPARTMENT OF STATE

SUBJ: Reflections on Leaving Canton  
REF: 1980 Guangzhou 1172 3 June 1981

DECLASSIFIED  
NLRR M386/1 #59951  
BY KML NARA DATE 10/18/13

1. ~~Confidential~~ - Entire Text

2. Summary: Over the past year, Guangdong has continued to prosper, with industrial production, consumer goods availabilities, and foreign investment levels all registering substantial increases. Overwhelming support for the Government's current economic and political policies -- a virtual inability even to conceive of any viable alternatives -- has made the leadership skirmishes in Beijing in policy terms look like a question of whether China should be free in future to more selectively farther to the right, not of whether it should swing back leftward. Overall, the middle- and long-term outlook for China appears less promising than a year ago: the Government shows no sign of contemplating the major reforms needed to dispel a pervasive apathy, ineffectuality, and indecisiveness, which on present reading are likely to plague China for decades to come. End Summary.

3. During the second year of operation of Congen Guangzhou, the process of change noted reftel has steadily continued but does not seem to be accelerating. The discernible rise in the Guangzhou standard of living has progressed moderately further. The invasion of Hong Kong visitors doubled in 1980, to nearly two million.

4. Consumerism increases, with retail sales reportedly up 21 percent in 1980. Last year it was TV display rooms and repair shops which opened up; this year it is glitzy Hong Kong bluejean display rooms, each article prominently bearing the serial number permitting its ready identification to the Hong Kong relative asked to purchase it for presentation as a gift during the next visit to China.

5. Industrial progress also continues, led by 1980 increases of 15 percent in light industrial production and 28 percent in foreign trade. Guangdong officials allude shiffily to the national economic retrenchment as a northern phenomenon and point smugly to the Province's favorable overall balance of trade in 1980. Several thousand outside businessmen, mostly from Hong Kong, have entered into contracts, mostly small scale, for the processing, assembly, or manufacture of various light industrial products. Under current policies of economic decentralization, the province keeps 30 percent of the foreign currency generated from trade and 70 percent of remittances from abroad, giving it in 1980 a USDols 800 million fund availability for its modernization drive.

6. Nor is Guangdong visibly beset by the political infighting that has taken place over the year past in Beijing and elsewhere. The transfer of the two top Guangdong officials to important

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Beijing assignments in late 1980 presumably assures the Province of an influential hearing in central Government councils, while their successors are united in support of current liberalized economic policies and appear to be experienced and reasonably vigorous, at least when measured by the rather relaxed standards which unfortunately prevail in China.

7. Notwithstanding these hopeful developments, however, I end my Canton tour more pessimistic about the prospects for Guangdong and China than I was a year ago. No doubt my feeling in part results simply from the cumulative effect of living for two years in what remains, after all, an austere and impoverished country, but there is more to it than that.

8. For me as an old China type, a major point of comparison for mainland China is the Taiwan of the late 1950's, which the People's Republic of today strongly resembles in its stage of development and general income levels. Since the 1950's, Taiwan has had a quarter century of extraordinary progress under near-ideal conditions: political stability, enlightened and sustained economic policies; a rapidly expanding international economy, enhanced during many years by Taiwan's location along the sea and airplanes to Vietnam; good access to the U.S. and other major export markets; and, in earlier years, extensive U.S. aid. In addition, Taiwan possessed a Japanese-constructed infrastructure superior to that which at present exists in many parts of China; and its small island size meant that it never was troubled with a number of the developmental obstacles which face a continental-sized entity such as China. Yet even with these extraordinary advantages, Taiwan after 25 years, while booming, is still far from being a fully modern industrialized state. If it has taken Taiwan 25 years to come this far, it must take China 50 or more years.

9. Among the gravest of China's problems is that, in order to sustain substantial economic growth rates into the medium and long term, it must surmount formidable structural and attitudinal obstacles, a legacy of the past 30 years. As I see it, China has undergone two Communist "revolutions", the first in the post-World War II decade, the second from 1957 to 1976. During the five years since Mao's death, the country has been engaged in a massive repudiation, only now drawing to an end, of the second, cataclysmic "revolution".

10. As national policy has looked from here in Guangzhou, the Beijing leadership's in-fighting of the past year has been between those who would moderately expand current reform programs and those who would say "this far, but not much further." No group seems to be advocating a rollback to the left,. Accordingly, even if Deng Xiaoping were to be cast aside this year or next in favor of, let us say, a leadership coalition supported by Ye Jianying and the military, there is nothing to suggest that the resultant Government would do more than slightly adjust the pace or emphasis of present policy, presumably assigning a somewhat greater share of resources to the military but still retaining the policies of economic

modernization coupled with the opening to the industrialized West. These policies enjoy overwhelming support: in Guangzhou, at least, people simply cannot conceive of any substantially different viable alternative.

11. Still preoccupied with the form and comprehensiveness with which the "second revolution" of 1957-1976 is to be rejected, the country understandably has not yet even begun to examine the degree to which its economic ills ultimately stem from the first revolution, of the post-World War II decade. Though Mao is now scorned for leading his country into the great leap forward and the 20 years of ensuing ruin, it should not be forgotten that his maniac effort at economic acceleration grew out of an entirely accurate perception that, with the easy gains of consolidation of the early 1950's past, the bureaucracy was jelling into immobility and economic growth in China now figured to proceed with discouraging slowness. In a high Hegelian irony, the incoming communists, appalled by the terrible conditions of starvation and inequality and corruption which so often characterized life under the predecessors, eliminated those conditions in the new synthesis of the 1950's, only to discover that in so doing they had given birth to a whole new set of antithetical conditions. The blight of inefficiency, overstaffing, and lack of initiative which afflicts China's factories, bureaucracies, and cities has been compounded by the great leap-cultural revolution fiascoes, but descends more fundamentally from the jobs-for-everybody fire-nobody reforms of the early 1950's. (Quote from my Chinese wife, shocked and saddened soon after her return to China following a 30-year absence: "I never thought I'd see the day when Chinese people would be lazy.")

12. To live in China today is to live among legions of the slipshod, people who seem to go out of their way to do easy things the hard way or not to do them at all. A peculiar inertness of spirit prevails. A ghastly discovery, which leads one to realize how profoundly societies depend on their young adults as supporters of new ideas and agents of change, is China's generation of 25- to 35-year olds who, deprived of education and politically traumatized by the cultural revolution, stumble apathetically through the service corridors of China's hotels and restaurants and listlessly man its factories.

13. Among the parents of these POD people are virtually all of the higher level officials and cadres of China's Governmental and industrial organizations, for example the sorts of people normally met by the staffs of U.S. Missions in China during the course of our work. These too have been traumatized by two decades of systematic persecution of people with education or worldly experience or initiative. They dutifully sing a song of modernization, but, to shift the metaphor, their muscles have been touched with electric current so many times in the past that the chances of their now twitching into meaningful action are exceedingly slight. To Americans -- whether businessmen negotiating contracts or consular officials looking for a consulate site or any of a hundred lesser matters -- these officials appear paralyzed in inaction, virtually incapable of decision. Yet it is from this group that somehow China, if it is to sustain its efforts at modernization, must draw a post-Dengist leadership group capable of summon-



ing the strength and clarity of vision to pursue needed structural changes in the system.

14. During these years, the country is digging out of the psychological rubble of twenty years of political carpetbombing, and substantial gains in economic wellbeing and relative social and political freedom have won the overwhelming support of the people. I do not find it conceivable that, at such a time, shifts of personnel and policy emphasis among the top national leaders could again open up deep fissures violently splitting the whole society. When the occasion now and then arises, people in China will volunteer that another cultural revolution would not only destroy the communist system, but even China as a nation. On looking back at where the radical left so disastrously led China, so deep is the popular and leadership revulsion that even many years ahead it is extremely hard to see any real possibility that any significant elements in the society could support a leftist resurgence.

15. Two years of witnessing Guangzhou's thirst for material prosperity and outside contacts instead suggest that the longer term pressure on the Chinese political system will come from the right. Late in this decade, at a time when ossification or death remove Deng and other top figures from effective leadership, it is likely that, hampered by the unresolved structural and attitudinal problems of the country, the economic growth rate will again seem disappointingly low to important elements of the leadership and population. It may become widely evident that substantial economic growth can be sustained only by providing sharply increased wage incentives and by granting factories the right to fire the lazy and incompetent. At that point, tension may well heighten between the egalitarian economic reforms of the 1950's -- the desire to assure everyone a share of the pie with little emphasis on whether he works or not -- and the hunger for modernization of the 1980's -- the desire to make the pie grow.

16. When that time comes, China, still far too hierarchical a country to make that emergence of a Walesa likely, may yet produce its Dubcek, a pragmatist like Deng but one who sees the system's problems as stemming largely from the Party's reforms of the early 1950's, and not, as Deng has, from the leftist policies of 1957-1976. Such a leader could seek broad segments of popular support among the increasingly prosperous and worldly citizenry of Guangdong, the students and factory workers of Shanghai and the nation, and other quarters. Carried forward ineptly, a movement toward substantially greater liberalization could precipitate political crisis by calling into question the very legitimacy of the communist system. However, absent any equivalent of the Czechs' and Poles' Soviet overlord, and given the Chinese post-cultural revolution abhorrence of political violence, there is no reason why necessarily it should do so. Last year a Yunnan cadre observed that the authorities intended to try a variety of experiments and to label the successful ones Socialist and the unsuccessful ones Capitalist; this trick could be turned on a grander scale.

17. As it looks from Guangzhou in mid-1981, however, the actual outcome is likely to be less dramatic and less hopeful. The very positive economic accomplishments of this province during the last several years have resulted mainly from the abolition of cultural revolution restrictions on rural production and marketing and from the investment and trade activity engendered by Hong Kong and other foreign businessmen. But the former are largely one-shot gains and the latter is a borrowed force, sufficient perhaps to invigorate a province or two but hardly the whole of China.

18. To sum up, after a two-year stint in China, my single strongest impression is of the apathy and ineffectuality which pervades the bureaucracy and the factories. It would take major reforms of the system to alter this pathological condition, reforms which the Government at this stage shows little sign of even contemplating. It is for this reason that China, though of great strategic importance and a valued friend of the United States, appears likely to enter the 21st Century as in most respects still no more than the largest of the Third World countries. Williams



#4046 26

RECEIVED

81 JUL 2 P 6: 43

JANET COLSON

JA

BUD NANCE

X

DICK ALLEN

WA 4/1221

IRENE DERUS

sgd 6/0907

*Really interesting cable*

JANET COLSON

JA

BUD NANCE

X

KAY

\_\_\_\_\_

CY TO VP

\_\_\_\_\_

SHOW CC

\_\_\_\_\_

CY TO MEESE

\_\_\_\_\_

SHOW CC

\_\_\_\_\_

CY TO BAKER

\_\_\_\_\_

SHOW CC

\_\_\_\_\_

CY TO DEEVER

\_\_\_\_\_

SHOW CC

\_\_\_\_\_

CY TO BRADY

\_\_\_\_\_

SHOW CC

\_\_\_\_\_

6 JULY

#4046

MR. ALLEN'S NOTE SAYS:

This is a fascinating account. This cable ought to be retyped, circulated to VP, DepSecState Clark, Don Regan, Mac Baldri(d)ge, Bill Casey. Ray Donovan w/cover memo incorporating some of the language of your memo.

Could you prepare it?

~~CONFIDENTIAL~~

59952

27

4046 add-on

*RVA*

MEMORANDUM

NATIONAL SECURITY COUNCIL

RVA HAS SEEN

July 8, 1981

~~CONFIDENTIAL~~

ACTION

DECLASSIFIED

NLRR M386/1 #59952

BY KML NARA DATE 10/18/13

MEMORANDUM FOR RICHARD V. ALLEN

FROM: JAMES LILLEY *qz*

SUBJECT: Canton Telegram Reworked (U)

Attached (Tab I) per your suggestion, is a retyped version of the Canton cable with a summary.

RECOMMENDATION:

That you forward Tab I to the addressees.

Approve ✓ Diapprove \_\_\_\_\_

*RVA  
7/13*

SIGNED

Attachments:

- Tab I RVA memo to various addressees
- Tab A State cable

Thanks

*We should do more of this sort of thing, esp to Cabinet offices with whom we do not regularly communicate*

*(7/13/81)*

~~CONFIDENTIAL~~

Review on 7/8/87

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

MEMORANDUM

NATIONAL SECURITY COUNCIL

4046

~~CONFIDENTIAL~~

INFORMATION

July 2, 1981

MEMORANDUM FOR RICHARD V. ALLEN

FROM: JIM LILNEY *jl*

SUBJECT: A Canton Valedictory on China (U)

*Jim -  
This is a  
fascinating account.  
This could ought to  
be rekeyed, arched -  
linked to VP, Dep -  
Sec State Clerk,  
Don Ragan, Mac  
Baldridge, Sid  
Casey, Ray  
Dorwin  
w/ cover memo  
incorporating  
some of the  
larger of the  
memo. of you  
could you  
prepare it?  
RVA  
7/6*

The attached State telegram is one of those rare instances of objective reporting which is also perceptive. I suggest you read it all and you may wish to forward this summary to relevant readers. (U)

Dick Williams, the author, has a Chinese wife and has been in Canton for two years as our Consul-general. He opened up our consulate there and now after two years he summarizes his experiences. (U)

Canton, facing Hong Kong, is subject to both capitalist drive and corruption. Two million Hong Kong visitors come each year. One result, the volatile, hot-blooded Cantonese speak disparagingly of northern confusion and interference. Consumerism is increasing, including even glitzy Hong Kong blue jean display rooms. The Province has an overall favorable balance of trade and its numerous contracts with the outside world have produced joint ventures and manufacturing projects. It has avoided political infighting and enjoys current liberalized economic policies. It appears reasonably vigorous, at least measured against the standards of the rest of China. (c)

But Williams is pessimistic. He notes the phenomenal economic growth in Taiwan, because of its good access to the U.S., its Japanese-constructed infrastructure, its political stability, and enlightened, sustained economic policies. China today is where Taiwan was 25 years ago, before it reached the take-off point. At China's present rate, it would take at least 50 years to reach Taiwan's current levels. (c)

The real problems in China are formidable structural and attitudinal obstacles. The people are listless, lazy, and locked into the "jobs for everybody -- fire nobody" of the reforms of the early 1950s. The country is trying to dig itself out of the psychological rubble of 20 years of political carpet bombing. Officials are paralyzed in inaction, virtually incapable of decision. And yet it is from this group that somehow China must sustain its efforts at modernization. (c)

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There is no real challenge from the left. The question is how far right you go. But with Chinese inertia the chances of how far you go anywhere are slight. (C)

After a two-year stint in China, Williams sums it up this way: his single strongest impression is of the apathy and ineffectuality which pervades the bureaucracy and the factories. He sees very little evidence that current reforms can alter this. China, he says, is likely to enter the 21st Century still no more than the largest of the Third World countries. (C)

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CONFIDENTIAL  
Department of State

59955  
INCOMING  
TELEGRAM

30

PAGE 01 GUANGZ 01249 01 OF 03 010558Z 8507  
ACTION EA-12

GUANGZ 01249 01 OF 03 010558Z

INFO OCT-01 ADS-00 AID-07 INR-10 SS-15 CIAE-00 EB-00  
ICA-11 DODE-00 H-01 IO-15 NSC-05 NSAE-00 COME-00  
HA-06 TRSE-00 PM-09 AIT-02 PA-01 OMB-01 SP-02  
SPRS-02 /108 W

-----050405 011614Z /52

R 300815Z JUN 81  
FM AMCONSUL GUANGZHOU  
TO SECSTATE WASHDC 2002  
INFO AMEMBASSY BEIJING  
AMEMBASSY BANGKOK  
AMEMBASSY SINGAPORE  
AMEMBASSY TOKYO  
AMCONSUL HONG KONG  
AMCONSUL SHANGHAI  
AIT TAIPEI

~~CONFIDENTIAL~~ SECTION 1 OF 3 GUANGZHOU 1249

E.O. 12065: GDS 06/30/87 (WILLIAMS, RICHARD L.) OR-M  
TAGS: CGEN CH  
SUBJ: REFLECTIONS ON LEAVING CANTON

REF: 1980 GUANGZHOU 1172

1. ~~CONFIDENTIAL~~ - ENTIRE TEXT.

2. SUMMARY: OVER THE PAST YEAR, GUANGDONG HAS CONTINUED TO PROSPER, WITH INDUSTRIAL PRODUCTION, CONSUMER GOODS AVAILABILITIES, AND FOREIGN INVESTMENT LEVELS ALL REGISTERING SUBSTANTIAL INCREASES. OVERWHELMING SUPPORT FOR THE GOVERNMENT'S CURRENT ECONOMIC AND POLITICAL POLICIES -- A VIRTUAL INABILITY EVEN TO CONCEIVE OF ANY VIABLE ALTERNATIVES-- HAS MADE THE LEADERSHIP SKIRMISHES IN BEIJING IN POLICY TERMS LOOK LIKE A QUESTION OF WHETHER CHINA SHOULD BE FREE IN FUTURE TO MORE SELECTIVELY FATHER TO THE RIGHT, NOT OF WHETHER IT SHOULD SWING BACK LEFTWARD. OVERALL, THE MIDDLE-AND LONG-TERM OUTLOOK FOR CHINA APPEARS LESS PROMISING THAN A YEAR AGO: THE GOVERNMENT SHOWS NO SIGN OF CONTEMPLATING THE MAJOR REFORMS NEEDED TO DISPEL A PERVASIVE APATHY, INEFFECTUALITY, AND INDECISIVENESS, WHICH ON PRESENT READING ARE LIKELY TO PLAGUE CHINA FOR DECADES TO COME. END SUMMARY.

3. DURING THE SECOND YEAR OF OPERATION OF CONGEN GUANGZHOU, THE PROCESS OF CHANGE NOTED REFTEL HAS STEADILY CONTINUED BUT DOES NOT SEEM TO BE ACCELERATING. THE DISCERNIBLE RISE IN THE GUANGZHOU STANDARD OF LIVING HAS PROGRESSED MODERATELY FURTHER. THE INVASION OF HONG KONG VISITORS DOUBLED IN 1980, TO NEARLY TWO MILLION.

4. CONSUMERISM INCREASES, WITH RETAIL SALES REPORTEDLY UP 21 PERCENT IN 1980. LAST YEAR IT WAS TV DISPLAY ROOMS AND REPAIR SHOPS WHICH OPENED UP; THIS YEAR IT IS GLITZY HONG KONG BLUEJEAN DISPLAY ROOMS, EACH ARTICLE PROMINENTLY BEARING THE SERIAL NUMBER PERMITTING ITS READY IDENTIFICATION TO THE HONG KONG RELATIVE ASKED TO PURCHASE IT FOR PRESENTATION AS A GIFT DURING THE NEXT VISIT TO CHINA.

5. INDUSTRIAL PROGRESS ALSO CONTINUES, LED BY 1980 INCREASES OF 15 PERCENT IN LIGHT INDUSTRIAL PRODUCTION AND 28 PERCENT IN FOREIGN TRADE. GUANGDONG OFFICIALS ALLUDE SMIFFILY TO THE NATIONAL ECONOMIC RETRENCHMENT AS A NORTHERN PHENOMENON AND POINT SMUGLY TO THE PROVINCE'S FAVORABLE OVERALL BALANCE OF TRADE IN 1980. SEVERAL THOUSAND OUTSIDE BUSINESSMEN, MOSTLY FROM HONG KONG, HAVE ENTERED INTO CONTRACTS, MOSTLY SMALL SCALE, FOR THE PROCESSING, ASSEMBLY, OR MANUFACTURE OF VARIOUS LIGHT INDUSTRIAL PRODUCTS. UNDER CURRENT POLICIES OF ECONOMIC

DECENTRALIZATION, THE PROVINCE KEEPS 30 PERCENT OF THE FOREIGN CURRENCY GENERATED FROM TRADE AND 70 PERCENT OF REMITTANCES FROM ABROAD, GIVING IT IN 1980 A USDOLS 800 MILLION FUND AVAILABILITY FOR ITS MODERNIZATION DRIVE.

6. NOR IS GUANGDONG VISIBLY BESET BY THE POLITICAL INFIGHTING THAT HAS TAKEN PLACE OVER THE YEAR PAST IN BEIJING AND ELSEWHERE. THE TRANSFER OF THE TWO TOP GUANGDONG OFFICIALS TO IMPORTANT BEIJING ASSIGNMENTS IN LATE 1980 PRESUMABLY ASSURES THE PROVINCE OF AN INFLUENTIAL HEARING IN CENTRAL GOVERNMENT COUNCILS, WHILE THEIR SUCCESSORS ARE UNITED IN SUPPORT OF CURRENT LIBERALIZED ECONOMIC POLICIES AND APPEAR TO BE EXPERIENCED AND REASONABLY VIGOROUS, AT LEAST WHEN MEASURED BY THE RATHER RELAXED STANDARDS WHICH UNFORTUNATELY PREVAIL IN CHINA.

7. NOTWITHSTANDING THESE HOPEFUL DEVELOPMENTS, HOWEVER, I END MY CANTON TOUR MORE PESSIMISTIC ABOUT THE PROSPECTS FOR GUANGDONG AND CHINA THAN I WAS A YEAR AGO. NO DOUBT MY FEELING IN PART RESULTS SIMPLY FROM THE CUMULATIVE EFFECT OF LIVING FOR TWO YEARS IN WHAT REMAINS, AFTER ALL, AN AUSTERE AND IMPOVERISHED COUNTRY, BUT THERE IS MORE TO IT THAN THAT.

8. FOR ME AS AN OLD CHINA TYPE, A MAJOR POINT OF COMPARISON FOR MAINLAND CHINA IS THE TAIWAN OF THE LATE 1950'S, WHICH THE PEOPLE'S REPUBLIC OF TODAY STRONGLY RESEMBLES IN ITS STAGE OF DEVELOPMENT AND GENERAL INCOME LEVELS. SINCE THE 1950'S, TAIWAN HAS HAD A QUARTER CENTURE OF EXTRAORDINARY PROGRESS UNDER NEAR-IDEAL CONDITIONS: POLITICAL STABILITY, ENLIGHTENED AND SUSTAINED ECONOMIC POLICIES; A RAPIDLY EXPANDING INTERNATIONAL ECONOMY, ENHANCED DURING MANY YEARS BY TAIWAN'S LOCATION ALONG THE SEA AND AIRLINES TO VIETNAM; GOOD ACCESS TO THE U.S. AND OTHER MAJOR EXPORT MARKETS; AND, IN EARLIER YEARS, EXTENSIVE U.S. AID. IN ADDITION, TAIWAN POSSESSED A JAPANESE-CONSTRUCTED INFRASTRUCTURE SUPERIOR TO THAT WHICH AT PRESENT EXISTS IN MANY PARTS OF CHINA; AND ITS SMALL ISLAND SIZE MEANT THAT IT NEVER WAS TROUBLED WITH A NUMBER OF THE DEVELOPMENTAL OBSTACLES WHICH FACE A CONTINENTAL-SIZED ENTITY SUCH AS CHINA. YET EVEN WITH THESE EXTRAORDINARY ADVANTAGES, TAIWAN AFTER 25 YEARS, WHILE BOOMING, IS STILL FAR FROM BEING A FULLY MODERN INDUSTRIALIZED STATE. IF IT HAS TAKEN TAIWAN 25 YEARS TO COME THIS FAR, IT MUST TAKE CHINA 50 OR MORE YEARS.

DECLASSIFIED

NLRR M386/1 #59955

BY KML NARA DATE 10/18/13

CONFIDENTIAL



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Department of State

INCOMING  
TELEGRAM

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ACTION EA-12

GUANGZ 01249 02 OF 03 010621Z

INFO OCT-01 ADS-00 AID-07 INR-10 SS-15 CIAE-00 EB-08  
ICA-11 DODE-00 H-01 IO-15 NSC-05 NSAE-00 COME-00  
HA-06 TRSE-00 PM-09 AIT-02 PA-01 OMB-01 SP-02  
SPRS-02 /108 W  
-----050565 011615Z /52

R 300815Z JUN 81  
FM AMCONSUL GUANGZHOU  
TO SECSTATE WASHDC 2083  
INFO AMEMBASSY BEIJING  
AMEMBASSY BANGKOK  
AMEMBASSY SINGAPORE  
AMEMBASSY TOKYO  
AMCONSUL HONG KONG  
AMCONSUL SHANGHAI  
AIT TAIPEI

~~CONFIDENTIAL~~ SECTION 2 OF 3 GUANGZHOU 1249

9. AMONG THE GRAVEST OF CHINA'S PROBLEMS IS THAT, IN ORDER TO SUSTAIN SUBSTANTIAL ECONOMIC GROWTH RATES INTO THE MEDIUM AND LONG TERM, IT MUST SURMOUNT FORMIDABLE STRUCTURAL AND ATTITUDINAL OBSTACLES, A LEGACY OF THE PAST 30 YEARS. AS I SEE IT, CHINA HAS UNDERGONE TWO COMMUNIST "REVOLUTIONS", THE FIRST IN THE POST-WORLD WAR II DECADE, THE SECOND FROM 1957 TO 1976. DURING THE FIVE YEARS SINCE MAO'S DEATH, THE COUNTRY HAS BEEN ENGAGED IN A MASSIVE REPUDIATION, ONLY NOW DRAWING TO AN END, OF THE SECOND, CATAclySMIC "REVOLUTION".

10. AS NATIONAL POLICY HAS LOOKED FROM HERE IN GUANGZHOU, THE BEIJING LEADERSHIP'S IN-FIGHTING OF THE PAST YEAR HAS BEEN BETWEEN THOSE WHO WOULD MODERATELY EXPAND CURRENT REFORM PROGRAMS AND THOSE WHO WOULD SAY "THIS FAR, BUT NOT MUCH FURTHER." NO GROUP SEEMS TO BE ADVOCATING A ROLLBACK TO THE LEFT. ACCORDINGLY, EVEN IF DENG XIAOPING WERE TO BE CAST ASIDE THIS YEAR OR NEXT IN FAVOR OF, LET US SAY, A LEADERSHIP COALITION SUPPORTED BY YE JIANYING AND THE MILITARY, THERE IS NOTHING TO SUGGEST THAT THE RESULTANT GOVERNMENT WOULD DO MORE THAN SLIGHTLY ADJUST THE PACE OR EMPHASIS OF PRESENT POLICY, PRESUMABLY ASSIGNING A SOMEWHAT GREATER SHARE OF RESOURCES TO THE MILITARY BUT STILL RETAINING THE POLICIES OF ECONOMIC MODERNIZATION COUPLED WITH THE OPENING TO THE INDUSTRIALIZED WEST. THESE POLICIES ENJOY OVERWHELMING SUPPORT: IN GUANGZHOU, AT LEAST, PEOPLE SIMPLY CANNOT CONCEIVE OF ANY SUBSTANTIALLY DIFFERENT VIABLE ALTERNATIVE.

11. STILL PREOCCUPIED WITH THE FORM AND COMPREHENSIVENESS WITH WHICH THE "SECOND REVOLUTION" OF 1957-1976 IS TO BE REJECTED, THE COUNTRY UNDERSTANDABLY HAS NOT YET EVEN BEGUN TO EXAMINE THE DEGREE TO WHICH ITS ECONOMIC ILLS ULTIMATELY STEM FROM THE FIRST REVOLUTION, OF THE POST-WORLD WAR II DECADE. MUCH THOUGH MAO IS NOW SCORNED FOR LEADING HIS COUNTRY INTO THE GREAT LEAP FORWARD AND THE 20 YEARS OF ENSUING RUIN, IT SHOULD NOT BE FORGOTTEN THAT HIS MANIC EFFORT AT ECONOMIC ACCELERATION GREW OUT OF AN ENTIRELY ACCURATE PERCEPTION THAT, WITH THE EASY GAINS OF CONSOLIDATION OF THE EARLY 1950'S PAST, THE BUREAUCRACY WAS JELLING INTO IMMOBILITY AND ECONOMIC GROWTH IN CHINA NOW FIGURED TO PROCEED WITH DISCOURAGING SLOWNESS. IN A HIGH HEGLIAN IRONY, THE INCOMING COMMUNISTS, APPALLED BY THE TERRIBLE CONDITIONS OF STARVATION AND INEQUALITY AND CORRUPTION WHICH SO OFTEN CHARACTERIZED LIFE UNDER THEIR PREDECESSORS, ELIMINATED THOSE CONDITIONS IN THE NEW SYNTHESIS OF THE 1950'S, ONLY TO DISCOVER THAT IN SO DOING THEY HAD GIVEN BIRTH TO A WHOLE NEW SET OF ANTITHETICAL CONDITIONS. THE BLIGHT OF INEFFICIENCY, OVERSTAFFING, AND LACK OF INITIATIVE WHICH AFFLICTS CHINA'S FACTORIES, BUREAUCRACIES, AND CITIES

HAS BEEN COMPOUNDED BY THE GREAT LEAP-CULTURAL REVOLUTION FIASCOES, BUT DESCENDS MORE FUNDAMENTALLY FROM THE JOBS-FOR-EVERYBODY FIRE-NOBODY REFORMS OF THE EARLY 1950'S. (QUOTE FROM MY CHINESE WIFE, SHOCKED AND SADDENED SOON AFTER HER RETURN TO CHINA FOLLOWING A 30-YEAR ABSENCE: "I NEVER THOUGHT I'D SEE THE DAY WHEN CHINESE PEOPLE WOULD BE LAZY.")

12. TO LIVE IN CHINA TODAY IS TO LIVE AMONG LEGIONS OF THE SLIPSHOD, PEOPLE WHO SEEM TO GO OUT OF THEIR WAY TO DO EASY THINGS THE HARD WAY OR NOT TO DO THEM AT ALL. A PECULIAR INERTNESS OF SPIRIT PREVAILS, A GHASTLY DISCOVERY, WHICH LEADS ONE TO REALIZE HOW PROFOUNDLY SOCIETIES DEPEND ON THEIR YOUNG ADULTS AS SUPPORTERS OF NEW IDEAS AND AGENTS OF CHANGE, IS CHINA'S GENERATION OF 25- TO 35-YEAR OLDS WHO, DEPRIVED OF EDUCATION AND POLITICALLY TRAUMATIZED BY THE CULTURAL REVOLUTION, STUMBLE APATHETICALLY THROUGH THE SERVICE CORRIDORS OF CHINA'S HOTELS AND RESTAURANTS AND LISTLESSLY MAN ITS FACTORIES.

13. AMONG THE PARENTS OF THESE POD PEOPLE ARE VIRTUALLY ALL OF THE HIGHER LEVEL OFFICIALS AND CADRES OF CHINA'S GOVERNMENTAL AND INDUSTRIAL ORGANIZATIONS, FOR EXAMPLE THE SORTS OF PEOPLE NORMALLY MET BY THE STAFFS OF U.S. MISSIONS IN CHINA DURING THE COURSE OF OUR WORK. THESE TOO HAVE BEEN TRAUMATIZED BY TWO DECADES OF SYSTEMATIC PERSECUTION OF PEOPLE WITH EDUCATION OR WORLDLY EXPERIENCE OR INITIATIVE. THEY DUTIFULLY SING A SONG OF MODERNIZATION, BUT, TO SHIFT THE METAPHOR, THEIR MUSCLES HAVE BEEN TOUCHED WITH ELECTRIC CURRENT SO MANY TIMES IN THE PAST THAT THE CHANCES OF THEIR NOW TWITCHING INTO MEANINGFUL ACTION ARE EXCEEDINLY SLIGHT. TO AMERICANS -- WHETHER BUSINESSMEN NEGOTIATING CONTRACTS OR CONSULAR OFFICIALS LOOKING FOR A CONSULATE SITE OR ANY OF A HUNDRED LESSER MATTERS -- THESE OFFICIALS APPEAR PARALYZED IN INACTION, VIRTUALLY INCAPABLE OF DECISION. YET IT IS FROM THIS GROUP THAT SOMEHOW CHINA, IF IT IS TO SUSTAIN ITS EFFORTS AT MODERNIZATION, MUST DRAW A POST-DENGIST LEADERSHIP GROUP CAPABLE OF SUMMONING THE STRENGTH AND CLARITY OF VISION TO PURSUE NEEDED STRUCTURAL CHANGES IN THE SYSTEM.

14. DURING THESE YEARS, THE COUNTRY IS DIGGING OUT OF THE PSYCHOLOGICAL RUBBLE OF TWENTY YEARS OF POLITICAL CARPETBOMBING, AND SUBSTANTIAL GAINS IN ECONOMIC WELLBEING AND RELATIVE SOCIAL AND POLITICAL FREEDOM HAVE WON THE OVERWHELMING SUPPORT OF THE PEOPLE. I DO NOT FIND IT CONCEIVABLE THAT, AT SUCH A TIME, SHIFTS OF PERSONNEL AND POLICY EMPHASIS AMONG THE TOP NATIONAL LEADERS COULD AGAIN OPEN UP DEEP FISSURES VIOLENTLY SPLITTING THE WHOLE SOCIETY. WHEN THE OCCASION NOW AND THEN ARISES, PEOPLE IN CHINA WILL VOLUNTEER THAT ANOTHER CULTURAL REVOLUTION WOULD NOT ONLY DESTROY THE COMMUNIST SYSTEM BUT EVEN CHINA AS A NATION. ON LOOKING BACK AT WHERE THE RADICAL LEFT SO DISASTROUSLY LED CHINA, SO DEEP IS THE POPULAR AND LEADERSHIP REVULSION THAT EVEN MANY YEARS AHEAD IT IS EXTREMELY HARD TO SEE ANY REAL POSSIBILITY THAT ANY SIGNIFICANT ELEMENTS IN THE SOCIETY COULD SUPPORT A LEFTIST RESURGENCE.

~~CONFIDENTIAL~~

Department of State

INCOMING TELEGRAM

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ACTION EA-12

8512

GUANGZ 01249 03 OF 03 010629Z

INFO OCT-01 ADS-00 AID-07 INR-10 SS-15 CIAE-00 EB-08  
ICA-11 DODE-00 H-01 IO-15 NSC-05 NSAE-00 COME-00  
HA-06 TRSE-00 PM-09 AIT-02 PA-01 OMB-01 SP-02  
SPRS-02 /108 W

-----050605 011615Z /52

R 300815Z JUN 81  
FM AMCONSUL GUANGZHOU  
TO SECSTATE WASHDC 2084  
INFO AMEMBASSY BEIJING  
AMEMBASSY BANGKOK  
AMEMBASSY SINGAPORE  
AMEMBASSY TOKYO  
AMCONSUL HONG KONG  
AMCONSUL SHANGHAI  
AIT TAIPEI

BORROWED FORCE, SUFFICIENT PERHAPS TO INVIGORATE A PROVINCE OR TWO BUT HARDLY THE WHOLE OF CHINA.

18. TO SUM UP, AFTER A TWO-YEAR STING IN CHINA, MY SINGLE STRONGEST IMPRESSION IS OF THE APATHY AND INEFFECTUALITY WHICH PERVADES THE BUREAUCRACY AND THE FACTORIES. IT WOULD TAKE MAJOR REFORMS OF THE SYSTEM TO ALTER THIS PATHOLOGICAL CONDITION, REFORMS WHICH THE GOVERNMENT AT THIS STAGE SHOWS LITTLE SIGN OF EVEN CONTEMPLATING. IT IS FOR THIS REASON THAT CHINA, THOUGH OF GREAT STRATEGIC IMPORTANCE AND A VALUED FRIEND OF THE UNITED STATES, APPEARS LIKELY TO ENTER THE 21ST CENTURY AS IN MOST RESPECTS STILL NO MORE THAN THE LARGEST OF THE THIRD WORLD COUNTRIES. WILLIAMS

~~CONFIDENTIAL~~ SECTION 3 OF 3 GUANGZHOU 1249

15. TWO YEARS OF WITNESSING GUANGZHOU'S THIRST FOR MATERIAL PROSPERITY AND OUTSIDE CONTACTS INSTEAD SUGGEST THAT THE LONGER TERM PRESSURE ON THE CHINESE POLITICAL SYSTEM WILL COME FROM THE RIGHT. LATE IN THIS DECADE, AT A TIME WHEN OSSIFICATION OR DEATH REMOVE DENG AND OTHER TOP-FIGURES FROM EFFECTIVE LEADERSHIP, IT IS LIKELY THAT, HAMPERED BY THE UNRESOLVED STRUCTURAL AND ATTITUDINAL PROBLEMS OF THE COUNTRY, THE ECONOMIC GROWTH RATE WILL AGAIN SEEM DISAPPOINTINGLY LOW TO IMPORTANT ELEMENTS OF THE LEADERSHIP AND POPULATION. IT MAY BECOME WIDELY EVIDENT THAT SUBSTANTIAL ECONOMIC GROWTH CAN BE SUSTAINED ONLY BY PROVIDING SHARPLY INCREASED WAGE INCENTIVES AND BY GRANTING FACTORIES THE RIGHT TO FIRE THE LAZY AND INCOMPETENT. AT THAT POINT, TENSION MAY WELL HEIGHTEN BETWEEN THE EGALITARIAN ECONOMIC REFORMS OF THE 1950'S-- THE DESIRE TO ASSURE EVERYONE A SHARE OF THE PIE WITH LITTLE EMPHASIS ON WHETHER HE WORKS OR NOT--AND THE HUNGER FOR MODERNIZATION OF THE 1980'S -- THE DESIRE TO MAKE THE PIE GROW.

16. WHEN THAT TIME COMES, CHINA, STILL FAR TOO HIERARCHICAL A COUNTRY TO MAKE THE EMERGENCE OF A WALESIA LIKELY, MAY YET PRODUCE ITS DUBCEK, A PRAGMATIST LIKE DENG BUT ONE WHO SEES THE SYSTEM'S PROBLEMS AS STEMMING LARGELY FROM THE PARTY'S REFORMS OF THE EARLY 1950'S, AND NOT, AS DENG HAS, FROM THE LEFTIST POLICIES OF 1957-1976. SUCH A LEADER COULD SEEK BROAD SEGMENTS OF POPULAR SUPPORT AMONG THE INCREASINGLY PROSPEROUS AND WORLDLY CITIZENRY OF GUANGDONG, THE STUDENTS AND FACTORY WORKERS OF SHANGHAI AND THE NATION, AND OTHER QUARTERS. CARRIED FORWARD INEPTLY, A MOVEMENT TOWARD SUBSTANTIALLY GREATER LIBERALIZATION COULD PRECIPITATE POLITICAL CRISIS BY CALLING INTO QUESTION THE VERY LEGITIMACY OF THE COMMUNIST SYSTEM. HOWEVER, ABSENT ANY EQUIVALENT OF THE CZECHS' AND POLES' SOVIET OVERLORD, AND GIVEN THE CHINESE POST-CULTURAL REVOLUTION ABHORRENCE OF POLITICAL VIOLENCE, THERE IS NO REASON WHY NECESSARILY IT SHOULD DO SO. LAST YEAR A YUNNAN CADRE OBSERVED THAT THE AUTHORITIES INTENDED TO TRY A VARIETY OF EXPERIMENTS AND TO LABEL THE SUCCESSFUL ONES SOCIALIST AND THE UNSUCCESSFUL ONES CAPITALIST; THIS TRICK COULD BE TURNED ON A GRANDER SCALE.

17. AS IT LOOKS FROM GUANGZHOU IN MID-1981, HOWEVER, THE ACTUAL OUTCOME IS LIKELY TO BE LESS DRAMATIC AND LESS HOPEFUL. THE VERY POSITIVE ECONOMIC ACCOMPLISHMENTS OF THIS PROVINCE DURING THE LAST SEVERAL YEARS HAVE RESULTED MAINLY FROM THE ABOLITION OF CULTURAL REVOLUTION RESTRICTIONS ON RURAL PRODUCTION AND MARKETING AND FROM THE INVESTMENT AND TRADE ACTIVITY ENGENDERED BY HONG KONG AND OTHER FOREIGN BUSINESSMEN. BUT THE FORMER ARE LARGELY ONE-SHOT GAINS AND THE LATTER IS A

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59956

NATIONAL SECURITY COUNCIL DISTRIBUTION RECORD

Log Number: 4046  
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NLRR 111-386 #59956

BY RW NARA DATE 3/12/13

Subject: A CANTON VALEDICTORY ON CHINA

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DATE 07/10/81//191

SITUATION: CHECK  
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MESSAGE / ANNOTATION:

MESSAGE:

HCE770  
STU1366  
DD RUEHC  
DE RUMJPG #6827/01 1870725  
ZNY CCCCC ZZH  
O R 060649Z JUL 81  
FM AMEMBASSY BEIJING  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 3457  
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NLRR M386/1 #59957

BY KML NARA DATE 10/18/13

~~C O N F I D E N T I A L~~ SECTION 01 OF 02 BEIJING 6827  
EXDIS

E.O. 12065: RDS-1 7/6/11 (ROY, J. STAPLETON) DR-M  
TAGS: PEPR, CH, US, TW  
SUBJECT: (C) PRC DEMARCHE REGARDING STATEMENTS OF USG OFFICIALS  
AND REPORTS ON THE TAIWAN ISSUE

1. ~~C~~ - ENVLIRE TEXT.
2. SUMMARY: MFA AMERICA AND OCEANIAN AFFAIRS DEPARTMENT DIRECTOR HAN XU CALLED IN CHARGE ON JULY 4 TO MAKE AN ORAL DEMARCHE EXPRESSING CHINA'S "GRAVE CONCERN" OVER RECENT STATEMENTS BY SENIOR USG OFFICIALS CONCERNING US RELATIONS WIHT TAIWAN. HAN ALSO CHARGED THAT ICA'S JUNE 22 NEWS ROUNDUP HAD "FRABIRCATED" REPORTS OF ALLEGED CHINESE FLEXIBILITY ON THE TAIWAN ISSUE. HE EMPHASIZED THAT CONTINUED US ARMS SALES TO TAIWAN COULD FORCE CHINA TO MAKE A STRONG REACTION AND HAVE CONSEQUENCES FOR THE STRATEGIC SITUATION, AND URGED THE US NOT TO MAKE A WRONG ASSESSMENT OF THIS SENSITIVE ISSUE. CHARGE SAID HE WOULR REPORT THE PRC PRESENTATION, ADDED THT US ATTACHED IMPORTANCE TO PRC POSITIONS AS PRESENTED TO US OFFICIALLY, TOOK ISSUE WITH ASSERTION THAT ICA "FABRICATED" REPORTS, AND NOTED THAT US PUBLIC STATEMENTS ON TAIWAN WERE CONSISTENT WITH PRIVATE STATEMENTS TO CHINESE OFFICIALS ON THIS QUESTION. END SUMMARY.
3. MFA AMERICAN AND OCEANIAN AFFAIRS DEPARTMENT DIRECTOR HAN XU CALLED IN CHARGE ON JULY 4 TO MAKE AN ORAL DEMARCHE ON THE TAIWAN QUESTION. EMPHASIZING THAT HE WAS ACTING UNDER INSTRUCTIONS, HAN MADE THE FOLLOWING POINTS (READING FROM A PREPARED TEXT):
4. FIRST, HAN SAID, CHINA ATTACHED IMPORTANCE TO SECRETARY HAIG'S VISIT TO CHINA AND SINCERELY HOPED

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THAT THE HIGH-LEVEL TALKS HE HAD HAD WITH CHINESE LEADERS WOULD CONTRIBUTE TO FURTHERING THE DEVELOPMENT OF SINO-US RELATIONS. UNFORTUNATELY, HOWEVER, DURING A JUNE 28 TELEVISION INTERVIEW THE SECRETARY HAD INDICATED THAT THE US WOULD MEET ITS COMMITMENTS TO THE TAIWAN PEOPLE "WITH THE PROVISION OF DEFENSE ARMAMENTS AS NECESSARY TO PROVIDE FOR THEIR VITAL INTERESTS." CONTINUING, HAN SAID, THAT THIS CANNOT BUT CALL TO MIND REMARKS MADE EARLIER BY PRESIDENT REAGAN ON JUNE 16 TO THE EFFECT THAT E WOULD LIVE UP TO THE TAIWAN RELATIONS ACT (TRA) AND PROVIDE TAIWAN WITH DEFENSE EQUIPMENT, AS WELL AS RECENT REPORTS FROM THE US PRESS THAT CHINA HAS TAKEN A "MORE FEXIBLE" STANCE TOWARD US ARMS SALES TO TAIWAN. IN A MEDIA ROUNDUP ON JUNE 22, ICA WENT SO FAR AS TO FABRICATE A STORY ALLEGING THAT CHINESE OFFICIALS HAD INDICATED PRIVATELY THAT THE PRC WOULD HAVE NO OBJECTIONS TO US WEAPONS SALES TO TAIWAN. ALL THIS CANNOT BUT AROUSE GRAVE CONCERN, HAN SAID.

5. TURNING TO HIS SECOND POINT, HAN ASSERTED THAT IN RECENT HIGH LEVEL BILATERAL TALKS, CHINESE LEADERS HAD STATED VERY CANDIDLY THAT THERE WAS A LIMIT TO CHINA'S FORBEARANCE. IF THE US SHOULD CONTINUE TO SELL ARMS TO TAIWAN DESPITE CHINA'S OBJECTIONS, IT WOULD FORCE CHINA INTO A STRONG REACTION AND LEAD TO GRAVE CONSEQUENCES FOR THE OVERALL STRATEGIC SITUATION. THE ABOVE POSITION OF THE CHINESE SIDE, HAN SAID, IS MOST CLEAR. THE CHINESE SIDE WOULD LIKE TO EXPRESS IT AGAIN IN THE HOPE THAT THE US WILL NOT MAKE A WRONG ASSESSMENT OF THIS SENSITIVE ISSUE; OTHERWISE THE US ALONE WILL BE HELD RESPONSIBLE FOR THE CONSEQUENCES.

6. CHARGE RESPONDED THAT HE WOULD, OF COURSE, REPORT THESE CHINESE VIEWS TO HIS GOVERNMENT, BUT HE WISHED TO COMMENT ON SEVERAL POINTS. FIRST, HE NOTED THAT THE US POSITION CONCERNING RELATIONS WITH TAIWAN HAD BEEN REVIEWED IN DETAIL DURING SECRETARY HAIG'S RECENT VISIT, AND THERE WAS NO NEED THEREFORE, TO REITERATE IT.

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MESSAGE:

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OO RUEHC  
DE RUMJPG #6827/02 1870745  
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FM AMEMBASSY BEIJING  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 3458  
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~~C O N F I D E N T I A L~~ SECTION 02 OF 02 BEIJING 6827

EXDIS  
THE CHINESE SIDE HAD OFFICIALLY INDICATED ITS  
POSTION TO US AND OBVIOUSLY ATTACHED GREAT  
IMPORTANCE TO SUCH PRESENTATIONS. THE USG  
DOES NOT CONFUCE THE CHINESE POSITION AS PRO-  
VIDED TO US OFFICIALLY WITH VIEWS EXPRESSED  
IN THE MEDIA. CHARGE ADDED THAT HE HAD FOLLOWED  
THE ISSUE FOR A LONG TIME AND HAD NEVER  
F?UND IN CNY PRC STATEMENTS INDICATIONS OF  
CHINESE FLEXIJILITY. HE THOUGHT IT FAIR TO SAY  
THAT THE USG WAS FULLY AWARE OF THE CHINESE  
POSTION ON THE TAIWAN QUESTION.

7. WITH REGARD TO THE ICA MEDIA ROUNDUP,  
CHARGE NOTED THAT SUCH ROUNDUPS ARE USUALLY  
DRAWN FROM PRESS REPORTS. RECENTLY THERE  
HAVE BEEN SOME PRESS STORIES ALONG THE LINES  
MENTIONED BY HAN WHICH PRESUMABLY FORMED THE  
BASIS FOR THE ICA ROUNDUP. UNDER THESE  
CIRCUMSTANCES, IT WAS HADLY FAIR TO ACCUSE ICA  
OF "FRABRICATING" SUCH REPORTS. HAN RESPONDED BY  
NOTING THAT ICA WAS AN OFFICIAL USG AGENCY AND,  
ACCORDINGLY, ANY NEWS DISSEMINATED BY IT HAD  
AN OFFICIAL CHARACTER. CHARGE REBUTTED  
THIS ASSERTION AND REVIEWED VOA NEWS GUIDELINES  
FOR HAN.

8. TURNING TO HAN'S FINAL POINT, CHARGE NOTED  
THAT THE SECRETARY'S RECENT VISIT TO CHINA  
REFLECTED THE GREAT IMPORTANCE THE US ATTACHED  
TO EXCHANGE OF VIEWS WITH THE CHINESE.  
DESPITE SUCH EXCHANGES OF VIEWS, OUR  
RESPECTIVE POSITIONS ON CERTAIN ISSUES, SUCH AS  
ARMS SALES TO TAIWAN, CONTINUED TO DIFFER.  
WE TRIED NOT TO PLAY UP THESE DIFFERENCES, BUT

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MESSAGE / ANNOTATION:

HAN SHOULD RECOGNIZE THAT THE VIEWS EXPRESSED PUBLICLY BY US LEADERS ON THIS QUESTION WERE CONSISTENT WITH THEIR PRIVATE STATEMENTS IN TALKS WITH CHINESE OFFICIALS. CHARGE CONCLUDED BY NOTING THAT US OFFICIALS WERE GENERALLY RESTRAINED IN DISCUSSING TAIWAN-RELATED MATTERS PUBLICLY.

9. COMMENT: HAN'S PRESENTATION WAS OBVIOUSLY MEANT TO UNDERSCORE ONCE AGAIN THE SENSITIVITY AND SERIOUSNESS WITH WHICH THE CHINESE SIDE VIEWS THE TAIWAN ISSUE. THE TONE OF THE MEETING WAS CORDIAL, EVEN THOUGH HAN PRESENTED HIS POINTS FIRMLY.

ROY  
BT  
#6827  
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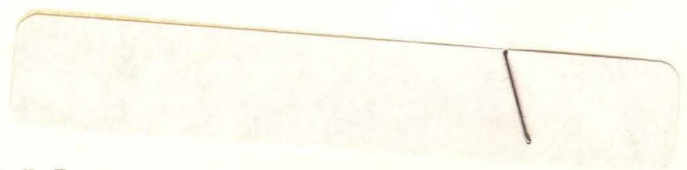
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RECEIVED 07 JUL 81 08

TO ALLEN

FROM STEARMAN

DOCDATE 06 JUL 81



KEYWORDS: USSR

CHINA P R

MILITARY ASSISTANCE

SUBJECT: SOVIET ATTACKS ON US ARMS SALES TO CHINA

ACTION: FOR INFORMATION

DUE:

STATUS IX FILES

FOR ACTION

FOR COMMENT

FOR INFO

ALLEN

PIPES *x✓*

LILLEY *x✓*

GREGG

SCHWEITZER

KIMMITT

*Nau*

COMMENTS

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ACTION OFFICER (S)

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MEMORANDUM

3974

NATIONAL SECURITY COUNCIL

July 6, 1981

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INFORMATION

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NLRR M386/1 #59964

BY KML NARA DATE 10/18/13

MEMORANDUM FOR RICHARD V. ALLEN

FROM: WILLIAM L. STEARMAN

SUBJECT: Soviet Attacks on U.S. Arms Sales to China

My analysis of the first Soviet "non-paper" (Dobrynin gave Al Haig) on U.S. arms sales to China attributed the caustic Soviet reaction to promises given by Carter and his top officials that the U.S. would not sell arms to China. The Soviets thus accused this Administration of not living up to the promises of the Carter Administration. My guess has now been more or less confirmed by a July 6 Pravda commentary (Tab A).

Pravda cites Carter's remarks to Brezhnev in Vienna, and quotes an October 4, 1979 Vance statement and a January 25, 1980 Harold Brown statement. Pravda complains that by offering arms to China, this Administration has, in effect, broken a "well-known rule of nations" on "continuity of policy." The paper maintains: "Presidents change . . . but treaties, pacts and agreements between states remain in force." It, in effect, has taken the absurd position that policy statements should be binding on successive administrations.

This position is taken to demonstrate that "the new U.S. Administration has once again shown to the world what an unreliable partner in international relations it is." In addition, Pravda raises the spectre of U.S. arms being used by China against "South and Southwest Asian states and those of the Pacific." It points out, however, that the Soviet Union will be able to protect itself and its allies (Vietnam?) from China, no matter what.

I agree with Dick Pipes that we should reply to these informal Soviet notes. (Jim Lilley tells me another just arrived.) This is a serious (if overblown) issue to the Soviets, and we should make our position clear to them. We could even borrow from this Pravda piece which downplays the potential threat (of arms sales) to the USSR by stating: "It [the USSR] has everything necessary to protect the security and interests of its people and its allies. In this sense, Washington's stake on the 'Chinese Card' is futile."

cc: Richard Pipes  
James Lilley

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Review July 6, 1987

LD061120 MOSCOW TASS INTERNATIONAL SERVICE IN RUSSIAN 0718 GMT  
6 JUL 81

(YURIY ZHUKOV PRAVDA COMMENTARY: "A RISKY GAMELE")

*Stearns*

(TEXT) MOSCOW, 6 JUL (TASS)--ZTHE WORLD CAN ONLY BE REFASHIONED WITH THE RIFLE," "OUR LEADING ROLE IS WAR AND DICTATORSHIP," "EVERY CHINESE IS PRIMARILY A SOLDIER"--ETC., ETC. NO ONE, NOWHERE, HAS FORGOTTEN THESE FUNDAMENTAL "THOUGHT OF MAO". TOGETHER WITH HEGEMONISTIC CLAIMS TO THE TERRITORY AND WATERS OF ALMOST ALL THE STATES BORDERING CHINA, THESE THOUGHTS MOTIVATE THE BEIJING LEADERS IN THEIR QUEST FOR MODERN ARMS AND MODERNIZATION OF THE ARMY.

IT WAS AS FAR BACK AS THE SUMMER OF 1977 THAT HUANG HUA, CHINESE MINISTER OF FOREIGN AFFAIRS, DECLARED "CHINA IS INTERESTED IN ACQUAINTING ITSELF WITH AMERICAN ARMS". THIS WISH FOUND AN IMMEDIATE RESPONSE FROM THE THEN COMMANDER IN CHIEF OF THE NATO ARMED FORCES GENERAL HAIG NOW U.S. SECRETARY OF STATE. HE CALLED ON HIS GOVERNMENT TO MEET BEIJING'S REQUEST, SINCE, AS HE PUT IT, "CHINA, AS A MATTER OF FACT, WAS THE 16TH MEMBER OF NATO". HOWEVER, THEY WERE IN NO HURRY TO ACCEPT THE GENERAL'S ADVICE IN WASHINGTON AT THAT TIME, APPARENTLY UNDERSTANDING HOW RISKY IT WOULD BE TO SUPPLY AMERICAN ARMS TO CHINA.

HOWEVER, THE BEIJING LEADERS BROUGHT UP THE QUESTION OF ACQUIRING MODERN AMERICAN MILITARY EQUIPMENT AGAIN AND AGAIN. THE NEW YORK TIMES WROTE ON 9 MARCH 1979, REFERRING TO "WELL-INFORMED SPOKESMEN OF THE AMERICAN AVIATION INDUSTRY" THAT "CHINA WAS QUIETLY SHOWING INTEREST IN PURCHASING AMERICAN MILITARY AIRCRAFT, AND WOULD POSSIBLY TURN TO WASHINGTON WITH AN OFFICIAL REQUEST TO SELL IT MILITARY AIRCRAFT AND AUXILIARY AVIATION EQUIPMENT AND TECHNOLOGY."

AT THE SAME TIME THE PAPER RECALLED THAT SUCH A REQUEST BY CHINA "WOULD CLASH" WITH SOLEMN PROMISES FREQUENTLY REPEATED BY DEMOCRATIC AND REPUBLIC GOVERNMENTS NOT TO SELL ARMS TO CHINA. NEVERTHELESSN THE BEHIND-THE-SCENES INTRIGUES CONTINUED. BEIJING STUBBORNLY STROVE FOR ITS ENDS, KNOWING THAT THE MILITARY-INDUSTRIAL COMPLEX OF THE UNITED STATES WAS PREPARED TO MEET IT HALFWAY. AS FAR BACK AS FEBRUARY 1979, CHINESE VICE PREMIER FANG YI VISITED THE HEADQUARTERS OF THE LOCKHEED AND MCDONNELL DOUGLAS MONOPOLIES, ENQUIRING ABOUT THE PRICE OF AVIATION EQUIPMENT WHICH THEY PRODUCE.

IT IS UNDERSTANDABLE THAT CHINA'S NEIGHBORS, AND PRIMARILY THE SOVIET UNION, COULD NOT REMAIN INDIFFERENT FACED WITH THE PROSPECT OF SUPPLIES OF AMERICAN WEAPONRY TO CHINA. KNOWING THISN THE U.S. LEADERS REPEATEDLY GAVE ASSURANCES DURING SOVIET-AMERICAN CONTACTS, INCLUDING THOSE AT SUMMIT LEVEL, THAT CHINA WOULD NOT GET ANY AMERICAN WEAPONRY.

ANSWERING THE QUESTION OF WHETHER THE CHINA ISSUE WAS TOUCHED UPON AT THE MEETING IN VIENNA, COMRADE A.A. GROMYKO SAID, IN PARTICULAR, AT HIS PRESS CONFERENCE ON 25 JUNE 1979 IN MOSCOW: "WHAT WAS THE DOMINANT IDEA IN THE STATEMENTS MADE BY THE SOVIET SIDE AND WHAT DID L.I. BREZHNEV STRESS IN PARTICULARS THE DOMINANT THOUGHT WAS THAT IN NO CASE CAN IT BE ALLOWED THAT ANY STATE--IN THIS CASE THE UNITED STATES-- SHOULD USE ITS RELATIONS WITH CHINA TO THE DETRIMENT OF THE SOVIET UNION AND THE INTERESTS OF ITS SECURITY. THIS WOULD HAVE A VERY NEGATIVE INFLUENCE ON SOVIET-AMERICAN RELATIONS AND THE INTERNATIONAL SITUATION AS A WHOLE.

"PRESIDENT J. CARTER REPLIED TO THE EFFECT THAT HE AGREED ONE CANNOT ALLOW THE RELATIONS OF ANY STATE--OR MORE PRECISELY, ANY STATE REPRESENTED IN VIENNA--WITH CHINA TO HARM ANY OTHER STATE. THAT IS, HE AGREED IN ESSENCE WITH THE THESIS EXPRESSED BY L.I. BREZHNEV."

LEADING FIGURES IN THE UNITED STATES CONTINUED TO REPEAT THAT AMERICAN WEAPONRY WOULD NOT BE SUPPLIED TO CHINA.

ZWE HAVE NO INTENTION OF CHANGING OUR POLICY," SAID U.S. STATE SECRETARY C. VANCE, FOR EXAMPLE, ON 4 OCTOBER 1979. "WE DO NOT INTEND TO SELL WEAPONRY TO THE CHINESE."

ON 25 JANUARY 1980, U.S. DEFENSE SECRETARY H. BROWN STRESSED FOR HIS PART, WHILE HOLDING TALKS WITH CHINESE, THAT "THE UNITED STATES HAS NOT ABANDONED ITS POLICY OF EXCLUDING PLANS TO SELL WEAPONRY OR WEAPONS SYSTEMS TO CHINA."

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NLRR MIL 386 # 59978

BY RW. NARA DATE 3/12/83

X// SYSTEMS TO CHINA."

LD061134

(TEXT) BUT THEN IN AUTUMN 1980, ELECTIONS WERE HELD AS A RESULT OF WHICH THERE WAS A CHANGE OF ADMINISTRATION: THE DEMOCRATS HAD TO DEPART AND WERE REPLACED BY THE REPUBLICANS, WHO GRANDILOQUENTLY PROCLAIMED THEY WOULD "RENEW" U.S. FOREIGN POLICY IN THE MOST RADICAL WAY.

CONTINUITY OF POLICY IS A WELL-KNOWN RULE OF RELATIONS BETWEEN STATES. PRESIDENTS CHANGE, MINISTERS COME AND GO, BUT TREATIES, PACTS AND AGREEMENTS BETWEEN STATES REMAIN IN FORCE. THIS NATURAL RULE OF INTERNATIONAL RELATIONS IS A NECESSARY GUARANTEE OF THEIR STABILITY. HOW CAN ONE CANCEL OUT EVERY 4 YEARS WHAT WAS DONE BEFORE A COUNTRY'S LEADERSHIP CHANGED, AND START ALL OVER AGAIN AS IF BEGINNING A NEW GAME OF POKERS

YET IN WASHINGTON AT THE MOMENT, THEY CLEARLY THINK DIFFERENTLY. THEY PREFER ARBITRARINESS TO THE NORMAL PRACTICE OF INTERNATIONAL RELATIONS, CONSIDERING THAT TO RENOUNCE THE ASSURANCES OF PREVIOUS ADMINISTRATIONS, LED BY PRESIDENT NIXON, FORD AND CARTER, IS IN THE ORDER OF THINGS. NOW THE PRESENT U.S. ADMINISTRATION IS GOING SO FAR AS TO DECIDE TO SELL MODERN ARMS TO CHINA AND DEVELOP MILITARY COOPERATION WITH THAT COUNTRY.

EVEN THE UNITED STATES, THIS LINE AROUSES SURPRISE AND APPREHENSION. TIME MAGAZINE, FOR INSTANCE, IN ITS ISSUE DATED 6 JULY, QUOTING STATEMENTS BY FORMER SECRETARY OF STATE VANCE, WRITES THAT "HAIG'S ANNOUNCEMENT IN BEIJING THAT THE UNITED STATES HAS AGREED 'IN PRINCIPLE' TO SELL ARMS TO CHINA, WAS NEEDLESSLY PROVOCATIVE IN RELATIONS TO THE SOVIET UNION" EVEN THE ALLIES OF THE UNITED STATES ARE MADE UNEASY BY SUCH ADVENTURISM. THE ARMS FOR CHINA DEAL, THE BRITISH TIMES WRITES HAS AROUSED AS MUCH ANXIETY AMONG THE FRIENDS AS AMONG THE OPPONENTS OF THE UNITED STATES.

THIS IS UNDERSTANDABLE. THE UNITED STATES HAS SHOWN ITSELF TO THE WHOLE WORLD TO BE A COUNTRY WHERE IT IS CONSIDERED TO BE THE ORDER OF THINGS TO CARRY OUT ONE POLICY ONE DAY AND ANOTHER THE NEXT--DEPENDING ON THE TASTES OF THE LATEST MASTER OF THE WHITE HOUSE. OUR PRESIDENT SIGNS TREATIES AND AGREEMENTS AND ASSUMES CERTAIN RESPONSIBILITIES, AND THEN HE IS REPLACED BY ANOTHER WHO RIDES ROUGHSHOD OVER EVERYTHING THAT WAS DONE BEFORE HIM, AND DEMANDS, MOREOVER, THAT EVERYTHING IN THE WORLD SHOULD CORRESPOND TO HIS TASTES AND THE POLICIES STEMMING FROM THEM. SURELY IT IS CLEAR THAT SUCH A PRACTICE IS PROFOUNDLY AMORAL?

INSTEAD OF A REALISTIC, BALANCED, CIRCUMSPECT ASSESSMENT OF ALL FACTORS OF WORLD POLITICS THERE IS SELF-BINDING ANTI-SOVIETISM, ABOVE ALLN IT PUSHES WASHINGTON INTO "MILITARY PARTNERSHIP" WITH BEIJINGM

WITH ITS ENTHUSIASM FOR THE "CHINESE CARD," WASHINGTON SHORTSIGHTEDLY BELIEVES THAT THE DEVELOPMENT OF EVENTS WILL PROCEED IN ACCORDANCE WITH THE AMERICAN SCENARIO. BUT THE SOVIET UNION, AS EVERYONE KNOWS, WILL NOT BE INTIMIDATED. IT HAS EVERYTHING NECESSARY TO PROTECT THE SECURITY AND INTERESTS OF ITS PEOPLE AND ITS ALLIES. IN THIS SENSE, WASHINGTON'S STAKE ON THE "CHINESE CARD" IS FUTILE. BUT THE FACT THAT AMERICAN WEAPONRY, SHOULD THEY FALL INTO CHINESE HANDS, COULD BE USED AGAINST SOUTH AND SOUTHWEST ASIAN STATES AND THOSE OF THE PACIFIC--THIS IS A PROSPECT WHICH IS MORE REAL AND NO LESS DANGEROUS TO UNIVERSAL PEACE.

THUS, THE NEW U.S. ADMINISTRATION HAS ONCE AGAIN SHOWN TO THE WHOLE WORLD WHAT AN UNRELIABLE PARTNER IN INTERNATIONAL RELATIONS IT IS. THE PEOPLE ARE BECOMING INCREASINGLY AWARE OF HOW INSANCE AND DANGEROUS IS WASHINGTON'S STAKE ON ARMING CHINA, WHOSE LEADERS ARE GUIDED BY THE UNWAVERING AGGRESSIVE AND HEGEMONISTIC DOGMAS OF MAOISM.

(ENDALL)

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MEMORANDUM

NATIONAL SECURITY COUNCIL

July 6, 1981

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NLRR M386/1 #59960  
BY KML NARA DATE 10/18/13

~~CONFIDENTIAL~~  
INFORMATION

**SUSPENSE**  
*w/ Stearman 7/8  
for further action  
cc: RP, JL, DG,  
SC, RK, HN*

MEMORANDUM FOR RICHARD V ALLEN  
FROM: WILLIAM L. STEARMAN  
SUBJECT: Soviet Attacks on U.S. Arms Sales to China

My analysis of the first Soviet "non-paper" (Dobrynin gave Al Haig) on U.S. arms sales to China attributed the caustic Soviet reaction to promises given by Carter and his top officials that the U.S. would not sell arms to China. The Soviets thus accused this Administration of not living up to the promises of the Carter Administration. My guess has now been more or less confirmed by a July 6 Pravda commentary (Tab A).

Pravda cites Carter's remarks to Brezhnev in Vienna, and quotes an October 4, 1979 Vance statement and a January 25, 1980 Harold Brown statement. Pravda complains that by offering arms to China, this Administration has, in effect, broken a "well-known rule of nations" on "continuity of policy." The paper maintains: "Presidents change . . . but treaties, pacts and agreements between states remain in force." It, in effect, has taken the absurd position that policy statements should be binding on successive administrations.

This position is taken to demonstrate that "the new U.S. Administration has once again shown to the world what an unreliable partner in international relations it is." In addition, Pravda raises the spectre of U.S. arms being used by China against "South and Southwest Asian states and those of the Pacific." It points out, however, that the Soviet Union will be able to protect itself and its allies (Vietnam?) from China, no matter what.

I agree with Dick Pipes that we should reply to these informal Soviet notes. (Jim Lilley tells me another just arrived.) This is a serious (if overblown) issue to the Soviets, and we should make our position clear to them. We could even borrow from this Pravda piece which downplays the potential threat (of arms sales) to the USSR by stating: "It [the USSR] has everything necessary to protect the security and interests of its people and its allies. In this sense, Washington's stake, on the 'Chinese Card' is futile."

cc: Richard Pipes  
James Lilley

*Agreed  
Let's draft a  
succinct response.  
Pipes  
7/7*

~~CONFIDENTIAL~~  
Review July 6, 1987

~~CONFIDENTIAL~~

# 3974

SEP 23

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ga 7/1221

BUD NANCE

DICK ALLEN

Wt 7/2302

IRENE DERUS

gd 8/1513

JANET COLSON

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KAY

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MEMORANDUM

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*AF*

NATIONAL SECURITY COUNCIL

July 8, 1981

~~SECRET~~

INFORMATION

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NLRR M386/1 #59976

BY KML NARA DATE 10/18/13

MEMORANDUM FOR RICHARD V. ALLEN  
FROM: JAMES LILLEY *jl*  
SUBJECT: Arms Sales to China (S)

This memo informs you of the status of U.S. arms sales to China and expresses my concern that State is ramming this one through as they did the initial announcement on China arms sales in Peking. Rich Armitage and I are trying to put the brakes on and you should be getting a strategy paper from Secretary Weinberger in the next few days. (S)

*OK -  
needs  
NSC  
consider  
other*

General Webb, the Defense Attache in Peking, was approached by the Chinese after the Haig trip with the request for several items of military hardware including:

- Tow anti-tank missiles
- Hawk anti-aircraft missiles
- MK-48 (Torpedos)

Webb put the Chinese off but both State and DOD want to give the Chinese positive signals on the TOW and Hawk. The Chinese in effect said that the Chinese Deputy Chief of Staff who is scheduled to come in August should have positive issues to talk about, otherwise the trip might not be worthwhile. (S)

I sense this is a Chinese ploy to force our hand and we are falling into it, not having thought through the implications of such sales. (S)

DOD has prepared an initial paper which deals with some of the key issues which, in my view, are:

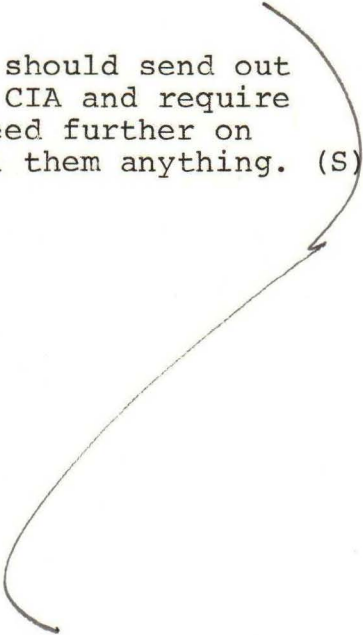
- What should be the level of arms sales and why?
- The advantage to the U.S. of such sales.
- The place of such sales in our overall Pacific strategy.
- The implications for our allies and the effect on U.S.-Soviet relations.
- How does it relate to our Taiwan policy, especially the security of Taiwan?
- What obligations have we undertaken and what are Chinese expectations?

~~SECRET~~

Review on 7/8/87

~~SECRET~~

When you get Weinberger's paper, I believe we should send out our series of questions to State, Defense and CIA and require some hard thinking and writing before we proceed further on what we should sell them, or if we should sell them anything. (S)



op -  
I agree -

#4066

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JANET COLSON

*Jr 8/1525*

BUD NANCE

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DICK ALLEN

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IRENE DERUS

*13/0885*

JANET COLSON

BUD NANCE

*[Signature]*

KAY

CY TO VP

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