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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 1981 (2 OF 2)

**FOIA**

F02-025/1

**Box Number** 6

COHEN, WARREN

2

| ID    | Doc Type | Document Description  | No of Pages | Doc Date  | Restrictions |
|-------|----------|---|-------------|-----------|--------------|
| 59979 | MEMO     | LILLEY TO ALLEN RE. US-CHINA RELATIONSHIP [W/NOTATION]<br><i>R 8/2/2016 M386/1</i>                | 2           | 7/16/1981 | B1           |
| 59980 | MEMO     | ALLEN TO WEINBERGER RE. US-CHINA<br><i>R 12/5/2012 M386/1</i>                                     | 1           | ND        | B1           |
| 59981 | MEMO     | WEINBERGER TO ALLEN RE. US-CHINA [SUMMARY W/MEMO ATTACHED]<br><i>R 8/2/2016 M386/1</i>            | 16          | 7/13/1981 | B1           |
| 59982 | MEMO     | ALLEN TO RR RE. CHINESE ECONOMY [W/DISTRIBUTION FORM]<br><i>R 3/12/2013 M386/1</i>                | 5           | 7/24/1981 | B1           |
| 59983 | MEMO     | LILLEY TO ALLEN RE. CHINESE ECONOMY [COPY OF DOC. 59984 W/NOTATIONS]<br><i>R 3/12/2013 M386/1</i> | 1           | 7/21/1981 | B1           |
| 59984 | MEMO     | LILLEY TO ALLEN RE. CHINESE ECONOMY [ORIGINAL OF DOC. 59983 W/EDITS]<br><i>R 3/12/2013 M386/1</i> | 1           | 7/15/1981 | B1           |
| 59985 | CABLE    | BEIJING 7395<br><i>R 10/18/2013 M386/1</i>  | 6           | 7/20/1981 | B1           |
| 59986 | CABLE    | BEIJING 7396<br><i>R 10/18/2013 M386/1</i>  | 2           | 7/20/1981 | B1           |

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

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| ID    | Doc Type | Document Description                         | No of Pages | Doc Date  | Restrictions |
|-------|----------|--|-------------|-----------|--------------|
| 59987 | CABLE    | BEIJING 7397<br><b>R 10/18/2013 M386/1</b>   | 2           | 7/20/1981 | B1           |
| 59988 | CABLE    | BEIJING 3794<br><b>R 10/18/2013 M386/1</b>   | 6           | 7/20/1981 | B1           |
| 59989 | MEMO     | LILLEY TO ALLEN<br><b>D 3/12/2013 M386/1</b> | 2           | 7/22/1981 | B1 B3        |

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~~SECRET~~ **URGENT**

UNCLASSIFIED UPON REMOVAL  
OF CLASSIFIED ENCLOSURE(S)

RECEIVED 16 JUL 81 10

TO ALLEN

FROM WEINBERGER, C

DOCDATE 13 JUL 81

KEYWORDS: CHINA P R

USSR

*CM*

SECURITY ASSISTANCE

SUBJECT: US - CHINA SECURITY RELATIONSHIP

ACTION: PREPARE MEMO FOR ALLEN

DUE: 16 JUL 81 STATUS S FILES

FOR ACTION

FOR COMMENT

FOR INFO

LILLEY

PIPES

GREGG

SCHWEITZER

STEARMAN

KIMMITT

\*COMMENTS 3 HR TURNAROUND. CY ONLY REC'D

REF# 15157

LOG

NSC IF ID

( L / )

ACTION OFFICER (S)

ASSIGNED

ACTION REQUIRED

DUE

COPIES TO

*RA*

*4 7/16*

*In Discussion*

*7/17*

*to RR, RK, etc*

*9/29*

*"Action Taken" per Nance*

*JL*

DISPATCH

W/ATTCH

FILE

*PA* (C)

*Allen*



~~SECRET~~

MEMORANDUM

NATIONAL SECURITY COUNCIL

4286

~~SECRET~~

ACTION

July 16, 1981

*ACTION TAKEN*  
*(9/29/81)*

MEMORANDUM FOR RICHARD V. ALLEN

FROM: JIM LILLEY *q*

SUBJECT: DOD Strategy Paper on US-China Security Relationship (U)

This memorandum contains my comments on Secretary Weinberger's memorandum on US-China security relationship. (U)

At last we have this long-overdue strategic look at where we are going in our security relationship. I recommend that:

-- We concur that DOD should chair this study that Secretary Weinberger wants.

-- That the study should concern Option 1, which is the only way to go at this point in my view. Option 1 calls for a Sino-American entente. (S)

We have already called for CIA to do a detailed study of Asian reactions to military cooperation with China. This becomes especially important now as we are being lumped with China at the UN Conference on Cambodia. The DOD paper is too breezy on possible Malaysian and Indonesian reactions. These countries, as well as Japan and Taiwan, would be seriously concerned and we must take their views into consideration. (S)

Second, we are already doing a detailed study on dual technology transfer which upgrades the levels, simplifies the procedures, and drafts new regulations; so, this aspect is largely under control. (S)

As for military sales themselves, this in my view is the crunch issue: We are examining requests from the Chinese for the F-404 engine, the TOW anti-tank missile, and the Hawk anti-air missile. We need to establish guidelines for what weapons systems we are going to release to the Chinese, and we must consider in the Chinese-American entente option, the co-production of these items with the Chinese. (S)

~~SECRET~~

Review July 16, 1987

DECLASSIFIED

NLRR M386/1 #59979

BY *RW* NARA DATE *8/2/16*

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There is one striking weakness in DOD's paper: it does not deal with Taiwan. In fact, if I am correct, Taiwan is not mentioned in the whole paper. I think Taiwan must be factored in, both in terms of guidelines for our sale of weapons systems to China, if we do it at all, and how we will use arms sales to China to facilitate future arms transfers to Taiwan. (S)

Finally, the paper does not deal with two important areas which should be included: First, the Chinese declining defense budget. They are reducing military expenditures; they have dallied with Europe for years without purchasing a single weapons system. Do they mean business, or are they after token sales just to provoke the Soviets? What kind of leverage exists for us in military sales in terms of the internal political situation in China? Whose hand are we strengthening and how? What do we know about the Chinese military men who are handling these exchanges? (S)

No comments were received from Schweitzer, Kimmitt or Pipes.

RECOMMENDATION: That you sign the interim reponse to Secretary Weinberger at Tab I, with copies to Secretary Haig and DCI Casey.

Approve     *ps*     Disapprove                     

Attachments:

- Tab I Memo to Scy Weinberger
- Tab II Weinberger's memo, 13 July

cc: Schweitzer  
Kimmitt  
Pipes

*we need to  
move on this one  
before @ leaves for  
Calif.  
Buel - let's get  
on an NSC or NSPB  
agenda now.*

~~SECRET~~

~~SECRET~~



~~SECRET~~

59980

4

THE WHITE HOUSE  
WASHINGTON

~~SECRET~~

MEMORANDUM FOR THE HONORABLE CASPER W. WEINBERGER  
The Secretary of Defense

SUBJECT: US-China Security Relationship (U)

Your memorandum on the US-China security relationship was received and we are carefully studying it. It was very timely, as until now our Administration has not examined the implications of expanding our security relationship with China, and this is such a serious matter that we should only act after the most careful reflection. (S)

On initial reading, I believe there are certain other elements that should be factored into our study:

- We have to look at the implications for Taiwan.
- We have to do a very careful study of the reactions of the ASEAN nations and Japan to the military relationship with China.
- We need to analyze carefully the Soviet reaction.
- We have to come to some conclusions about the reaction inside China to such a cooperation, particularly how this affects the stability of the Vice Chairman Deng and his relationship with the Chinese military. Are we strengthening the right people inside China? (S)

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

cc: Secretary Haig  
DCI Casey

~~SECRET~~

Review July 16, 1987

~~SECRET~~

DECLASSIFIED

NLRR 111-386 # 59980

BY RW NARA DATE 12/5/12



~~SECRET~~

59981 4286

5

THE SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301



13 JUL 1981

MEMORANDUM FOR THE COUNSELLOR TO THE PRESIDENT  
ASSISTANT TO THE PRESIDENT FOR  
NATIONAL SECURITY AFFAIRS

SUBJECT: US-China Security Relationship (U)

(S) In the next few weeks, we face a number of follow-up actions stemming from Al Haig's visit to China. As we deal with these, I believe it is important that we proceed with a clear view of where we want to go in our overall security relationship with China. And we must have an understanding of the specific policies that would be required to bring about the desired US-PRC security relationship.

(S) The attached paper sets forth some observations and options for dealing with this important issue. I believe we should now start an NSC study with State, DoD, possibly ACDA, and CIA participating. Given the emphasis in the military relationship, DoD might chair this study.

A handwritten signature, likely of the author, is written in the center of the page. The signature is stylized and appears to be "R. W. ...".

Attachment

cc: Al Haig  
Bill Casey  
Eugene Rostow

Classified by Sec Def  
Declassify July 8, 1987

DECLASSIFIED

NLRR M386/1 #59981

BY RW NARA DATE 8/2/16

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15157



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THE SECURITY DIMENSIONS OF US-PRC RELATIONS  
Executive Summary

I. Introduction. While defense relations were normalized by the Carter Administration, it never came to grips with where we should go with China in the strategic dimension. If we fail to resolve this question as we follow up on Secretary Haig's China trip, we risk establishing a long-term policy through ad hoc decisions, without regard for long-term US interests.

II. Where Are We? We have established defense contacts; broadened our strategic dialogue; exchanged intelligence; and, modified export control procedures.

III. What Have We Gained? Many believe that the image of the relationship we should seek to convey to the Soviets should be one with no clear upper limit, with institutional structures in place to permit rapid expansion, but without the inevitability of expansion in the absence of Soviet provocation. With some fine-tuning and further development of the institutional structure, the current relationship approaches this balance of potential and restraint.

IV. Must We Do More? There are strong pressures to do more with the Chinese in the defense dimension. These arise from the impetus of trip diplomacy, rising Chinese expectations, bureaucratic factors, and the logic of the international situation.

V. What Are The Immediate Issues? The major unresolved issue is whether and, if so, how explicitly we should involve ourselves in China's defense modernization process. Other dimensions of the security relationship are less controversial and the associated issues are less urgent. However, we need to evaluate whether our interests will be advanced by further evolution of the strategic dialogue and military-to-military contacts.

VI. Where Are We Going? While no one can predict with confidence the indefinite continuation of the status quo, no one predicts a drastic change in China's strategic orientation during the next 10-15 years. It is precisely during this near-to mid-term that we need all the help we can get in balancing the growing Soviet threat. Therefore, while there is need for caution to hedge against the possibility of a different Chinese orientation in the longer term, we should seek in the near-term to maintain or enhance the strategic relationship with the PRC.

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NLRR M386/1 # 5998/a

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BY fw NARA DATE 8/7/16



Regardless of the type of relationship we seek, our decisions on many of the immediate issues may be the same. On other issues, however, notably those pertaining to military sales and technical assistance, our options place us on divergent policy tracks. If we are to produce a coherent and coordinated security policy towards China, we should address first the objective and policy track we should pursue. Otherwise, we will find ourselves deriving our policy direction after the fact from decisions on the individual issues.

VII. Alternative Security/Strategic Relationships. Conceptually, there are four basic types of relationship we might seek. The first represents a modest level of security cooperation. The remainder represent progressively higher levels of security ties.

A. Sino-American Entente. This option would focus on enhancing the durability of US-PRC relations and their potential for cooperative actions. It is not exclusively anti-Soviet in focus but it retains China's value as a counterweight to the Soviets. No major new US policy initiatives are necessary; but some changes are required for symbolic reasons. These could include defensive arms sales to improve relevance of our policy in Chinese eyes and to show that we do not consider China a strategic adversary. We would be responsive to Chinese requests; not actively promote improvement of Chinese military capabilities.

B. Deter a Soviet Attack on China. This option is based on questionable assumption that Soviets may conclude that time is against them and preemptively attack to knock China out of the game before its modernization succeeds. To increase deterrence of Soviet attack on China, we would need to emphasize linkage of US and PRC security (implying US willingness to fight in China's defense) and to actively support improvement of Chinese defensive capabilities. We would consider sale and coproduction of defensive arms; and, technical and monetary assistance to modernize China's defensive weapons industry.

C. Force Soviets to Devote More Forces to China. This would require that we make the Soviets see China as a growing threat to them, requiring more Soviet forces to defend their border with China. Since China would require increased defense guarantees before becoming more provocative, Option B would be a prerequisite. In addition to Option B actions, this option would involve the full range of US assistance for Chinese offensive military capabilities.

D. Sino-American Alliance. This option would formalize an agreed division of labor between US and PRC forces for a major war with the Soviets and develop capabilities on both sides to implement it. It would involve the near-term



actions which would lead, in time, to the full range of alliance interactions, e.g., combined planning/exercises/operations, security assistance, active support for improved Chinese defensive and offensive capabilities.

VIII. Conclusions and Recommendations. The three higher level options share the characteristics of active US promotion of Chinese military modernization and some degree of US commitment to come to China's aid in the event of a Soviet attack. In the near-term, this latter factor runs counter to our interests in minimizing additional commitments for US forces which are inadequate for commitments already made. Without severe Soviet provocation, an alliance is not politically feasible in either capital. Furthermore, the offensive option (C) -- and to a lesser extent, the deterrent option (B) -- is extremely provocative in the near-term but, because of severe constraints on China's modernization, pays no dividends in increased Chinese military capabilities for several years. There would be few marginal gains, if any, from these options over the 10-15 year period with which we are most concerned. The costs are therefore more significant, particularly in terms of probable Soviet and allied reaction.

The Chinese are not pressing us for, and indeed may oppose, the three higher level options. We should avoid the inherent provocation of those options as long as possibilities remain for improvement of relations with the Soviets. However, should these relations deteriorate to the point where a worldwide conventional war became probable, an alliance with the PRC would serve our interests better than the other higher level options.

On balance, this analysis supports a near-term policy goal of Sino-American entente. We should limit policy changes to show Moscow that we intend to act with restraint while leaving open the prospect of escalation. Within these limits, we should proceed to broaden and deepen the bases of support for the US-PRC relationship within all elements of the Chinese leadership and to pursue parallel policies where we have parallel interests. Such a relationship would maintain China as a counterweight to the Soviets, enhance the durability of US-PRC ties, and lay the foundation for closer cooperation, if such a step became necessary.



THE SECURITY DIMENSIONS OF US-PRC RELATIONS

I. Introduction

The US-PRC security relationship gathered considerable momentum after the January 1980 visit of Harold Brown opened a dialogue between the two defense establishments. But, although defense relations were normalized by the Carter Administration, it never came to grips with where we should go with China in the strategic dimension. If we fail to resolve this question as we follow up Secretary Haig's visit, we risk establishing a long-term policy through ad hoc decisions, without regard for long-term US interests.

II. Where Are We?

We have:

- established a program of high-level and professional contacts between our defense establishments.
- broadened our strategic dialogue to include informed discussion of military factors in the global strategic balance, regional security issues such as Afghanistan and Kampuchea, and arms control issues.
- exchanged intelligence on matters of mutual interest.
- liberalized export control procedures for dual use technology and agreed to consider sales of military weapons to the PRC.

III. What Have We Gained?

In rationalizing our policy publicly, we have emphasized the fact that contacts between US and Chinese defense establishments are a natural by-product of normal political relations. The measures taken thus far have given the relationship momentum and strengthened the hand of pro-Western elements in the Chinese leadership. This has been done without evoking serious misgivings among the American public, Congress, or our major allies.

At the same time, we have intimated that the relationship is somewhat open-ended, capable in response to provocations of being upgraded to higher levels of defense cooperation. The measures we have taken give this credibility. We have increased our knowledge of each other's military capabilities and laid the foundation for coordination of our policies where interests coincide and for expanded defense cooperation if the Soviets challenge our shared interests.

DECLASSIFIED

Classified by Dir, GAPP  
Declassify on 30 June 1999

~~SECRET~~

NLRRM 386/1 #599816  
BY RW NARA DATE 8/2/16



Many believe that the image of the relationship we should seek to convey to the Soviets should be one with no clear upper limit, with institutional structures in place to permit rapid expansion, but without the inevitability of expansion in the absence of Soviet provocation. With some fine-tuning and further development of the institutional structure, the current relationship approaches this balance of potential and restraint.

#### IV. Must We Do More?

There are strong pressures to do more with the Chinese in the defense dimension. These arise from the impetus of trip diplomacy, rising Chinese expectations, bureaucratic factors, and the logic of the international situation.

The expansion of exchanges of official delegations has made trip diplomacy a major contributor to the momentum in US-PRC relations. The desire of each delegation leader for a significant and successful visit seems inevitably to produce an impetus for the US delegation to repay Chinese hospitality with tangible expressions of U.S. cooperation that stretch and sometimes exceed the limits of the delegation's brief.

In turn, the subtle pressures of trip diplomacy have served to heighten Chinese expectations, particularly the hope for further movement in our technology transfer policies. For example, during the Liu-Perry reciprocal visits, U.S. spokesmen attempted to explain U.S. policy with respect to dual-use technology and military support equipment sales, and the application of that policy to specific items of Chinese interest. For their part, the Chinese probed for the limits of what we were willing to do. No commitments were made by the U.S. side, but Perry's liberal use of the term "defense technological cooperation" certainly left the Chinese with the impression that further developments could be expected, in terms of U.S. technical assistance if not components or major end-item sales. Secretary Haig's announcement of our willingness to consider China's requests for weapons will be seen in that light.

Within the U.S. bureaucracy, ad hoc decision making in the absence of a clear idea of how security cooperation with the PRC fits into our larger security concerns contributes to momentum without clear direction. Pressure to do more comes from those who want to enhance China as a counterweight to Soviets, those searching for options to respond to Soviet actions elsewhere, and those who want to improve U.S.-PRC ties on their own merits. Initiatives are tailored to what the traffic will bear rather than to an agreed objective and, as a result, may send conflicting signals to the Soviets, the Chinese, and our own bureaucracy.

The international situation provides ready rationales for doing more: the momentum of the Soviet arms buildup; the invasion of Afghanistan; the Soviet strategic foothold



in Indochina. Arms sales to China by third countries prod us to follow suit lest we unduly restrict the international competitiveness of US business or lose the opportunity to influence the course of China's modernization.

#### V. What Are The Immediate Issues?

The major unresolved defense issue is whether and, if so, how explicitly we should involve ourselves in China's defense modernization process. The Chinese have asked us to consider assisting them in improving selected defensive weapons systems, e.g., antitank, antiair, armored personnel carriers, etc. The system on which they have pressed hardest is their F-8 interceptor. They have asked us to consider sale of the F404 engine, pulse doppler radar, associated fire control systems, inertial navigation systems, and ECM equipment. They also asked that we consider sending specialists to help them improve their engine designs and/or receive their specialists here for technical discussions on improving their avionics. Before we renew our dialogue with the Chinese, we must reach agreement on the mission areas (e.g., antitank, antiair, counterair) for which we would be prepared to offer assistance.

Other dimensions of the security relationship are less controversial and the associated issues are less urgent. However, we need to evaluate whether our interests will be advanced by further evolution of the strategic dialogue and military-to-military contacts:

- should strategic consultations be expanded to include discussion of contingency actions we each might take in response to likely Soviet moves?

- should we allow professional contacts (or technical assistance) to evolve into some form of military training assistance, e.g., providing training materials or permitting attendance at US military technical schools and/or professional schools?

- should we expand current information exchanges into routine exchanges of selected classified intelligence information?

#### VI. Where Are We Going?

If we continue to deal with each issue individually, our day-to-day decisions may result in our drifting into a relationship which we may later find uncomfortable or ill-suited to our needs. The models we have used in the past for shaping China policy are no longer relevant. We have moved beyond evenhandedness. The efficacy of "playing China cards" as a means to gain leverage over future Soviet behavior is questionable. As our relations with Beijing have normalized, bilateral factors weigh heavier in our deliberations, often in conflict with those which derive from US-Soviet relations.



However, we cannot develop our relations with the USSR and China independently because our fundamental interest in the US-PRC relationship is derived from our concerns about the global balance of forces. And, as long as Sino-Soviet hostility persists, what we do with one will affect our relationship with the other.

Concerns remain about the long-term viability of a strategic relationship with China. However, while no one can predict with confidence the indefinite continuation of the status quo, no one predicts a drastic change in China's strategic orientation during the next 10-15 years. It is precisely during this near-to mid-term that we need all the help we can get in balancing the growing Soviet threat. Therefore, while there is need for caution to hedge against the possibility of a different Chinese orientation in the longer term, we should seek in the near-term to maintain or enhance the strategic relationship with the PRC. Furthermore, China's future orientation will itself be influenced by experiences to come as well as by those in the past. Excessive caution out of fears of eventual US-PRC confrontation could become a self-fulfilling prophecy. On the other hand, a more forthcoming policy could enhance Chinese perceptions of the long-term utility of a pro-Western orientation, reducing the risk of eventual confrontation as well as favorably affecting the near-term global balance of forces.

Regardless of the type of relationship we seek, our decisions on many of the immediate issues may be the same. On other issues, however, notably those pertaining to military sales and technical assistance, our options place us on divergent policy tracks. If we are to produce a coherent and coordinated security policy towards China, we should address first the objective and policy track we should pursue. Otherwise, we will find ourselves deriving our policy direction after the fact from decisions on the individual issues.

## VII. Alternative Security/Strategic Relationships.

Conceptually, there are four basic types of relationship we might seek. The first represents a modest level of US-PRC security cooperation; the others represent progressively higher levels of security ties. The four alternatives are:

- Sino-American entente;
- relationship based on perceived need to deter a Soviet attack on China;
- relationship designed to force the Soviets to increase its forces along the Sino-Soviet border, during the next 10 years; and,
- Sino-American alliance.



## A. Sino-American Entente

### - What Is It And What Is Its Goal?

Entente would be a relationship based on mutual independence but with pursuit of parallel policies where parallel interests exist. Its emphasis is on US-PRC relations, their durability, and their potential for cooperative action. It is not exclusively anti-Soviet in focus but it recognizes China's value as a counterweight to the Soviets and enhances it to the extent that it reduces the probability that the current relationship is subject to rapid reversal.

In an entente relationship we would seek to strengthen and broaden bilateral ties in all areas, including defense, in order to build a broad based perception in the Chinese bureaucracy that the relationship has utility which transcends our anti-Soviet interests. The anti-Soviet nature of the understanding would remain latent, and would emerge only in response to Soviet actions. We would seek to avoid actions which might alter China's current policies toward the US, the West in general, and the USSR. At the same time, we would seek to present an image of restraint in the absence of Soviet provocation, limiting policy changes both to avoid gratuitous provocation and to leave open the prospect of escalation.

### - What Are The Operational Implications?

Since the aim is not to increase Soviet concerns, major US initiatives are not necessary. However, policy changes would be required to illustrate that we are not treating China as a strategic adversary and to permit US responsiveness to more of China's modernization needs. To do this, we would be willing to:

-- Broaden strategic consultations to include areas of mutual interest other than anti-Soviet cooperation. However, this would not rule out special consultations in response to Soviet provocation.

-- Expand professional defense contacts in functional areas of mutual interest to promote better understanding of each other's system and broaden support for the relationship. We would downplay or avoid exchanges with combined operational implications except in response to Soviet actions. We would be willing to consider some professional training and familiarization activities of the types we provide to other friendly but nonaligned nations.

-- Expand intelligence and information exchanges to include certain categories of classified information routinely provided to other friendly but nonaligned nations.



-- Liberalize policies on technology transfers and military sales to clearly differentiate between China and the Soviet Union and Warsaw Pact. To the extent possible without overly alarming our Asian friends and allies, we would seek to treat sales to China on a similar basis to that used for sales to other friendly but nonaligned governments about whom we have nuclear and regional balance concerns. We would be willing to sell defensive arms but our purpose would be to improve the relevance of our policy in Chinese eyes. That is, our objective would be to influence Chinese perceptions of our responsiveness and of the utility of the relationship, not to improve Chinese military capabilities per se.

- What Does It Cost?

The major cost would be felt in US-Soviet relations. Despite our statements to the contrary, Moscow remains unconvinced that earlier improvements were not directed at the USSR. They would react strongly, particularly to changes in our arms sales policies which remove current categorical constraints. However, their reaction probably would be softened by the fact that Chinese fiscal and technical constraints will severely limit the effect of the policy on actual Chinese military capabilities. Nevertheless, the changes could further strain US-Soviet relations and reduce the prospects for improving them.

These changes would heighten concerns in some Asian capitals. However, they probably would not cause insurmountable problems in our relations with the individual states. Reluctant acceptance rather than support would be the most likely reaction of Indonesia and Malaysia, who are concerned about China as a long term threat. As a minimum, they would expect the US to take their concerns into account in determining what specific equipment and technology would be approved.

The subtle difference between being more responsive to Chinese perceptions of their defense modernization requirements and promoting Chinese defense improvements would be difficult for DoD to implement. Our military sales procedures and approach are geared to improve selected capabilities of friends and restrict the capabilities of adversaries. This approach is neither.

B. Relationship Based On Perceived Need To Deter  
A Soviet Attack On China

- What Is It And What Is Its Goal?

This would be based on the assumption that the Soviets, anticipating the success of China's modernization with support from the West, may conclude that time is not on



their side and move to preempt China while it is still relatively weak. A successful Soviet preemptive attack or intimidation by credible threats of such attack could remove China as a factor in the global balance of forces.

If our goal is to strengthen Chinese deterrence of a Soviet attack, we should:

-- make the linkage between US and PRC security more explicit.

-- assist China to strengthen its defensive military capabilities.

-- avoid improvement of Chinese nuclear or power projection capabilities which would make China a greater offensive threat to the Soviets and risk provoking that which we want to deter.

- What Are The Operational Implications?

Unlike the previous alternative which focused on the symbolic effect of US policies, this one requires active US support for improvement of Chinese military capabilities. We would need to:

-- expand the strategic dialogue, explicitly emphasizing the linkage of security of the US to that of China.

-- increase the level and frequency of defense contacts, especially in the defense technology area, and train Chinese technicians and managers in US military schools.

-- increase the level and scope of classified disclosure policy as needed to permit transfer of appropriate defense technology and intelligence.

-- sell defensive arms and, perhaps, permit their coproduction; provide technical advice, assistance, and technology transfers to promote the development of selected Chinese defense industries. Assistance would be limited to conventional ground forces, short-range tactical aircraft (interceptors, ground attack aircraft), air defense forces, C3I, and logistics capabilities.

-- consider monetary assistance in the form of US guaranteed loans for joint ventures, off-setting loans, or even FMS credits.

- What Does It Cost?

The impact on the Soviets is likely to be mixed. It would reinforce Soviet concerns about the wisdom of attacking China but they recognize the difficulties we



would face in mounting any direct retaliatory actions against an attack on China. Since the significant US contribution to Chinese defense capabilities would be long-term, they could have the opposite effect of that intended--reinforcement of Soviet perception that time is not on their side, provoking them to act now. At the least, such active and direct US involvement in improving Chinese capabilities would ensure that Sino-American relations would be a contentious issue in our future dealings with Moscow.

Our friends and allies would be concerned that they might get drawn into the Sino-Soviet dispute on our coattails. They would also see this as our assuming additional commitments which could only be honored at their expense. This could undercut our efforts to encourage them to do more in the common defense.

To the extent that we would have to plan and program for involvement in a Sino-Soviet war, this approach could reduce the strategic value of the US-PRC relationship to us. That value is now based primarily on the premise that we do not have to plan against the Soviet forces on China's borders. Furthermore, Chinese technological and fiscal constraints, the sheer magnitude of the problem, and the relatively low priority given defense modernization by the Chinese mean that there can be no quick payoffs.

All of these costs are given heavier weight by the fact that they may be unnecessary. Neither the Chinese nor our intelligence community consider there to be a significant probability of Soviet preemptive attack. The apparent Soviet strategy is instead to pursue gains in the third world rather than concentrating power against their principal adversaries.

C. Relationship Which Would Force The Soviets To Increase Its Forces Along The Sino-Soviet Border During The Next 10 Years

- What Is It And What Is Its Goal?

This would be based on the premise that the Soviets must act by 1990 if they are to take advantage of their military advantages. It will take the West 10-15 years to reverse trends in the global balance, so the next 5-10 years are the most dangerous. Therefore, if we can force the Soviets to devote more resources to countering China, we can buy the time we need to reverse the trends. To do this would require that the Soviets perceive China as a growing threat to their security rather than as an obstacle to their expansion.

- What Are The Operational Implications?

Since China would be unwilling to assume a more provocative stance against the Soviets without increased guarantees for its own security, the previous alternative is subsumed in this one. In addition, we would:



-- encourage the Chinese to modernize their military more rapidly and assist them by underwriting some of the costs, perhaps through FMS credits.

-- sell offensive weapons and technology and provide associated technical assistance.

-- take a strong anti-Soviet stance in our declaratory policy and insist that the Chinese do likewise.

- What Does It Cost?

This option would have a lasting adverse effect on US-Soviet relations. It would almost certainly provoke Soviet retaliatory actions in other areas of the world and would increase greatly the probability of a Soviet preemptive attack on China before the program could reach fruition. It would spell the end to even the marginal US commitment to reviving detente and provoke an adverse reaction from European allies for whom that prospect is a basic element of policy. Asian allies on China's periphery would be alarmed at the improvement of Chinese power projection capabilities. Taiwan, of course, would be appalled.

There are other significant dangers:

-- We may pay the price of fashioning such a policy only to find that the Chinese refuse to play. They have been very cautious about deliberately provoking the Soviets. If they perceived our true purpose and its dangers to them, it could have an adverse effect on US-PRC relations.

-- We may simply provoke a net increase of Soviet total military capabilities with no degradation of their capabilities in other areas of the world. This was the pattern of the Soviet buildup of its Far East forces in the sixties and Sovietologists contend that it is the most likely Soviet reaction. (The counterargument is that the Soviet economy cannot continue to support increased levels of defense spending). If this were the result, we would exacerbate our strategic problems in the event the Soviets were able to reach an accommodation with China permitting a redeployment of forces.

D. Sino-American Alliance

- What Is It And What Is Its Goal?

An alliance would be anti-Soviet in orientation and be based on the assumption that US and PRC security interests converged to the degree necessary to support a mutual security agreement. Its goal would be to develop an agreed division of labor between US and Chinese forces in the event of a major war with the Soviets and the capabilities on both sides to implement it.



- What Are The Operational Implications?

-- Strategic consultations and defense contacts should move into more explicit discussions of military planning and capabilities leading to combined planning/operations.

-- Intelligence and information exchanges likewise should evolve toward establishing the basis for combined planning.

-- All categorical constraints on technology transfers and military sales should be removed, placing China in the same category as Western countries in our export control policies. We should begin active assistance for Chinese defense modernization, including arms sales, although we could initially limit this to defensive weapons. This would establish the basis from which to expand support to include all areas, offensive and defensive, in which we mutually agree that the Chinese should contribute to the common defense.

-- US planners must determine what the US would need to do to assist the Chinese if the Soviets attack and if the attack were to escalate to the nuclear level. We would need to address the programming requirements of developing a credible capability to implement these plans before we enter negotiations with the Chinese. They are sure to ask before committing themselves to an alliance.

-- We would also need to develop a concept of what we would expect the Chinese to do in the event of a NATO/Warsaw Pact conflict and of what Chinese actions would be required to assure us that they would do what they say.

- What Would It Cost?

The impact of an alliance on the Soviets and our allies could be less severe than the previous, offensive, option to the extent that they see the alliance as a restraint on unilateral Chinese actions. However, formalization of the anti-Soviet coalition would have a lasting adverse effect on US-Soviet relations and would raise suspicions in Asian capitals that the agreed division of labor might include an agreed delineation of US and Chinese spheres of influence in Asia.

VIII. Conclusions and Recommendations

The three higher level options share the characteristics of active US promotion of Chinese military modernization and some degree of US commitment to come to China's aid in the event of a Soviet attack. In the near-term, this latter factor runs counter to our interests in minimizing additional commitments for US forces which are inadequate for commitments



already made. Without severe Soviet provocation, an alliance is not politically feasible in either capital. Furthermore, the offensive option (C)--and to a lesser extent, the deterrent option (B)--is extremely provocative in the near-term but, because of severe constraints on China's modernization, pays no dividends in increased Chinese military capabilities for several years. There would be few marginal gains if any, from these options over the 10-15 year period with which we are most concerned. The costs are therefore more significant, particularly in terms of probable Soviet and allied reaction.

As contingency options for use if there is a drastic deterioration in relations between the free world and the Soviets, the deterrent and offensive options (B and C) fall short of our needs. The offensive option simply would not produce the intended result. The deterrent option implies a US commitment to China's defense without extracting reciprocal commitments from China. We should avoid the provocation inherent in the three higher options as long as possibilities remain for improvement of relations with the Soviets. However, should these relations deteriorate to the point where a worldwide conventional war became probable, an alliance with the PRC would serve our interests better than the other higher level options.

The Chinese are not pressing us for, and indeed may oppose, the three higher level options. We can and should delay actions which push us in these directions. This means specifically that we should not undertake actions designed to actively promote improvements in Chinese military capabilities. This does not mean that we should oppose all actions which have this result, e.g., sale of defensive arms, but that we not delude ourselves as to our symbolic purpose in taking them.

On balance, this analysis supports a near-term policy goal of Sino-American entente. We should limit policy changes to show Moscow that we intend to act with restraint, while leaving open the prospect of escalation. Within these limits, we should proceed to broaden and deepen the bases of support for the US-PRC relationship within all elements of the Chinese leadership and to pursue parallel policies where we have parallel interests. Such a relationship would maintain China as a counterweight to the Soviets, enhance the durability of US-PRC ties, and lay the foundation for closer cooperation, if such a step became necessary. We should:

- Broaden the strategic dialogue and consult on a more regular basis.
- Expand defense exchanges but avoid combined planning implications.
- Expand intelligence and information exchanges to include some classified disclosures.



- Liberalize technology transfer and military sales policies to clearly differentiate treatment of China from that of the Soviet Union and Warsaw Pact.

- Permit sales and technical assistance for carefully selected Chinese defensive weapons improvements as a means of being responsive to at least some of China's perceived higher priority needs, e.g., antitank and anti-air weapons.

Sino-American entente is a deliberately modest defense relationship, strong on symbolism but restrained in terms of specific technology and arms transfers. As a policy goal, it will be subject to strong pressures: from US businessmen seeking to expand their share of the China market; from the Chinese, whose thirst for modern technology will keep us continually at the outer boundaries of our policy; and, from our own bureaucracy, which will have difficulty in dealing with the subtle limits and symbolic purposes of our policy. It is a policy objective that recognizes that the process is more important than the product, and it will require clear understanding of its purpose and firm control of its implementation.



RECEIVED 15 JUL 81 18

TO ALLEN

FROM LILLEY

DOCDATE 15 JUL 81

KEYWORDS: CHINA P R ECONOMICS  
INTELLIGENCE

SUBJECT: CIA ANALYSIS OF CHINESE ECONOMY

ACTION: FWD TO PRES FOR INFO DUE: 17 JUL 81 STATUS X FILES

FOR ACTION

FOR COMMENT

FOR INFO

ALLEN

GREGG

BAILEY

COMMENTS

REF#

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| ACTION OFFICER (S) | ASSIGNED     | ACTION REQUIRED        | DUE  | COPIES TO     |
|--------------------|--------------|------------------------|------|---------------|
| <i>JL</i>          | 7/20         | <i>for memo</i>        | 7/21 | <i>SG, JB</i> |
| <i>PA</i>          | x 7/21       | <i>Sub for info</i>    | 7/24 |               |
| <i>Pres</i>        | IP 7/24      | <i>for information</i> |      |               |
|                    | <i>C 8/3</i> | <i>noted by Pres</i>   |      | <i>JL</i>     |

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MEMORANDUM

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The President has seen

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THE WHITE HOUSE

WASHINGTON

July 24, 1981

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: RICHARD V. ALLEN *Allen*  
SUBJECT: The Chinese Economy

Recently you had occasion to quote Prime Minister Lee Kuan Yew, with whom you discussed the attitudes of China's leaders toward economic reform.

Although the Chinese have adopted some innovations to increase productivity, their economy is still mired in Marxist socialism and there is not much chance they can extract themselves from this by the end of the century. There will be reforms, but at the same time, the huge, cumbersome single-party structure will continue to dominate the political economy.

China's post-Mao leadership is convinced that the country's disappointing economic performance stems in large part from its too-centralized and overly bureaucratic economic system. To stimulate productivity growth and improve economic efficiency, Peking (Beijing) has adopted a series of experimental reforms featuring greater use of material incentives, competition, and market forces in conjunction with central planning.

Although there is support for the changes, considerable resistance to reform still exists, especially among local party and government bureaucrats who have a vested interest in the communist establishment.

Prospects for continued economic reform in China over the decade are favorable. Within that period the revolutionary old guard will pass from the scene, taking with it the bulk of resistance to change. ]

The role of the market and private economic activity in China will almost certainly not, however, play more than a supplemental role in the overall economy. Even the most zealous reformers would never agree to transfer ownership of state capital to the private sector and eliminate central planning. Capitalistic incentive systems and changes in economic organization may succeed in raising productivity and eliminating waste; but, barring another revolution, the Chinese economy will remain fundamentally socialist.

cc: The Vice President .81 7/24 6:35  
Ed Meese  
Jim Baker  
Murray Weidenbaum  
Martin Anderson

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NLRR M11-386 #59982  
BY RW NARA DATE 3/12/13



Reforming China's Economy

Although Mao Zedong paid considerable lip service to the need for China to learn from the capitalist West, deep-seated fears of "capitalist restoration" prevented China's leaders from seriously experimenting with economic reforms during the Maoist era. Since the Chairman's death in September 1976, however, China's new leadership has moved steadily to tear down old economic taboos by introducing -- in selected areas -- a number of reform measures based on wider use of material incentives, competition, and market forces in conjunction with central planning.

The road to reform in post-Mao China has been neither smooth nor direct. Not until Deng Xiaoping's rehabilitation in August 1977 did proponents gather sufficient strength to tackle the twin obstacles of leftist political opponents and conservative economic policymakers. While Deng and his allies set out to eliminate their political enemies -- a process that has led to Hu Yaobang's promotion to the party's chairmanship just last month -- Deng's reformist colleagues began to criticize China's version of the overly centralized Soviet economy, charging that Beijing needed to loosen its control over the Chinese economy in order to increase efficiency and productivity.

After months of debate, one of the party's leading propagandists published a lengthy article on economic reforms in the authoritative People's Daily in October 1978. Arguing that China must pay attention to "objective economic laws" (which bore more than a faint resemblance to Adam Smith's "invisible hand") he urged the study of Western capitalist economic systems and the implementation of badly needed reforms, such as decentralization of economic decisionmaking and the removal of party and government interference in economic affairs.

By year-end 1978, the reformers had convinced a number of key people within the Chinese leadership that declining productivity, wasteful use of investment resources, and generally poor management stemmed from their economic system -- borrowed from the Soviet Union -- which had become too centralized and overly bureaucratic. To promote more efficient practices, the reformers proposed to:

- o Expand management's rights, to give enterprises a freer hand in matters of personnel, finance, raw materials procurement, and marketing.
- o Rely more heavily on market forces to regulate the economy and introduce greater competition into the marketplace -- both under the "guidance of the state plan."
- o Empower workers to form "workers' congresses" in economic units to decide on "major" issues and to recommend the recall of incompetent managerial personnel.



- o Establish an "independent" banking system to grant loans for investment and working capital on the basis of creditworthiness.
- o Reform the tax system to, among other things, reduce the tax burden on collective (nonstate) enterprises and to promote rational use of capital goods.
- o Allow free markets to exist in cities and in the countryside for the sale of certain non-rationed agricultural goods.
- o Broaden the range of production decisions made by individuals or small groups of peasants and enlarge the allowable acreage for private plots.

Having succeeded in putting together an economic reform package, the reformers then faced the most difficult task yet: implementation. Deng Ziaoping has managed to place trusted associates in influential party and government posts in Beijing and the provinces. These officials are, if anything, even more pragmatic than he and possibly even more supportive of reforms. There are other interest groups that clearly support current reforms. Foremost are the peasants, who stand to benefit significantly as they acquire new freedom to engage in various kinds of sideline production and commercial activities, to participate in many cases in de facto private farming, and to earn substantially higher incomes. Large numbers of workers and managers, in a position to earn higher incomes under the proposed changes, should also be pro-reform.

Yet, despite the apparent wealth of support, there remains, especially among party and government bureaucrats, considerable resistance to reforms. Career bureaucrats are opposed to reforms for several reasons. First, many feel that reliance on the market or on "capitalism" is repugnant and tantamount to "revisionism." Second, party leaders also oppose reforms on the grounds that loosening up the economic system will lead to similar changes in the political system, threatening the paramount role of the party. Finally, public officials resist implementation of reforms for practical reasons. As bureaucratic generalists, these officials stand to lose power over, and eventually may be replaced by, professional managers or entrepreneurs who can more effectively solve complicated logistics problems or coordinate the activities of hundreds of factories.

Even though career bureaucrats who resist reforms are typically low-ranking officials, their numbers more than make up for their relatively low status. In a country of China's vast size, the footdragging of millions of local cadre presents an enormous problem. While reformers in Beijing need the support of these



officials to carry out reforms, local officials lack incentives for doing so. Since there are few more professional or better trained cadre available to replace existing officials, Beijing's reformers have little choice for the time being but to let the foxes guard the henhouses.

In addition to bureaucrats, some factory workers are bound to oppose reforms. Competition means closing inefficient factories and laying off unproductive workers. After three decades of benefitting from the "iron rice bowl" -- guaranteed lifelong jobs in state-owned enterprises -- many Chinese workers understandably feel intimidated by the potential threat of a layoff.

Since late last year, Beijing has postponed further expansion of its reform experiments. But once the current stabilization program shows progress in reducing the rate of inflation, attention will increasingly shift toward problems with productivity and waste -- and economic reform. In the industrial sector the scope of the experiments now in progress probably will not greatly expand during the next year or so, but experimentation with reforms in the countryside will almost certainly increase. By the mid-1980s it is likely that a significant share of China's peasants will be engaged in a system of farming that bears little resemblance to Mao's concept of revolutionary collective farming. Farming on private plots will continue to expand and rural free markets to flourish.

Over the longer term -- five to ten years -- reforms in both industry and agriculture could change the Chinese economy considerably. With the passing from the scene of most of the revolutionary old guard, the bulk of the ideological resistance to introducing market forces should be removed. In addition, ten years of political reforms should result in the training of a core group of new-style officials who to a greater degree see themselves as economic managers, rather than political bureaucrats.

Nevertheless, markets and private economic activity almost certainly will not play more than a supplemental role in China's economy -- but this does not mean that their contributions will be inconsequential. In the consumer goods producing and distributing sectors, where market-related reforms may be widely applied, their impact on efficiency and productivity could be considerable. In the producer goods sector, where reforms will probably be less far-reaching, even minor changes that encourage more efficient use of capital assets would greatly benefit the wasteful Chinese economy.

China's presently tiny private sector may grow exponentially over the next decade, but it is highly unlikely that it would even remotely approximate the size of the state sector. Even



the most zealous reformers would never agree to transfer state-owned capital to private ownership. Chinese agriculture in organization and practice may come to resemble more closely private farming; but private ownership of land will remain forbidden. Although "capitalist" incentive systems and new economic institutions may help raise productivity and eliminate waste, Beijing's Marxist leadership will not abandon its reliance on central planning and state ownership of the means of production. Changes elsewhere in the system may alter the nature of Chinese socialism, making it more productive, but it will likely remain a thoroughly socialist system.



MEMORANDUM

59983

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NATIONAL SECURITY COUNCIL

RVA HAS SEEN

July 21, 1981

ACTION

MEMORANDUM FOR RICHARD V. ALLEN

FROM: JAMES LILLEY *[Signature]*

SUBJECT: Analysis of the Chinese Economy

The attached report prepared by CIA at my request is a short, hard-hitting piece which explains the basic elements and dynamics of the Chinese economy. You suggested that the President might want to inform himself on the Chinese economy, so I have prepared an executive summary, as well as the back-up paper by CIA. This has been redone per your request.

RECOMMENDATION:

That you approve and pass the attached memorandum (Tab I) to the President, with copies to the Vice President, Messrs. Meese, Baker and Weidenbaum.

Approve ✓ Disapprove \_\_\_\_\_

*RVA 7/24*

Attachments

Tab I Memo to President  
Tab A Back-up paper

*7/24/81  
Memo only to P*

*Memo w/ TAB to VP, Meese, Baker, Weidenbaum*

cc: Don Gregg  
Norman Bailey

*plus Anderson*

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NLRR 111-386 # 59983

BY RW NARA DATE 3/12/13



RVA HAS SEEN

MEMORANDUM

NATIONAL SECURITY COUNCIL

4199

*ajr*

ACTION

July 15, 1981

MEMORANDUM FOR RICHARD V. ALLEN

FROM: JIM LITLEY *jl*

SUBJECT: Analysis of the Chinese Economy

The attached report prepared by CIA at my request is a short, hard-hitting piece which explains the basic elements and dynamics of the Chinese economy. You suggested that the President might want to inform himself on the Chinese economy, so I have prepared an executive summary, as well as the back-up paper by CIA. *This has been redone per your request.*

RECOMMENDATION: That you approve and pass the attached memorandum to the President, with copies to the Vice President, Messrs. Meese, Baker and Weidenbaum.

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

*Redo*

Attachments

- Tab I Memo to President
- A Backup Paper

cc: Don Gregg  
Norman Bailey

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NLRR m11-386 #59984

BY RUS NARA DATE 3/2/13



#499

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81 JUL 16 AIO: 41

JANET COLSON

BUD NANCE

DICK ALLEN

IRENE DERUS

JANET COLSON

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KAY

CY TO VP

CY TO MEESE

CY TO BAKER

CY TO DEEVER

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| IRENE DERUS  | <u>iga 24/0724</u> |         |                 |
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| CY TO VP     | <u>✓</u>           | SHOW CC | <u>        </u> |
| CY TO MEESE  | <u>✓</u>           | SHOW CC | <u>        </u> |
| CY TO BAKER  | <u>✓</u>           | SHOW CC | <u>        </u> |
| CY TO DEEVER | <u>✓</u>           | SHOW CC | <u>        </u> |
| CY TO BRADY  | <u>        </u>    | SHOW CC | <u>        </u> |



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DATE 07/27/81

WHITE HOUSE SITUATION ROOM

PAGE 01

WHTS ASSIGNED DISTRIBUTION:

SIT: NAN JP VP  
FOB: LILLEY  
WHSR COMMENT:

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NLRR M386/1 #59985

BY KML NARA DATE 10/18/13

MESSAGE ANNOTATIONS:

NO MESSAGE ANNOTATIONS

MESSAGE:

IMMEDIATE  
DE RUMJPG #7396/01 2010264  
O 200231Z JUL 81  
FM AMEMBASSY BEIJING

TO SECSTATE WASHDC IMMEDIATE 3788

~~SECRET~~ SECTION 01 OF 02 BEIJING 7396

NO DIS  
E.O. 12866: RDS-1, 3 - 7/28/81 (FREEMAN, CHARLES W. JR..) OR-M  
TAGS: PERP, CH, US, TW  
SUBJECT: DENG XIAOPING ON SINO-AMERICAN RELATIONS

1. SUMMARY. FORMER NATIONAL SECURITY ADVISER ZBINGNIEW PRZENINSKI, IN BEIJING ON A PRIVATE VISIT TO CHINA, MET WITH VICE CHAIRMAN DENG XIAOPING ON THE MORNING OF JULY 19. IN ADDITION TO SUBJECTS REPORTED SEPTELS, DENG DISCUSSED SINO-AMERICAN RELATIONS AT SOME LENGTH. HE CHARACTERIZED THE CHINESE GOVERNMENT'S DISCUSSIONS WITH SECRETARY HAIG AS "QUITE GOOD ON THE WHOLE." DENG STRESSED HIS DESIRE THAT SINO-AMERICAN RELATIONS BE FURTHER DEVELOPED, BUT EXPRESSED APPREHENSIONS THAT THEY COULD BE SERIOUSLY AFFECTED BY BOTH THE NATURE AND TIMING OF AMERICAN STATEMENTS AND ACTIONS VIS-A-VIS TAIWAN. HE EMPHAGIZED CHINESE "RESTRAINT AND PATIENCE." BUT SAID THAT THERE WERE LIMITS TO BOTH WHICH, IF EXCEEDED, COULD CAUSE SINO-AMERICAN RELATIONS TO MARK TIME OR EVEN RETROGRESS DESPITE THE LONG-TERM INTEREST OF BOTH COUNTRIES AND THE WORLD AS A WHOLE IN FURTHER PROGRESS TOWARD GREATER STRATEGIC COOPERATION. HE URGED CAREFUL ATTENTION BY THE US TO THE QUESTION OF OUR RELATIONSHIPS WITH TAIWAN, NOTING A SERIES OF RECENT "ILL-CONSIDERED AND APPARENTLY

BEIJING 7396

DTG:200231Z JUL 81 PSN: 034394  
TOR: 201/1614Z

\*\*\*\*\*SECRET\*\*\*\*\*



\*\*\*\*\* S E C R E T \*\*\*\*\*

DATE 07/27/81

WHITE HOUSE SITUATION ROOM

PAGE 02

MESSAGE (CONTINUED):

UNCOORDINATED STATEMENTS" ON THIS SUBJECT IN THE US, AND STRESSED THAT HE HOPED THE US WOULD "NOT BE IN A HURRY TO MAKE FURTHER ARMS TO TAIWAN." END SUMMARY.

2. DENG INITIATED THE DISCUSSION OF BILATERAL RELATIONS BY NOTING THAT HE SAHRED WITH DR. BTZEZINSKI AND MANY OTHERS IN THE US THE CONVICTION THAT SINO-AMERICAN RELATIONS COULD NOT BE REGARDED IN ANY RESPECT AS ORDINARY, EFFECTIVE FOR ONLY A CERTAIN PERIOD OF TIME, OR TACTICAL IN NATURE. CHINA VIEWED ITS RELATIONS WITH THE US FROM A GLOBAL STRATEGIC PERSPECTIVE, ONLY WHEN VIEWED FROM THIS ANGLE WAS THERE A BASIS FOR AT LEAST SUSTAINING SINO-AMERICAN RELATIONS AT CURRENT LEVELS OR -- AS CHINA HOPED -- FURTHER DEVELOPING THEM, WITHOUT SUCH A BASIS TO THE RELATIONSHIP, SOONER OR LATER ALL SORTS OF OBSTACLES TO FURTHER PROGRESS WOULD BE PRESENTED. DENG NOTED THAT DURING SECRETARY HAIG'S VISIT "WE HAD QUITE GOOD TALKS ON THE WHOLE." HE SAID THAT CHINA BELIEVED THAT THE SECRETARY HAD A CLEAR RECOGNITION AND UNDERSTANDING OF THE STATE OF US/CHINA RELATIONS AT PRESENT. BOTH SIDES HAD BEEN IN AGREEMENT DURING HIS VISIT THAT SINO-AMERICAN RELATIONS HAVE A MAJOR BEARING ON THE PROSPECTS FOR LONG-TERM SECURITY, STABILITY AND PEACE THROUGHOUT THE WORLD. THE VITAL INTERESTS OF BOTH NATIONS WERE THUS ENGAGED IN THE RELATIONSHIP. THEREFORE US/CHINA RELATIONS COULD NOT BE VIEWED AS A STRICTLY BILATERAL MATTER, BUT RATHER AS GLOBAL AND INTERNATIONAL IN CHARACTER.

3. DENG SAID THAT IT WAS CHINA'S HOPE THAT SINO-AMERICAN RELATIONS WOULD NOT RETROGRESS, BUT RATHER DEVELOP STILL FURTHER. THERE WAS, HOWEVER, "ANOTHER FACTOR" TO BE CONSIDERED -- I.E., "INTERFERENCE IN SUCH RELATIONS." DENG SAID HE HAD TOLD THE SECRETARY IN JUNE ABOUT CHINA'S CONCERNS ON THIS SCORE. SUCH "INTERFERENCE" HAD EMERGED REPEATEDLY IN RECENT DAYS. CHINA HAD "REALLY SHOWN A GREAT DEAL OF PATIENCE AND RESTRAINT" IN THE FACE OF SUCH "INTERFERENCE". DENG SAID HE HAD URGED THE SECRETARY TO PAY PARTICULAR ATTENTION TO THE PROBLEM. "PATIENCE HAS ITS LIMITS, AS DOES RESTRAINT; SHOULD THEIR LIMITS BE PASSED, WE WOULD NOT BE ABLE TO CONTINUE TO SHOW PATIENCE AND RESTRAINT." SHOULD "THIS KIND

BEIJING 7305

DTG: 200231Z JUL 81 PSN: 034394  
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\*\*\*\*\* S E C R E T \*\*\*\*\*



\*\*\*\*\*SECRET\*\*\*\*\*

DATE 07/27/81

WHITE HOUSE SITUATION ROOM

PAGE 03

MESSAGE (CONTINUED):

IF INTERFERENCE REACH A CERTAIN LEVEL, IT  
WOULD LEAD SINO-AMERICAN RELATIONS TO MARK TIME OR EVEN  
REVERSE. THERE REALLY IS SUCH A DANGER." BOTH  
SIDES MUST BE CONSCIOUS OF THIS DANGER, DENG SAID.  
ON THE CHINESE SIDE, "WE ARE TRYING TO AVOID SUCH  
PROBLEMS." BOTH SIDES MUST PAY ATTENTION TO THIS  
AND "TAKE WISE ACTIONS TO AVOID PROBLEMS GETTING OUT  
OF CONTROL."

DENG SAID THAT CHINA HEARTILY HOPED THAT DURING  
THE TENURE OF OFFICE OF LEADERS IN BOTH COUNTRIES --  
REAGAN AND OTHERS IN CHINA; PRESIDENT REAGAN, VICE  
PRESIDENT BUSH AND SECRETARY HAIG IN THE US -- SINO-  
AMERICAN RELATIONS WOULD NOT BE IN A STATE OF  
EXCESSIVE ANIMATION, STILL LESS THAT THEY WOULD  
REVERSE. HE HAD SO INFORMED SECRETARY HAIG,  
SAYING THAT THIS WAS "NOT DIPLOMATIC RHETORIC" BUT  
"TOOK THE HEART."

BEIJING 7395

DTG:200231Z JUL 81 PSN: 034394  
TOR: 201/1614Z

\*\*\*\*\*SECRET\*\*\*\*\*



DATE 07/27/81

WHITE HOUSE SITUATION ROOM

PAGE 01

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WHTS:  
 WOB: LILLEY  
 WHSR COMMENT:

MESSAGE ANNOTATIONS:

NO MESSAGE ANNOTATIONS

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 DE RUMJPG #7395/02 2010310  
 O 200231Z JUL 81  
 FM AMEMBASSY BEIJING

TO SECSTATE WASHDC IMMEDIATE 2789

~~SECRET~~ SECTION 02 OF 02 BEIJING 7395  
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5. BRZEZINSKI RESPONDED THAT LEADERS IN THE US UNDERSTOOD THAT US/CHINA RELATIONS WERE LIKE A MAN ON A BICYCLE. IF THEY WENT FORWARD TOO SLOWLY, THEY WOULD BEGIN TO WAVE, THEN TIP OVER. IT WAS IMPORTANT IN HIS VIEW THAT US/CHINA RELATIONS GO FORWARD STEADILY IN DETERMINED FASHION. OBJECTIVELY, HE SAID, ONE COULD NOW SEE THE EMERGENCE OF A COALITION OF STATES -- THE US, CHINA, WESTERN EUROPE AND JAPAN -- DEDICATED TO THE PRESERVATION OF WORLD PEACE AND THE CONTAINMENT OF SOVIET EXPANSIONISM. SOME DEVELOPING NATIONS, SUCH AS PAKISTAN AND EGYPT, WERE ALSO AN OBJECTIVE COMPONENT OF THIS COALITION. THE EMERGENCE OF SUCH A COALITION WAS A NEW DEVELOPMENT OF FUNDAMENTAL IMPORTANCE IN WORLD AFFAIRS, AND A MAJOR SET-BACK TO THE USSR. THE OPERATION OF THIS COALITION HAD BEEN CATALYZED BY THE NEW RELATIONS BETWEEN CHINA AND THE US. THE SOVIETS WERE MILITARILY EXPANSIONIST BUT DIPLOMATICALLY INCREASINGLY ON THE DEFENSIVE. THEY WERE IDEOLOGICALLY STERILE AND POLITICALLY WEAK. EVEN AS THEIR MILITARY STRENGTH INCREASED, THEIR DOMESTIC POLITICAL SYSTEM SHOWED EVER GREATER SIGNS OF BANKRUPTCY. EVENTS IN POLAND SHOWED THAT SOVIET CONTROL OVER EVEN EASTERN EUROPE WAS WEAKENING. THE

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WHITE HOUSE SITUATION ROOM

PAGE 02

MESSAGE (CONTINUED):

LONG TERM TRENDS WERE THEREFORE POSITIVE. NEVERTHELESS, IN THE NEXT FEW YEARS THE SOVIETS MIGHT BE TEMPTED TO USE THEIR MILITARY POWER IN AN ADVENTURIST WAY, PARTICULARLY IN PAKISTAN, IRAN AND THE PERSIAN GULF REGION. US/CHINA STRATEGIC COOPERATION WAS THEREFORE ESSENTIAL. TO THESE OBJECTIVE FACTORS WERE ADDED THE GENUINE FEELINGS OF AFFECTION MOST AMERICANS HARBORED FOR CHINA. HE SAID. HE THEREFORE EXPECTED TRADY REMOVAL OF ALL LINGERING OBSTACLES TO EXPANDED ECONOMIC AND MILITARY COOPERATION, AND THE GRADUAL EVOLUTION OF RELATIONS IN THESE AREAS TOWARD HIGHER LEVELS OF MUTUAL ENGAGEMENT. THIS WAS STRONGLY SUPPORTED BY SOLID MAJORITIES OF BOTH POLITICAL PARTIES IN THE US.

Q. DENG SAID HE AGREED COMPLETELY. NEVERTHELESS, SOME PROBLEMS NEEDED THE CAREFUL ATTENTION OF BOTH CHINA AND THE US. IT WAS BEST NOT TO BE IN A HURRY ON DIFFICULT ISSUES. IT WAS VERY IMPORTANT THAT THE US NOT BE IN A HURRY TO MAKE FURTHER ARMS SALES TO TAIWAN. HE HAD SAID THIS TO SECRETARY HAIG. HE HOPE THAT THE US LEADERSHIP WOULD NOT PAY UNDUE ATTENTION TO THE VIEW OF A MINORITY IN AMERICA ON THIS ISSUE IN DISREGARD OF THE STRONGLY HELD VIEWS OF A BILLION PEOPLE IN CHINA. THE US NEEDED TO UNDERSTAND, HE SAID, THAT "THE TREATMENT OF SPECIFIC POLICIES AND OF TIMING" WAS CRUCIAL. A STRATEGIC CONSENSUS OR GENERAL STRATEGIC POSTURE COULD BE INFLUENCED ADVERSELY OR EVEN "DESTROYED" BY THE "REPEATED MISHANDLING OF TACTICAL MATTERS." HE NOTED A SERIES OF "ILL-CONSIDERED AND APPARENTLY UNCOORDINATED STATEMENTS" IN THE US IN THIS REGARD, INCLUDING THE REFERENCE OF THE WHITE HOUSE SPOKESMAN, MR. SPEAKS TO A "GOVERNMENT" OF TAIWAN. OF COURSE, HE SAID, DESPITE THE PROVOCATION PRESENTED BY SUCH STATEMENTS CHINA DID NOT WORRY GREATLY ABOUT THEM. MR. SPEAKS' MISSTATEMENT HAD BEEN REBUTTED IN A "PEOPLE'S DAILY" COMMENTARY, AND THAT WAS THE END OF THE MATTER AS FAR AS CHINA WAS CONCERNED. THE MORE FUNDAMENTAL QUESTION WAS HOW THE UNITED STATES INTENDED TO HANDLE CONCRETE PROBLEMS. THAT WAS WHAT CHINA WAS WATCHING, HE CONCLUDED.

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PAGE 01

WHTS ASSIGNED DISTRIBUTION:

SIT: NAN JP VP  
ROB: LILLEY, KIMMITT, SCHWEITZER, LORD  
WHSR COMMENT:

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NLRR M386/1 #59986

BY KML NARA DATE 10/18/13

MESSAGE ANNOTATIONS:

NO MESSAGE ANNOTATIONS

MESSAGE:

IMMEDIATE  
DE RUMJPG #7398 201031Z  
O 200231Z JUL 81  
FM AMEMBASSY BEIJING

TO SECSTATE WASHDC IMMEDIATE 3798

~~SECRET~~ BEIJING 7398

NOPIB  
E.O. 12866: RDS-3 7/20/81 (FREEMAN, CHARLES W. JR.) OR-M

TAGS: PARM, XG, UR, US, CH

SUBJECT: POSSIBLE CHINESE INVOLVEMENT IN DISCUSSION OF EUROPEAN ARMS CONTROL INITIATIVES

1. SUMMARY. DURING HIS MEETING WITH VICE CHAIRMAN DENG XIAOPING ON JULY 19, FORMER NATIONAL SECURITY ADVISER ZBIGNIEW BRZEZINSKI PROPOSED THAT CHINA DISCUSS WITH THE US AND WESTERN EUROPEAN NATIONS THE ISSUE OF ARMS CONTROL MEASURES DIRECTED AT FREEZING OR REDUCING SS-20 MISSILES IN EUROPE. DENG RESPONDED BITHLY BUT NONCOMMITTALLY. END SUMMARY.

2. EMPHASIZING THAT HE WAS SPEAKING PURELY PERSONALLY, DR. BRZEZINSKI NOTED THE POSSIBILITY THAT A DIFFERENCE OF VIEWS ON THE SS-20 ISSUE MIGHT EMERGE BETWEEN CHINA AND THE US. IT WOULD BE A GOOD IDEA, HE SUGGESTED, TO ANTICIPATE AND AVOID SUCH DIFFERENCES THROUGH PRIOR DISCUSSION.

3. BRZEZINSKI SAID THAT THE US OBJECTIVE WAS EITHER TO OFFSET SS-20 DEPLOYMENTS BY DEPLOYMENT OF OUR OWN COMPARABLE MISSILES IN WESTERN EUROPE OR TO REACH AGREEMENT WITH THE SOVIETS ON A BALANCE OF THEATER NUCLEAR DEPLOYMENTS AT LOWER LEVELS. HE SAID THAT

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PAGE 02

MESSAGE (CONTINUED):

THERE WERE 200 SS-20'S DEPLOYED AGAINST WESTERN EUROPE AT PRESENT, AND 100 TARGETED ON CHINA. EACH WAS EQUIPPED WITH THREE WARHEADS. SHOULD NATO REACH AGREEMENT WITH THE SOVIETS ON A FREEZE IN DEPLOYMENTS, THE USSR WOULD BE FREE TO INCREASE THE NUMBER OF MISSILES TARGETTED ON CHINA.

BRZYZINSKI SUGGESTED THAT THE CHINESE SHOULD THEREFORE TAKE AN ACTIVE INTEREST IN THIS ATTEMPT AT ARMS CONTROL. IT MIGHT BE USEFUL IF CHINA WAS TO RAISE THIS WITH THE US AND WESTERN EUROPEAN NATIONS. IN ANY EVENT, HE CONCLUDED, THIS WAS A MATTER WORTHY OF CHINESE CONSIDERATION.

DENG RESPONDED THAT THE CHINESE WOULD LOOK INTO THE QUESTION. HE NOTED, HOWEVER, THAT THERE WAS AN OLD CHINESE SAYING THAT "WHEN YOU HAVE A FEW LICE, YOU HATE A LOT; WHEN YOU'VE GOT LICE ALL OVER YOU, YOU HARDLY NOTICE THEM." AS FAR AS CHINA WAS CONCERNED THERE WERE ALREADY SO MANY SOVIET LICE ALONG THE BORDER THAT A FEW MORE WOULDN'T MATTER MUCH.  
BRZYZINSKI

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WHITE HOUSE SITUATION ROOM

PAGE 01

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WHSR COMMENT:

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BY KML NARA DATE 10/18/13

MESSAGE ANNOTATIONS:

NO MESSAGE ANNOTATIONS

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IMMEDIATE  
DE RUMJPG #7397 2030145 CCY AD114645  
TO 200234Z JUL 81  
FM AMEMBASSY BEIJING

TO SECSTATE WASHDC PRIORITY 3701

~~SECRET~~ BEIJING 7397

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UNCLASSIFIED COPY TEXT  
REF: 120608; R08-A 7/28/81 (FREEMAN, CHARLES W. JR.) OR-M  
TAGS: PEPFR, VT, CH, TW  
SUBJECT: VATICAN- PRC RELATIONS

1. DURING HIS JULY 19 MEETING WITH CHINESE COMMUNIST PARTY VICE CHAIRMAN DENG XIAOPING, FORMER NATIONAL SECURITY AFFAIRS ADVISER ZBIGNIEW BRZEZINSKI (STRICTLY PROTECT) MENTIONED THAT PRIOR TO HIS DEPARTURE FROM THE US HE HAD RECEIVED A LETTER FROM THE POPE ASKING THAT HE CONVEY A MESSAGE TO DENG.

2. BRZEZINSKI NOTED THAT THE POPE HEADED AN ORGANIZATION WITH ALMOST AS MANY MEMBERS AS THERE WERE CHINESE. HE KNEW THE POPE WELL PERSONALLY. IN ADDITION TO HIS ROLE AS SPIRITUAL LEADER, THE POPE WAS A MAN DEEPLY INTERESTED IN GENERAL POLITICAL STRATEGIC MATTERS AND INTERNATIONAL AFFAIRS. SHOULD DENG HAVE AN OPPORTUNITY TO MEET WITH HIM, HE WOULD FIND MANY OF THE POPE'S VIEWS ON INTERNATIONAL POLITICS SIMILAR TO HIS OWN.

3. THE POPE HAD ASKED HIM TO ASSURE VICE CHAIRMAN DENG THAT HE HAD NO DESIRE TO INTERFERE IN CHINESE INTERNAL AFFAIRS. HE HOPED MERELY TO FIND A

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MESSAGE (CONTINUED):

MEANS TO BRING ABOUT A BETTER RELATIONSHIP BETWEEN HIMSELF AND CHINESE CATHOLICS. BRZEZINSKI SAID HE WAS WELL AWARE THAT THERE EXISTED A TAIWAN PROBLEM THAT COMPLICATED THIS QUESTION. HE WAS NOT PREPARED TO DISCUSS THIS SPECIFICALLY. THE POPE LAD, HOWEVER, ASKED HIM TO CONVEY HIS GENERAL INTEREST IN BETTER RELATIONS WITH CHINA. BRZEZINSKI ADDED THAT, FROM HIS OWN PERSPECTIVE, SUCH A STEP WOULD BE A POSITIVE ONE IN STRATEGIC TERMS, GIVEN CATHOLIC INFLUENCE IN EUROPE, NORTH AND SOUTH AMERICA.

4. DENG RESPONDED THAT CHINA WOULD PAY ATTENTION TO THIS MATTER. BUT, HE SAID, WITHOUT RESOLUTION OF THE TAIWAN PROBLEM, IT WOULD BE VERY DIFFICULT TO MOVE FORWARD. THE PROBLEM WAS IN MANY WAYS SIMILAR TO THAT WHICH CHINA HAD FORMERLY HAD WITH THE US. PERHAPS WHAT WAS REQUIRED, HE SAID, WAS SOME SORT OF INITIATIVE BY THE POPE IN TERMS OF CONCRETE STEPS TO RESOLVE THE PROBLEM. IN ANY EVENT, HE CONCLUDED, CHINA WOULD CONTINUE TO WATCH THE SITUATION CLOSELY.

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PAGE 01

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FOB: LILLEY  
WHSR COMMENT:

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BY KML NARA DATE 10/18/13

MESSAGE ANNOTATIONS:

NO MESSAGE ANNOTATIONS

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IMMEDIATE  
OR RUMJPG #7400/01 2010400  
O 200350Z JUL 81  
FM AMEMBASSY BEIJING

TO SECSTATE WASHDC IMMEDIATE 3794

~~SECRET~~ SECTION 01 OF 02 BEIJING 7400

INFO: FOR ASSISTANT SECRETARY HOLIDRIDGE FROM ROY  
PLEASE PASS DOD/ISA FOR ARMITAGE  
REF: D. 12865; RDS-3 - 7/20/81 (FREEMAN, CHARLES W. JR.) OR-M  
TAGS: PEPR, CH, TW, US  
SUBJECT: VISIT BY VICE CHIEF OF STAFF LIU HUADING TO US

1. ~~S~~ - ENTIRE TEXT.

SUMMARY. THE CHINESE ARE PRESSING FOR ASSURANCES OF CONCRETE RESULTS DURING THE VISIT OF VICE CHIEF OF STAFF LIU HUADING TO THE US. THE CHINESE ARE ALSO CONCERNED THAT THERE BE NO ANNOUNCEMENT IN CLOSE PROXIMITY TO LIU'S VISIT TO ANY US ARMS SALES TO TAIWAN. IF WE ARE NOT YET PREPARED TO CLARIFY WHAT WE ARE WILLING TO APPROVE FOR SALE OR TRANSFER AND UNDER WHAT CONDITIONS, WE SHOULD PROPOSE A DELAY IN LIU'S VISIT. THE MORE SPECIFIC WE CAN BE IN OUR ANSWERS TO THE CHINESE, THE BETTER. WE CAN ONLY DAMAGE OUR INTERESTS FOR AN ORDERLY AND PRODUCTIVE DEFENSE RELATIONSHIP BY LEADING THE CHINESE TO BELIEVE THAT WE ARE PREPARED TO APPROVE CERTAIN ITEMS ONLY TO REJECT THEM LATER OR TO ENCOUNTER INTERMINABLE DELAYS. WE SHOULD AVOID IMPLYING THAT WE ARE PREPARED TO DO MORE THAN WE ARE. THE CHINESE MOTIVATION IN PUSHING FOR A POSITIVE FOLLOW-THROUGH IS PROBABLY

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PAGE 02

MESSAGE (CONTINUED):

MORE POLITICAL THAN MILITARY AT THIS POINT. THE PRC'S REACTION TO THE SECRETARY'S INVITATION TO LIU SUGGESTS THAT DING'S STRATEGY IS TO BUILD UP THE AMERICAN TIE AS RAPIDLY AS POSSIBLE IN ORDER TO CONSTRAIN US DECISIONS REGARDING TAIWAN AND TO PROVIDE HIMSELF MORE MANEUVERABILITY ON THE ISSUE AT HOME. END SUMMARY.

3. I PRESUME YOU HAVE SEEN THE DAO CABLES REPORTING THE EXCHANGES THEY HAVE HAD WITH THE MND CONCERNING VICE CHIEF OF STAFF LIU HUAGING'S FORTHCOMING VISIT TO THE UNITED STATES. THE CHINESE ARE CLEARLY SIGNALING THAT THEY DO NOT WANT LIU TO COME TO THE U.S. UNLESS WE ARE PREPARED TO INDICATE IN CONCRETE TERMS PRECISELY WHAT WE ARE PREPARED TO DO IN THE DEFENSE AREA.

4. DURING AN INFORMAL FAREWELL SESSION WITH VICE MINISTER ZHANG WENJIN ON JULY 15, I GOT THE SAME MESSAGE WITH SOME ADDITIONAL NUANCES. ZHANG RAISED THE SUBJECT BY NOTING THAT THE CHINESE SIDE HAD AGREED IN PRINCIPLE TO A VISIT BY LIU HUAGING AND VERY MUCH APPRECIATED THE NEW U.S. POSITION ON ARMS SALES. REFERRING TO THE DAO DISCUSSIONS WITH THE MND, ZHANG THEN NOTED THAT THE CHINESE DID NOT WANT A LIU VISIT SIMPLY TO BE A REPETITION OF HIS MAY 1980 VISIT TO THE UNITED STATES. ZHANG SAID THERE WERE TWO ISSUES ON WHICH THE CHINESE WOULD APPRECIATE CLARIFICATION. THE FIRST WAS THE QUESTION OF ARMS SALES TO TAIWAN. SPECIFICALLY, THE CHINESE NEEDED TO KNOW MORE ABOUT WHAT THE U.S. HAD IN MIND. AT FIRST I WAS UNCLEAR AS TO WHETHER ZHANG WAS REFERRING TO THE PRC'S STATED PREFERENCE TO FOREGO ARMS PURCHASES FROM THE U.S. IF WE CONTINUED WITH ARMS SALES TO TAIWAN. BUT FROM THE MANNER OF ZHANG'S PRESENTATION IT SEEMED THAT THE MAIN CHINESE CONCERN WAS OVER THE POSSIBLE ACUTE EMBARRASSMENT THEY WOULD SUFFER IF THE LIU VISIT TOOK PLACE IN CLOSE PROXIMITY TO AN ANNOUNCEMENT OF AN ARMS SALE TO TAIWAN. ZHANG NOTED SPECIFICALLY THAT ANY ARMS SALES TO TAIWAN AROUND THE TIME OF A LIU VISIT WOULD CAUSE THE VISIT TO HAVE THE OPPOSITE OF THE INTENDED EFFECT. AS USUAL, ZHANG CAREFULLY PHRASED HIS REMARKS TO AVOID ANY IMPLICATIONS THAT THE PRC WOULD BE MORE TOLERANT OF ARMS SALES TO TAIWAN AT SOME OTHER TIME, BUT THE MAIN POINT OF

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PAGE 03

MESSAGE (CONTINUED):

ZHANG'S REMARKS WAS TO SEEK REASSURANCE THAT LIU (AND THE PRC) WOULD NOT BE EMBARRASSED DURING HIS VISIT BY A U.S. ARMS SALE TO TAIWAN, THUS FORCING THEM TO EXPRESS THEIR DISPLEASURE IN WAYS CONTRARY TO BOTH OF OUR INTERESTS.

3. ZHANG'S SECOND POINT WAS A REITERATION OF THE LINE THAT THE MND HAS BEEN GIVING GENERAL WEBB AND CAPTAIN MONK, I.E. THAT THE CHINESE NEED SOME CONCRETE INDICATION IN ADVANCE AS TO WHAT WE ARE PREPARED TO DO WITH REGARD TO THE LIST OF ITEMS THEY HAVE GIVEN US. OTHERWISE, IT WOULD BE AWKWARD FOR LIU TO VISIT THE UNITED STATES SINCE HE DOES NOT WANT A REPETITION OF HIS 1980 VISIT. ZHANG MADE IT CLEAR THAT THE CHINESE WOULD PREFER CONCRETE GUIDANCE ON WHAT WE WERE PREPARED TO DO, EVEN IF THIS INVOLVED RULING OUT CERTAIN CATEGORIES OF EQUIPMENT, RATHER THAN BEING LEFT TO GUESS AT OUR INTENTIONS BECAUSE OF THE VAGUENESS OF OUR ASSURANCES AND POLICY GUIDELINES.

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MESSAGE ANNOTATIONS:

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MESSAGE:

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DE RUMJPG #7400/02 2010415  
O 200350Z JUL 81  
FM AMEMBASSY BEIJING

TO SECSTATE WASHDC IMMEDIATE 3795

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6. I TOLD ZHANG I WOULD REPORT HIS REMARKS AND WOULD PURSUE THE MATTER FURTHER DURING MY WASHINGTON CONSULTATIONS.

7. QUITE FRANKLY, I THINK THE CHINESE ARE RIGHT IN THEIR VIEW THAT LIU SHOULD NOT COME TO THE UNITED STATES UNTIL WE HAVE CLARIFIED OUR OWN THINKING ON THE ISSUE OF ARMS SALES AS TECHNOLOGY TRANSFER. THE CHINESE HAVE GIVEN US A CONCRETE LIST OF WHAT THEY WANT, AND IT IS NOW UP TO US TO STATE CONCRETELY WHAT WE ARE PREPARED TO DO. OBVIOUSLY, OUR NEW POLICY IN THIS AREA WILL BE MEANINGLESS UNLESS WE CAN DEMONSTRATE THAT WE ARE NOW PREPARED TO DO MORE THAN UNDER THE PREVIOUS ADMINISTRATION. I THINK THIS IS THE SIGNAL THE CHINESE ARE LOOKING FOR SINCE THEY CERTAINLY DO NOT EXPECT US TO GIVE THEM A GREEN LIGHT TO PURCHASE WHATEVER THEY WANT, EVEN OF THE ITEMS ON THEIR LIST. UNDER THESE CIRCUMSTANCES, I THINK IT IS IN OUR OWN INTEREST FOR LIU HUANGING NOT TO VISIT THE UNITED STATES UNTIL WE HAVE GOTTEN OUR DUCKS IN ORDER. IF BY NEXT MONTH IT DOES NOT APPEAR THAT WE WILL BE PREPARED TO CLARIFY WHAT ITEMS ON THE LIST WE ARE PREPARED TO APPROVE FOR SALE OR TRANSFER, AND UNDER WHAT CONDITIONS, THEN WE SHOULD

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PAGE 02

MESSAGE (CONTINUED):

OURSELVES PROPOSE A DELAY IN LIU'S VISIT. WE DO NOT BELIEVE THIS WILL CAUSE THE CHINESE ANY DIFFICULTY IF WE CAN PROVIDE THEM WITH A SPECIFIC ALTERNATIVE TIME FRAME.

8. IN MY VIEW, THE MORE SPECIFIC WE CAN BE IN OUR OWN MINDS AS TO WHAT WE ARE PREPARED TO DO THE BETTER. WE SHOULD NOT HESITATE TO CLOSE CERTAIN DOORS FOR THE CHINESE WHILE OPENING OTHERS. THEY WOULD PREFER THAT WE DEAL WITH THEM IN THIS WAY. ONLY BY PROCEEDING IN THIS MANNER, WILL WE BE ABLE TO KEEP IN STEP WITH OUR FRIENDS AND ALLIES, AND TO KEEP CONGRESS ADEQUATELY INFORMED OF OUR INTENTIONS. WE CAN ONLY DAMAGE OUR RELATIONSHIP FOR AN ORDERLY AND PRODUCTIVE DEFENSE RELATIONSHIP WITH CHINA BY LEADING THE CHINESE TO BELIEVE THAT WE ARE PREPARED TO APPROVE CERTAIN ITEMS ONLY TO REJECT THEM LATER OR TO ENCOUNTER INTERMINABLE DELAYS. AS YOU KNOW, IN HIS CONVERSATION WITH THE SECRETARY, DEFENSE MINISTER GENG BIAO POINTEDLY REFERRED TO THE PREVIOUS ADMINISTRATION'S FAILURE TO FOLLOW THROUGH ON ITEMS WHICH THE CHINESE BELIEVE WE HAD INDICATED WOULD BE LICENSED PROMPTLY. NOR SHOULD WE GIVE THE CHINESE OPENINGS TO PUSH US INTO AREAS OF WEAPONS/ TECHNOLOGY TRANSFER THAT WE ARE NOT COMFORTABLE WITH. THEY ARE FAST MASTERS AT PUTTING OTHER COUNTRIES ON THE DEFENSIVE BY ESTABLISHING AN ATMOSPHERE WHERE THE CHINESE SEEM TO BE RECEIVING LESS THAN THEIR JUST DUE. WE SHOULD NOT LET THEM PLAY THIS GAME WITH US. THE PROPER APPROACH IS TO BE QUITE EXPLICIT ABOUT OUR INTENTIONS AND TO AVOID IMPLYING WE ARE PREPARED TO DO MORE THAN WE ARE, WHICH WILL NOT ONLY PUT US ON THE DEFENSE BUT WILL ALSO ALARM OUR FRIENDS AND ALLIES, NOT TO MENTION CONGRESS.

9. SEVERAL FACTORS APPARENTLY MOTIVATE THE PRC'S PRESSURE FOR CONCRETE RESULTS. THE CHINESE MAY FEEL IT NECESSARY TO PUSH FOR POSITIVE FOLLOW-THROUGH IN ORDER TO PREVENT THE MATTER FROM AGAIN BECOMING Mired IN A BUREAUCRATIC QUAGMIRE. BUT MORE IMPORTANTLY, THE CHINESE SEEM TO WANT TO MAINTAIN THE MOMENTUM OF THE SECRETARY'S VISIT AND TO MOVE SINO-U.S. STRATEGIC RELATIONS ONTO THE HIGHER PLANE OF WEAPONS AND TECHNOLOGY TRANSFERS. MY OWN FEELING IS THAT THEIR MOTIVATION IS MORE CONCERNED WITH POLITICAL EFFECT

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PAGE 03

MESSAGE (CONTINUED):

THAN WITH THE LONG-TERM CONTRIBUTION TO CHINA'S MILITARY MODERNIZATION THAT U.S. ARMS TRANSFERS MIGHT MAKE.

10. WE STILL BELIEVE IT LIKELY THAT THE PRC, BECAUSE OF ITS POLICY OF BASIC SELF SUFFICIENCY IN DEFENSE AS WELL AS ITS FINANCIAL LIMITATIONS, IS NOT INTERESTED IN PURCHASING WHOLESALE WEAPONS SYSTEMS FROM THE UNITED STATES BUT IS PRIMARILY HOPEFUL OF OBTAINING TECHNOLOGY TO UPGRADE ITS OWN DEFENSE INDUSTRIES.

11. BEFORE THE SECRETARY'S VISIT, THERE WAS REASON TO SPECULATE THAT THE CHINESE WOULD BE RELUCTANT TO MOVE SUBSTANTIALLY ON WEAPONS AND TECHNOLOGY TRANSFER WITH THE U.S. SO LONG AS THE ISSUE OF U.S. ARMS SALES TO TAIWAN WAS UNRESOLVED AND MIGHT CAST A CLOUD OVER FUTURE U.S.-PRC RELATIONS. THE POSITIVE CHINESE REACTION TO THE PRESIDENT'S DECISION AND SPECIFICALLY TO THE INVITATION TO LIU SUGGESTS THAT DENG'S STRATEGY IS TO BUILD UP THE AMERICAN TIE AS RAPIDLY AS POSSIBLE IN ORDER BOTH TO CONSTRAIN U.S. DECISIONS REGARDING TAIWAN AND TO PROVIDE HIM MORE MANEUVERABILITY ON THE ISSUE AT HOME.

12. DENG STRENGTHENED HIS POSITION AT THE SIXTH PARTY PLENUM, BUT THE POLITICAL STRUGGLE IS BY NO MEANS OVER. MEANWHILE, THERE ARE CONTINUING HINTS THAT SOME ELEMENTS IN THE LEADERSHIP STILL QUESTION THE VALUE OF CLOSE STRATEGIC TIES WITH THE U.S. AND THE LONG TERM EFFECT OF DENG'S POLICIES ON THE TAIWAN ISSUE. THUS, IN THE FACE OF NUMEROUS UNCERTAINTIES, INCLUDING THE NATURE OF U.S. DECISIONS ON MILITARY SALES TO TAIWAN, DENG SEEMS TO HAVE MADE A BOLD MOVE TO EXPLOIT HIS OWN POLITICAL MOMENTUM AND THE IMPETUS OF THE SECRETARY'S VISIT TO PURSUE THE POSSIBILITIES OF A BROADER DEFENSE RELATIONSHIP WITH THE U.S.

13. THIS MESSAGE WAS PREPARED BY THE PREVIOUS CHARGE D'AFFAIRES, J. STAPLETON ROY PRIOR TO HIS DEPARTURE ON TRANSFER ON JULY 17.  
FREEMAN

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DTG:200350Z JUL 81 P0N: 033630

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RECEIVED 21 JUL 81 09

TO ALLEN

FROM BREMER

DOCDATE 20 JUL 81

KEYWORDS: CHINA P R

FMS

HOLDRIDGE, J

SUBJECT: CHINESE SOURCES ON IMPORTANCE OF US CHINA STRATEGIC RELATIONSHIP

ACTION: PREPARE MEMO FOR ALLEN DUE: 22 JUL 81 STATUS S FILES

FOR ACTION

FOR COMMENT

FOR INFO

LILLEY

GREGG

SCHWEITZER

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COMMENTS

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- 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.



UNCLASSIFIED

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CHINA-US

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PS S/S C

PEKING (AP) -- CHINESE OFFICIALS TOLD U.S. SECRETARY OF STATE ALEXANDER M. HAIG JR. THAT CHINA WOULD USE MILITARY FORCE IF TAIWAN SEEKS SUPPORT FROM THE SOVIET UNION; WELL-INFORMED CHINESE SOURCES SAID TODAY.

THE SOURCES, WHO WERE INFORMED OF THE DETAILS OF THE HIGH-LEVEL TALKS DURING HAIG'S PEKING VISIT LAST MONTH, ASKED NOT TO BE IDENTIFIED.

CHINA HAS SAID IT WOULD NOT TOLERATE TAIWAN SEEKING A RELATIONSHIP WITH ITS BITTER RIVAL, THE SOVIET UNION. IT WAS NOT KNOWN, HOWEVER, EXACTLY WHAT ACTION CHINA WOULD TAKE UNDER THE CIRCUMSTANCES.

THE SOURCES TOLD THE ASSOCIATED PRESS THAT HAIG AND CHINESE LEADERS DISCUSSED THE PROBLEM OF U.S. ARMS SALES TO TAIWAN. THEY AGREED, HOWEVER, THAT THEIR FUNDAMENTAL INTEREST LIES IN DEVELOPING THE STRATEGIC RELATIONSHIP BETWEEN CHINA AND THE UNITED STATES TO OPPOSE SOVIET AGGRESSION. THEY ALSO SAID THE ANTI-EXPANSIONIST EFFORT MUST INCLUDE JAPAN AND WESTERN EUROPE.

HAIG WAS TOLD THAT TAIWAN IS CHINA'S TERRITORY AND DOMESTIC AFFAIR, THE CHINESE SOURCES SAID. THEREFORE, AS A MATTER OF PRINCIPLE, CHINA CANNOT PROMISE THE UNITED STATES NOT TO USE FORCE TO RECOVER ITS TERRITORY. THE SOURCES SAID CHINA WANTS PEACEFUL REUNIFICATION OF THE ISLAND AND MAINLAND AND SAID HAIG WAS REASSURED OF CHINA'S PEACEFUL INTENTIONS.

TAIWAN, OFFICIALLY CALLED THE THE REPUBLIC OF CHINA, HAS HAD NO OFFICIAL RELATIONS WITH THE MAINLAND SINCE THE NATIONALISTS FLED TO THE ISLAND IN 1949 BECAUSE OF A COMMUNIST TAKEOVER. THE ISLAND STEADFASTLY REFUSES TO TALK WITH THE PEKING GOVERNMENT.

THE TAIWAN GOVERNMENT HAS ALSO BEEN CONSISTENTLY HOSTILE TO THE SOVIET UNION.

HAIG VISITED PEKING JUNE 14-17 AND MET VICE CHAIRMAN BENG XIAOPING, FOREIGN MINISTER HUANG HUA AND OTHER CHINESE GOVERNMENT AND MILITARY OFFICIALS. HAIG ANNOUNCED BEFORE LEAVING THAT THE UNITED STATES WAS WILLING FOR THE FIRST TIME TO CONSIDER THE SALE OF WEAPONS AND MILITARY RELATED TECHNOLOGY TO CHINA.





DEPARTMENT OF STATE

Washington, D.C. 20520

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July 20, 1981

MEMORANDUM FOR MR. RICHARD V. ALLEN  
THE WHITE HOUSE

Subject: Chinese "Sources" on Importance of U.S.-China  
Strategic Relationship

Attached is the Associated Press item that  
John H. Holdridge mentioned to you on Saturday.

The PRC officials' statements basically track the  
Secretary's conversations in Peking. While setting forth  
the Chinese position on Taiwan arms sales, they indicate  
that the strategic side of the relationship is where their  
fundamental interest lies.

*f* *L. Paul Bremer, III*  
L. Paul Bremer, III  
Executive Secretary

Attachment:

As stated.



#4342

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- JANET COLSON
- BUD NANCE
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- CY TO BAKER
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