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E.O. 12356: DECL: OADR

TEXT

TAGS: PREL, PGOV, CH, US

SUBJECT: CHINA AND THE U.S. - A PROTRACTED ENGAGEMENT

1. SECRET - ENTIRE TEXT.

INTRODUCTION

2. ON 19 MAY THIS YEAR THREE AMERICAN NAVAL SHIPS SAILED INTO SHANGHAI -- THIS WAS TO BE FOR US A MASTERPIECE OF TIMING -- ONE DAY AFTER GORBACHEV'S TRIP TO SHANGHAI. THE CHINESE IN AN EXQUISITE BALANCING ACT WERE WORKING WITH US TO GIVE A CLEAR SIGNAL TO ALL INSIDE AND OUTSIDE OF CHINA THAT THE US-CHINA MILITARY RELATIONSHIP WAS VITAL AND REAL. THE SHIP VISIT DID NO SUCH THING -- WHAT QUEERED THE GORBACHEV VISIT WERE MASSES OF DEMONSTRATORS IN TIANANMEN SQUARE NOT OUR SHIPS. THE CHINESE DECLARED MARTIAL LAW AGAINST THEIR OWN PEOPLE IN BEIJING THE DAY WE WERE COZYING UP TO THEIR MILITARY IN SHANGHAI. WE HAD MISCALCULATED ON THE TIMING AND ON THE SYMBOLISM OF THE VISIT -- OUR ATTITUDE WAS A THROWBACK TO THE EARLY DAYS OF OUR RELATIONSHIP WHEN COMMON SOVIET BASHING WAS IN VOGUE. WE WERE NOT COPING WITH OR ANTICIPATING CURRENT REALITIES.

3. WHEN WE DID DEAL WITH INTERNAL DISSENT IN CHINA, IT WAS, FOR INSTANCE, TO RENDER A SOCIAL/POLITICAL INVITATION TO CHINA'S LEADING DISSIDENT TO COME TO A DINNER PARTY WHICH THE CHINESE AUTHORITIES ANGRILY BLOCKED. NOW THAT DISSIDENT IS THE "MAN WHO CAME TO DINNER." HE IS WITH US AS A CONSTANT REMINDER OF OUR CONNECTION TO "BOURGEOIS LIBERALISM" AND PUTS US AT ODDS WITH THE REGIME HERE. HE IS A LIVING SYMBOL OF OUR CONFLICT WITH CHINA OVER HUMAN RIGHTS.

4. TODAY THE CHINESE ARE ENGAGED IN A MASSIVE CAMPAIGN TO DISCREDIT U.S. INFLUENCE TO THE CHINESE PEOPLE. AT THE SAME TIME CHINA WANTS OUR TRADE, OUR TECHNOLOGY AND ENOUGH OF A SECURITY CONNECTION SO THAT IT DOES NOT END UP FACING THE SOVIET UNION ALONE. CHINA NOW CONFRONTS A SEVERE EROSION OF POPULAR TRUST AND CONFIDENCE IN THE LEADERSHIP, THE PROBABILITY OF ECONOMIC STAGFLATION AND POSSIBLY RECESSION, AND A SHATTERED IMAGE TO THE OUTSIDE WORLD. THE OVERALL PROSPECTS ARE GRIM AND THE TECHNIQUES CHINA USES TO DEAL WITH ITS CRISIS ARE BACKWARD AND CONSERVATIVE BUT STILL, OCCASIONALLY CUNNING. HARDLINERS DOMINATE TEMPORARILY,

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BUT THERE ARE CONSTANT SIGNS OF A LEADERSHIP STRUGGLE BETWEEN FORCES REPRESENTING AN OUTWARD ORIENTATION AND THOSE THAT PREFER TO TURN INWARD.

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5. THIS TELEGRAM TRIES TO DESCRIBE WHAT CHINA HAS DONE IN OUR BILATERAL RELATIONSHIP TO ALTER ITS NATURE, WHY IT HAS DONE THESE THINGS, AND WHAT WE SHOULD DO ABOUT THEM.

WHAT CHINA HAS DONE

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6. THE MAIN FOCUS HAS BEEN A NUMBING PROPAGANDA CAMPAIGN WHICH HAS RETURNED TO SOME OF THE THEMES OF THE CULTURAL REVOLUTION AND OF THE EARLY 1970'S. IT DIRECTLY LINKS THE U.S. WITH THE HATEFUL "BOURGEOIS LIBERALIZATION." THE U.S. IS BEHIND THE COUNTER-REVOLUTIONARIES (BY COMMUNIST DEFINITION COUNTER-REVOLUTION MUST HAVE EXTERNAL INSTIGATION). THE U.S. SUPER POWER SEEKS TO INTERFERE IN CHINESE AFFAIRS AND TO PUSH CHINA AROUND. IT IS A BLATANT APPEAL TO ANTI-FOREIGNISM AND CHINESE CHAUVINISM AND AS SUCH IT HAS HAD SOME EFFECT. BUT BY DOING SO, THE REGIME PUSHES THE UNITED STATES IN THE DIRECTION OF THE MAJORITY OF CHINESE WHO DETEST THE REGIME AND WHO WOULD LIKE TO CONTINUE TO HAVE A GOOD SHOT OF CONSUMERISM AND MORE FUN IN LIFE.

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7. ON THE MORE CONCRETE SIDE, CHINESE REACTIONS HAVE OFTEN BEEN PARALLEL TO OUR OWN MEASURES AND RELATIVELY MODEST. WE SUDDENLY AND WITHOUT WARNING PUBLICLY CUT ARMS SALES AND MILITARY AND HIGH-LEVEL CONTACTS. THE CHINESE ANGRILY DISCONTINUED EXCHANGE TRIPS IN MOTION, GENERALS VUONO AND GRAY, AND CUT CONTACTS WITH OUR DAO OFFICERS, STEPS WHICH TOOK THEM THREE WEEKS AFTER THE PRESIDENT ANNOUNCED AMERICAN FIRST STEPS TO DECIDE UPON AND TO
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COMMUNICATE TO US. THE ABRUPT MILITARY CUTOFF WAS PARTICULARLY GALLING TO THE CHINESE AFTER ALL THE HYPE WHICH WENT INTO GLORIFYING THE RELATIONSHIP. EACH HIGH-LEVEL MILITARY VISIT WAS A GLOWING MONUMENT TO OUR FRIENDLY COOPERATION. THERE WERE SOME NASTY BLIPS -- SUCH AS SILKWORM AND CONSTANT CHINESE COMPLAINTS ABOUT OUR EXPORT CONTROLS. BUT WE HAD NOT FACTORED INTO THE RELATIONSHIP THE PLA

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[7 WE HAVE NEVERTHELESS THE BASIS FOR A MILITARY RELATIONSHIP IN PLACE. NEXT TIME WE SHOULD DO BETTER.

8. THE CHINESE HAVE USED THEIR PRESS TO UNDERScore THE CLIMATE OF TENSION THEY HAVE CREATED AND WHICH IS PURPOSELY CALCULATED TO INTIMIDATE. THIS HAS GIVEN THE SIGNAL TO LOWER LEVEL SECURITY MINIONS TO ACT, WITH THE CONSEQUENCE THAT AMERICAN BUSINESSMEN IN SHANGHAI AND GUANGZHOU HAVE BEEN HARASSED WITH ACCUSATIONS OF CORRUPTION.

9. A GROSS FORM OF THIS TENSION AND INTIMIDATION IS THE POSTING OF GUARDS WITH AUTOMATIC WEAPONS AROUND THE EMBASSY'S BUILDINGS AND ARMED SENTRIES NEAR THE MAIN GATE OF THE JIANGUOMENWAI COMPOUND (WHICH ALSO HAS ONE OF ITS THREE EXITS BLOCKED). THE JUNE 7 FIRING ON THE JIANGUOMENWAI RESIDENTIAL COMPOUND INCLUDING MANY OF OUR APARTMENTS ALSO FALLS IN THE AREA OF INTIMIDATING FOREIGNERS IN GENERAL TO KEEP A LOWER PROFILE.

10. IN LINE WITH THEIR PORTRAYAL OF THE U.S. AS CORRUPTING, WE HAVE SEEN A RELUCTANCE -- WHETHER IT IS INDIVIDUAL CAUTION OR STRUCTURAL ISNTCILEAR -- ON THE PART OF THE LAST OF THIS YEAR'S INTERNATIONAL VISITOR GRANTEES TO ACCEPT OUR INVITATIONS.

11. THE PEACE CORPS PROGRAM FOR SICHUAN HAS BEEN POSTPONED. CHINESE OPPOSITION TO THIS PROGRAM -- ALWAYS STRONG -- ROSE UP AND STRUCK DOWN THE MODERATES WHO WERE PUSHING IT. OUR FRIENDS REALLY DID NOT HAVE A CHANCE ONCE THE MOOD AT THE TOP SWUNG AGAINST US.

12. THE CHINESE HAVE EMBARKED ON A PROGRAM OF INTIMIDATING THE FOREIGN MEDIA, ESPECIALLY THE AMERICAN MEDIA AND VOA. THE POINT IS TO CLOSE-TEHE DOOR TO BEAT THE DOG. THEY REALISTICALLY UNDERSTAND THAT CONTINUING PUBLIC VIOLENCE AGAINST THEIR OWN PEOPLE RISKS FOREIGN SUPPORT. THIS WAS THE LESSON FOR THEM OF MEDIA COVERAGE OF TIANANMEN.

13. THE CHINESE HAVE SINGLED US OUT FROM THE EC AND JAPAN FOR MORE OF THEIR VITRIOL ALTHOUGH THE EC, AND ESPECIALLY FRANCE, HAVE BEEN AT LEAST AS AGGRESSIVE IN THEIR REACTIONS TO CHINESE SUPPRESSION AS WE HAVE. THE CHINESE NEED A SINGLE BOGEYMAN. WE WERE IN FACT THE MAIN FOREIGN INFLUENCE NOT ONLY AT TIANANMEN BUT THROUGHOUT CHINA. THEY ALSO WANT TO DRIVE A WEDGE BETWEEN US AND OUR FRIENDS AND ALLIES.

[FOR INSTANCE HAVE WORKED OVER THE LATIN AMERICANS HERE WITH HARSH CRITICISM OF THE U.S. AS IMPERIALISTIC AND PREDATORY, THEMES WHICH PROBABLY GET SOME

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RESONANCE IN THESE CIRCLES.

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14. THE CHINESE HAVE ALSO TURNED ON THE HIGH-LEVEL CHARM FOR VISITING AMERICAN BUSINESS AND COMMUNITY LEADERS. AT&T GOT ACCESS TO DING GUANGEN AND UTC TO LI RUIHUAN, DANIEL WONG TO LI PENG. THE CHINESE THEME TO THESE PEOPLE IS LET US COOPERATE AND MOVE FORWARD -/ THE ONLY OBSTACLE IS THE USG. WHAT HAS FRUSTRATED THE CHINESE IN ALL OF THIS IS THEIR MOVES TO OUTFLANK US SO FAR HAVE NOT WORKED WELL. MOST AMERICAN BUSINESSMEN WILL NOT ACCEPT THE CHINESE BIG LIE AND WILL NOT LEND THEMSELVES TO PROPAGANDA MANIPULATION. THE USUAL APOLOGISTS FOR CHINA WHO HAVE TRADITIONALLY END RUN THE USG HAVE NOT BEEN VOCAL IN RESPONSE TO CHINESE BLANDISHMENTS. THUS THE CHINESE ARE ON THE DEFENSIVE AND HAVE TURNED THEIR EFFORTS INWARD, TRYING TO PERSUADE THEIR OWN
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POPULATION. THEY HAVE NOT YET SUCCEEDED IN CARRYING THE PROPAGANDA OFFENSIVE TO US IN OUR OWN COUNTRY.

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15. THE CHINESE HAVE WITH MCDONNELL DOUGLAS POSTPONED AN EXPANSION OF 20 AIRCRAFT FOR THEIR JOINT VENTURE BECAUSE THEY CLAIM THEY LACK FOREIGN EXCHANGE. FOR SOME TIME EVEN WELL BEFORE 3 JUNE THE CHINESE HAVE TRIED TO CUT BACK ON IMPORTS AND FOREIGN EXCHANGE EXPENDITURES AND THIS HAS HURT OUR BUSINESS HERE. THEY WERE CERTAINLY WORRIED WE WOULD HOLD UP SALE OF BOEINGS AND INERTIAL GUIDANCE SYSTEMS AND THAT WE WOULD ALTER OUR AGREEMENT ON SATELLITE LAUNCHING. RENEGING ON COMMERCIAL AGREEMENTS FOR POLITICAL REASONS IS SOMETHING THE CHINESE HAVE DONE IN THE PAST WITH THE JAPANESE -- AND CERTAINLY THE RUSSIANS DID THIS TO THE CHINESE IN 1960. BUT THE CHINESE EMPLOY A DUAL STANDARD AND IT REMAINS A HIGHLY EXPLOSIVE ISSUE AS THE RUSSIANS FOUND OUT IN 1960. WE SHOULD THEREFORE HONOR THE SANCTITY OF CONTRACTS EVEN IF THE CHINESE OCCASIONALLY HAVE NOT. WE LIVE BY THE RULE OF LAW AND WE ARE TRYING TO GET THEM TO DO THE SAME. WE WERE RIGHT AN/ WISE IN ISSUING EXPORT LICENSES FOR BOEING AND HONEYWELL, AND WE SHOULD DELIVER ON THE SATELLITE LAUNCH. NOT ONLY DO WE HELP THE GOOD GUYS, AND THERE ARE A LOT OF THEM IN CHINA, BUT WE ALSO HELP OURSELVES FINANCIALLY. DESPITE CONGRESSIONAL FEELINGS WHICH WE REALIZE ARE

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STRONG AND MUST BE CONSIDERED, WE ARE NOT REWARDING THE MURDERERS OF TIANANMEN BY SELLING BOEING AIRCRAFT FOR HARD CASH. LET A THOUSAND POINTS OF BUSINESS DECISIONS WORK IN CHINA BASED ON OUR OWN BUSINESSES' REALISTIC ASSESSMENTS OF ECONOMIC AND POLITICAL PROSPECTS FOR CHINA. POSTPONING THE DECISIONS ON IFI LOANS IS A SUFFICIENT GOVERNMENTAL INPUT INTO THIS PROCESS. IT IS BOTH MULTINATIONAL AND IS AIMED AT CHINA'S GOVERNMENT FOR ITS ECONOMIC AND POLITICAL FAILURES.

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16. CHINESE ATTITUDES ON CERTAIN FOREIGN POLICY ISSUES MAY HAVE SHIFTED SOMEWHAT. WE HAVE TO WATCH THEM ON CAMBODIA, WE NEED TO RESTRAIN ANY CHINESE SUPPORT FOR PROTRACTED WARFARE AND STRONGER LINKS TO THE KHMER ROUGE AND ENCOURAGE THEIR PARTICIPATION IN A QUADRIpartite SOLUTION AND ON PEACE KEEPING SUPERVISION. IN KOREA DESPITE CLEAR COMMERCIAL ADVANTAGE, CHINESE MAY GIVE MORE VOCAL SUPPORT TO NORTH KOREA. [

] WAS LEADING THE CHARGE ON THE FAST-MOVING OPENING TO SOUTH KOREA. /WE NEED TO ENCOURAGE FAVORABLE LONG TERM TRENDS FOR IMPROVING ROK/CHINESE RELATIONS. ON AFGHANISTAN, THE CHINESE MAY BE SHIFTING TO A MORE EVEN-HANDED POSITION BETWEEN NAJIBULLAH AND THE MUHAJADEEN. WE NEED TO ENCOURAGE CONTINUED CHINESE SUPPORT TO THE RESISTANCE. AND, OF COURSE, THEY WILL FLOG A BETTER SOVIET RELATIONSHIP TO US AND TO THE WORLD HOPING IN PART THEY CAN SCARE SOME AMERICANS INTO MORE ACCOMMODATION. BUT IN EACH OF THESE CASES, CHINESE NATIONAL INTERESTS ARE NOT SERVED BY GOING TOO FAR -- SO THERE MAY BE MORE SMOKE THAN FIRE.

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WHAT ARE THE CHINESE AFTER?

17. FIRST OF ALL, THIS REGIME WANTS TO STAY IN POWER. SOME OF THE LEADERSHIP BELIEVES WE THREATEN THEIR POWER THROUGH OUR LINKS TO CHINESE WHO HAVE OPENLY DESPISED THEM AND WORKED AGAINST THEM. THEY MUST DISCREDIT THESE LINKS. SECOND, THE CHINESE MUST HAVE ECONOMIC PROSPERITY -- THE OPENING TO THE WEST, INCLUDING TO THE U.S., IS PERCEIVED AS ESSENTIAL TO THIS. THIRD, THE CHINESE PEOPLE MUST BE WHIPPED INTO LINE. PROFLIGATE TENDENCIES MUST BE CONTROLLED, DISCIPLINE REASSERTED. RECENTRALIZATION OF) AUTHORITY AND CONTROL IS CRUCIAL TO THIS. FOURTH, CHINESE NATIONALISM (OR PATRIOTISM) HAS TO BE REIGNITED. HONG KONG, SINGAPORE, TAIWAN, AND THE OVERSEAS CHINESE ARE THEIR OBJECTIVES. INTERNALLY THE CHINESE RELENTLESSLY PUSH TRUST THE PARTY, LOVE THE PLA AND RESPECT THE LEADERSHIP, DESPITE A HUGE CREDIBILITY GAP. THE CONTRADICTION IN THIS IS CLEAR -- HOW CAN CHINA ATTRACT THE OCEAN MENTALITY OF ITS OWN

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CHINESE OVERSEAS WHILE FOSTERING A CONTINENTAL MENTALITY IN ITS PEOPLE ON THE MAINLAND -- THIS WAS THE CENTRAL THEME OF RIVER ELEGY (HE SHANG) NOW BANNED IN CHINA.

18. SIMILARLY, HOW CAN CHINA ATTRACT THE WEST ECONOMICALLY AND CONDEMN IT POLITICALLY. CAN CHINA HAVE IT BOTH WAYS? DENG SAYS, YES, IT CAN, AND THIS IS THE COMPROMISE HE FORGES BETWEEN THE HARDLINERS IN HIS LEADERSHIP AND THE MODERATE REFORMERS. JIANG ZEMIN, THE NEW PARTY SECRETARY GENERAL, IS THE SYMBOL OF THIS COMPROMISE. I

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WHAT DO WE THEN DO ABOUT IT?

19. HERE ARE SOME SUGGESTIONS:

-- STAY IN STEP WITH WESTERN ALLIES AND JAPAN. THIS IS WHAT MADE THE POSTPONEMENT OF THE IFI LOANS SO EFFECTIVE.

-- RECOMMEND AGAINST WASHINGTON MICRO-MANAGING THE SITUATION HERE. THERE IS TOO MUCH WORK ON POLICY AT HOME TO BE DEFLECTED THIS WAY. THE KUNMING MISSIONARY EPISODE, FOR EXAMPLE, WAS AN UNNECESSARY BURDEN. FURTHERMORE, IT WAS WRONG TO SEE THIS INCIDENT AS PART OF A HEAVY-HANDED RESPONSE TO THE CURRENT SITUATION. CHINA (AND TAIWAN) HAS A LONG ANTI-MISSIONARY HISTORY AND FAIRLY CONSISTENTLY EXPELS SUCH PROSELYTIZERS. THIS GROUP ACTUALLY GOT OFF COMPARATIVELY LIGHTLY; NO FINES, JUST EXPEDITIOUS DEPARTURE. WE DID NOT NEED ANOTHER HOT BILATERAL ISSUE ON THIS ONE.

-- CONSIDER FORMATS FOR QUIET, HIGH-LEVEL DIALOGUE. WE NOTE THAT FORMER PRESIDENT NIXON IS PLANNING A TRIP TO CHINA. IN THIS REGARD WE WANT TO CAREFULLY VET OUR INTERLOCUTORS SO AS NOT TO BECOME DEPENDENT ON ONE GROUP, SUCH AS OVERSEAS CHINESE.

-- WHEN REVIEWING THE TRAVEL ADVISORY AND THE RETURN OF DEPENDENTS, WE SHOULD GIVE CREDENCE TO THE DIFFERENCES IN BEIJING AND THE OTHER REGIONS

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OF CHINA. TREAT OTHER AREAS BETTER THAN BEIJING WHEN POSSIBLE.

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-- A MAJOR SPEECH FROM A SENIOR ADMINISTRATION OFFICIAL SUMMING UP U.S. CONCERNS AND HOPES COULD BE SCHEDULED FOR LATE AUGUST AFTER CONGRESS GOES INTO RECESS.

-- WE NEED TO PUT MORE OF OUR EMPHASIS ON A COASTAL STRATEGY FOR CHINA.

/ WE SHOULD CONTINUE THE FULBRIGHT SCHOLAR EXCHANGES AND OTHER CULTURAL, ECONOMIC AND S/T EXCHANGES. WE SHOULD RENEW THE S/T AGREEMENT AND PURSUE GETTING IPR GUARANTEES FROM THE CHINESE BECAUSE THESE ARE LONG-TERM BASIC ARRANGEMENTS WHICH HELP THE CHINESE WHO LOOK OUTWARD, NOT INWARD. THIS ALSO MEANS KEEPING OUR WORKING RELATIONS GOING BELOW THE A/S LEVEL TO INCLUDE CIVIL AIR CONSULTATIONS, NARCOTICS MATTERS, AND ACTIVE EMBASSY/DEPARTMENTAL AND EMBASSY/MFA TALKS BOTH PROFESSIONAL AND SOCIAL AT ALL LEVELS.

/ -- WE HAVE TO DEAL WITH THE VARIABLE OF THE UNCONTROLLED AMERICAN REACTION TO CHINA. OUR MEDIA, OUR ACADEMICS, DISAPPOINTED BUSINESSMEN, CONGRESSMEN WILL ALL ATTACK CHINA AND WILL GO WELL BEYOND USG POLICY. SOME CHINESE WILL SEE AN ANTI-CHINESE CONSPIRACY AND THEY WILL ATTACK US IN KIND. DEMONSTRATORS IN THE U.S. WILL
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MARCH ON THE CHINESE EMBASSY, AND WE WILL TAKE A HIT IN RETALIATION HERE. THIS REQUIRES US TO KEEP ARTICULATING OUR POLICIES TO INFLUENTIAL AMERICANS. A PROMISING START HAS BEEN MADE WITH THE BUSINESS COMMUNITY HERE.

-- DO NOT LET THE CHINESE ESTABLISH A DICHOTOMY BETWEEN GOOD SUBSTANTIVE HIGH-LEVEL TALKS AND BASHING US ON THE GROUND IN BEIJING. WE ARE VULNERABLE HERE, AND THIS IS WHERE WE HAVE TRADITIONALLY TAKEN THE HARASSMENT. WE DID NOT WORK OUR EIGHT DOING-BUSINESS ISSUES EFFECTIVELY INTO THE PRESIDENT'S FEBRUARY VISIT TO CHINA. WE DID NOT ADEQUATELY PROTEST IN

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WASHINGTON THE FIRING ON 7 JUNE AT OUR DIPLOMATIC
RESIDENCES IN CHINA. WE SHOULD CONTINUE TO PURSUE
TOUGH RECIPROCITY ON PROPERTY, ACCESS AND TRAVEL.
WE NEED TO COORDINATE CAREFULLY WITH WASHINGTON
TO DEVISE STRATEGIES THAT WORK TO CURB
EFFECTIVELY CHINESE EXCESSES AND TO KEEP THE FINGER
POINTED AT THE REAL PERPETRATORS.

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! -- FINALLY, WE HAVE A FINE LINE TO WALK BETWEEN
DOING BUSINESS WITH THE CURRENT DECLINING
LEADERSHIP AND ITS ERRATIC AND SOMETIMES HOSTILE
POLICIES, AND MAINTAINING SUPPORT FOR AND
CONTACT WITH FUTURE FORCES IN CHINA AND OUT
WHICH ARE MORE COMPATIBLE WITH OUR BELIEFS AND
INTERESTS. FOR THE CHINESE OUR MESSAGE SHOULD
BE IF YOU WANT AMERICAN BUSINESS, YOU ALSO GET
VOA. WE CAN CALIBRATE THIS, BUT
OUR BASIC PRINCIPLES WON'T CHANGE.

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ADMIN
END OF MESSAGE

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