

Prime Minister

A.S.C. 4/10.

Handwritten note:
I read on
very much
that

Mr Coles ✓

FUTURE OF HONG KONG

1. We spoke on the telephone about material which the Prime Minister might find interesting. I attach notes on the Sino/US negotiations on US arms sales to Taiwan and on the negotiations between Britain and China which led to the exchange of Ambassadors in 1972.

2. Both notes bring out that before agreement was reached concessions had been made on both sides. You will note the Chinese use of calculated leaks to the media.

3. I am having the papers looked out on the negotiation in 1974 between Hong Kong and the Guangdong authorities about the return of illegal immigrants to China. This is not an exact parallel for negotiation between governments, but it may give us some insight into Chinese negotiating techniques.

Handwritten signature: A E Donald

1 October 1982

A E Donald

SINO-US NEGOTIATIONS ON US ARMS SALES TO TAIWAN

Introduction

1. The question of Taiwan has bedevilled relations between the US and PRC since 1949. The Chinese have seen the US as blocking progress towards reunification. In 1972 in the Shanghai Joint Communiqué the US went some way towards accepting Peking's position. In 1978 they went rather further and, in the face of threatening Soviet and Vietnamese policies, the Chinese agreed that relations could be normalised in advance of a full settlement of the issue. (The Carter administration may have hinted that US arms sales to Taiwan would wind down fairly rapidly.) But ^{reaffirmed their opposition to US arms sales to Taiwan and} the Chinese vigorously protested against the US Taiwan Relations Act of 1979, which succeeded the former US-Taiwan defence treaty and which bound the US to meet Taiwan's legitimate defence needs.

2. The election of President Reagan, an old friend of Taiwan, was alarming to the Chinese leadership. Moreover it seems to have coincided with debates in China about the disappointing fruit of Sino-US normalisation, particularly in ^{its effect on Taiwan, in} ~~restraining~~ Soviet/Vietnamese expansionism and in transfer of US high technology to China. The nationalistic cause of achieving Taiwan's reunification with the mainland was ^{perhaps} also being seen as more urgent. Whether voluntarily or as a means of deflecting pressure from their political opponents on this and other issues, the Chinese leadership concluded that they must engage the US in tough negotiations to try to resolve the question.

Course of Negotiations

3. At first it seemed that the Chinese main concern was that the US should not increase the level of its arms transfers to Taiwan,

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The US decided not to supply the FX but to extend other important ^{arms supply arrangements} particularly by selling advanced FX fighter aircraft. But their Chinese position hardened (perhaps for domestic political reasons). By early 1982 they were clearly demanding a complete cut-off of all US arms sales. The cut-off need not be immediate but they insisted there must be a definite near date for termination.

They said this involved Chinese national sovereignty, a principle on which there could be no compromise. For the same reason China could not tie its hands to ^{using} only peaceful means to reunify Taiwan with the mainland. If the US did not respect Chinese sovereignty, relations would inevitably retrogress to their pre-1979 or even pre-1972 level.

4. The US negotiated with the Chinese on the issue mainly through their Ambassador in Washington. Several high-level visitors (Governmental and non-Governmental) also played a part, particularly in explaining US political realities. The US offered a series of politically difficult concessions. There was often no sign of flexibility on the Chinese side. US officials appear on at least one occasion to have believed that a rupture in relations was unavoidable. Despite a sudden breakthrough in July, brinkmanship continued until the very end of the negotiations in early August. The Chinese appear finally to have recognised that no further concession was possible on the US side. They then made a cool judgment of the costs of down-grading relations relative to the costs of a retreat towards the US position. Agreement was reached to issue a Joint Communiqué on 17 August. This represented a considerable US diplomatic victory.

/Nature of ...

Nature of Chinese Compromise

5. The Chinese retreated from publicly-held positions by:
- a. agreeing that their relations with the US could survive, even though the US fixed no time limit for its phasing out arms sales to Taiwan; and
 - b. permitting the US to link even this gradual reduction to Chinese assurances of their fundamental policy of striving for a peaceful solution of the Taiwan question.

The Chinese thus accepted a compromise on an issue of sovereignty. They also recognised that they could not achieve a solution which would put immediate pressure on Taiwan to come to the negotiating table. In trying to camouflage these concessions the Chinese stressed the historical nature of the problem. As 'an issue rooted in history', it was natural that a 'final settlement' could only be brought about 'over a period of time'. (This echoed earlier Chinese statements in different contexts, eg Sino-Indian border negotiations.)

Reasons for Chinese Compromise

6. The US Ambassador in Peking believes that the determining factor for the Chinese was their overriding wish to pursue reunification. They saw a danger of US-Taiwan relations developing independently if ties between Washington and Peking were down-graded. They believed that this could further ^{boost the regime in Taipei and} entrench Taiwan's de facto independence. Other factors will have been China's need for US cooperation in its economic development, particularly the massive investment for developing energy resources, ^{and in gathering intelligence on the Soviet Union} and the strategic danger of sending the wrong signal to the Soviet Union. The conclusion of an agreement shortly before the

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Party Congress was taken as a sign of self-confidence on the part of Deng Xiaoping. In this timing however a key element was the existence of definite time limits on the US side. The Chinese were made aware that it was simply impossible for the US further to delay notification to Congress of the next arms sales package for Taiwan; but for this there would have been advantage to the Chinese in letting the negotiations drag on much longer.

Chinese Negotiating Style

7. US officials have commented on the abrasive negotiating style of the Chinese. [Intervals of cordiality and aggressiveness appear to have been alternated arbitrarily.] The Chinese began with formal and uncompromising statements of their public position and then sought to draw out US ideas for making progress. Whereas at each round of negotiations the US side tried to introduce an accommodation towards the Chinese position in the hope of winning a reciprocal concession, the Chinese conceded virtually no point until they felt the US could move no further. The Chinese fought separately on a series of points without any attempt to stand back and form a general picture. The resolving of difficult matters was habitually left until well after the 11th hour. High level interventions were sometimes effective in improving the atmosphere (eg Reagan's letters to Chinese leaders, Bush's visit) or in exploring the Chinese bottom line (eg a very restricted private session between Bush and Deng). Informal social meetings in the margins of the negotiations were also useful. But the final breakthrough was revealed at a routine meeting between the US Ambassador and the Chinese Vice Foreign Minister. Leaks to the media, on the Chinese side the result of

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calculated official policy, tended to have a disruptive influence.

But Chinese media coverage sometimes also gave indications of
areas of possible flexibility.

Far Eastern Department
1 October 1982

SINO/US NEGOTIATIONS ON US ARMS SALES TO TAIWAN:

OUTLINE CHRONOLOGY

- 1972: Nixon visit to China. Shanghai Joint Communiqué. US open Liaison Office in Peking.
- 1979: Normalisation of relations. US open Embassy in Peking. Taiwan Relations Act: US to maintain unofficial links with Taiwan and meet its defence needs.
- 1980: Substantial US arms supplies to Taiwan after 1979 hiatus.
US Presidential election campaign: Reagan promises to re-establish official relations with Taiwan.
- 1981:
- January - Reagan takes office: Chinese concerned about future trends of US policy to Taiwan.
- Sino/Dutch relations downgraded over Dutch sale of submarines to Taiwan.
- June - Haig visits Peking. Reassures Chinese no US re-opening of official relations with Taiwan. Chinese unimpressed by announcement of US relaxation of military sales to PRC. Insist on talks about US arms sales to Taiwan but seem to imply that a certain level of continuing arms supplies would be tolerable.
- September - Chinese publish Nine-Point proposal for Taiwan. Generous terms for Taiwan reunification. Hardening of Chinese line on US arms sales to Taiwan.
- October - In margins of Cancun Summit Zhao Ziyang abrasively lectures Reagan on arms sales.
- Huang Hua visits US. Takes totally inflexible line with Haig. But FX fighters seem the touchstone.
- December - Further sharpening of Chinese position. Strong reaction to news of US informal notification to Congress of supply of \$97 million spare parts to Taiwan.
- 1982:
- January - US reassessment of risks of rupture with Chinese particularly during Polish crisis. Decision that Taiwan had no military need for FX aircraft.

January (cont'd)

- Assistant Secretary of State Holdridge visits China: Visit complicated by premature US announcement of continued supply to Taiwan of less advanced aircraft. Chinese demand US set date for ending all arms sales. Angry at US unilateral decisions while discussions going on. US refuse to set time limit and ask Chinese to declare only peaceful settlement of Taiwan issue. Deadlock but Chinese willing to continue discussions. US postpones formal notification of spare parts supply.
- February - Hints of greater Chinese flexibility followed by sudden stone-walling.
- March - Reagan and Zhao exchange letters on 10th Anniversary of Shanghai Communiqué.
 - NCNA commentary said relations would retrogress if US insisted on long-term policy of selling arms to Taiwan; weaker than earlier insistence at definite time limit.
 - No progress in talks. US feared formal notification of spare parts supply would lead to recall of Chinese Ambassador from Washington. Warns allies of imminent crisis.
- April - US Administration notifies Congress of spare parts package. Chinese protest but agree to continue talks on grounds that no weapons involved, deal agreed before current Sino/US negotiations and no military transfers while talks underway.
- April/May - Reagan writes letters to Deng, Zhao and Hu Yaobang re-emphasising his commitment to Sino/US relations and support for Chinese Nine-Point Proposal on Taiwan.
- May - Vice President Bush visits Peking. Frank explanations of US political difficulties. Chinese still insisting on cut-off date but some hints of flexibility and apparent reluctance to face downgrading relations. Atmosphere improved.
- July - Resignation of Haig whom Chinese considered sympathetic.
- 17 August - Joint Communiqué published. Chinese reiterated fundamental policy of striving for peaceful reunification with Taiwan. US undertook, bearing this in mind, gradually to reduce arms supplies to Taiwan. No cut-off date specified.

JOINT COMMUNIQUE OF THE UNITED STATES OF AMERICA
AND THE PEOPLES REPUBLIC OF CHINA

1. IN THE JOINT COMMUNIQUE ON THE ESTABLISHMENT OF DIPLOMATIC RELATIONS ON JANUARY 1, QOQON ISSUED BY THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA, THE UNITED STATES OF AMERICA RECOGNIZED THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA AS THE SOLE LEGAL GOVERNMENT OF CHINA, AND IT ACKNOWLEDGED THE CHINESE POSITION THAT THERE IS BUT ONE CHINA AND TAIWAN IS PART OF CHINA. WITHIN THAT CONTEXT, THE TWO SIDES AGREED THAT THE PEOPLE OF THE UNITED STATES WOULD CONTINUE TO MAINTAIN CULTURAL, COMMERCIAL, AND OTHER UNOFFICIAL RELATIONS WITH THE PEOPLE OF TAIWAN. ON THE BASIS, RELATIONS BETWEEN THE UNITED STATES AND CHINA WERE NORMALIZED.

2. THE QUESTION OF UNITED STATES ARMS SALES TO TAIWAN WAS NOT SETTLED IN THE COURSE OF NEGOTIATIONS BETWEEN THE TWO COUNTRIES ON ESTABLISHING DIPLOMATIC RELATIONS. THE TWO SIDES HELD DIFFERING POSITIONS, AND THE CHINESE SIDE STATED THAT IT WOULD RAISE THE ISSUE AGAIN FOLLOWING NORMALIZATION. RECOGNIZING THAT THIS ISSUE WOULD SERIOUSLY HAMPER THE DEVELOPMENT OF UNITED STATES-CHINA RELATIONS, THEY HAVE HELD FURTHER DISCUSSIONS ON IT, DURING AND SINCE THE MEETINGS BETWEEN PRESIDENT RONALD REAGAN AND PREMIER ZHAO ZIYANG AND BETWEEN SECRETARY OF STATE ALEXANDER M. HAIG, JR., AND VICE PREMIER AND FOREIGN MINISTER HUANG HUA IN OCTOBER, QOIQM

3. RESPECT FOR EACH OTHER'S SOVEREIGNTY AND TERRITORIAL INTEGRITY AND NON-INTERFERENCE IN EACH OTHER'S INTERNAL AFFAIRS CONSTITUTE THE FUNDAMENTAL PRINCIPLES GUIDING UNITED STATES-CHINA RELATIONS. THESE PRINCIPLES WERE CONFIRMED IN THE SHANGHAI COMMUNIQUE OF FEBRUARY 28, QOQON AND REAFFIRMED IN THE JOINT COMMUNIQUE ON THE ESTABLISHMENT OF DIPLOMATIC RELATIONS WHICH CAME INTO EFFECT ON JANUARY 1, QOQON BOTH SIDES EMPHATICALLY STATE THAT THESE PRINCIPLES CONTINUE TO GOVERN ALL ASPECTS OF THEIR RELATIONS.

4. THE CHINESE GOVERNMENT REITERATES THAT THE QUESTION OF TAIWAN IS CHINA'S INTERNAL AFFAIR. THE MESSAGE TO COMPATRIOTS IN TAIWAN ISSUED BY CHINA ON JANUARY 1, QOQON PROBULGATED A FUNDAMENTAL POLICY OF STRIVING FOR PEACEFUL REUNIFICATION OF THE MOTHERLAND. THE NINE-POINT PROPOSAL PUT FORWARD BY CHINA ON SEPTEMBER 30, QOIQM REPRESENTED A FURTHER MAJOR EFFORT UNDER THIS FUNDAMENTAL POLICY TO STRIVE FOR A PEACEFUL SOLUTION TO THE TAIWAN QUESTION.

5. THE UNITED STATES GOVERNMENT ATTACHES GREAT IMPORTANCE TO ITS RELATIONS WITH CHINA, AND REITERATES THAT IT HAS NO INTENTION OF INFRINGING ON CHINESE SOVEREIGNTY AND TERRITORIAL INTEGRITY, OR INTERFERING IN CHINA'S INTERNAL AFFAIRS, OR PURSUING A POLICY OF "TWO CHINAS" OR "ONE CHINA, ONE TAIWAN." THE UNITED STATES GOVERNMENT UNDERSTANDS AND APPRECIATES THE CHINESE POLICY OF STRIVING FOR A PEACEFUL RESOLUTION OF THE TAIWAN QUESTION AS INDICATED IN CHINA'S MESSAGE TO COMPATRIOTS IN TAIWAN ISSUED ON JANUARY 1, QOQON AND THE NINE-POINT PROPOSAL PUT FORWARD BY CHINA ON SEPTEMBER 30, QOIQM THE NEW SITUATION WHICH HAS EMERGED WITH REGARD TO THE TAIWAN QUESTION ALSO PROVIDES FAVORABLE CONDITIONS FOR THE SETTLEMENT OF UNITED STATES-CHINA DIFFERENCES OVER THE QUESTION OF UNITED STATES ARMS SALES TO TAIWAN.

6. HAVING IN MIND THE FOREGOING SETTLEMENTS OF BOTH SIDES, THE UNITED STATES GOVERNMENT STATES THAT IT DOES

NOT SEEK TO CARRY OUT A LONG-TERM POLICY OF ARMS SALES TO TAIWAN, THAT ITS ARMS SALES TO TAIWAN WILL NOT EXCEED, EITHER IN QUALITATIVE OR IN QUANTITATIVE TERMS, THE LEVEL OF THOSE SUPPLIED IN RECENT YEARS SINCE THE ESTABLISHMENT OF DIPLOMATIC RELATIONS BETWEEN THE UNITED STATES AND CHINA, AND THAT IT INTENDS TO REDUCE GRADUALLY ITS SALES OF ARMS TO TAIWAN, LEADING OVER A PERIOD OF TIME TO A FINAL RESOLUTION. IN SO STATING, THE UNITED STATES ACKNOWLEDGES CHINA'S CONSISTENT POSITION REGARDING THE THOROUGH SETTLEMENT OF THIS ISSUE.

7. IN ORDER TO BRING ABOUT, OVER A PERIOD OF TIME, A FINAL SETTLEMENT OF THE QUESTION OF UNITED STATES ARMS SALES TO TAIWAN, WHICH IS AN ISSUE ROOTED IN HISTORY, THE TWO GOVERNMENTS WILL MAKE EVERY EFFORT TO ADOPT MEASURES AND CREATE CONDITIONS CONDUCIVE TO THE THOROUGH SETTLEMENT OF THIS ISSUE.

8. THE DEVELOPMENT OF UNITED STATES-CHINA RELATIONS IS NOT ONLY IN THE INTERESTS OF THE TWO PEOPLES BUT ALSO CONDUCIVE TO PEACE AND STABILITY IN THE WORLD. THE TWO SIDES ARE DETERMINED, ON THE PRINCIPLE OF EQUALITY AND MUTUAL BENEFIT, TO STRENGTHEN THEIR TIES IN THE ECONOMIC, CULTURAL, EDUCATIONAL, SCIENTIFIC, TECHNOLOGICAL AND OTHER FIELDS AND MAKE STRONG, JOINT EFFORTS FOR THE CONTINUED DEVELOPMENT OF RELATIONS BETWEEN THE GOVERNMENTS AND PEOPLES OF THE UNITED STATES AND CHINA.

9. IN ORDER TO BRING ABOUT THE HEALTHY DEVELOPMENT OF UNITED STATES-CHINA RELATIONS, MAINTAIN WORLD PEACE AND OPPOSE AGGRESSION AND EXPANSION, THE TWO GOVERNMENTS REAFFIRM THE PRINCIPLES AGREED ON BY THE TWO SIDES IN THE SHANGHAI COMMUNIQUE AND THE JOINT COMMUNIQUE ON THE ESTABLISHMENT OF DIPLOMATIC RELATIONS. THE TWO SIDES WILL MAINTAIN CONTACT AND HOLD APPROPRIATE CONSULTATIONS ON BILATERAL AND INTERNATIONAL ISSUES OF COMMON INTEREST.
(END TEXT OF COMMUNIQUE)


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ANGLO-CHINESE NEGOTIATIONS ON EXCHANGE
OF AMBASSADORS 1971/2

1. Britain recognised the People's Republic of China in 1950. HMG would have like to exchange Ambassadors at once but the Chinese laid down unacceptable preconditions. In 1954 it was agreed to exchange diplomatic missions headed by Chargés d'Affaires

2. By 1971 France, Canada and several other Western countries had exchanged Ambassadors with China. The international scene had changed. The US was trying to begin cautious dialogue with Peking, and US reservations about progress in Anglo-Chinese relations were diminishing.

3. It seemed likely that there would be two Chinese conditions for an exchange of Ambassadors:
 - a. that HMG should facilitate the PRC's entry to the UN by not supporting the Important Question resolution;
 - b. that HMG should withdraw its remaining Consulate from Taiwan.

Ministers considered that these conditions would be acceptable. China was anyway likely to get into the UN in 1971 (it did). ^{It was held that} The Consulate in Taiwan had served little real purpose for some time.

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4. The Chinese ^{initially} confirmed that these were their only two conditions but ^{then} asked that HMG's acceptance of them should be put in writing. The only point of serious difficulty ^{in this} was the Chinese request that HMG should state publicly that it was withdrawing its Consulate from 'China's Province, Taiwan'. This would have shown British acceptance of Peking's claim to sovereignty over Taiwan. But HMG had ~~always~~ maintained that in international law the question of sovereignty over Taiwan was undecided (China had ceded it to Japan in the 19th century; during the War the Allies agreed that it should be returned to China, but the legal transfer of sovereignty had never taken place, because of the Civil War between Communists and Nationalists). ^{The San Francisco Peace Treaty did not specify to whom Taiwan should be returned.} To accept the Chinese claim would have breached important general principles.

5. Negotiations were opened in Peking, between the Chargé d'Affaires and the Chinese Vice Foreign Minister, to try to devise an acceptable formula. The Chinese, whose international position was strengthening rapidly, said they must stand firm on principle but would consider any alternative wording HMG proposed. Six months of difficult negotiations ensued, with a series of drafts and counter-drafts, before texts of a Joint Communiqué and confidential exchange of letters were agreed in March 1972.

6. The eventual agreement involved concessions on both sides. The Chinese came to understand that HMG would not alter its fundamental legal view of Taiwan's status, but accepted that this need not

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preclude normalisation of relations provided HMG:

- a. undertook not to 'propagandise' its view (not in HMG's view a concession of substance); and
- b. made public statements about Taiwan which came some way towards the Chinese position.

To avoid prejudicing HMG's legal position, these statements required careful consideration and tortuous negotiation. Skillful and flexible translation of key phrases was an important factor in the eventual agreement.

7. Although arduous these negotiations were fairly straight-forward. They were conducted in Peking and high-level interventions played virtually no part. The Chinese did not eventually insist on a condition Premier Chou En-lai had told a British visitor would be essential. There were points at which the talks almost broke down and the Chinese sometimes doubted HMG's 'sincerity', but HMG's efforts to achieve compromise were ultimately successful.

Far Eastern Department

1 October 1982

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