

CONFIDENTIAL
FM WASHINGTON
TO IMMEDIATE FCO
TELNO 1654
OF 142315Z JUNE 89
INFO IMMEDIATE PEKING, HONG KONG
INFO PRIORITY CANBERRA, TOKYO, MOSCOW

OUR TELNO 1545: US/CHINA
SUMMARY

1. PRESIDENT BUSH'S RESPONSE TO EVENTS IN CHINA HAS BEEN WIDELY SUPPORTED ON THE HILL AND IN THE MEDIA, AND HAS SUCCESSFULLY PRE-EMPTED (FOR NOW) PRESSURE TO GO FURTHER. WIDESPREAD RECOGNITION THAT IT IS IN US NATIONAL INTERESTS TO KEEP LINES OPEN TO CHINA BUT IN THE FACE OF CONTINUING REPRESSION OPINION HERE WILL REMAIN VOLATILE, AND A CRISIS COULD BLOW UP SUDDENLY, EG OVER FANG LIZHI. ADMINISTRATION'S APPROACH IS TO BATTEN DOWN, AVOIDING DECISIONS ON SPECIFIC ISSUES IN THE SHORT TERM, AND WORKING FOR MULTILATERAL AGREEMENT ON FUTURE POLICY WHEREVER POSSIBLE.

DETAIL

2. WE HAVE REPORTED THE MEASURES ANNOUNCED BY PRESIDENT BUSH ON 3 JUNE (OUR TELNO 1545) AND HIS COMMENTS AT HIS PRESS CONFERENCE ON 8 JUNE (OUR TELNO 1602). AS THE INITIAL SHOCK AT THE BRUTAL EVENTS IN PEKING ON 3/4 JUNE BEGINS TO WEAR OFF, THE ADMINISTRATION, CONGRESS AND COMMENTATORS ARE DIGESTING THE IMPLICATIONS FOR THE US/CHINA RELATIONSHIP AND FOR AMERICA'S WIDER INTERESTS IN ASIA. THE FOLLOWING SUMMARISES THE MAIN STRANDS IN THE CURRENT DEBATE, AND SUGGESTS HOW US POLICY MAY DEVELOP.

3. THE PACKAGE OF MEASURES ANNOUNCED BY THE PRESIDENT ON 3 JUNE HAS ATTRACTED WIDESPREAD BIPARTISAN SUPPORT. THIS GOES BEYOND THE NATURAL TENDENCY TO UNITE BEHIND THE PRESIDENT AT A TIME OF INTERNATIONAL UNCERTAINTY, AND REFLECTS A GENUINE BELIEF THAT THE PRESIDENT STRUCK THE RIGHT BALANCE BETWEEN, ON THE ONE HAND EXPRESSING OUTRAGE, PUTTING AMERICA ON THE SIDE OF THE STUDENTS, AND SENDING A CLEAR SIGNAL IN PARTICULAR TO THE CHINESE MILITARY, AND ON THE OTHER HAND PRESERVING AS MUCH AS POSSIBLE OF THE BROADER RELATIONSHIP. KISSINGER IN A MAJOR OP-ED ARTICLE ON 11 JUNE (COPY BY BAG TO FED) COMMENTED QUOTE PRESIDENT BUSH SEEMS TO ME TO HAVE WALKED THIS TIGHTROPE WITH EXTRAORDINARY SKILL AND DELICACY UNQUOTE.

4. CONGRESS BROADLY AGREES. THE RESOLUTIONS ADOPTED BY BOTH HOUSES WITHOUT A SINGLE DISSENTING VOTE SUPPORTED THE PRESIDENT'S ACTIONS (ALTHOUGH THE SENATE RESOLUTION ALSO SUGGESTED THAT THE PRESIDENT AND MAJOR ALLIES OF THE US SHOULD DECIDE WHETHER COLLECTIVE MULTILATERAL SANCTIONS WERE WARRANTED AGAINST CHINA). ACCORDING TO ADMINISTRATION CONTACTS, SENIOR CONGRESSMEN AS DIVERSE AS SENATOR HELMS AND REP SOLARZ HAVE BEEN PRIVATELY EXPRESSING SUPPORT FOR THE PRESIDENT'S APPROACH, AND SENATOR CRANSTON HAS SAID PUBLICLY THAT HE DESERVES AN A+. CONTACTS ON THE HILL CONFIRM THE IMPRESSION THAT THERE IS NO GREAT HEAD OF STEAM AT PRESENT TO GO FURTHER.

5. THE QUESTION ARISES WHY THERE HAS BEEN SUCH A READY ACCEPTANCE HERE OF A MEASURED RESPONSE. THE FOLLOWING FACTORS SEEM TO BE THE MOST IMPORTANT:

- (I) A RECOGNITION THAT THE US HAS IMPORTANT POLITICAL/ STRATEGIC INTERESTS AT STAKE IN MAINTAINING A RELATIONSHIP WITH CHINA, (BOTH AS COUNTERWEIGHT TO SINO/SOVIET RELATIONS - THE MILD SOVIET COMMENTS ON THE 3/4 JUNE EVENTS HAVE BEEN MUCH NOTED HERE - AND AS PART OF THE US ROLE OF GUARANTOR OF STABILITY IN ASIA). THIS HAS BEEN A MAJOR THEME OF THE PRESIDENT'S REMARKS, AND THOSE OF KISSINGER AMONG OTHERS:
- (II) AN ASSUMPTION THAT THE EMERGENCE OF A HARDLINE REGIME IN PEKING, HOWEVER REPUGNANT, IS LIKELY TO BE A TEMPORARY PHENOMENON AND THAT ECONOMIC AND TECHNOLOGICAL TRENDS ARE IN THE STUDENTS' FAVOUR. AS THE WASHINGTON POST PUT IT ON 13 JUNE QUOTE IN THEIR LIFE-TIME THE YOUNG CHINESE PROTESTORS OF TIANANMEN SQUARE WILL SEE THEIR IDEAS PREVAIL UNQUOTE. HUNGARY AND POLAND HAVE BEEN MUCH QUOTED AS EXAMPLES OF SOCIETIES THAT HAVE BEEN THROUGH PERIODS OF MAJOR REPRESSION LEADING TO SOME POLITICAL LIBERALISATION (ALTHOUGH THIS IS A POINT THAT CUTS BOTH WAYS, AND ONE EFFECT OF RECENT EVENTS IN CHINA HAS BEEN TO DRAW NEW ATTENTION TO THE REVERSIBILITY OF DEVELOPMENTS IN THE SOVIET BLOC):
- (III) AN ACCEPTANCE THAT THE US RESPONSE SHOULD NOT HURT THE CHINESE PEOPLE BY CUTTING OFF ECONOMIC COOPERATION (AND A REALISATION THAT, AS BAKER HAS MADE CLEAR, THE ECONOMIC TIES BETWEEN CHINA AND THE WEST HELPED TO PRODUCE THE MOVE TOWARDS OPENNESS IN CHINA):
- (IV) A WIDESPREAD PERCEPTION THAT THE PRESIDENT'S RECENT

HANDLING OF FOREIGN POLICY ISSUES, PARTICULARLY THE NATO SUMMIT, HAS BEEN SUCCESSFUL, COUPLED WITH RESPECT FOR THE WAY IN WHICH HE MOVED DECISIVELY TO TAKE A GRIP ON (AND SHOW HIS EXPERTISE IN) CHINA POLICY.

6. OF COURSE THERE ARE DISSENTING NOTES. LONGSTANDING CRITICS OF CHINA HAVE TAKEN THE OPPORTUNITY TO RUB IN THE POINT THAT AMERICA HAS FOR YEARS OPERATED A DOUBLE STANDARD, TURNING A BLIND EYE FOR EXAMPLE TOWARDS HUMAN RIGHTS ABUSES IN TIBET WHILE VIGOROUSLY CRITICISING SOVIET HUMAN RIGHTS FAILINGS. THERE HAVE BEEN SOME CALLS FOR SWEEPING ECONOMIC SANCTIONS. BUT THE MAINSTREAM VIEW ON THE HILL AND IN THE MEDIA IS THAT THE PRESIDENT HAS SO FAR GOT IT ABOUT RIGHT.
7. THAT CONSENSUS IS, HOWEVER, FRAGILE. IT COULD QUICKLY COME APART IF THE CURRENT CRACKDOWN INTENSIFIED. MOREOVER, THERE WILL BE A SERIES OF OPPORTUNITIES OVER THE SUMMER FOR CONGRESSIONAL COMMITTEES TO MAKE THEIR POINT ON CHINA BY SLASHING OR ELIMINATING PROGRAMMES. SO DAMAGE LIMITATION ON THE HILL WILL REMAIN A MAJOR PREOCCUPATION FOR THE ADMINISTRATION.
8. ADMINISTRATION CONTACTS TELL US THAT ONE OF THEIR AIMS WILL BE TO PRESERVE THE INSTITUTIONAL FRAMEWORK OF THE US/CHINA RELATIONSHIP BUILT UP OVER THE LAST DECADE, IN THE TRADE, ECONOMIC, SCIENTIFIC, EDUCATIONAL ETC FIELDS, EVEN IF MUCH OF THE ACTIVITY WITHIN THESE FIELDS MAY GO INTO COLD STORAGE FOR THE FORESEEABLE FUTURE. THEY HOPE THAT BY PROTECTING THE UNDERLYING FRAMEWORK IT WILL BE POSSIBLE TO REACTIVATE RELATIONSHIPS AT SOME STAGE.
9. THERE ARE ALSO A NUMBER OF CURRENT ROWS WITH THE CHINESE WHICH THE ADMINISTRATION ARE SEEKING TO MANAGE. THE MOST SERIOUS ARE OVER FANG LIZHI, THE JAMMING OF VOA. AND NOW THE EXPULSION OF JOURNALISTS (ON WHICH THE US ARE TODAY LODGING PROTESTS IN WASHINGTON AND PEKING) ON FANG, THERE HAVE BEEN SEVERAL ROUNDS OF DISCUSSION IN RECENT DAYS BETWEEN BAKER AND THE CHINESE AMBASSADOR HERE, APPARENTLY IN AN EFFORT TO FIND A FACE-SAVING SOLUTION WHICH WOULD ENABLE HIM AND HIS WIFE TO LEAVE FOR A THIRD COUNTRY. THE AMERICANS ARE VERY CONSCIOUS THAT THE LONGER FANG REMAINS IN THE US EMBASSY IN PEKING, THE GREATER THE RISK OF AN OFFICIALLY-INSPIRED QUOTE SIEGE UNQUOTE. OUR CONTACTS SAY THAT THE CHINESE HAVE MADE SOME ATTEMPT TO KEEP THESE DISPUTES SEPARATE FROM THE BROADER RELATIONSHIP AND HAVE BEEN FAIRLY RESTRAINED IN THEIR RHETORIC ON OTHER ISSUES. SOME SEE THIS AS EVIDENCE OF DENG

TRYING TO PRESERVE WHAT HE CAN OF THE ECONOMIC SIDE OF THE RELATIONSHIP.

10. AS REGARDS MULTILATERAL PROGRAMMES AFFECTING CHINA, WE HAVE REPORTED SEPARATELY ON COCOM ISSUES AND ON WORLD BANK LOANS. IN EACH CASE, THE ADMINISTRATION WOULD PREFER TO AVOID HAVING TO TAKE DECISIONS IN PRESENT CIRCUMSTANCES. IF PRESSED TO A DECISION IN THE SHORT TERM, THEY WOULD BE OBLIGED TO TAKE A NEGATIVE VIEW. (IN THE CASE OF COCOM, THIS WOULD MEAN PUTTING THE LIBERALISATION PROCESS ON HOLD.) POSTPONING DECISIONS CAN ONLY BE A SHORT TERM ANSWER, AND THE NSC AND STATE TELL US THAT THE ADMINISTRATION WILL WANT TO USE ANY TIME THEY CAN BUY THROUGH POSTPONEMENT TO DISCUSS WITH ALLIES MULTILATERAL APPROACHES TO THESE PROBLEMS AS FAR AS POSSIBLE. (CHINA WILL THEREFORE BE AN IMPORTANT ITEM ON THE US AGENDA FOR THE VISIT BY WENDT TO COCOM CAPITALS.) THEY BELIEVE THAT A CONCERTED WESTERN APPROACH ON THESE ISSUES WILL BE MORE LIKELY TO BE EFFECTIVE WITH THE CHINESE - AND WOULD ALSO HELP THEM WITH CONGRESS.

11. THE ADMINISTRATION HAVE DRAWN UP CONTINGENCY LISTS OF FURTHER MEASURES THAT COULD BE TAKEN IF NECESSARY. WE ARE TOLD THAT THE MENU INCLUDES:

SOME (UNDEFINED) TIGHTENING OF EXPORT CONTROLS ON HIGH-TECHNOLOGY ITEMS:

WITHDRAWAL OF MFN:

SUSPENDING CHINA'S ELIGIBILITY FOR OPIC (POLITICAL RISK INSURANCE) COVER AND EXPORT-IMPORT BANK LOANS (TO FINANCE US EXPORTS).

MOST OF THE AVAILABLE OPTIONS WOULD MEAN EDGING INTO THE ECONOMIC AREA, WHICH BUSH HAS MADE CLEAR HE WANTS TO AVOID IF HE CAN. AND THE ADMINISTRATION WOULD MUCH PREFER TO TACKLE ISSUES AS THEY ARISE RATHER THAN ANNOUNCING A FURTHER PACKAGE OF PUNITIVE MEASURES. SO ALL THIS REMAINS VERY MUCH CONTINGENCY PLANNING.

12. A NUMBER OF OUR CONTACTS HAVE DRAWN ATTENTION TO THE ECONOMIC SUMMIT AS AN OPPORTUNITY TO CONSIDER BROAD WESTERN POLICY TOWARDS CHINA AS WELL AS TO MAKE A COLLECTIVE STATEMENT. THEY WILL ALSO WANT TO DISCUSS WITH US BEFORE THE SUMMIT THE IMPLICATIONS OF THE TURMOIL IN CHINA FOR THE CAMBODIA ISSUE (GIVEN THAT THIS WILL ALSO BE A SUMMIT TOPIC). OUR CONTACTS HERE BELIEVE THAT IT WILL NOW BE VERY DIFFICULT TO GET THE CHINESE TO TAKE THE AWKWARD DECISIONS NEEDED TO RESTRAIN THE KR IN THE PERIOD AFTER VIETNAMESE WITHDRAWAL.

13. IN SUM, THE US BUREAUCRACY IS ONLY JUST BEGINNING TO EMERGE FROM A PERIOD OF RESPONDING TO EVENTS, AND DEALING

WITH THE HUMANITARIAN QUESTIONS OF EVACUATION. THE PRESIDENT HAS SHOWN LEADERSHIP, AND HAS SO FAR HAD HIS WAY. BUT FED BY DAILY MEDIA REPORTS OF CRACKDOWN AND REPRESSION, CONGRESSIONAL AND PUBLIC OPINION COULD SWING SUDDENLY AND VIOLENTLY. PARTLY FOR THAT REASON, THE ADMINISTRATION WILL FIND IT USEFUL TO BE ABLE TO SAY THAT CONSULTATIONS WITH ALLIES ARE UNDER WAY ON A RANGE OF SPECIFIC ISSUES. OUR CONTACTS HAVE UNDERTAKEN TO KEEP US CLOSELY INFORMED AS THEIR OWN THINKING DEVELOPS.

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