



Di. R. - R. W.

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PRIME MINISTERSino-Soviet Relations

A very reliable American source has told me that when Shultz and Deng Xiaoping met in August Deng said, very confidently, "we are going to improve relations with the Soviets". This is important information, which I am surprised the Americans had not passed to us earlier. It gives much firmer backing to the various hints Deng has been dropping to foreign visitors in the last few weeks about a possible Sino-Soviet summit next year. It also has obvious implications for Cambodia.

2. Deng also apparently told Shultz that the Chinese did not want to make trouble over their missile exports. They have now cancelled their agreement to supply the 600 km M9 ballistic missile to Syria. I fear, however, this will not mean a total cessation of the Chinese arms sales campaign. Basing themselves on the fact that there is now a ceasefire between Iran and Iraq, they are continuing their plans to provide inter alia the C801 ship-borne cruise missiles to the Iranians.

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