

(M)

~~Top Secret~~

[Redacted]

[Redacted]

~~Noform-Nocontract-Orcon~~

[Redacted]

[Redacted]

CIAC/CPAS --- /NID-89-108JX ---



Director of Central Intelligence

NATIONAL 'INTELLIGENCE DAILY

Wednesday, 10 May 1989

013K
018/105/105
005-105



T 11 2808 85 10 PY 604

~~Top Secret~~

CPAS NID 89-108JX

TCS 2808/89

10 May 1989

24

3 0 8 4

Warning Notice

This Document Not To Be Reproduced
Intelligence Sources or Methods Involved
(WN)

**National Security
Information**

Unauthorized Disclosure
Subject to Criminal Sanctions

**Dissemination Control
Abbreviations**

NOFORN (NF)	Not releasable to foreign nationals
NOCONTRACT (NC)	Not releasable to contractors or contractor/consultants
PROPIN (PR)	Caution—proprietary information involved
ORCON (OC)	Dissemination and extraction of information controlled by originator
REL...	This information has been authorized for release to...
FGI	Foreign government information
WN	WNINTEL—Intelligence sources or methods involved



Abbreviations for compartmented codewords are:
M - MORAY S - SPOKE U - UMBRA
R - RUFF Z - ZARF G - GAMMA

The *National Intelligence Daily* is prepared in the
Central Intelligence Agency in cooperation with the other
US foreign intelligence organizations.



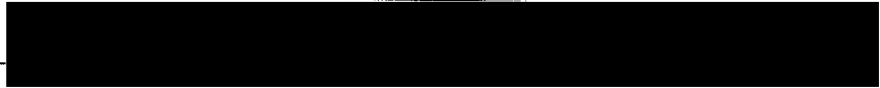
~~Top Secret~~
RUFF LMBRA
NOFORN-NO CONTRACT-
ORCON



Special Analyses

USSR-China: The Deng-Gorbachev Summit

11



~~Top Secret~~
TCS 2808/89
10 May 1989



Special Analysis

USSR-CHINA: The Deng-Gorbachev Summit

General Secretary Gorbachev's trip to Beijing next Monday will formally end the Sino-Soviet estrangement of the past three decades and mark the attainment of one of his major foreign policy goals.

Gorbachev hopes the rejuvenated relationship will allow Moscow to play a much larger role in Asia and put some constraints on Sino-US cooperation in the region. It will also allow Moscow to continue to reduce its military forces along the Sino-Soviet border to the ultimate benefit of the civilian economy. Deng Xiaoping views the summit as a means to set the parameters of Sino-Soviet relations before he loses his ability to assert his political will and as an opportunity to reduce the near-term Soviet military threat.

The General Secretary has met only one senior Chinese leader to date—Premier Li Peng in late 1985—so his face-to-face discussions with Deng will be an important milestone of the summit. Another will be the communique establishing the foundation for a new relationship. Moscow wants to include a statement of principles governing party-to-party ties, which will be resumed when Gorbachev meets General Secretary Zhao Ziyang. China prefers to play down those aspects of normalization, but a gradual reestablishment of party contacts is likely.

Gorbachev's "Gifts"

Gorbachev is likely to offer specifics about previously announced troop cuts in Asia and push Beijing to reciprocate and to open discussions on mutual force reductions. China will probably opt simply to discuss previous Soviet confidence-building proposals, calculating that, since Gorbachev's offer of cuts was unconditional, it stands to gain little by offering reciprocal reductions. A recent flurry of meetings on border demarcation suggests both sides are seeking at least an agreement in principle on the disputed territories. If the Soviets are assured of future Chinese compromises in the western sector, Gorbachev might concede the river islands opposite Khabarovsk in the east as a grand gesture during his visit.

Cambodia apparently remains a stumblingblock. Beijing reportedly is pushing for a written Soviet commitment to a comprehensive Cambodian settlement, but Moscow is reluctant to go beyond the positions Hanoi advances at the Sino-Vietnamese talks in Beijing this week. Both sides may have to agree to disagree on key points.

continued

~~Top Secret~~
RUFFUMBRA

Soviets Consider Coproducing T-72 Tanks With Chinese

Special intelligence suggests the Soviet defense industry has been investigating the feasibility of coproducing an export model of the T-72 tank with Beijing. In early February the Nizhniy Tagil Tank Plant was to draw up lists of components for the T-72M1 tank that China could produce on its own and those the Soviets would have to supply. At about the same time a delegation from the plant apparently was in China, presumably to inspect facilities that would be involved in any coproduction deal.

The T-72M1 has been widely exported by the Soviets, but a decision to offer China a license would undoubtedly be controversial in Moscow:

- The T-72 is the most advanced Soviet tank in the Far East. The USSR has only about 1,000 of them there—virtually all in units currently stationed in Mongolia, most of which are slated for withdrawal by the end of next year.
- The Soviets have long relied on the firepower and mobility of their armored forces to offset China's numerical superiority, and anything that might reduce that edge would indicate Moscow is counting on a larger political accommodation and believes that military conflict with China is highly unlikely.

The Soviets may be considering coproduction as part of the larger normalization process. A deal is not a foregone conclusion, however, and any formal agreement will require extended discussions.

China is unlikely to become dependent again on the USSR for military hardware, but it would welcome the opportunity to purchase advanced tank production technology it apparently has been unable to acquire from the West.

~~Top Secret~~
TCS 2808/89
10 May 1989

Gorbachev and Deng will in part be playing to the US, the rest of Asia, and the world. Gorbachev might announce unilateral plans to reduce the size of the Soviet Pacific Fleet or propose other dramatic new arms control initiatives targeted at other Asian countries, but he must be careful to avoid giving Beijing the impression that Moscow is using the summit merely as a vehicle to advance its relations with other countries. The Chinese will take steps not to reawaken fears in the West and Asia of the rebirth of monolithic Communism. Beijing's invitation to a US naval task group to visit Shanghai the day Gorbachev leaves there is designed to highlight Sino-US military ties and maintain pressure on Moscow. [REDACTED]

Beyond the Summit

Normalization of relations may yield significant new areas of interaction between the USSR and China, particularly in military-industrial cooperation. China is exploring Soviet alternatives to Western military hardware and technology, and improved relations could lead to increased sharing of dual-use technology in electronics research and production. Although China is unlikely to risk access to advanced Western technology by deliberately violating reexport controls, it does not have an effective means to monitor its several thousand trading companies. The Chinese and Soviet military also may begin a dialogue on regional affairs and limited intelligence exchanges. [REDACTED]

Moscow and Beijing for the most part will remain competitors in East Asia, but normalization will improve regional security. It has already helped reduce China's level of tension with Vietnam, India, and Mongolia. Both countries also have an interest in encouraging North Korean restraint but are more likely to proceed in parallel than formally cooperate. [REDACTED]

As Gorbachev's image as a peacemaker takes root throughout Asia and perceptions of the Soviet military threat recede, US policy may soon face new challenges. Some non-Communist East Asians may see less need to spend money on defense or to permit US military access. [REDACTED]

The US will remain central to Beijing's foreign policy because China needs investment, advanced technology, and large hard currency markets. Beijing apparently believes, however, that US concerns about Sino-Soviet ties can be exploited. For example, China may be more assertive on the issue of Taiwan. But Beijing will have to guard against possible gains Moscow might make as a result of new strains in Sino-US relations. [REDACTED] -CIA, DIA, INR, NSA-