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*Directorate
of Intelligence*

Intelligence Memorandum
Office of East Asian Analysis
19 August 1992

China's Motives for Dealing With States of International Concern

Summary

Beijing has expanded relations with some of the world's more internationally troublesome regimes over the last decade to pursue its commercial and defense-industrial objectives--in particular to earn revenues for military modernization. Since the end of the Gulf war and the Soviet collapse, which have raised Chinese concerns about Washington's international and political influence, Beijing appears to regard its ties to such regimes as fulfilling twin objectives. China wants to expand defense-industrial relations as much as possible given its commitments under the Nuclear Non-Proliferation Treaty (NPT) and the Missile Technology Control Regime (MTCR). It also wants to subtly impress upon the West that Beijing has the ability to either facilitate or complicate diplomatic efforts in trouble spots. We judge that China has set limits on its ties to regimes of international concern and will reject formal alliances that would jeopardize Beijing's more important relations with the United States and the West in general. But the Chinese are likely to interpret narrowly their arms control commitments--even skirting them in areas where detection is difficult--and deepen economic and political ties where possible.

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A History of Questionable Relationships

Over the last decade, the Chinese have expanded their relations with some of the world's states of international concern--particularly in the Middle East, but in Asia and Europe as well. Before the Gulf crisis, China looked to these states primarily to pursue its commercial and defense-industrial objectives, with the latter designed to earn revenues that would support the modernization programs of the People's Liberation Army (PLA). During the Iran-Iraq war, for example, China supplied military goods totaling about \$9 billion to both sides. [REDACTED]

Although China's foreign policy objectives were largely secondary throughout most of the 1980s, Beijing apparently saw the links it had established to some of the world's more unsavory regimes as an effective tool in ending its diplomatic isolation after the Tiananmen crackdown. Whereas many industrialized states kept contacts with China to a minimum for over two years, press reporting indicated that international pariahs like Iran, Syria, Libya, and Iraq were willing to exchange official delegations. Moreover, with the rapid disintegration of the former Soviet Union and thus Moscow's influence throughout the Third World, Beijing in our view sees an opportunity to increase its own influence and augment its economic presence--particularly through lucrative defense-industrial deals. [REDACTED]

China's concern about US intentions to assert its will around the world following its victory in the Gulf war has apparently prompted Beijing to view its ties to Third World regimes as a source of leverage with the United States. Vice Foreign Minister Yang Fuchang last year said President Yang Shangkun's trip to Iran and Pakistan underscored China's desire "to strengthen its unity and cooperation with Third World countries," according to *Xinhua*. Similarly, during a visit to Bali in May, Vice Foreign Minister Liu Huaqiu told reporters that China will use its UN veto rights "to safeguard developing countries from harmful policies." [REDACTED]

Although the Chinese almost certainly do not regard their relations with these states as a fully effective means of influencing US policy, we speculate that Beijing may hope to use them to subtly impress upon Washington China's ability to either facilitate or complicate US diplomatic efforts and nonproliferation goals in trouble spots. In the first visit by a Chinese head of government to postrevolutionary Iran, Li Peng in July 1991 publicly warned his hosts that US international interests threatened those of Third World nations, according to official Chinese press, in what also may have been a signal to Washington about concerns over its international agenda. In that vein, China could threaten not to support UN resolutions authorizing military intervention in Iraq or Yugoslavia. [REDACTED]

We believe that official Chinese visits to key Third World countries in the past year have also had the objective of offering assurances of continued defense cooperation. [REDACTED] Yang Shangkun's entourage on his trip to Iran and Pakistan last fall included a number of high-ranking military officials, suggesting that the trip probably [REDACTED]

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The Economic Side of China's Arms Control Participation

Beijing's participation in arms control initiatives appears to be motivated in no small way by the opportunity to defend China's arms export interests and those of its Third World partners. China has taken an active role in Arms Control in the Middle East (ACME) talks, but continues to preclude progress on several key ACME provisions that affect its economic interests in the region. ACME participants have reported that the Chinese are particularly reluctant to agree to prior notification of conventional arms transfers or to the banning of sales of surface-to-surface missiles to the Middle East and have refused to accept full-scope safeguards as a condition of supplying nuclear technology to countries in the region. Although in March Beijing formally acceded to the NPT and agreed to abide by the MTCR, we judge its primary motivation was to retain most-favored-nation (MFN) trade status with the United States--its largest market--and regain access to advanced US technology. [REDACTED]

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focused heavily on missile and sensitive technology sales. During his stop in Tehran, press reports indicated Yang, China's senior military leader, discussed defense cooperation issues and mutual concerns about expanding US international influence.

[REDACTED]

At the same time, we judge that Beijing has set limits on its ties to such regimes, including rejection of calls for formal alliances that would focus unwanted attention and pressure on China. The Pakistanis and Iranians, for example, indicated during Yang's visit last fall that they wanted a more formalized relationship with China, including a political alliance.

[REDACTED]

In addition, the Chinese appear to have moderated some of their questionable dealings with some of these regimes even while continuing their diplomatic activity with them.

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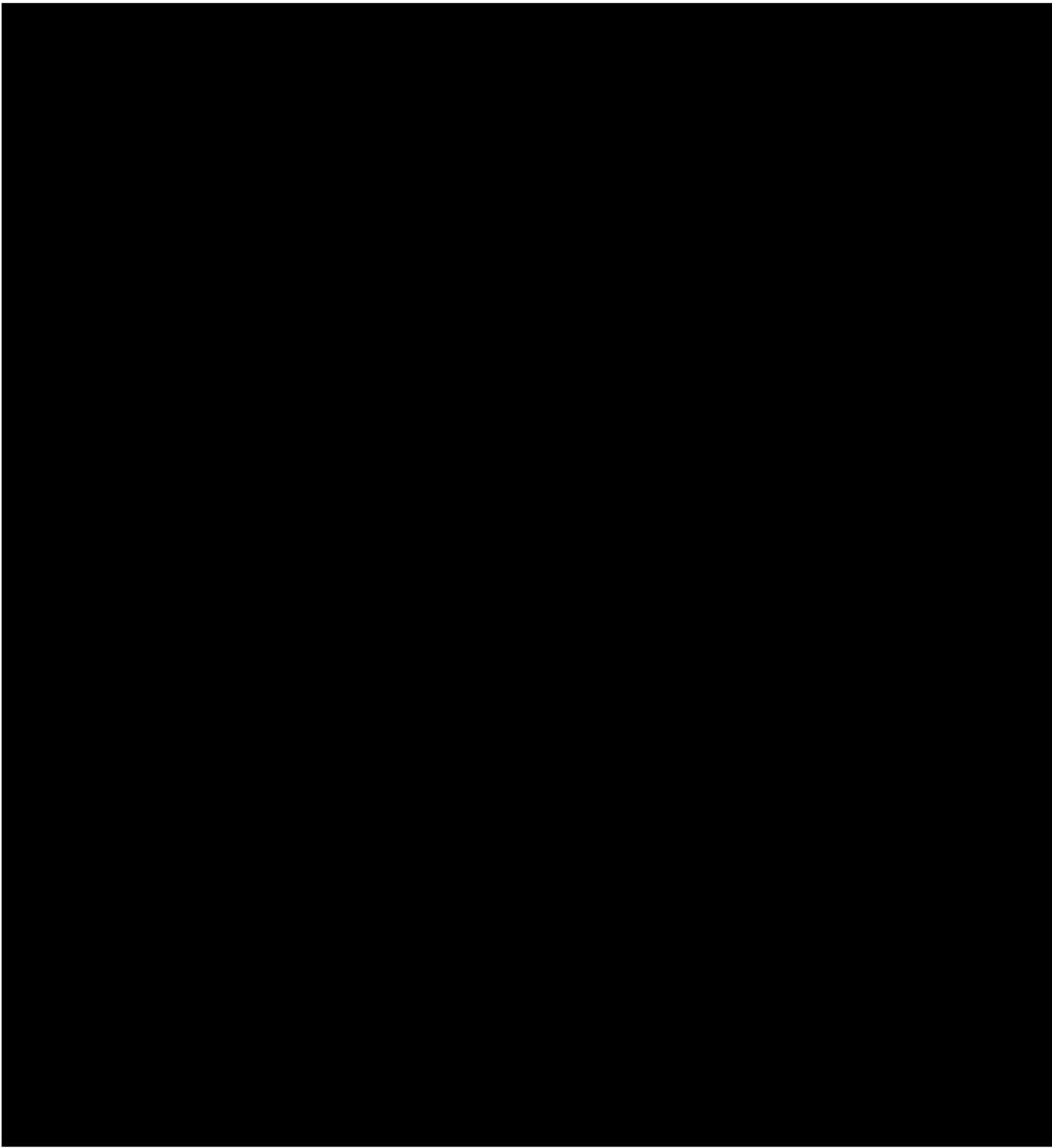
Prospects for Future Ties

The key question facing the Chinese leadership is how it will balance its desire for less acrimonious relations with Washington against the political and economic rationale of continued dealings--including questionable arms and technology transfers--with Third World customers.

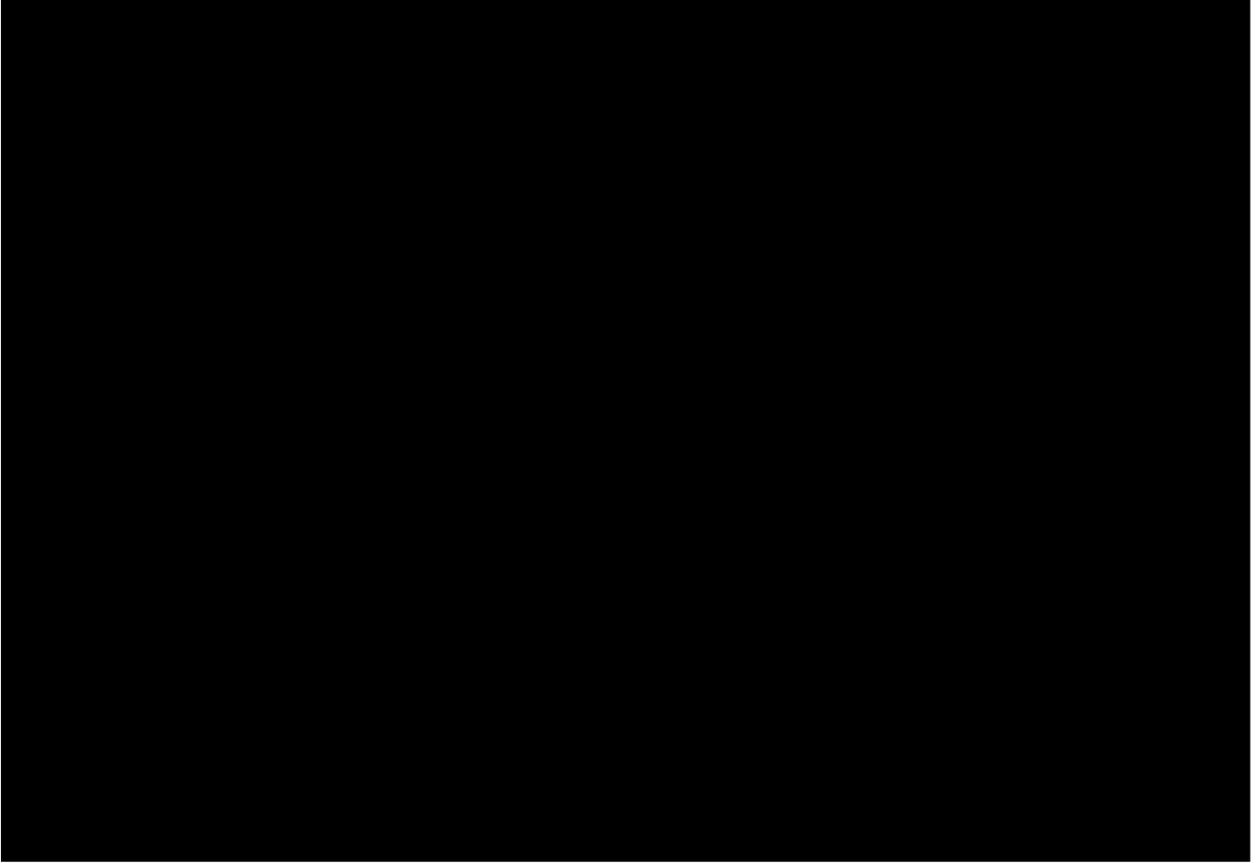
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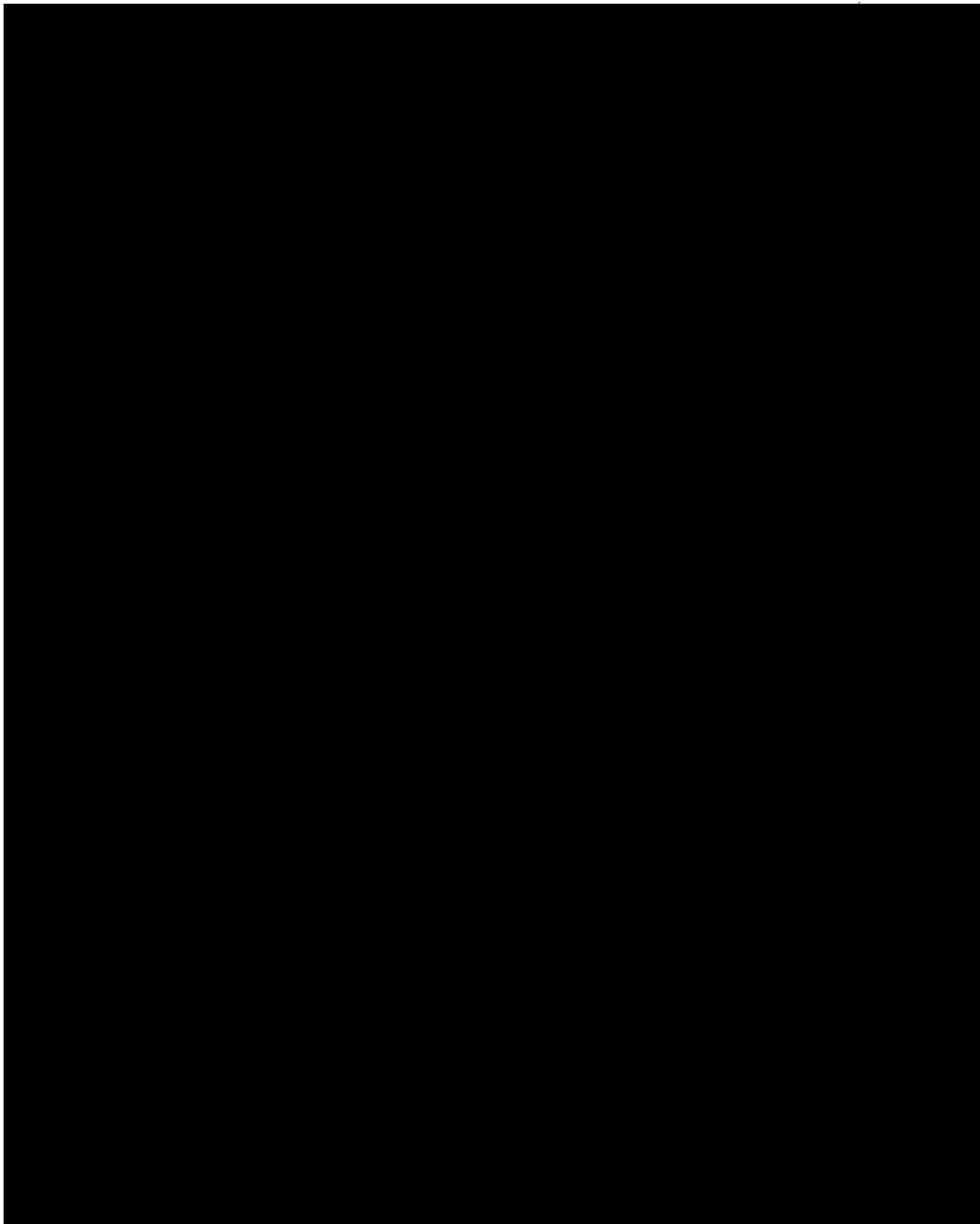


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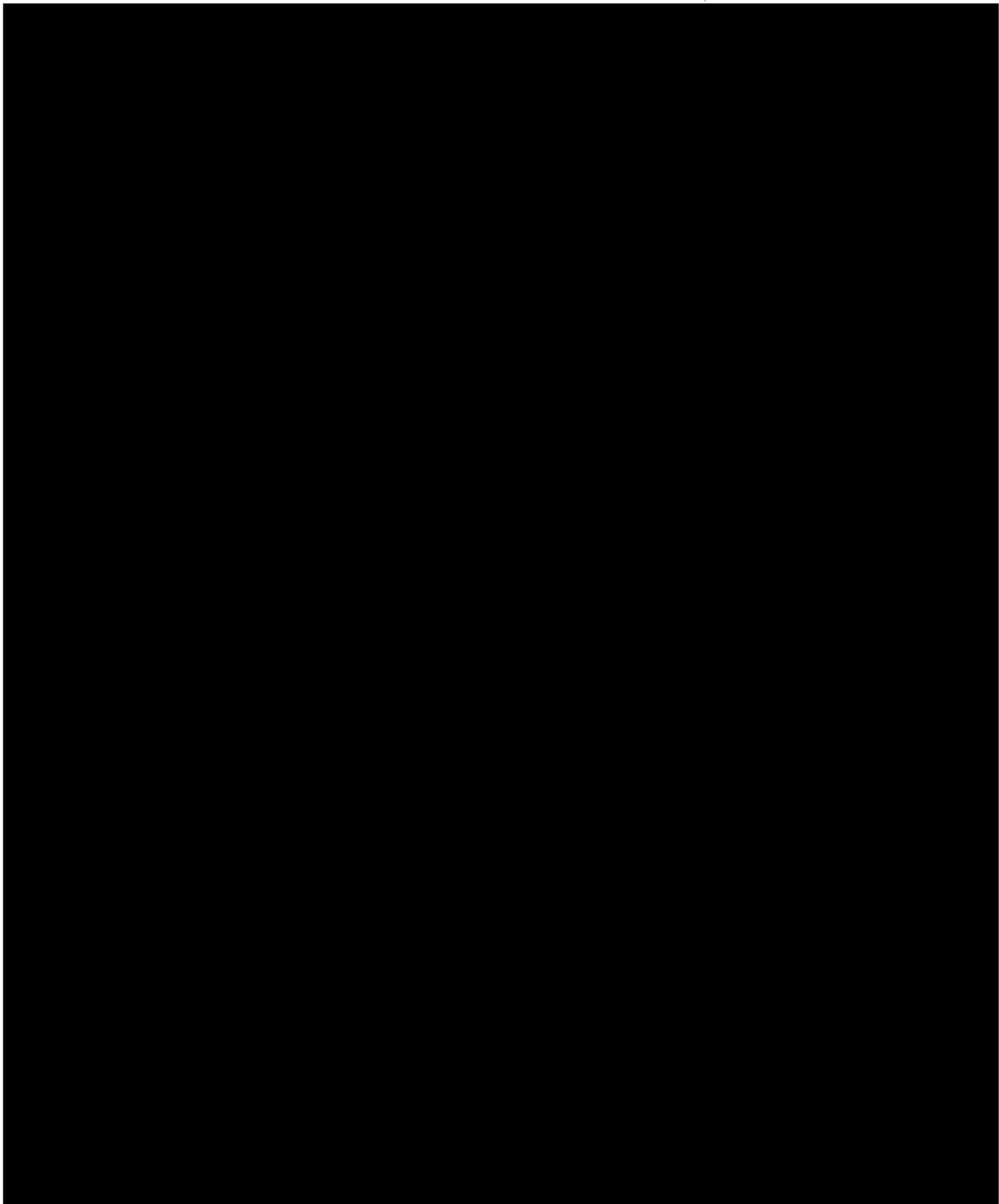
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