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CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE
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CURRENT INTELLIGENCE MEMORANDUM

SUBJECT: Chinese Communist Foreign Policy

1. Foreign Minister Chen Yi told Malcolm MacDonald in Geneva last week that Communist China, because of its domestic problems, wants peace and does not want to get involved in any war, big or small. Chen's statement reflects the sense of weakness in Peiping that has forced it to moderate its approach to many foreign policy issues.

Taiwan Strait

2. Faced with an unfavorable balance of military power in the Taiwan Strait and operating under the ambiguity of the Soviet support commitment, Peiping has taken the long view on resolving the Taiwan issue. Chinese Communist leaders have stated on a number of occasions that it might take many years to settle the question.

3. In the past week, Peiping went still further to underscore its disinclination to take the military initiative against the Chinese Nationalists. Chen Yi told MacDonald that Peiping could easily attack Quemoy and Matsu but did not intend to do so; the allusion to the vulnerability of the offshore islands was in the nature of a warning to head off any probe of the regime's weaknesses. Peiping is determined to discourage Nationalist designs to exploit the economic

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debacle and popular unrest on the mainland, and Peiping's commentary in the past month has scored Nationalist plans to take advantage of the "temporary difficulties" of the Communists. This anxiety about hostilities in the Taiwan Strait, coupled with a determination to put up as impressive a display of might as it can muster, will probably continue to underlie Peiping's actions in the area.

Sino-Soviet Relations

4. Peiping's relations with Moscow also reflect to some degree the sobriety that has followed in the wake of the regime's domestic setbacks. Guidelines laid down recently by the foreign ministry in Peiping specify that China will not "recklessly make trouble" for the Soviets while showing that its ideological position remains "firm and clear." In practice, this has meant a turn in Chinese behavior that is somewhat more moderate but still unacceptable to Moscow. Thus Chinese Communist articles do not specifically discuss the Soviet-Yugoslav rapprochement but nevertheless continue to denounce Yugoslavia in strong terms. The Chinese took a conciliatory stance at the recent World Peace Congress in Moscow, but their defense of the Albanian leaders continues to be clear and unequivocal.

5. For the moment, particularly as the regime labors under a sense of threat from other quarters, it shows some appreciation of the Soviet protective umbrella. Khrushchev's statement of support on the Taiwan Strait issue in early July--weaker than his 1958 declaration--was clearly less than what Peiping desired, but the Chinese made the most they could of it in propaganda about Sino-Soviet solidarity. Chen Yi at Geneva admitted that there were Sino-Soviet differences but went on to warn the West not to make too much of them because "if attacked we shall defend ourselves together."

India

6. The armed clashes with Indian forces in 1959, coupled with the hard line taken in the Sino-Soviet controversy, projected an image of Chinese bellicosity that Peiping is currently trying to blur. The Chinese dilemma in this, as in other areas, is how to seem peaceful without seeming weak.

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7. So far, the Chinese have managed to keep their uncomfortable seats on the horns of the dilemma. Trying to avoid fresh clashes with the Indians but to hold fast to territory already occupied, Peiping has warned New Delhi not to interpret Chinese "restraint as a sign of weakness." At the same time, the Chinese have indicated a heightened interest in getting negotiations on the border issue under way. In new discussions, Peiping would probably again intimate willingness to trade its vague claims in northern Assam for New Delhi's recognition of Chinese holdings in Ladakh. Above all, the Chinese would insist on their claims to territory guarding their key strategic asset in the disputed area--the trans-Ladakh road connecting Tibet with Sinkiang.

Trade with the West

8. Internal economic difficulties and the strained relations with Moscow have prodded Peiping to cultivate alternative supply sources outside the Communist bloc. In the case of Japan, this has resulted in a gradual expansion of Sino-Japanese commerce and in a soft-pedaling of Chinese demands for political concessions. Concomitant with Peiping's purchase of British commercial aircraft and its growing interest in British technological advice, there has been a near disappearance of anti-British themes in Chinese propaganda. Visits by Chinese trade missions to Europe and by Western commercial delegates to China have increased during the past year.

Underdeveloped Areas

9. The economic crisis has had its impact on Communist China's program to win wider acceptance in Africa and Latin America. No new economic aid has been extended to countries in these areas for well over a year and, with the exception of Cuba, the implementation of existing aid agreements has been almost completely curtailed. Furthermore, economic retrenchment has cut deeply into China's gaudy cultural exchange program. The number of delegations sent from Africa and Latin America, for instance, has declined sharply since 1960. Fewer cultural agreements are being signed, fewer new friendship associations are being formed, and fewer Chinese exhibitions are sent abroad. In addition, the training of foreign students has been set back, with many students from Africa and Latin America disgruntled and even unruly as a result of depressed living conditions in China and the reported lack of interest in their welfare. Upon returning to their native countries, these students have contributed to the dimming picture of China as the model for underdeveloped peoples.

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"National Liberation" Movements

10. In his meeting with MacDonald, Chen Yi downplayed China's support for revolutionary movements. Peiping, he indicated, would help peoples seeking their independence in "some small ways" but would encourage them to seek their aims by peaceful means. In the Chinese view, peaceful means must be combined with militant struggle. The Algerian settlement, for example, was hailed as proof of the value of "perseverance in negotiations on an equal footing and on the basis of armed struggle." The Laos agreement was reached only after "US-fostered forces suffered severe blows on the battlefield."

11. We thus envisage continued Chinese encouragement of the Viet Cong effort in South Vietnam and continued pressure on the USSR to conduct a more aggressive program wherever possible in supporting insurgency abroad. Whatever the limitations imposed on Peiping's foreign policy by the economic and morale crisis at home, the Chinese feel that the West labors under obvious disadvantages in areas like South Vietnam. The policy in these areas is to make all the gains possible on the battlefield while calling for negotiations that will ratify those gains.

The United States

12. The US remains the "main enemy," and there is some indication of Chinese Communist concern that the enemy is becoming an increasingly skilled opponent. This concern was evident early in 1961, when Peiping began broadcasting its preaching that Kennedy was "more tricky, more Machiavelian than Eisenhower, hence more vicious and more dangerous."

13. Over the past year, Peiping's respect for the American antagonist has apparently increased. A People's Daily analysis of President Kennedy's "grand strategy" last Sunday suggested that Chinese anxiety turns around several points. One is the effort of the Administration to promote "corrosion" of the Communist bloc by relying in part on trends toward "peaceful transformation" of Communist countries away from older

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revolutionary ideals. Another is the danger to "national liberation" movements posed by the vigor of the Administration's counter-insurgency program. Third is the effort of the Administration to resolve "contradictions" in the "imperialist camp" and make it a more effective restraint on Communist ambitions.

14. While cocking its nervous eye on these developments, the Chinese are at the same time inclined to explore attitudes in Washington for any prospective advantages that may accrue to China. Despite the animus in Peiping's propaganda, the Chinese ambassador to Warsaw has made several genial overtures to US diplomats. The reasons for the Chinese approaches are several, among them conceivably an interest in getting reassurances about US military intentions or in developing alternative sources to Soviet economic aid. Peiping's room for maneuver in these approaches is circumscribed by its obsessive determination to negotiate from seeming strength rather than weakness. "We do not need to be beggars," said Chen Yi in his press conference at Geneva. He scoffed at the idea that Western aid to China could be offered without conditions, but he was equivocal when pressed on the subject of being helped by US surplus food. "Our attitude," he said, "would depend on the form of offer and circumstances."

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