

THE DIRECTOR OF
CENTRAL INTELLIGENCE

National Intelligence Council

8 January 1982

NOTE FOR THE DIRECTOR

SUBJECT: John Holdridge's Trip to Beijing

Attached are comments I sent John for
possible use with the Chinese.

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cc: DDCI ✓
C/NIC
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Discussions with Beijing on Taiwan Arms Sales

Each side will deal some strong cards and some weak cards in discussing Taiwan arms sales.

Strong US Cards

- We have decided against selling the FX
- We have already shown our reasonableness by agreeing to talk about Taiwan
- Continued F5E coproduction and sale of second-hand F104Gs is equivalent to supplying like kind replacements
- We are willing to limit sales to quantity and quality levels of the the recend past
- We have put the Chinese on the defensive over Huang Hua's "unilateral ultimatum" that we stop sales fntil a permanent solution is found through bilateral talks.

Strong Chinese Cards

- They are successfully psoing as the injured party
- Having publicly positioned themselves to accept retrogression, the threat to do so is real to us
- In recent months they have escalated their demands, thus giving them room for compromise
- They have reached a decision to allow continued sales if an overarching principle is established.

And each side holds some weak cards.

Weak US Cards

- We don't want a retrogression in relations at this time
- The requirement for certification to Congress in late January of early February of the recent military spare parts sale locks us into timing which they are using against us

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- The portion of an overarching principle that is most important to us -- agreement that we continue arms sales -- will have to be stated implicitly rather than explicitly in order to gain Chinese acceptance.

Weak Chinese Cards

- The portion of an overarching principle that is most important to them -- agreement that we will limit or end sales at an undefined future time -- is difficult if not impossible for us to accept
- More of their position on arms sales is known to us than is our position known to them
- Deng Xiaoping is closely identified with relations with the US and will be hurt somewhat if relations deteriorate.

The Chinese are likely to resort to traditional Chinese negotiating tactics.

Chinese Tactics

- They will talk very tough when trying to establish a suitable overarching principle, claiming that we have ignored the normalization agreement, insulted their honor and shown bad faith in making a spare parts sale immediately following Huang Hua's departure from Washington
- Subsequently they will back off and claim to be displaying great flexibility in agreeing to accept continued arms sales (whereas agreement about our continued sales to Taiwan was actually reached implicitly in December 1978).

Possible US Tactics

- We can negotiate about the overarching principle until an impasse is reached
- We can hold back our strong cards -- the decision not to sell the FX and description of the F5E and F104G as replacements -- until the impasse is reached and then put our strong cards on the table coupled with a demand that they show an equal willingness to accommodate our position.