



**‘Playing the ‘China Card’: US and UK arms sales to China
and triangular diplomacy in the late Cold War, 1969-1991**

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Declaration

I, Sailin Li confirm that the work presented in my thesis is my own. Where information has been derived from other sources, I confirm that this has been indicated in the thesis.

Abstract

This thesis explores US and UK arms sales to China from 1969 to 1991, during the late Cold War period. It examines this triangular interaction in the context of US efforts to use the China ‘card’ to contain Soviet power. The study addresses the objectives and outcomes of US and UK arms sales policies towards China; China's response and its impact on Soviet policy; and last but not least the nature of the Anglo-American ‘special relationship’ in dealing with the thorny issue of arms sales to Communist China.

The research examines primary and secondary sources from the US, UK, and China, providing a thorough analysis of Sino-Western cooperation. It particularly highlights the decision-making process, and the balance of conflicting objectives in US and British policies but it also pays due attention to China’s role as much more than a passive actor.

Findings reveal a significant degree of US-UK collaboration on arms sales to China, primarily based on informal arrangements, characteristic of the US-UK ‘special relationship’. While both nations aimed to contain Soviet power, the UK mainly pursued economic benefits from the arms trade, while the US focused on strategic objectives. The Chinese government actively sought to exploit divisions in US-UK relations, using the ‘Soviet card’ to its advantage.

Despite the limited scale of the UK and US arms trade with China and its relatively minor impact on China's military capabilities, its political implications were substantial. The thesis therefore contributes to an understanding of the complexities of US-UK arms transfers to Communist China, offering new insights into China's role in the Anglo-American relationship during the late Cold War, set within the geopolitical context of that era.

The Impact Statement

The potential ramifications of this research stretch across academia, policy advisory circles, the defence industry, and the broader public. The research offers a fresh perspective on the Cold War era and the current global strategic landscape.

Academic Impact

The academic influence of the research is multi-fold. By focusing on strategic decision-making and the conflict between objectives, this research enriches the understanding of international relations and provides insights into the nuanced triangular relationship between the US, the UK and China during the Cold War. The fresh perspective and may inspire more comprehensive and multi-dimensional research into the place of China in international history and politics during the Cold War. Furthermore, this research illuminates the complex nature of the US-UK special relationship and its broader implications, providing fertile ground for additional exploration in this field.

Non-Academic Impact

This research offers critical insights that are instrumental to policy architects, defence strategists, and military-industrial bodies. In today's context where China's ascent on the global stage is a pivotal concern for Western nations, this study serves to historically delineate the employment and efficacy of diplomatic, military, and economic tools, thus shaping policy choices, diplomatic manoeuvres, and strategic

outlooks. The nuanced dynamics of the US-UK relationship, as unveiled by this research, could guide decision-makers from both nations in their diplomacy towards China, fostering a richer understanding of their shared historical trajectory and strategic considerations, aiding in future dialogues and alliances.

Furthermore, the revelations about China's proactive role could arm policymakers with the knowledge to better predict and decipher China's contemporary diplomatic stratagems. Beyond the defence realm, this research has the potential to provoke public debates and enhance public comprehension of historical phenomena, bolstering their understanding of contemporary international relations. Media entities and educators could leverage this research to enrich their content and instructional resources, ultimately improving societal cognition of Cold War history, the Sino-Western alliance, and global diplomacy.

The dissemination of this research will be achieved through scholarly publications, public outreach activities like lectures and dialogues, and alliances with bodies involved in policy-making and think-tanks. Over a span of time, the reverberations of this research could permeate various domains, offering key perspectives for the academic world, industry, and the general public, and moulding policy creation and public understanding of crucial historical events and their implications for the contemporary world.

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Abbreviations

ACDA Arms Control and Disarmament Agency

AMDA Adam Matthew Digital Archives

AMS PLA Academy of Military Sciences

ASEAN Association of Southeast Asian Nations Community

ASW Anti-Submarine Warfare

BDFA British Documents on Foreign Affairs

CCP Chinese Communist Party

CDF Chief of the Defence Staff

CIA Central Intelligence Agency

COCOM Coordinating Committee for Export Control

CRS Congress Service Reports

CSCE Conference on Security and Cooperation in Europe

DESO Defence Export Services Organisation

DIS Defence Intelligence Staff

DMT Deep Mobile Targets

DNSA Digital National Security Archives

DOD Department of Defence

DOPC Defence and Overseas Policy Committee

DOP(SE) Defence and Overseas Policy Official Committee on Strategic Exports

DSO Defence Sales Organization

EC European Community

EEC European Economic Community

FCO Foreign and Commonwealth Office

FMS Foreign Military Sales

FO Foreign Office

FOIA Freedom of Information Act

FRG Federal Republic of Germany

FRUS Foreign Relations of United States

HMG Her Majesty Government

HMS Her Majesty's Ship

HSA Hawker Siddeley Aircraft

IL International List

IMS International Military Services Ltd.

IRBMs Intermediate Range Ballistic Missiles

JCS Joint Chiefs of Staff

KMT Kuomintang

LRO Literature Research Office of the CPC Central Committee

MOD Ministry of Defence

MOUs Memoranda of Understanding

NATO North Atlantic Treaty Organization

NIE National Intelligence Estimate

NSC National Security Council

NSDD National Security Decision Directive

NSSM National Security Study Memoranda

PATS Portable Acoustic Tracking System

PCI Italian Communist Party

PLA People's Liberation Army

PPC Policy Planning Council

PRC People Republic of China

PREM Prime Minister's Office (UK)

PRM Presidential Review Memorandum

RRPL Ronald Reagan Presidential Library

SALT Strategic Arms Limitation Talks

SEATO Southeast Asia Treaty Organisation

SCC Special Coordination Committee

SIPRI Stockholm International Peace Research Institute

SSI Strategic Studies Institute

START Strategic Arms Reduction Treaties

STEC Chinese Science and Technology Equipment Committee

TNA The National Archives

US United States of Americas

USSR Union of Soviet Socialist Republics

UK United Kingdom of Great Britain and Northern Ireland

UN United Nations

VTOL Vertical Take-off and Landing

Chapter 1: Introduction - 'Playing the China Card'

'Now the American Empire and Soviet revisionists can't hold back any longer. They are in serious conflicts... They [the US and the USSR] are... playing the China card against each other. The situation has reached a turning point.'¹ These words come from a report written by four Chinese generals, in late July 1969. Cold War history reached several milestones at this time. The US suffered a major setback in Vietnam in January 1968, the Soviet Union and its Warsaw Pact allies invaded Czechoslovakia in August, and, most relevant to this thesis, China conflicted militarily with the USSR in 1969, which brought into the open the Sino-Soviet split.²

To appreciate the significance of the Sino-Soviet split it is necessary to remember that after the establishment of the People's Republic of China (PRC) in 1949, the Sino-Soviet alliance quickly grew in depth and extent. The Soviets provided arms and technology to China, which joined the Korean War and alleviated strategic pressure on the Soviets from the United States in east Asia. However, due to ideological divergences and the competition for the leadership of the socialist camp, the Sino-Soviet alliance collapsed in the 1960s. The USSR terminated assistance to China in 1960, and outspoken public debates followed. The relationship significantly deteriorated under the Soviet leader, Leonid Brezhnev, in the late 1960s, and military conflicts on Zhenbao

¹ Zhang Jing, 'Mao Zedong's Strategic Decisions and Negotiation of Thawing Sino-US relations,' *Dangshi Bolan*, 2014 (07): 4-10, 5.

² See: Yang Kuisong, "The Sino-Soviet Border Clash of 1969: From Zhenbao Island to Sino-American Rapprochement," *Cold War History* 1, no. 1 (August 2000): 21-52; Lorenz M. Lüthi, "Restoring Chaos to History: Sino-Soviet-American Relations, 1969," *The China Quarterly* 210 (June 2012): 378-97.

Island and Terekty in 1969 marked the official split of the alliance.³

‘Playing the China card’ referred to the American policy of attempting to take advantage of the split in ‘International Communism’ by using China to counterbalance global Soviet expansion. It became an important part of US foreign policy after Henry Kissinger identified the ‘strategic triangle’ of the US, the USSR and China and it remained so until the end of the Cold War.⁴ Selling arms to China was a significant part of the use of the ‘China card’, and the idea quickly prevailed among Western countries in the 1970s. The UK and other Western Europe states started to sell arms to China because they hoped a strong China could redirect Soviet offensive priorities from Europe to the Far East. There were also obvious economic advantages in securing sales to China of weapons and other goods. In 1975, Britain pioneered the sale of a military jet engine to China in the name of improving Chinese defence capabilities. During the late 1970s and 1980s, many Western countries, including the US, France, Italy, the Federal Republic of Germany (FRG or West Germany) joined the arms trade to support Chinese military modernisation and to generate income.⁵

On the other hand, Beijing’s attitude to the ‘China card’ was complicated. The Chinese Government disliked being used by the West as a tool to contain the USSR, because this policy might force China to suffer Soviet retaliation. However, Beijing regarded

³ Ibid.

⁴ Henry Kissinger, *White House Years* (Boston, 1979), 165.

⁵ See Appendix on page 390 for examples of US, UK and European arms sales to China, 1975-1991.

the 'China card' as a bargaining opportunity to access the West's technology and arms. The arms sales continued for more than a decade, until the collapse of the USSR in 1991

The Anglo-American relationship and arms sales to China

The US and UK were two of the most active Western countries selling arms to China, and they formed an important relationship with China in the late Cold War. The focus of this study is the triangular diplomacy between the US, UK and China situated within the larger 'strategic triangle' of the US, USSR and China. The role of the UK as the foremost ally of the US was significant. Firstly, despite a shift in global power, the UK remained an important player, capable of producing advanced weapons independently, which gave it leverage in these strategic interplays. Secondly, the UK had specific interests in China and the Pacific, especially in relation to Hong Kong and in terms of trade with China. Finally, the 'special relationship' between the US and UK, characterised by political, economic, and military cooperation, was based on similar strategic goals. Amid the broader context of the Cold War, both nations were keen on containing Soviet influence. The UK's contributions to American strategic efforts, encompassing arms sales and diplomatic initiatives, bolstered the overall effectiveness of the interactions of the US with China. The active participation of the UK in the triangular relationship with the US and China thus served as an integral component of American containment strategy during the late Cold War period, 1969-1991.

Aim of the thesis

The main aim of this thesis is to analyse the issues involved in US and UK arms sales to China from 1969 to 1991 as a case study of the Anglo-American relationship and China during the late Cold War. In order to do this the thesis has three related sub-questions.

- (1) What were the objectives and outcomes of US arms sales policy towards China during the late Cold War period?
- (2) What were the objectives and outcomes of UK arms sales policy towards China?
- (3) What was the attitude of the Chinese Government towards these arms sales and how did the arms sales impact Sino-Soviet relations?

In answering these questions, the thesis will analyse the issue of US and UK arms sales to China between 1969 and 1991 as a case study in the Anglo-American 'special' relationship and triangular diplomacy with China during the Cold War.

The thesis argues that the primary motivation for the United States government was the Soviet threat, with the objective of countering Soviet influence and increasing American geopolitical leverage. For the US, promoting commercial interests through arms sales to China was a secondary factor but for the British government commercial considerations were much more important. However, while the US and Britain disagreed over some aspects of their China strategies, and competed for market share in their general trade with China, the close Anglo-American relationship facilitated cooperation in arms sales, especially as UK and US arms sales policies towards China

evolved over time, reflecting changes in the internal debates regarding their bilateral relationships with China.

Ultimately, the practical impact of US and UK arms sales was limited owing to factors such as China's weak financial position, its reluctance to become dependent on the West, and its desire to avoid being used as a bargaining chip. In addition, the US and UK governments refrained from selling the kind of weapons that could disrupt the strategic balance between China and the USSR. Consequently, China's military capabilities remained largely unchanged during the period under review, although the arms trade with the West was still significant because of the pressure it brought to bear on the Soviet Union. Anglo-American cooperation on arms sales to China also reflected the strength of the underlying strategic partnership between the US and the UK during this period.

Methodology

This thesis employs an historical methodology based on detailed qualitative analysis of key primary sources underpinned by a critical reading of relevant secondary works. The thesis draws on sources from the United States, Britain and China and thereby aims to fill gaps in single-narrative accounts, which may be limited due to issues such as restricted access to archives or political constraints. By examining US and UK archives, this study sheds light on China's foreign policy and attitudes during this period, while Chinese materials help to supplement the US and UK records. This approach ensures

that the analysis provided by the thesis is not focused solely on a Western-centric perspective and acknowledges the role of China in shaping US and UK arms sales policies. The thesis demonstrates that arms sales were not a unilateral policy, but rather a product of mutual interests and strategic choices. This perspective reveals how, while the West played the 'China card' to counter the Soviet threat, China was simultaneously playing the 'Europe card' and 'US card' to address its own concerns regarding the USSR and to gain access to advanced Western technology and arms.

The study prioritises an examination of United States' policy, followed subsequently by those of Britain and China. This prioritization stems from the pivotal role the US-Soviet rivalry played in the schema of Cold War history, coupled with the consequential correlation between US arms sales policy towards China and this rivalry. Oscillations in US policy, as the vanguard of the Western coalition, frequently precipitated collective shifts amongst its allies' policies, not least in the case of Britain, as the UK primary sources show. China's policies, as well as its engagement with the West, are also subject to detailed analysis in this study, acknowledging China's significant role during the late Cold War period and the consensus among US decision-making luminaries, such as Nixon, Kissinger, Brzezinski, and Alexander Haig, about China's integral role in counterbalancing the Soviet threat. Despite the relative paucity of primary archives elucidating Chinese foreign policy decision-making, the present thesis undertakes a thorough exploration of Chinese policy, particularly in relation to strategic adjustments and responses to US and UK policy shifts.

Thus the methodology employed in this thesis focuses on analyzing the triangular diplomacy between US, UK and China. Detailed research in relevant primary sources helps to uncover the motivations, decision-making processes, and diplomatic activity of the US, the UK, and China within the context of the late Cold War. The thesis also aims to investigate the dynamics of Anglo-American collaboration, identify areas of convergence, and explore potential divergences in their arms sales policies. The examination of arms sales therefore furnishes a valuable lens through which to investigate the intricacies of the Anglo-American 'special relationship'. The current study acknowledges the pursuit of individual national interests by both Governments while highlighting the cooperation facilitated by their alliance.

Original Contributions of the thesis

This thesis sheds light on various aspects of US and UK arms sales to China during the late Cold War period, while also exploring the implications for the broader Anglo-American relationship. Firstly, the research delves into the nature and evolution of US arms sales policy towards China especially in the 1980s, seeking to uncover the underlying motivations and strategic considerations that shaped this aspect of US foreign policy. Similarly, an in-depth analysis of UK arms sales policy towards China provides valuable insights into the distinct nature of British objectives, decision-making processes, and the strategic alignment with China in the 1970s and 1980s.

Furthermore, the thesis contributes significantly to the analysis of China's responses and policies in relation to these arms sales. By examining the historical record through primary sources, the study unveils the multifaceted dimensions of China's engagement with both the US and the UK, shedding light on the complexities and evolving nature of their triangular relationship, as well as on the broader strategic triangle involving China, the United States, and the USSR.

This research also presents a case study in Anglo-American relations, offering fresh insights and perspectives. The analysis goes beyond the conventional narratives by uncovering untapped sources, exploring lesser-known aspects of US arms sales to China, and illuminating the interactions between the United States, the UK, and China. By bringing together these previously fragmented threads, the study contributes to a more comprehensive understanding of the historical dynamics and geopolitical complexities that shaped Anglo-American relations in the context of China's strategic significance during the late Cold War period.

The structure of the thesis

This thesis consists of seven chapters: an introduction, a background chapter, four main chapters and a conclusion. The four main chapters comprise two chapters on US arms sales policy and two on UK arms sales policy. The introductory chapter sets out the aims of the thesis, the methodology, the primary sources used and a literature review.

The background chapter examines Sino-US, Sino-British relations and Anglo-

American discussions on China issues from 1945 to 1969. It discusses how the US carried out its China policy from the administration of Harry Truman to that of Lyndon Johnson and it then focuses on British policy towards China, especially Sino-British trade relations, and Anglo-American relations in regard to China.

The third chapter examines the development of US strategy towards China from Nixon to Carter, specifically addressing the shaping of its arms sales policy. It analyses the dynamics of China's foreign policy during the Mao, Hua, and Deng periods, focusing on their dual-centre approach and the subsequent Deng era. Prior to the Soviet-Afghanistan War in 1979, the US did not have an established arms sales policy towards China. However, it is crucial to analyse the interactions between the two countries during this timeframe. The chapter highlights the influence of the 1972 Sino-US rapprochement on US arms sales policy and it examines the trust-building efforts between China and the US throughout the 1970s, which included limited military cooperation that was unilaterally abandoned by Mao. The bureaucratic tensions between Cyrus Vance and Zbigniew Brzezinski within the Carter Administration further complicated the arms sales landscape. Ultimately, the Soviet-Afghanistan War served as a turning point, spurring both sides to undertake ten years of efforts to rebuild trust.

The fourth chapter moves on to British arms sales policy between 1969 and 1979 and discusses the development of Sino-British relations in the early 1970s and how these were influenced by the UK's 'special' relationship with the US. Mao Zedong's 'Three

Worlds' Theory and Edward Heath's pro-European attitudes helped to align UK and Chinese arms policies and paved the way for British arms sales to China. The chapter discusses Chinese and British internal debates on the issue, as well as the related Anglo-American negotiations. It also investigates the connection between British policy and COCOM⁶, which provides an opportunity to assess other Western countries' attitudes. Soviet perspectives are important and need to be included as they informed the Labour government's decision-making. The chapter makes particular use of two cases, the Rolls-Royce Spey Mk.202 military aircraft engine and the Hawker Siddeley Aircraft (HSA) Harrier 'jump-jet' aircraft, to analyse the interactions between Britain, the US, and China, as well as the attitude of the USSR.

The fifth chapter focuses on the arms sales policy of the Reagan administration which underwent several stages - an active stage in 1981, a cooling-off stage during the negotiations on Taiwan in 1982, a revival stage in 1983 in which Reagan reformed US arms sales policy, a honeymoon stage between 1984 and 1986, and a decline stage from 1987 to 1991. The chapter analyses the reasons behind these changes in the context of the US-Soviet-China strategic triangle in the late 1980s, especially Beijing's independent policy and Gorbachev's 'new thinking'.

⁶ 'COCOM' refers to the Coordinating Committee for Multilateral Export Controls, established in 1949 during the early years of the Cold War. This international organization was instituted by Western nations with the objective to restrict strategic exports (which could have both civilian and military uses, often referred to as 'dual-use' technologies) to countries in the Eastern Bloc and other specified nations. Jordi Molas-Gallart, "Which Way to Go? Defence Technology and the Diversity of 'Dual-Use' Technology Transfer," *Research Policy* 26, No. 3 (October 1997): 367-85.

The sixth chapter discusses Margaret Thatcher's arms sales policy. It explains how Thatcher's policy developed and how she and Reagan cooperated on technology embargos against the USSR and in establishing a 'China differential' in COCOM. The chapter shows US divergence from European countries on the understanding of détente and trade control against the USSR. The chapter discusses the competition between Britain, the US and other Western countries over the Chinese market, and examines the interaction between Britain, the US and China regarding the failure of 051 Project, which was the beginning of the decline of British arms sales. Finally, the chapter closes with the end of US and UK arms sales following the Tiananmen Square episode.

The concluding chapter revisits the notion of 'playing the China card' and the research questions highlighted in the Introduction. In so doing it provides a concise summary of the main research findings of the thesis, regarding the multifaceted nature and historical development of US and UK arms sales policies towards China, Beijing's nuanced responses, and the attitude of the Soviet government and it evaluates the extent to which the objectives of these policies were achieved. Soviet responses towards the Sino-Western arms trade are discussed as well. Last, but not least, the chapter explores the dynamics between the US, UK, and China, shedding light on the intricacies of the Anglo-American relationship within the context of their triangular diplomacy with China.

Primary Sources

This thesis makes extensive use of primary sources. The *Foreign Relations of United States (FRUS)* series drawn from the US foreign policy archives, covers all kinds of documents, especially from the State Department, including those pertaining to arms sales to China and US communications with Britain and other Western European countries. The Ronald Reagan Presidential Library (RRPL), located near Los Angeles in Simi Valley, has collected important primary sources related to arms sales. Unfortunately, many of these archives from the 1980s are unavailable due to containing still-classified national security information, so the available archives are somewhat limited. Regrettably, the China collection covering the Reagan period in the FRUS series has not been published yet, so the investigation of the 1980s mainly relies on a number of file databases. Firstly, the United States Declassified Documents Online database provides an opportunity to read various files from the 1970s, although many of them are already included in the *FRUS* series. Secondly, the China collection in the Digital National Security Archives (DNSA) database contains much useful information about arms sales, which constitute the main resource for identifying of Reagan's policy. Thirdly, US Congressional Records contain the Congressional Research Service's papers about the attitude of Congress towards arms sales to China. Additionally, the Freedom of Information Act (FOIA) database has collected a number of Central Intelligence Agency's (CIA) papers concerning strategic estimates of US arms sales and China's military modernisation.

On the British side, the National Archives (TNA) in Kew in West London provide a

significant number of declassified official archives from the late Cold War. Some of them have been digitalised and collected by Adams Matthew Digital Archives (AMDA). These archives, which are organised according to different themes and governmental departments, are elaborate and detailed and have greatly aided research into both UK and US arms sales to China. The thesis mainly uses documents from the Prime Minister's Office (PREM), Foreign and Commonwealth Office (FCO) and Ministry of Defence (MOD). The PREM archives draw a clear picture of how successive British Prime Ministers were involved in arms sales to China, including their role in Parliamentary debates, and their letters to and from other leaders. The collection also includes files about the final decision-making processes by the Prime Minister and Cabinet, which cannot be fully observed from the Foreign and Commonwealth or Ministry of Defence collections. The FCO collection mainly include telegrams and letters related to negotiations with the Chinese, American and other European governments. There are also many files recording the opinions of FCO officials on arms sales and how the Office differed from and debated with other ministries. The MOD collection reflects the arguments made by the British Armed Forces, the Defence Intelligence Staff (DIS) and the Defence Sales Organization (DSO).

On the Chinese side, only official documents up to 1965 are available for use. Even so, public records such as newspapers, memoirs, and leaders' speeches at conferences present Chinese foreign policy in 'big picture' terms. These can be supplemented by very useful secondary sources. The Chinese government published chronologies and

biographies for high-level leaders. In fact, these contain extraordinary detail on decision-making and negotiations with other countries. For example, the former Chinese defence minister Zhang Aiping's biography discusses in great detail a meeting with Casper Weinberger in 1984, and his visit to the US in 1985, which help to explain how the US arms sales trade restarted after a cool-down due to the Taiwan issue. The People's Liberation Army (PLA) published several reference books related to its establishment, which provide information about the PLA's perspectives on Western arms sales. The memoirs of Chinese scientists who participated in Sino-Western military cooperation also refer to the negotiations between China and Western countries.

However, the palpable deficits evident in Chinese official documents are largely characterized by a conspicuous absence of discourse around internal conflicts and debates, and these sources tend to exalt Chinese leaders, portraying them as infallible. This is not mere oversight; rather, it is a calculated omission aimed at crafting an external perception of internal unity and harmony. This deliberate narrative engineering, fuelled by a governmental inclination to project an image of policy and leadership stability, notably diminishes the documents' utility and depth as primary sources for scholarly research. The resultant narrative, veils the complex and nuanced nature of China's political and decision-making arenas, perpetuating a uniform, sanitized story that marginalizes dissenting voices and alternative perspectives within governmental corridors. To reconstruct these internal debates, recourse to memoirs

published in Hong Kong, and British and American archives, as well as secondary literature, is imperative.

Literature Review

While there is no shortage of secondary literature on US relations with China during the Cold War – and since – less has been written about UK relations with China⁷ in this period. Nor has much attention been paid – by Western historians at least - to the role of China as a major player during the Cold War, especially from the perspective of Beijing, using Chinese sources. It is also perhaps not surprising that most of the literature on the history of Anglo-American relations and the existence or otherwise of a so-called ‘special relationship’ during the Cold War is concerned primarily with events in Europe, such as the Truman Doctrine of 1947, a policy announced by U.S. President Harry S. Truman to ‘aid free peoples against outside aggression’, initially by providing aid to Greece and Turkey in an effort to prevent them from falling into the Soviet sphere, and more generally through the containment of Soviet Communism. Much less has been written about Anglo-American relations and China during the Cold War and even less about US and UK arms sales to China and what this triangular relationship tells us about the nature of the Anglo-American ‘special relationship’ during the late Cold War.⁸

⁷ Relevant works include: David Clayton, *Imperialism Revisited : Political and Economic Relations between Britain and China, 1950-54* (Basingstoke: Macmillan In Association With King’s College London, 1997); Christopher Howe, ‘Thirty Years of Sino-British Relations: A Foreign Office View.’ *The China Quarterly* 139 (1994): 794–99; Chi-Kwan Mark, *The Everyday Cold War: Britain and China 1950-1972* (London: Bloomsbury Academic, 2019); Martin Albers, *Britain, France, West Germany and the People’s Republic of China, 1969-1982* (Springer, 2016).

⁸ For a recent review of historical works on the Anglo-American relationship see Alan Dobson, ‘The evolving study of Anglo-American relations: the last 50 years’, *Journal of Transatlantic Studies*, Volume 18, Issue 4,

This literature review therefore begins by examining a selection of writings – both contemporary and more recent - on US policy towards Communist China during the Cold War, especially concerning arms sales to China. It then assesses works on the UK and China, with reference to the arms trade, before focusing some attention on the Chinese perspective, citing both Western and Chinese authors. Finally, it reviews the current state of the literature on Anglo-American relations during the Cold War, especially in relation to China and the issue of arms sales.

1) Sino-US relations in the Cold War and US arms sales to China.

Historical studies of Sino-US relations are quite abundant but relatively few have examined the issue of US arms sales to China during the Cold War. In fact, it was political scientists, rather than historians, who first studied US arms sales policy towards China during the Cold War itself. Their studies focused on assessing the US government's policy and either approving or disapproving of it. They were contemporary articles rather than detailed historical research but they offer an interesting view of the policy and Sino-US military cooperation during the late Cold War. They are therefore a useful starting point for this literature review and the current thesis as the debates amongst these scholars also occurred within the US administrations. These arguments represented the attitudes of US officials to a

December 2020, 415-433. An exception to the general lack of focus on Anglo-American relations and China can be found in a special issue of the same journal, although there was no guest editor and no mention of arms sales to China during the Cold War. 'Transatlantic Relations and China', *Journal of Transatlantic Studies*, Volume 18, Issue 1, March 2020.

significant extent, and some of the authors worked in the US government.

For scholars working in the Cold War period, arms sales to China were a top-secret issue linked to national security and intelligence. As Michael Pillsbury pointed out in 1975, 'except when the Shanghai Communique or some event briefly opened the door, complete secrecy has been the rule - so much so that the number of American officials who have seen the transcripts of the highest-level talks can safely be said to number a mere handful'.⁹ These discussions were typically based on public information such as newspapers, government statements and officials' interviews, but the works were subjective. In essence, these scholars aimed to influence US foreign policy directly, and no matter whether they approved or disapproved of US-China military links, they were motivated by US interests.

In the pro-sales camp, Michael Pillsbury, a former analyst at RAND Corporation who later served as a Special Assistant for Asian Affairs in the Office of the Secretary of Defense during the George H W Bush administration, was optimistic about the benefits of selling arms to China, and even proposed a formal US-China mutual security alliance in an influential paper on foreign policy published in 1975. He was the first to float the idea of arms sales and a broad range of American military security relationships with China publicly. He argued that these could stabilise US-China relations. The two countries normalised their relations in the late Mao period, but whether relations

⁹ Michael Pillsbury, 'US-Chinese Military Ties?', *Foreign Policy*, no. 20(1975): 50-64.

remained stable was uncertain under new leadership. US arms would encourage China to maintain the relationship. They might also alleviate Soviet pressure on Western Europe. About a quarter of the Soviet Army, Navy and Air Force was deployed along the Sino-Soviet border, and an increase in Chinese military power would lead to a corresponding reduction in the Soviet forces available to oppose NATO.¹⁰

This paper quickly triggered a large-scale discussion. Douglas Stuart, a former scholar at the US Naval War College, and William Tow from the Australian National University supported this policy. They argued that the USSR could not be aggravated by such arms sales because China could only import software technology and defensive weapons, satisfying Beijing's minimum-security needs.¹¹ As US-China relations steadily developed in the early 1980s, Robert Manning's 1984 article in *Foreign Policy* claimed that China had proven its resolve to shed its Maoist foreign policy, and Reagan's China policy was a 'noteworthy triumph of pragmatism over ideology.'¹² He believed that Beijing obtained advanced technology and well-trained engineers vital to its military modernisation programme. For the US, China's primary value was its ability to hold more than 25% of the Soviet Army on the Sino-Soviet border. As an independent and non-aligned country, China played an essential role in the US-USSR-China strategic triangle.

¹⁰ Ibid.

¹¹ Douglas T. Stuart and William T. Tow, 'Chinese Military Modernisation: The Western Arms Connection,' *The China Quarterly* 90(1982): 253-70.

¹² Robert A. Manning, 'Reagan's Chance Hit,' *Foreign Policy*, no.54(1984): .83-101.

Wellington Chu's work in 1986 emphasised Chinese perspectives and listed six reasons to support arms sales to China. First, China's reform policy and opening up were likely to continue. Deng Xiaoping successfully consolidated his political base, placing many of his supporters in the top positions in the party. They did not seek ideological struggles or offensive foreign policy, so the threats to US allies would diminish. Second, the leadership understood the importance of acquiring Western technical assistance for modernising China's economy. Third, a China stronger both economically and militarily could well seek reconciliation with the USSR in the future, but that would not mean a 'betrayal of the US'.¹³ A harmonious Sino-Soviet relationship would offer major support to world stability. Fourth, the adverse Soviet reaction was grossly overstated, given the overwhelming Soviet military capabilities in the region. It was clear that a reasonable level of Sino-American military cooperation could reverse the Sino-Soviet power imbalance, so there was little reason for the Soviets to fear the Chinese military. Fifth, there was little danger of US-East Asian relations worsening because of stronger Sino-American military ties. Finally, China was beset by a host of problems constraining modernisation that would reduce any likelihood of significant improvements in military strength in the next ten to fifteen years.

On the opposite side of the argument, Doak Barnett, a famous China scholar at the Johns Hopkins University, called for 'great restraints' on US arms sales to China. He thought these sales would significantly increase worries amongst US allies in Asia.

¹³ Wellington Chu, 'Increased Military Sales to China: Problems and Prospects,' *Journal of International Affairs*, Vol.39, No.2(1986), 133-147.

Although China did not have an ambitious expansion programme, any subtle increase in military capabilities could damage the East Asian equilibrium. He suggested that the US had to be prudent when considering policy towards China, and both sides needed to regard maintaining the regional power balance as the priority.¹⁴

David Lampton, the former chairman of the Asian Foundation and the former president of the National Committee on United States-China Relations, held a similar view. He believed that those scholars who supported selling arms to China ‘misread China’.¹⁵ He revealed two purposes behind the US decision: solidifying American ties to China and deterring adventurous Soviet behaviour. The scholar did not hide his disapproval of selling arms, which ‘is a poor policy under present circumstances, whether looked at from the strategic, regional, or bilateral perspective,’ but he expected a broad and stable Sino-US relationship.¹⁶

Taiwanese scholar Michael Kau and his co-author Michael Frost warned that a rearmed China would surely be more prone to revanchism. Hence, the Reagan administration should reassess the feasibility and availability of arms sales policy to China. They argued that the administration was damaging US long-term strategic interests and the credibility of security guarantees in the East Asia region, especially towards Taiwan and Japan. Nonetheless, Chinese rearmament faced pressure due to the Chinese economic

¹⁴ A. Doak Barnett, ‘Military-Security Relations between China and the United States,’ *Foreign Affairs*, no.3(1977): 584-97.

¹⁵ David M. Lampton, ‘Misreading China,’ *Foreign Policy*, no.45(1981): 103-14.

¹⁶ *Ibid.* 114.

situation, and it would be hard for China to rapidly remilitarise to face Soviet pressure. Additionally, the two scholars pointed out that China was not particularly eager to acquire US military hardware, and the US was forced into the role of 'hard seller'. China had accurately perceived that the US wanted to play the China card to face Soviet threats, which would further undermine US leadership and security interests.¹⁷

These contemporary writings were quite influential and are still interesting but they tended to lack historical perspective. However, after the collapse of the USSR in 1991, some essential monographs reviewed the short honeymoon period in the Sino-US relationship in the 1970s and 1980s. The works of Robert Ross and Harry Harding built a solid base for studying the Sino-US arms trade issue, as an aspect of general Sino-US strategic cooperation in the late Cold War. Ross's *Negotiating Cooperation: The United States and China, 1969-1989*, provides a comprehensive review of the period from Nixon's visit to the Tiananmen Square incident.¹⁸ Ross expounds on how the objective of countering Soviet power served as a unifying factor between the two nations. His most original contributions are the meaningful interviews he had with main US decision-makers, including Ronald Reagan and Zbigniew Brzezinski, which reveal US decision-making on China issues. Ross brought Beijing's perspective into the research with his excellent Chinese language ability. He interviewed Chinese officials and used a broad range of Chinese materials, and he described the Chinese as smart negotiators

¹⁷ Michael Y. Kau and Michael S. Frost, 'Military Ties with Communist China,' *Asian Affairs: An American Review* 9, no.5-6(1982): 254-265.

¹⁸ Robert S. Ross, *Negotiating Cooperation: The US and China, 1969-89* (Stanford: Stanford University Press, 1995).

and bargainers. However, he believed in general that China, taking on a reactive role, had limited capacity to initiate joint endeavours and chose to await favourable external conditions to further its foreign policy objectives, including reduced US support for Taiwan. He also kept an open mind when discussing the end of the relationship. The collapse of the USSR instead of human rights made the close relationship impossible. The scholar's work is generally objective and contains much helpful information.

Compared with Ross's historical work, Harding's *A Fragile Relationship: The United States and China Since 1972* is a model of the combination of historical review and policy study.¹⁹ Harding has penned a clear and practical chronicle of the connection between the United States and China in the past twenty years. The history section, which makes up three quarters of the text, is written in a fluent yet detailed manner. He argued that the two nations have experienced a back-and-forth association, often likened to the motion of a pendulum. He also argued that they established an 'special' alliance in fact to their own disadvantage, but the relationship was 'fragile' due to misconceptions held by both parties. He especially highlighted that Beijing and Washington's policies were hugely shaped by their estimates of the USSR. The concluding chapter, 'Redesigning American China Policy,' differentiates the book from others. Harding actively made suggestions on US foreign policy in the aftermath of the Tiananmen incident. He appealed for the US to give up the strategic relationship with China because the main impediment to Sino-US relations had changed from Taiwan to

¹⁹ Harry Harding, *A Fragile Relationship: The United States and China since 1972* (Washington, D.C.: Brookings Institution, 1992).

human rights, and economic ties had become the new fundamental factor.

Ross and Harding's works represent two historical and political dimensions of Sino-US strategic relationship research in the post-Cold War period. The former represents the perspective regarding the Sino-US strategic relationship as a historical narrative. Scholars should not bring too many personal positions and estimates but try their best to complete the narratives by using different views and new primary sources. With recent declassification of archival resources, certain scholars have delved deeper into this field. Mohamud Ali covers many gaps in previous narratives of Sino-US collaborations by using newly released US archives and translated materials from Soviet and Chinese sources. His work involves policy dialogues, military transfers, intelligence cooperation and common actions supporting Afghanistan between the US and China. He argues that Sino-US collaboration weakened the USSR and ended the Cold War. In the chapter entitled 'Building China's National Power', he describes the US actions to strengthen Chinese military capabilities from 1979 to 1989 and argues that US arms sales towards China threatened and worried the Soviets on their Eastern border.²⁰ However, the work does not connect this issue to Nixon and Reagan's grand strategies, so it has no solid answer to the question of to what extent the collaboration helped to win the Cold War.

Hugo Meijer, a political scientist at the Center for International Studies, Sciences Po

²⁰ S Mahmud Ali, *US-China Cold War Collaboration, 1971-1989* (London: Routledge, 2012).

Paris, continued in Ross's style. Meijer interviewed 39 individuals who served in the US administration and were responsible for China affairs, and used newly declassified US archives to publish an article in 2015.²¹ His paper examines why the US sold arms to China, the evolution of the policy and the end of arms sales. It is the first comprehensive historical study of the US arms sales policy on China. Meijer regards the policy as an extension of US export control in the 1980s, so the paper highlights the influence of the 'China differential', relaxing restrictions on exports to China but tightening them on the USSR, on the strategic triangle relationship. He argues that the arms sales policy was not only shaped by using the 'China card' against the USSR but also by the concern not to enhance China's military capabilities against the US and US Asian friends. It is an excellent work describing the outcomes of the policy, but it falls short of analysing the decision-making processes. Meijer's analysis of the Tiananmen incident is insufficient, although he discusses the conflicts between the government and Congress, but these discussions cannot support his argument that human rights problems directly caused the end of arms sales.

Xin Yi, a Chinese historian, reviews the Sino-US military relationship from Nixon to Reagan from a historical perspective in a series of articles.²² He argues that the Sino-US military relationship was critical to US 'Lianhua Zhisu [uniting China against the

²¹ Hugo Meijer, 'Balancing Conflicting Security Interests: US Defence Exports to China in the Last Decade of the Cold War,' *Journal of Cold War Studies* 17, no.1(2015):4-40.

²² Xin Yi, 'The Preliminary Development of the Defense Relationship Between US and PRC During the Nixon Administration,' *Zhonggong Dangshi Yanjiu*, no.2 (2016), 41-51; Xin Yi, 'The Transfer of Civil High-Tech Equipment and Military Equipment to the PRC under the Carter Administration,' *Meiguo Yanjiu*, 2016, 30 (05):pp.126-146+8; Xin Yi, 'On America's Technology Transfer and Arms Sale to China During the Reagan Administration Period,' *Dangdai Zhongguoshi Yanjiu*, , Vol.25(2018), 91-98.

USSR]' strategy, which was the core of US foreign policy from Nixon to the end of the Cold War. Although large-scale Sino-US military cooperation started during the Reagan period, the Nixon administration laid the foundation. This included permission for Western European countries to export arms equipment, exchange intelligence and establish crisis collaboration hotlines. During the Carter administration, the US confirmed a 'Youxian Wuzhuang Fuhua [limited military assistance toward China]' policy. Xin thinks that US technology transfer and arms sales policy on China served its global Asia-Pacific and China strategy. The development of the military relationship was consistent with US ideological principles, including liberalisation and Americanization. He uses a range of US materials and emphasises US grand strategies. However, very few Chinese materials are used.

Sino-US relations are one of the most important bilateral relations in the world, so it is useful to review the temporary strategic cooperation in the Cold War to make current policy suggestions. This dimension resembles a development of those political works written during the Cold War that add historical details. Thomas Wilborn, a scholar at the Naval War College, finished his work, *Security cooperation with China: Analysis and a proposal. Final report* in 1994, studying the possibility of future security cooperation with China.²³ The 31-page report summarises all US arms sales contracts with China by Foreign Military Sales (FMS) and then concentrates on policy recommendations. Wilborn drew the opposite conclusion to Harding. Wilborn believed

²³ Wilborn, T L. 1994. 'Security cooperation with China: Analysis and a proposal. Final report'. United States.

that Sino-US security cooperation needed to be maintained in the post-Cold War period because it would contribute to stability in a critical region of the world and help achieve US global objectives.

The literature on the political dimension of Sino-US relations shrunk significantly in the late 20th century due to the decreasing reference value of the issue over time, but the EP-3 incident²⁴ in April 2001 triggered a new round discussion about Sino-US military relations. Rand Corporation's report in 2004, *U.S.-China Security Management: Assessing the Military-to-Military Relationship*, reviews US arms sales policy towards China during the late Cold War and posits that the primary cause for the unstable military relationship with the PLA is the pursuit of particular policies by each government, perceived to be contrary to their respective interests. More importantly, the report argues that past endeavours to establish security cooperation with China should now be more accurately defined as 'security management.' This approach entails conducting activities that manage the relationship with China in a way that averts conflict, while acknowledging the existing constraints and limitations within the relationship.²⁵

Essentially, the Rand report serves as a landmark, indicating the diminishing interest in Sino-American military cooperation during the Cold War era from a political science

²⁴ The EP-3 incident in 2001 involved a collision between a U.S. Navy reconnaissance plane and a Chinese fighter jet near Hainan Island, sparking a U.S.-China diplomatic crisis following the American crew's emergency landing in China.

²⁵ Kevin Pollpeter, *U.S.-China Security Management: Assessing the Military-to-Military Relationship* (Santa Monica: RAND Corporation, 2004), 1.

perspective. In recent years, there has been a notable shift in the scholarly discourse, with limited discussions on Sino-US military cooperation during the Cold War, while extensive attention has been given to military relations in the late 20th and early 21st centuries.²⁶ This change in focus reflects a growing interest in exploring the dynamics of military relations beyond the Cold War period so the current thesis does not discuss them in detail.

2) Sino-British relations and UK arms sales to China

Compared to the abundant research on Sino-US relations, studies on Sino-UK relations during the Cold War are relatively limited. However, Chi-Kwan Mark's important work in 2019, *The Everyday Cold War: Britain and China 1950-1972*, helps to fill the gap in Sino-British relations during the Cold War. He argues that Sino-British relations were 'waged not by military means but by negotiation', not mainly 'face-to-face' but via an 'informal contestation and struggle through diplomatic ritual, propaganda rhetoric and symbolic gestures'.²⁷ The book discusses the Korean War, the Taiwan Strait crisis and the impact of the Vietnam War on Sino-British relations. The best part is the analysis of China's politics and internal affairs. The author discusses how the radical Chinese politics in the Cultural Revolution damaged Sino-British relations, but British restraint kept the damage low. By 1971, the two sides began serious negotiations on the exchange of ambassadors, and a decision was announced in 1972. The UK's pragmatic

²⁶ See: Kurt Campbell and Richard Weitz, 'The Limits of US-China Military Cooperation: Lessons from 1995-1999,' *Washington Quarterly* 29, no. 1 (Winter 2005); Shirley A Khan, *U. S. -China Military Contacts* (DIANE Publishing, 2009); Jean-Marc F Blanchard and Simon Shen, *Conflict and Cooperation in Sino-US Relations: Change and Continuity, Causes and Cures* (London: Routledge, 2017).

²⁷ Chi-Kwan Mark, *The Everyday Cold War*, 1.

diplomacy proved successful, as did China's policy of manipulating emotions and exploiting contradictions between the UK and the US.

Few works directly focus on the Sino-British arms trade, and like the literature on Sino-American relations, political scientists were concerned about British arms sales to China before historians. From a political science perspective, David Crane studied the uncompleted 1981 UK-China deal on HSA Harrier aircraft using publicly available sources such as official speeches, governmental reports and newspapers. Crane concluded (correctly) that the Soviet invasion of Afghanistan drove a closer Chinese relationship with the United States, influencing British arms sales. Indeed, as his paper shows, American competition directly damaged British arms sales in the 1980s. Although lacking archival support, his work still shows the British government's decision-making regarding the deal. The Ministries of Defence, Treasury and Trade supported the deal, but the Foreign and Commonwealth Office was not keen. The British government also faced opposition from some interest groups. A split in the Cabinet prevented Thatcher's government from reaching a consensus on the deal.²⁸

Mark Phythian's work, *The Politics of British Arms Sales Since 1964: To Secure Our Rightful Share*, is the most comprehensive study of the bureaucratic politics of British arms sales policy available. He identifies two strands in the development of British arms sales policy. The first strand is a struggle between 'idealism and realpolitik'. The

²⁸ David Crane, 'The Harrier JUMP-JET and Sino-British Relations,' *Asian Affairs: An American Review* 8, no.4(1981):227-250.

second is competition and cooperation with the US. Britain struggled to make inroads into some American-controlled markets because of Washington's political and economic clout and technological superiority.²⁹ These two strands were clear in the Sino-British case, and Phythian provides a basic analytical structure for the UK sections of my thesis. However, he did not include arms sales to China during the 1980s, and his argument that the Thatcher government pursued strategic interests is questioned in the current thesis.

With the release of confidential official materials, historians have been able to investigate British arms sales to China in greater depth. Ed Hampshire studies the Harrier deal in his recent work, *Missing the 'Klondike Rush?' British Trade with China 1971-9 and the Politics of Defence Sales*. He discusses British arms sales to China in the 1970s in detail and uses declassified materials in the UK National Archives at Kew. He supports Crane's argument that economic interests dominated, as Foreign Secretary David Owen proposed that arms sales should be tied to civilian contracts. His work also covers the arguments made by businesses, social organisations and Parliament. However, his study does not examine Thatcher's arms sales policy and, in the view of the current writer, his argument that the failure of the deal for Type 051 destroyers in 1982 was 'the last surviving fragment of the 'Klondike rush' for Chinese defence sales' is inaccurate.³⁰ Both China and the UK hoped to revive the arms sales after this

²⁹ Mark Phythian, *The Politics of British Arms Sales Since 1964: 'to Secure Our Rightful Share'* (Manchester: Manchester University Press, 2000).

³⁰ Ed Hampshire, 'Missing the 'Klondike Rush?' British Trade with China 1971-9 and the Politics of Defence Sales,' in John Fisher, Effie G H Pedaliu, and Richard A Smith (eds), *The Foreign Office, Commerce and British Foreign Policy in the Twentieth Century* (London, United Kingdom: Palgrave Macmillan, 2016), 527-553.

unsuccessful deal and signed some military contracts, which he does not discuss. He attempts to include Chinese politics but his analysis is weak. For example, he thinks the 'four modernisations' programme impeded China's arms importation, which is not the case.

Martin Albers, a historian at the University of Cambridge, compares British, French and West German export policies to China between 1969 and 1982. He discusses how Europeans contributed to Sino-American rapprochement following Nixon's visit in 1972 and formal diplomatic establishment in 1979. He uses a broad range of primary sources in different languages and compares the three countries' policies on China. His book briefly discusses the interactions among the UK, the US, China and other European allies. He argues that Britain's more efficient decision-making process and purely economic considerations defeated competitors from France and enabled the UK to sell Rolls-Royce Spey engines to China in 1975. In the 1970s, the UK faced enormous domestic economic challenges, including the need for foreign currency, efforts to keep Britain's manufacturing industries afloat, and the fear of losing trade with China. Such pressures pushed the government to adopt an active policy.³¹ The book is an excellent example of transnational history but the discussion of British arms sales to China is insufficiently thorough.

3) China's Role in the arms sale policy

³¹ Martin Albers, *Britain, France, West Germany and the People's Republic of China, 1969-1982*.

While the influence of China on the Cold War is acknowledged by historians, the extent of its significance remains a topic of debate. Some scholars, focusing on the Cold War as a whole, often position China as an actor secondary to the US and USSR.³² For instance, in *Strategies of Containment*, John Lewis Gaddis examines the development of US containment policy, emphasizing China's impact on American strategic thought and policies. He explores the repercussions of major events, such as China's rise as a Communist power in 1949, the Korean War, the Sino-Soviet split, and the US-China normalization of relations in the 1970s, on the US containment approach. He presents China as a secondary player in the geopolitical struggle and posits that China was more of a reactive force, heavily influenced by its relations with the two superpowers, and argues that China was far more subject to Cold War dynamics than an active participant in shaping them.³³ In general, scholars in this school have given a clear status to define China's role in the Cold War but ignored how China actively interacted within global affairs. They have regarded China's role only as a background of a grandiose US-Soviet narration and hardly discuss the connection between China's internal politics and its external activities.

Looking beyond this perspective, Odd Arne Westad's influential work, *The Global Cold War: Third World Interventions and the Making of Our Times*, provides a truly global

³² See: William Taubman, *Khrushchev: The Man and His Era* (W. W. Norton & Company, 2004); Vladislav M Zubok, *A Failed Empire: The Soviet Union in the Cold War from Stalin to Gorbachev* (Chapel Hill: University Of North Carolina Press, 2009); Melvyn P Leffler, *For the Soul of Mankind : The United States, the Soviet Union, and the Cold War* (New York: Hill And Wang ; Godalming, 2008).

³³ John Lewis Gaddis, *Strategies of Containment: A Critical Appraisal of American National Security Policy during the Cold War* (New York, Oxford: Oxford University Press, Cop, 2005).

perspective on the Cold War, ranging from China to Indonesia, Iran, Ethiopia, Angola, Cuba, and Nicaragua. The book portrays China as an important player in shaping global politics due to its intervention in the 'Third World' during this period. Westad points out that China's domestic challenges and international relations often reduced its role to a Cold War battleground, particularly in conflicts like the Korean and Vietnam Wars but he shows how China had a proactive involvement in the Cold War.³⁴

Similarly, Sheila Miyoshi Jager's *Brothers at War: The Unending Conflict in Korea* provides useful context for the early years of the Cold War. It details how US engagement in Korea was significantly shaped by the perceived menace of Communist China. The Korean War cemented the American containment strategy in Asia and became a crucial component of US policy towards China, underlining the global potential of China's influence and its direct impact on US decisions during the Cold War's infancy.³⁵ Lorenz Lüthi, in *The Sino-Soviet Split: Cold War in the Communist World*, contends that China was not simply a superpower pawn, but actively shaped the Cold War. He points to the Sino-Soviet split, a marked ideological divergence in the Communist world, as proof of China's active role. This transition from a bipolar to a triangular dynamic significantly shifted the strategic considerations of the US and USSR, crucially impacting the Cold War's trajectory.³⁶

³⁴ Odd Arne Westad, *The Global Cold War: Third World Interventions and the Making of Our Times* (Cambridge: Cambridge University Press, 2007).

³⁵ Sheila Miyoshi Jager, *Brothers at War: The Unending Conflict in Korea* (New York: W W Norton, 2014).

³⁶ Lorenz M Lüthi, *The Sino-Soviet Split: Cold War in the Communist World* (Princeton: Princeton University Press, 2008). See also: Sergey Radchenko, *Two Suns in the Heavens: The Sino-Soviet Struggle for Supremacy* (Washington, D.C.: Woodrow Wilson Center, 2009); Jeremy Scott Friedman, *Shadow Cold War: The Sino-Soviet Split and the Third World* (Chapel Hill: University Of North Carolina Press, 2015).

This viewpoint is supported by many Chinese scholars who analyse China's foreign policy and decision-making using Chinese sources. Renowned Chinese historian Shen Zhihua, utilizing Russian and Chinese declassified archives, argues in his work on the Sino-Soviet border dispute in the late 1960s that Mao Zedong's arrogance and rigid ideology were key factors in the split. This rift not only influenced broader Cold War geopolitics but also led the USSR to rethink its commitments in regions like Eastern Europe.³⁷ However, Shen's work has limitations, notably, some personal viewpoints that are unsupported by archival evidence. His critical remarks about Mao Zedong have also faced official scrutiny. It is unfortunate that his research does not extend into Sino-Western relations of the 1970s and 1980s.

Yafeng Xia, a leading historian on China's Cold War role and a current history professor at Long Island University, New York, offers an in-depth analysis in *Negotiating with the Enemy: US-China Talks during the Cold War, 1949-1972*. He asserts that positive dialogue existed in Sino-US relations before Nixon's China visit. As a former Chinese diplomat, Xia has a unique understanding of China's foreign policy decision-making, allowing his research to thoroughly explore China's domestic politics and reactions to US policies. He clearly outlines Mao Zedong's control over China's foreign policy during the Cultural Revolution and the roles of Zhou Enlai and Jiang Qing.³⁸ In his

³⁷ Zhihua Shen, *The Retransformation of Cold War: The Internal Divergence of Sino-Soviet Alliance and its Outcome* (Beijing, Jiuzhou Press, 2013).

³⁸ Yafeng Xia, *Negotiating with the Enemy: US-China Talks during the Cold War, 1949-1972* (Bloomington: Indiana University Press, 2006).

collaborative work with Shen Zhihua, *Mao and the Sino-Soviet Partnership, 1945–1959: A New History*, he illuminates China's complex relationship with the Soviet Union in the early Cold War years. The authors argue that China was not a passive recipient of Soviet influence but a proactive partner that sought to shape its relationship with the Soviet Union according to its national interests.³⁹

Overall, Xia's scholarship underscores China's strategic maneuvering, diplomatic dexterity, and assertive role during the Cold War by utilising Chinese, English and Russian materials.⁴⁰ His research presents China as an active participant in the Cold War, adeptly navigating the international system and often reshaping it according to its national interests. It is a refreshing and significant departure from traditional views of China as a secondary player or passive object in the Cold War narrative. Although Xia's work does not include much discussion of US and UK arms sales to China it has been an important influence on this writer's thesis.

4) Anglo-American relations and China during the Cold War

Works by key scholars of the Anglo-American 'special relationship' provide a basic analysis structure for studying US-UK relations during the Cold War. For example, John Dumbrell's book, *A Special Relationship: Anglo-American Relations in the Cold War to Iraq*, includes several case studies, such as the Suez Crisis, the Vietnam War, and the

³⁹ Zhihua Shen and Yafeng Xia, *Mao and the Sino-Soviet Partnership, 1945–1959* (Lexington Books, 2015).

⁴⁰ See also: Danhui Li and Yafeng Xia, "Competing for Leadership: Split or Détente in the Sino-Soviet Bloc, 1959–1961," *The International History Review* 30, no. 3 (September 2008): 545–74; Danhui Li and Yafeng Xia, *Mao and the Sino-Soviet Split, 1959-1973: A New History*. (Lanham: Lexington Books, 2020).

Gulf War but it does not mention arms sales to China. Dumbrell highlights the interplay between common strategic interests, divergent foreign policy goals, economic rivalry, and the domestic politics of the US and the UK. He argues that the ‘specialness’ was primarily based on military and intelligence cooperation, but also drew on shared culture, history, outlook, and habits of cooperation.⁴¹ Another significant dimension in Anglo-American relations highlighted by many historians is the ‘informality’ in the relationship. For example, John Baylis has stressed that a key aspect of the ‘special’ defence partnership has been the preponderance of ‘gentlemen's agreements’, ‘secret unwritten arrangements’, and ‘Memoranda of Understanding’ (MOUs) instead of formal arrangements or binding agreements.⁴² Nor has the strong competitive dimension of the ‘special’ relationship been neglected by historians such as David Reynolds, who has advanced the notion of ‘competitive cooperation’ in Anglo-American relations.⁴³

There is currently no monograph or thesis that focuses on Anglo-American relations and arms sales to China in the Cold War, but Zhai Qiang and Victor Kaufman provide two works about general Anglo-American-Chinese trilateral relations in the period.

⁴¹ John Dumbrell, *A Special Relationship: Anglo-American Relations in the Cold War to Iraq* (Basingstoke, London: Palgrave Macmillan, 2006). Examples of other works about Anglo-American relationship in the Cold War include: Richard J Aldrich, *British Intelligence, Strategy and the Cold War, 1945-51* (Routledge, 2005); Steve Marsh, *Anglo-American Relations and Cold War Oil Crisis in Iran* (Basingstoke, Palgrave Macmillan, 2003); Ritchie Ovendale, *The English-Speaking Alliance: Britain, the United States, the Dominions and the Cold War 1945-1951* (London: Allen & Unwin, 1985).

⁴² John Baylis, *Anglo-American Defence Relations, 1939-1980: The Special Relationship* (London: Macmillan, 1984), xviii-xix. His other works include: John Baylis, *Anglo-American Relations since 1939: Enduring Alliance* (Manchester: Manchester University Press, 1997); Steve Marsh and John Baylis, ‘The Anglo-American ‘Special Relationship’: The Lazarus of International Relations,’ *Diplomacy & Statecraft* 17, no. 1 (April 2006): 173–211; John Baylis and Anthony Eames, *Sharing Nuclear Secrets: Trust, Mistrust, and Ambiguity in Anglo-American Nuclear Relations Since 1939* (Oxford University Press, 2023).

⁴³ David, Reynolds, *The Creation of the Anglo-American Alliance, 1937–1941: a Study in Competitive Co-operation* (London: Europa Publications Limited, 1981).

Zhai Qiang's work in 1994, *The Dragon, the Lion & the Eagle: Chinese-British-American Relations, 1949-1958*, is the first monograph discussing Chinese-British-American relations in the Cold War period. The author does an excellent job of reconstructing the debates among American and British policymakers on issues such as Sino-Soviet relations, Tibet, the Korean War, the partition of Vietnam, and the two Taiwan Strait crises. The author posits that the Korean War marked a turning point in Anglo-American policies towards China, where divergences emerged. US policy towards China swiftly shifted towards hostility, while the UK maintained a more moderate stance.⁴⁴

However, the treatment of China's policies is unsatisfactory. As a Chinese scholar, it is puzzling that Zhai seems to have followed a Western-centric approach. His work does not elucidate the policy process in China. He does not provide an explanatory framework, nor does he describe the debates on China's foreign policy during this period. He also fails to discuss the impact of the Hong Kong and Taiwan issues on Sino-British relations, which were of considerable importance during these ten years. China still appears as a passive recipient, an image that is no different from that of other Anglo-American relations scholars when discussing China issues. Overall, this is not a fully satisfactory work, although it does at least place China's role within the framework of the Anglo-American special relationship.⁴⁵

⁴⁴ Qiang Zhai, *The Dragon, the Lion & the Eagle: Chinese-British-American Relations, 1949-1958* (Kent, Ohio: Kent State University Press, 1994).

⁴⁵ Ibid.

Victor Kaufman's book, *Confronting Communism: US and British Policies towards China*, pushed the Anglo-American-Chinese relations to the early 1970s. Kaufman's study expands beyond just reviewing Anglo-American policy on China through the lens of foreign policy elites in London and Washington. He includes the influences of lawmakers, public sentiment, and business interests in both countries. His exploration of the triangular relationship between the US, Britain, and the PRC from 1949-72 enriches our understanding of these countries' ties, incorporating economic and political policies along with security issues. His work's strength lies in its comprehensive approach, rather than revealing new information. He also highlights the impact of the Hong Kong issue and the Sino-Indian War on the three countries' relations. However, his book falls short in addressing China's decision-making process and internal politics.⁴⁶

The American historian Jeffrey Engel has written about Anglo-American relations and China in terms of competition in the field of aviation. He outlines that the US and UK launched a series of competitive actions and countermeasures in aviation during the early Cold War. The US tried to secure its hegemony in aviation, especially in the military field, by refusing to provide advanced technology to competitors.⁴⁷ The British conversely believed that well-publicised aircraft sales to the Soviet bloc or Chinese

⁴⁶ Victor S. Kaufman, *Confronting Communism: US and British Policies towards China* (Columbia: University of Missouri Press, 2001).

⁴⁷ Jeffrey A. Engel: *The Anglo-American Fight for Aviation Supremacy* (Cambridge, MA: Harvard University Press, 2007).

could open previously closed markets and catalyse the transformation of these totalitarian regimes. Engel noted that the British chose to sell aeroplanes to China to avoid direct economic competition with the US. The US was unwilling to export technology to China, so the British could take advantage and control a potential future market. The British negotiated with the US under COCOM. Although the British successfully sold Vickers Viscount airliners to China in the 1960s, American diplomacy limited British aviation sales because Washington made its Atlantic partner conform to standard export criteria.⁴⁸ Engel's works are based on a wide range of primary and secondary sources across the US and UK. The historian also invokes an interesting perspective on technology and trade competition to review the Anglo-American relationship in the early Cold War.

Alan Dobson has been a leading scholar of Anglo-American relations whose work has especially focused on the economic dimension of the relationship. A series of his monographs about Anglo-American competition in civil aviation support Engel's argument that the US utilised both political and economic tools to obtain advantages over the UK in the aviation market.⁴⁹ One of his earlier works, *the Politics of the Anglo-American Economic Special Relationship, 1940-1987*, discusses how economic factors have shaped the 'special relationship'. While acknowledging the on-going economic

⁴⁸ Jeffrey A. Engel, 'The Surly Bonds: American Cold War Constraints on British Aviation,' *Enterprise & Society* 6, no.1(2005): 1-44.

⁴⁹ See: Alan P. Dobson, *Peaceful Air Warfare: The USA, Britain, and the Politics of International Aviation* (Oxford: Oxford University Press, 1991); *Franklin D. Roosevelt and Civil Aviation 1933-1945: Flying High, Flying Free* (New York: Palgrave Macmillan, 2011); *A History of International Civil Aviation: From its Origins through Transformative Evolution* (London and New York: Routledge, 2017).

competition between the US and the UK, the book emphasises the importance of cooperation in their economic interactions and, especially, the influence of third countries on the Anglo-American economic relationship. He explores the ways in which both nations aimed to develop their economic interests globally, including in Europe, the Middle East, and Latin America, and how their mutual desire to counter the economic influence of the USSR and other adversaries shaped these cooperation and efforts.⁵⁰

Dobson has also written about Anglo-American relations and arms sales to China, using both British and US primary sources. He argues that the USA wanted tighter controls than the British thought were wise (at least insofar as their own export needs were concerned), and that they hoped to moderate the American position by working with their European counterparts to establish a common front. The main dilemma for British foreign policy throughout the Cold War was not to jeopardise friendship with the US and to secure British priorities when they were not incompatible with America's.⁵¹

Dobson argues that while British arms sales policy towards China was not a purely economic activity, Britain was keener than the US on accruing business benefits than promoting a strategic interest. The UK opposed the US embargo policy against China and was more active in selling arms to China. Britain more carefully balanced the

⁵⁰ Alan P Dobson, *The Politics of the Anglo-American Economic Special Relationship, 1940-1987* (Brighton: Wheatsheaf Books, New York: St. Martin's Press, 1988).

⁵¹ Alan P. Dobson, 'When Strategic Foreign Policy Considerations Did Not Trump Economics: British Cold War Policies on East-West Trade,' in John Fisher, Effie G H Pedaliu, and Richard A Smith (eds), *The Foreign Office, Commerce and British Foreign Policy in the Twentieth Century* (London, United Kingdom: Palgrave Macmillan, 2016), 361-380, 366.

strategic marginal benefits of trade embargoes with the business costs. Dobson's book chapter is a useful contribution to the examination of US and UK arms sales to China as a case study in Anglo-American relations during the Cold War but it does not go into much detail and it does not make use of the Chinese sources.

Gaps in the existing literature

In evaluating the existing body of work related to this subject, there appear to be several noteworthy lacunae in the extant literature. Foremost among these gaps is the lack of an in-depth focus on the objectives and outcomes of US arms sales policy towards China during the final phase of the Cold War, especially in the Reagan period. While there has been substantial analysis on US-Sino relations in the broader sense, the specificity of the US's arms sales policy and the implications thereof have not been as comprehensively addressed. This thesis thus provides an avenue for enriching our understanding of this under-explored aspect of US foreign policy.

Another major gap in the literature pertains to the UK's arms sales policy towards China. Despite the potential insights that could be gleaned from exploring this issue, it has not been as fully examined as other facets of UK-China relations. Consequently, the current thesis helps to bridge this gap by offering a thorough analysis of the distinct nature of the British Government's objectives, its decision-making processes, and its relationship with China in the late Cold War period, especially during the Thatcher premiership.

Moreover, the perspective of China's Government towards arms sales from the US and the UK has largely been overlooked. The existing literature tends to foreground the strategic concerns of the US and UK, often neglecting to explore China's reactions and the implications thereof. This thesis endeavours to fill this void by examining the complexities and evolving nature of China's responses to these arms sales with detailed reference to the available Chinese resources. Another point of contention lies in the perceived success or failure of these nations in achieving their respective objectives regarding the containment of Soviet power through these arms sales. The analysis of this aspect in the current literature is relatively scant. The current thesis therefore also addresses the question of how the Soviet leadership viewed Western arms sales to China.

Finally, while the individual roles of the US, the UK and China in the Sino-Western arms trade of the late Cold War period have all been examined to a greater or lesser extent, there has as yet been no attempt to analyse the arms sales issue as a detailed case study in Anglo-American relations, using Chinese as well as US and British sources. This is the main purpose of the current thesis which offers an analysis of this episode in Cold War history, thereby paving the way for fresh insights and perspectives on the complex dynamics of Anglo-American relations in the broader Cold War context. In essence, while the existing literature has provided valuable insights into the complex interplay of relations between these nations during the late Cold War era, this thesis aims to address several important gaps in our knowledge and understanding of this important topic.

Chapter 2: US and British policies towards China, 1945-1969

Introduction

During World War II, the US supported China with significant arms against Japan. This assistance continued into the renewal of the civil war between the KMT Government and the Chinese Communist Party. The US supported the KMT until its surprising collapse. Concurrently, the CCP aligned with the Soviet bloc, prompting a US containment policy against China, as well as the USSR, which lasted 20 years.

US containment policy intensified under Eisenhower, employing comprehensive measures against China, including trade embargos, political isolation, and military threats. However, this policy eased in the 1960s due to changing international dynamics. Meanwhile, the UK, sharing strategic interests with the US. to contain Soviet expansion, prioritized economic relations with China over geopolitical concerns. This focus on trade led to British opposition to the US embargo policy against China.

Despite divergent approaches to China, both the US and UK found ways to balance their interests. The US showed a willingness to compromise on trade issues, while Britain conceded on strategic matters. This dynamic encapsulated the priority of British foreign policy, which sought flexibility within the containment structure while maintaining economic ties with China.

The following analysis is divided into four sections. The first discusses the development

and divergence of British and US policies on China from the end of the Second World War to the Korean War. The second examines Anglo-American divergences during the Eisenhower administration's policy against China. The third explores the US response to the Sino-Soviet split in the 1960s and why it did not significantly impact US-China relations. The final section investigates U.S influence on Sino-British relations during the 1960s, demonstrating how US factors impacted their relationship.

US China policy after the Second World War

From the middle of the 19th century, US interests in China expanded. The US supported China during the Second World War and participated in China's post-war reconstruction. However, the Marshall Mission⁵² failed to mediate the CCP-KMT dispute from 1945 to 1946. Despite receiving a large amount of aid from the United States in economic and military matters, the Chiang Kai-Shek government not only failed to eliminate the Chinese Communist Party but was defeated militarily so that Kuomintang rule in mainland China was close to collapse by late 1948.⁵³

At this juncture, the Americans and the British shared the understanding that they needed to 'hold their ground' by maintaining a *de facto* relationship with the Chinese Communists. This involved 'keeping a foot in the door' by preserving their consulates and embassies in cities captured by the CCP. However, their expectations were not met.

⁵² The Marshall Mission, spearheaded by General George C. Marshall, was commissioned in December 1945 to mediate the conflict between the Nationalists (Kuomintang) and the Communists in China immediately following World War II. Marshall arrived in China in January 1946 and returned to the US in January 1947 which meant the failure of the mediation.

⁵³ Qingmin Zhang, *US policy decision on arms sales to Taiwan*(Beijing: World Affairs Press, 2006), 44.

On January 6, 1950, the Beijing government announced that, owing to military needs, the barracks and facilities of Western countries in Beijing would be requisitioned within seven days. The UK had hoped that their recognition of the new regime would result in preferential treatment, allowing them to maintain their barracks in Beijing. On the same afternoon, London expressed its diplomatic recognition of the PRC. In light of London's recognition, the Chinese decided to postpone the requisition of the British barracks to facilitate negotiation processes and to differentiate the UK from other countries like the US. However, just like the barracks of the US, France, and the Netherlands which were taken over by the Communist Party in early January 1950, the British barracks were also taken over in April of the same year.⁵⁴

Both Washington and London aimed to prevent China from becoming a mere extension of Soviet power, while trying to safeguard and recover as much as possible of their interests in China. Therefore, US State Department officials argued that China's immediate future was essentially unpredictable, and the Communist regime in China was a secondary priority to the current US global security interests. The US should prevent China from becoming a satellite state of the USSR.⁵⁵ The State Department officials also pointed out that there was a possibility that the USSR would, instead of assisting China, plunder its resources: 'As for the bulk of China proper, the Kremlin is hardly likely to view it other than as a vast poorhouse, responsibility for which is to be

⁵⁴ Chi-Kwan Mark, *The Everyday Cold War*, 27-29.

⁵⁵ Yafeng Xia, *Negotiating with the Enemy*, 18-19.

avoided'.⁵⁶

Based on this judgment, the US National Security Council (NSC) published NSC34/1 and NSC34/2 at the beginning of 1949, pointing out that the influence of the USSR in China would increase in the future, so that the US should not continue aiding anti-Communist forces but should maintain extensive contact with the CCP in China. The US could aim to divide CCP and Soviet communists by taking advantage of their political and economic contradictions and avoiding involvement in Chinese internal politics. The US would pursue traditional American policies of '(1) friendship for the Chinese people, (2) respect for the territorial independence and administrative integrity of China and (3) advocacy of the Open Door.'⁵⁷

British China policy after the Second World War

Britain entered China as the first Western power in the mid-nineteenth century. The Chinese resisted British imperialism and colonisation for a hundred years, from 1840 to the Second World War, inflicting heavy losses on the British empire. Britain retreated from China during the Second World War but attempted to revive its interests when the war ended.⁵⁸ On August 19, 1944, the British Foreign Office (FO) issued a memorandum on its policy towards China, asserting that it was feasible and necessary for Britain to return to China after the war. Britain was still a trading country, and China,

⁵⁶ FRUS/1948/Vol.9, Document-122, 'Memorandum by the Policy Planning Staff: To Review and Define United States Policy Toward China,' September 7, 1948.

⁵⁷ FRUS/1949/Vol.9, Document-521, 'Note by Souers to the Council', February 28, 1949.

⁵⁸ Zhai Qiang, *Chinese-British-American Relations, 1949-1958*, 33.

one of the biggest potential markets in the world, would provide significant business opportunities.⁵⁹ The FO claimed that Britain had legitimate political and strategic interests because an unstable China would threaten to bring chaos to the British colonies in Southeast Asia such as Burma and Malaysia. British political and strategic interests were believed to depend on a friendly, stable and united China after the war.⁶⁰

Based on this judgment, the main focus of the British government was to avoid a civil war in the region. Some officials, such as G. F. Hudson, an Oxford China expert working in the FO Research Department, and Sterndale Bennett, the head of Far Eastern Department, believed that the only feasible path to peace was to compel the Nationalist Government into talks with the CCP. On the other hand, James Sheeran and Peter Samir argued that Britain should let the Chinese solve their own internal affairs, which eventually became the British government's policy.⁶¹ Given the rivalry between the two parties, the CCP invited Britain to participate in mediating the dispute, and the Nationalist Government also expressed friendship to Britain several times before and after Marshall's mediation. However, Britain maintained its non-intervention policy and did not participate in US mediation. British Foreign Minister Ernest Bevin told the British Ambassador to China, Horace James Seymour, to avoid any impression that Britain supported US mediation.⁶²

⁵⁹ British Documents on Foreign Affairs (B DFA), Part III, Series E, Asia, Vol.7, F3928/120/10, 'British Rehabilitation in China, Foreign Office,' August 19, 1944, 428-429.

⁶⁰ B DFA, Part III, Series E, Asia 1945, Vol.8, F4171/186/10, 'Memorandum on present China Situation and British and American Policies in China,' 199.

⁶¹ Xiang Lanxin, *Recasting the Imperial Far East: Britain and America in China, 1945-1950* (Armonk, NY: Sharpe, 1995), 47-49.

⁶² B DFA, Part IV, Series E, Asia 1946, Vol.1, F2588/25/10, Seymour to Bevin, February 16, 1946.

The British government supported the US strategy of engaging with the new CCP government. The FO opined that over time, nationalism would emerge as a stronger force than Communism in China, so Chinese Communists would not want to see their country become a satellite of Soviet Russia. Britain could drive a wedge into the Sino-Soviet alliance by developing diplomatic and economic contact with Communist China. The only hope of encouraging the emergence in China of a less anti-Western tendency, the FO argued, was to give the new regime time to realise the necessity of Western help in overcoming its economic difficulties and the natural incompatibility of Soviet imperialism with Chinese national interests.⁶³

Anglo-American Divergence on Trade Embargoes to China after 1949

With the CCP's overwhelming victory in the Chinese civil war, Britain and the US diverged on how to regard Communist China. Truman approved document NSC-41 on March 3, 1950, which argued that economic measures were the most effective weapons against the CCP, which could lead China to stand with the US. However, if economic approaches failed to force China away from the USSR, the US government should impose severe restrictions on China's trade with Western allies and Japan. A system of controls should be established on US exports to all of China. It should include 'an embargo on all exports to Communist China of items of direct military utility and should be used to screen carefully exports to all China of a highly selected schedule of

⁶³ Chi-Kwan Mark, *The Everyday Cold War*, 17.

important industrial, transportation and communications supplies and equipment based on end-use'.⁶⁴ From the end of 1949 to June 1950, the Truman administration, on the basis of NSC 41/1 and NSC 41/2, discussed how the US should restrict exports to China. NSC 41/1 suggested that the USSR, instead of China, was the priority for containment, so the US should only limit military instead of civilian exports to China where they threatened non-communist countries in Asia. NSC 41/2 suggested imposing a stricter approach embargo on items toward China on both '1A' and '1B' lists.⁶⁵ The debate lasted for a time, but the Truman administration postponed the decision until the Korean War.

Britain's policy towards China was more friendly than that of the US, in order to safeguard the position of Hong Kong. As early as the beginning of 1947, Maberley E. Denning, the Assistant Undersecretary for Far East Affairs in the British Foreign Office, suggested that a commercial foothold should be retained in China.⁶⁶ With the defeat of the KMT, the British Foreign Office adopted this proposal in a memorandum submitted to the Cabinet on December 9, 1948. Bevin argued that if the CCP advanced south of the Yangtze River, the defence of Hong Kong would be difficult to guarantee, so it was

⁶⁴ FRUS/1949/Vol.9, Document-790, 'NSC-41, US Policy Regarding Trade with China,' February 28, 1949.

⁶⁵ FRUS/1950/Vol.4, Document-44, 'Secretary of State to Certain Diplomatic Offices,' April 26, 1950; Ibid, Document-68, 'Definitions of US Criteria for 1A and 1B Policy and Commodity Areas Covered 'Secretary of State to Certain Diplomatic Office,' June 12, 1950. In March 1948, the Truman administration imposed domestic restrictions on Soviet exports. The new trade control system divided the control objects into two types. The first was the 'R' category, including the Soviet bloc (USSR, Poland, Romania, Czechoslovakia, Hungary, Bulgaria, Yugoslavia, Albania, and German-Soviet area). Moreover, Western European countries were in the 'O' category, including countries and regions except for the Soviet bloc and Western European countries. In the summer, the US made Class 1-A under embargo and Class 1-B under strictly restricted export on quantities.

⁶⁶ Tuck-hong James Tang, *From Empire Defence to Imperial Retreat: Britain's Postwar China Policy and the Decolonization of Hong Kong* (Cambridge: Cambridge University Press, 1994), 324.

essential to maintain links with the Communist party.⁶⁷ Britain also recognised the New China. Oliver Franks, the British Ambassador to the US, submitted a memorandum to the US State Department on January 11, 1949, saying that the British government proposed to stay in China and would establish a *de facto* relationship with the CCP in order to explore the possibility of continuing to trade with China.⁶⁸ When consulting with the US Secretary of State, Dean Acheson, about China policy in early September 1949, Bevin argued that Britain was not in a hurry to recognise Communist China, but it had ‘big commercial interests in China’ and ‘had to keep an eye on Hong Kong.’⁶⁹

The British government responded negatively when the US required it to implement trade control towards China. For Britain, facing the threat of economic decline, commercial considerations needed to lie alongside strategic priorities. There had to be a much more careful balancing of the marginal strategic benefit from trade embargoes compared with their commercial costs.⁷⁰ The FO argued that in the long term, China under a strong and efficient government could be a potential source of raw materials and an export market for industrial goods. The Western world should cooperate with an effective Chinese government to promote the country’s economic development for the benefit of the Far East and wider world. The severance of existing commercial links with China would run entirely counter to such an objective.⁷¹ Facing US pressure, the British finally agreed that it would adopt the same level of trade controls on China as

⁶⁷ CAB-129/31.1, C.P. (48) 299, December 9, 1948.

⁶⁸ FRUS/1949/Vol. 9, Document-787, ‘The British Embassy to the State Department,’ January 10, 1949.

⁶⁹ *The Everyday Cold War*, 17.

⁷⁰ John Fisher et al., *The Foreign Office, Commerce and British Foreign Policy in the Twentieth Century*, p.364.

⁷¹ FRUS/1949/Vol.9, Document-72, Douglas to Acheson, August 17, 1949.

on the USSR and other eastern European countries - but it did not implement them.⁷²

China, the Soviet Camp and the Korean War

Mao Zedong decided to join the Soviet camp before the US took effective actions to draw China into the Western camp. Anastas Hovhannesi Mikoyan, Soviet Vice-Premier of the Council of Ministers, visited Mao in Xibaipo, in March 1949 and they reached a series of agreements on ideology, economic assistance and defence construction, deflating any hope for US engagement with the CCP. Mao afterwards published an article called 'On the People's Democratic Dictatorship' in *People Daily* on July 1 and declared China's policy to stand with the USSR. Mao's alignment with the USSR did not immediately change US China policy. The Truman administration aimed to curb the expansion of the USSR and hoped to split the Sino-Soviet relationship rather than contain China and the USSR at the same time. For example, on December 30, 1949, the NSC pointed out that 'it would be inappropriate for the United States to adopt a posture more hostile, or policies harsher, towards a Communist China than towards the USSR itself'.⁷³ The US even displayed relative benevolence to China on the Taiwan issue. Truman said on January 5, 1950, 'Nor does it [America] have any intention of utilising its Armed Forces to interfere in the present situation. The United States Government will not pursue a course which will lead to involvement in the civil conflict in China.'⁷⁴

⁷² AMDA/FO-371/75858, 'Control of Hong Kong entrepot trade with China and North Korea: Control of strategic materials northward from Hong Kong to communist territory,' December 15, 1949.

⁷³ FRUS/1949/Vol.7, Document-387, 'Memorandum by Souers to the NSC,' December 30, 1949.

⁷⁴ Harry S. Truman, '*Statement on Formosa*,' January 5, 1950.

The US formed its containment policy toward China during the Korean War. When the war broke out suddenly on June 25, 1950, US State Department policymakers quickly explained that it was part of Moscow's plan for aggression and the beginning of a broad Sino-Soviet offensive. On June 27, Truman issued the second presidential China Policy Statement in a year. He claimed that once the Chinese took over Taiwan, it would directly threaten the security of the Pacific region and US forces there. This statement restarted US military assistance toward the KMT government after an 18 month pause, and two months later, Truman ordered \$1,434,500 in new military aid to Chiang's regime.⁷⁵

On October 1950 the PRC intervened in the Korean War after US and UN forces crossed the 38th parallel and pursued the retreating North Korean forces towards the Yalu River, which marked the border with China. Mao did not want North Korea to be defeated, especially as this would weaken China's strategic position.⁷⁶ On January 12, 1951, the Joint Staff proposed a report to punish China for joining the war. The main objectives were: maintaining the security of the offshore defence line (Japan - Ryukyus - Philippines); denying Formosa to the Communists; and supporting the South Koreans as much and for as long as possible.⁷⁷ Truman also ordered MacArthur to confront China for as long as possible in Korea. The NSC approved Document 101/1, aiming to

⁷⁵ FRUS/1950/Vol.6, Document-240, 'Memorandum by Lay to the NSC,' August 3, 1950.

⁷⁶ Hao Yufan and Zhai Zhihai, "China's Decision to Enter the Korean War: History Revisited," *The China Quarterly* 121, no. 121 (1990): 94–115, 101.

⁷⁷ FRUS/1951/Vol.7, Document-56, Memorandum by Lay to the NSC, January 12, 1951.

break the Soviet grip on China and fostering an alternative Chinese regime to the CCP. It stipulated maintaining Taiwan within the US orbit and preventing CCP-supported Communist expansion in Asia. The US should prepare for a naval blockade and use Chiang's army to counterattack the mainland to achieve these objectives. If necessary, the US would directly attack mainland China.⁷⁸

Afterwards, the US Department of Commerce announced a comprehensive licensing system for exports to China on December 3, 1950. Unlike the R procedure, this system embargoed *all* items exported to China and its transit points including Macao and Hong Kong.⁷⁹ On December 16, the US government announced that it would control all of Communist China's assets under its jurisdiction and ban all US-registered ships from docking in Chinese ports.⁸⁰ However, there were differing opinions within the Truman administration on a total embargo toward China. Secretary of Commerce Sawyer suggested that limited, as opposed to total, sanctions on China would make Western European allies believe that the US would be unwilling to take military measures against China or compel them to implement a trade control policy damaging their economy.⁸¹ Acheson expected to restrict the limited sanctions even further to protect allies' interests and allow them to join the US multilateral arrangement. Those materials directly improving Chinese warfighting potential, including fuel products, arms and equipment for arms production, would be embargoed for China, which would not

⁷⁸ FRUS/1951/Vol.7, Document-62, 'Memorandum by Lay to the NSC,' January 15, 1951.

⁷⁹ FRUS/1950/Vol.6, Document-428, Acheson to Certain Diplomatic and Consular Offices, December 8, 1950.

⁸⁰ FRUS/1950/Vol.6, Document-433, 'The Secretary of State to All Diplomatic Offices,' December 16, 1950.

⁸¹ FRUS/1951/Vol.7, Document-247, Gleason to the NSC, January 19, 1951.

impact Western European exporters.⁸² The Pentagon did not support the comprehensive embargo either. The US would have to use the navy to blockade Chinese ports for the policy, and this would have expanded the war by involving the Soviet navy docked in Dalian.⁸³

Washington had to consider suspending full sanctions against China but hoped to impose variable and selective trade control and economic sanctions under the auspices of the United Nations and in cooperation with its allies. From the start of the war, the US sought British help to implement an embargo. Britain reluctantly accepted the economic sanctions imposed by the US on North Korea and China, but it still believed that it was not necessary to characterise China as an aggressor nation. British Foreign Secretary Ernest Bevin did not object to the US bombing of Chinese mainland airports, adopting selective embargoes and maintaining PRC exclusion from the United Nations. But he also argued that the US had gone too far and too fast. In particular, he worried that the Americans were attempting to press the UN to act beyond its capabilities and damage its credibility. Moreover, economic sanctions could lead to PRC attacks on Hong Kong, and Britain could not afford this.⁸⁴

British Opposition to US Economic Sanctions on China

⁸² FRUS/1951/Vol.7, Document-248, 'Acheson to the United States mission at the UN,' January 20, 1951;

FRUS/1951/Vol.7, Document-250, 'Acheson to certain diplomatic and consular offices,' January 31, 1951.

⁸³ FRUS/1951/Vol.7, Document-30, 'The JCS's position is noted in minutes of a State Department-JCS meeting,' February 6, 1951.

⁸⁴ Heather Yasamee, 'Preface,' in Heather Yasamee and Keith Hamilton, eds, *Documents on British Policy Overseas Series 2, Volume 4* (London: HMSO, 1991), p. xxviii.

On February 21, 1951, A. Gerald Meade, counsellor to the British embassy in Washington, formally raised London's doubts about multilateral sanctions with the US State Department. First, US expectations of support from all major countries were 'unrealistic'. Second, China did not heavily rely on coastal exports, so the embargo's effect would be limited. Finally, China could retaliate, thus expanding the war.⁸⁵ Additionally, the British believed that the US embargo policy had impaired Hong Kong's economy, and the US needed to provide compensation for British losses.⁸⁶

Acheson was willing to compromise with the British on the Hong Kong issue and hoped to eliminate disagreements, but some US officials opposed the concession. Sawyer, the Secretary of Commerce, felt that the most critical question facing the US government was how to maximise the effect of the embargo toward China instead of addressing British interests in Hong Kong.⁸⁷ The Department of Defence (DoD) also required Acheson to abandon compromises with Britain and continue the current policy limiting trade with Hong Kong. Marshall argued that the DoD could not accept 'the proposition suggested in the British Aide-Mémoire ... that the United States could be held responsible to any substantial degree for the loss by its prevailing trade practices of, or severe jeopardy to, Hong Kong.' According to archives available from the DoD, the British statements on the influence of the US restrictions on trade with Hong Kong were greatly exaggerated.⁸⁸ Acheson compromised by announcing he would not relax trade

⁸⁵ FRUS/1951/Vol.7, Document-266, Memorandum of Conversation, February 21, 1951.

⁸⁶ FRUS/1951/Vol.7, Document-270, Acheson to Sawyer, March 22, 1951.

⁸⁷ FRUS/1951/Vol.7, Document-273, Sawyer to Acheson, March 30, 1951.

⁸⁸ FRUS/1951/Vol.7, Document-276, Marshall to Acheson, Washington, April 9, 1951.

controls over Hong Kong.

Still, the British expressed dissatisfaction with US attitudes and refused to cooperate when discussing enlarging embargo measures toward China in the UN's Additional Measures Council. The British government insisted that engaging with China instead of conducting total economic war was a priority and opposed implementing any political sanctions. The UK could only support a selective embargo on strategic items if a truce agreement were not reached. Privately, British officials even complained that US embargo policy irritated the Chinese to the point that Beijing opposed withdrawing from the war in Korea.⁸⁹ However, the US united the other major allies to press Britain diplomatically, and the British accepted the US proposal for a thorough embargo in May 1951. Britain also required a clear embargo list and a US guarantee that the limited embargo would not end up as a total embargo, which Acheson accepted.⁹⁰

The British government attempted to minimise the US embargo policy. It strongly resisted the naval blockade and Gladwyn Jebb, the UK Ambassador to the United Nations, hoped that Washington would promise not to implement a naval blockade before Britain's approval.⁹¹ Britain shipped strategic items to mainland China and Acheson believed that this would have adverse effects on the embargo.⁹² Britain also continued to use Hong Kong as a transfer base to ship materials to mainland China. On

⁸⁹ FRUS/1951/Vol.7, Document-279, Memorandum of conversation, April 11, 1951.

⁹⁰ FRUS/1951/Vol.7, Document-296, Acheson to the US embassy in the UK, May 5, 1951.

⁹¹ FRUS/1951/Vol.7, Document-308, 'Memorandum by the Director of Central Intelligence (Smith) to W. Park Armstrong, Special Assistant for Intelligence to the Secretary of State,' June 27, 1951.

⁹² FRUS/1951/Vol.7, Document-310, Acheson to the embassy in the U.K., August 23, 1951.

September 18, Truman received a joint letter from the Secretary of Defense and the Chairman of the Joint Chiefs of Staff (JCS), which noted that 500,000 tonnes of goods were arriving in Hong Kong each month, of which 20 per cent stayed in Hong Kong, 40 per cent went to coastal China, and 40 per cent went directly from Hong Kong to mainland China.⁹³

The Establishment of a ‘China Committee’ under COCOM

Although its allies resented the embargo, the US successfully built a new multilateral trade control system for China as an extension of COCOM – the Coordinating Committee on Export Controls established by the US and its allies during the early Cold War to implement an embargo against the USSR and the Eastern Bloc. From July 28 to August 2 1952 the US, Britain, France, Canada and Japan held a meeting in Washington that decided that Japan should join COCOM and a China Committee should be set up as a branch of COCOM in Asia.⁹⁴ The China Committee formed the Consolidated China Special List of 295 items, including 25 items in International List (IL)/2, 63 in IL/1,⁹⁵ and 207 items not belonging to COCOM trade control lists. This difference was called the ‘Chinese differential’, and it meant that trade to China was actually stricter than to the USSR and its Eastern European allies because the China Special List included more controlled items than the list for other Soviet camp countries.

⁹³ FRUS/1952-1954/Vol.14, Document-52, Memorandum by the President to the Secretary of State, September 18, 1952.

⁹⁴ FO371/100228, M3410/118, Outward Telegram from FCO, No.316. August 7, 1952.

⁹⁵ The International List included items designed specifically, or used principally, for potential military systems.

In this period, the divergence between the US and UK on China appeared and gradually widened. Although the US could influence British policy, the British government could still protect its economic interests by bargaining with the US or maintaining its own course, but it was hard for the British to change US policy. Noticeably, their divergences were mainly economic rather than strategic. On the one hand, the British were willing to make concessions regarding their shared strategic interests, such as containing the Soviet Bloc and joining the Korean War. Where British policy did not completely coincide with US strategy, the latter would respect British choices as long as there was no threat to its security interests.

Eisenhower's 'Domino theory'

On November 6, 1953, the Eisenhower Administration determined that in the wake of the Korean War, the fundamental task of US Far East policy was to deal with an assertive and hostile Communist China and the Sino-Soviet alliance. The US should seek to reduce China's power and undermine Sino-Soviet relations without war.⁹⁶ With the increase of China's international profile at the 1954 Geneva conference, Eisenhower proposed the 'Domino theory' of Communist expansion in Indochina. The Eisenhower administration explicitly prioritised the Chinese threat over the Soviet threat. Eisenhower's Secretary of State, John Foster Dulles, argued that Soviet Communism did not aim to openly embark on armed offensives against the West but attempted to

⁹⁶ FRUS/1952/1954/Vol.14, Document-149, 'NSC-166/1: US Policy Towards Communist China,' November 6, 1953.

raise the burden of defence expenditure in the West to stimulate internal conflicts.⁹⁷

China was a more dangerous opponent than the USSR because it had over-confidence in its power and was addicted to offensive operations like 'Hitler'.⁹⁸

The Eisenhower administration actively developed the conventional military forces of non-Communist countries in Asia, which directly threatened China. Politically, it established a regional anti-communist international organisation, the Southeast Asia Treaty Organisation (SEATO), to isolate China. Economically, it attempted to maintain a strict system of trade controls against China. That said, Britain sought to develop Sino-British relations under US containment policy. In early 1954, William Denis Allen, British Assistant Under Secretary of State for Foreign Affairs, defined the twin objectives of Britain's China policy as 'containment' and seeking a 'modus vivendi'. On the one hand, Britain aimed to prevent the spread of Communism outside its present confines and strengthen its colonial possessions. On the other, 'we strive, so far as circumstances permit, to establish something more like normal relations between China and ourselves and between China and her neighbours in South East Asia and the Pacific'.⁹⁹

British Resistance to the 'China Differential'

The British government was eager to explore the prospects for increasing bilateral trade

⁹⁷ John Lewis Gaddis, *Strategies of Containment*, 137.

⁹⁸ Ibid. 144.

⁹⁹ Chi-Kwan Mark, *The Everyday Cold War*, 45.

with China. The FO and the established British China firms (as represented by the Federation of British Industries and the China Association) wanted to regain the initiative from the trade rivals that emerged from the 1952 Moscow International Economic Conference. On the other side, under Zhou's direction, the Chinese vice-minister for foreign trade, Lei Renmin, saw trade with Britain as a means to break the US embargo on China and widen Anglo-American contradictions. In addition, the British Foreign Secretary, and later Prime Minister, Anthony Eden and Zhou Enlai had formed favourable impressions of each other at Geneva, becoming Cold War allies of a kind. During negotiations, on June 17, 1954, the Chinese government exchanged *chargés d'affaires* in London.¹⁰⁰

The development of Sino-British relations encouraged the British government to challenge US China embargo policy. On July 2, 1953, the US received the NSC 154/1 document, which pointed out that the Korean armistice¹⁰¹ did not mean China would terminate its Communist activities in Southeast Asia. The US should strengthen cooperation with Western allies in imposing an embargo on China. It was worried that once the Korean War ceased, trade between the West and China would seek to recover, so that exerting pressure on allies was necessary to maintain trade control.¹⁰² The British view was that the possibility of another total war would be minimal and economic recovery should be the priority after the war. The retention of a strict wartime

¹⁰⁰ Ibid. 44, 54.

¹⁰¹ The Korean Armistice Agreement, signed on July 27, 1953, was an accord reached to cease Korean war hostilities.

¹⁰² FRUS/1952-1954/Vol.15-2, Document-655, 'Memorandum of Discussion at the 152d Meeting of the NSC,' July 2, 1953.

embargo would not only escalate the tense relationship with China, but it would also be ineffectual.¹⁰³ In November 1953, Britain suggested curtailing the current trade control list and reconsidering the export control list toward China, relaxing controls on antibiotics.¹⁰⁴

The US government agreed only to relax the controls on the USSR and Eastern European countries and firmly opposed the relaxation of export controls on China. At the end of March 1954, the US, Britain and France held a meeting in London to discuss trade policy. This adjustment eased controls on the USSR and Eastern countries, but the trade control on China remained.¹⁰⁵ Britain believed that the embargo on China would cause a Sino-British trade deficit.¹⁰⁶ However, the US attitude to abolishing the 'China differential' gradually changed from firm opposition to a willingness to concede. Dulles admitted that allied opposition to the 'China differential' carried with it 'the prospect of total disintegration of the multilateral control system.' Therefore 'to salvage this system, we must accept a graduated reduction in China controls to a level which will gain mutual agreement among countries participating in the Consultative Group.' He recommended beginning negotiations with Britain and other interested countries as soon as possible, 'with the aim of preserving the multilateral control system and, through its orderly procedures, to maintain the controls over trade with China at the

¹⁰³ Harry Harding, *Sino-American Relations, 1945-55: A Joint Reassessment of a Critical Decade* (Rowman & Littlefield Publishers, 1989), 371.

¹⁰⁴ FRUS/1952-1954/Vol.1-2, Document-61, Gordon to the State Department, November 10, 1953; FRUS/1952-1954/Vol.1-2, Document-67, Ambassador Aldrich to the State Department, November 21, 1953.

¹⁰⁵ FRUS/1952-1954/Vol.13-2, Document-876, 'Memorandum of Discussion at the 197th Meeting of the NSC,' May 13, 1954.

¹⁰⁶ AMDA/FO-371/115107, 'Trade relations between China and UK,' December 20, 1954, 6.

highest negotiable level but in no event below the level of the Soviet bloc controls'.¹⁰⁷

British Use of 'Exception Procedures'

In December 1955, the British government again negotiated with the US over the 'China differential'. The British hoped to abolish the 'differential', but the US government reacted coldly to this proposal. Therefore, Britain decided to use 'exception procedures' to bypass restrictions and announced the sale of 60 agricultural tractors to China on April 11, 1956. On April 26, 1956, the NSC decided that COCOM member states could export to China the 81 items that the Committee for Foreign Economic Policy had proposed be deregulated under 'exception procedures', and the US government would not oppose. This was a prime example of an economic concession by the US resulting from British pressure in an area where vital US strategic interests were not considered to be at stake.¹⁰⁸

The British government subsequently used 'exception procedures' to sell metals, chemicals, and industrial equipment to China. The British Strategic Export Council reported that 'exception procedures' would remove prohibited materials from the embargo.¹⁰⁹ However, the British were still dissatisfied with the situation. First, the British received few orders from China.¹¹⁰ Second, the US always opposed 'exception procedures' when the British adopted them. Finally, many British companies did not

¹⁰⁷ FRUS/1955-1957/Vol.10, Dulles to Eisenhower, December 8, 1955, pp.275-276.

¹⁰⁸ FRUS/1955-1957/Vol.9, 'Memorandum of Discussion at the 282d Meeting of the NSC,' April 26, 1956, 345-356.

¹⁰⁹ PREM-11/2135, The report, 'Export to China: Extension of the Exceptions Procedure,' June 22, 1956.

¹¹⁰ AMDA/FO-371/120945, 'Trade relations between China and UK,' August 15, 1956, p.98.

have an accurate list of items that were subject to the ‘exception process’.¹¹¹

The British government was therefore unwilling to rely on ‘exception procedures’ and hoped to terminate the ‘China differential’ as soon as possible. In early 1957, it again negotiated with the US and said that it would act unilaterally if the US did not abandon the ‘China differential’.¹¹² The US again conceded, allowing some trade development between other COCOM states and China, but it still expected the maintenance of effective multilateral control on strategic items.¹¹³ It was difficult to reach an agreement with the US government, so Britain officially abolished the China differential on May 27 – to which Washington expressed its disappointment.

These disputes between Britain and the US were focused on economic issues rather than political divergences. Two days after the British abolished the ‘China differential’, Harold Macmillan, who had replaced Eden as Prime Minister in January 1957, sent a letter to Eisenhower to explain the action. ‘As you realise, the commercial interests of our two countries in this are not at all alike. We live by exports and by exports alone ... Of course, we shall stress that we mean to continue cooperating with you and our allies in controlling trade with both the Soviet bloc and China in the interests of our mutual security. I trust that this will be made clear also in the United States. There is no division

¹¹¹ Jagdish P. Jain, *China in World Politics, a study of Sino-British relations, 1949-1975* (New Delhi: Radiant Publishers, 1976), 235.

¹¹² Shao Wenguang, *China, Britain and Businessman: Political and Commercial Relations 1949-1957* (London: Macmillan, 1991), 170-171.

¹¹³ FRUS/1955-1957/Vol.10, Document-155, ‘Instruction from the State Department to Certain Diplomatic Missions,’ April 17, 1957.

of view on this, and we shall emphasise this again. I agree that we must try to play down this difference of view between us and do all we can to prevent the misconception that we have different policies on strategic controls or on the great issues that lie beneath all this.’¹¹⁴

The Softening of Eisenhower’s Containment Policy towards China

With more Western countries abandoning the ‘China differential’, the multilateral trade control system was close to collapse. The Eisenhower administration had no confidence in the effectiveness of the embargo toward China. On December 31, 1957, a State Department report argued that economic measures could not contain the Chinese threat in the long run. If the US developed its relations with China, Western allies would be satisfied, and a potential Sino-Soviet split could be widened further. At the very least, Beijing's foreign policy could be redirected when the US adjusted its strict policy.¹¹⁵

US policy toward China gradually became less confrontational. The approval of NSC 5429/2 on August 20, 1954, marked the peak of US containment policy toward China during the Cold War. It argued that the US should weaken Communist China even at the risk of war. However, in the Taiwan Strait (or ‘off-shore island’) crisis between September 1954 and April 1955, when the US was involved in a confrontation with China over Quemoy, Matsu and other off-shore islands occupied by the KMT

¹¹⁴ FRUS/1955-1957/Vol.10, Document-174, Macmillan to Eisenhower, May 29, 1957.

¹¹⁵ FRUS/1955-1957/Vol.3, Document-305, ‘Review of U. S. China Policy: A Pacific Settlement?’ December 31, 1957.

government based in Taiwan, Dulles and Eisenhower thought any war with China was unwise, so the US submitted the issue to the United Nations instead of intervening militarily. It also reached a mutual defence agreement with KMT for such a compromise.¹¹⁶ After the second Taiwan Strait Crisis in 1958 over the off-shore islands, China began to insist on a 'package' solution: no relations with the United States without a solution to the Taiwan issue. The US accepted that the Taiwan Strait region would remain tense for the foreseeable future.¹¹⁷

The Eisenhower administration essentially gave up on the idea of military intervention over the Taiwan issue. On August 5, 1959, NSC 5906/1 recognised that 'the initiation by the United States of preventive war to reduce Soviet or Chinese Communist military power is not an acceptable course either to the United States or its major allies', so the US must seek other means - namely, 'psychological factors'. This 'psychological programme' aimed to influence civilian and military leaders, especially those visiting or being trained in the United States, to gain a better understanding and appreciation of the values, motives and policies of the United States. For example, the State Department contrasted the wealth of Hong Kong with the poverty of mainland China and aimed to expose what it saw as the brutal rule of the CCP and to damage its reputation worldwide.¹¹⁸

¹¹⁶ See Robert Accinelli, 'Eisenhower, Congress, and the 1954-55 Offshore Island Crisis', *Presidential Studies Quarterly*, Vol.20, No.2, Spring 1990, 329-348.

¹¹⁷ The Principal Conclusions and Lessons Deriving from the Taiwan Crisis, February 27, 1959. Cited in Appu K. Soman, 'Who's Daddy' in the Taiwan Strait? The Offshore Islands Crisis of 1958,' *The Journal of American-East Asian Relations* 3, no. 4 (1994): 373-98, 394-5.

¹¹⁸ FRUS/1958-1960/Vol.3-1, Document-70, NSC meeting, August 5, 1959.

The Sino-Soviet Split and US responses

Even as Soviet assistance significantly improved Chinese industry and military power, the alliance remained fragile. Chinese Cold War historian Zhihua Shen divided the Sino-Soviet alliance into four periods from 1945 to 1969. The first five years were preparation; the decade in the 1950s was friendly cooperation with a three years honeymoon (1955-1957) period, and a period of divergence between 1958 and 1969. He argues that the origin of the split was the Moscow meeting in 1957, after which disputes were escalated by a series of events, including the Great Leap Forward, the People's Commune movement, shelling Jinmen in the second Taiwan Strait Crisis, Sino-Indian conflicts and Khrushchev's visit to the US.¹¹⁹ These divergences on national interests, ideology and foreign policy contributed to the split in 1969.

The CIA always overestimated the strength of the Sino-Soviet alliance. In November 1957, Mao Zedong said that the 'East wind overwhelms the West wind' at the meeting of the Communist and Workers' Parties in Moscow and reiterated the famous thesis that 'all reactionaries are paper tigers'. With these words he criticised Khrushchev's détente with the US. In May 1958, the CIA assessed that these disagreements were unlikely to damage the Sino-Soviet alliance. The report also believed that China would maintain a

¹¹⁹ Shen Zhihua and Li Danhui, 'Structural unbalance: The deep cause of the split of Sino-Soviet Alliance,' *Tansuo yu Zhengming*, 2012(10):3-11, 3. Note: The Great Leap Forward was a social and economic campaign by the Communist Party of China to rapidly transform the country from an agrarian society into a socialist society through rapid industrialization and collectivization, and People's Communes were large collective farms established during the campaign. The Second Taiwan Straits Crisis, occurring in 1958, was a period of heightened tensions between mainland China and Taiwan where mainland China shelled the islands of Kinmen and the Matsu Islands along the Taiwan Strait.

strong alliance with the USSR and recognise Moscow as the leader of the Communist world.¹²⁰ Shortly after that, Mao ordered the shelling of Jinan Island without informing Khrushchev beforehand, which provoked profound Soviet dissatisfaction. The CIA concluded in February 1959 that ‘although the leap forward and commune programs have caused some new frictions in Sino-Soviet relations, these frictions are highly unlikely to threaten Sino-Soviet solidarity against the Western world.’¹²¹ By the end of July 1959, Mao Zedong had again challenged Moscow's dominant authority in the socialist camp, opening an ideological debate over Khrushchev and the Chinese path to Communism. However, another CIA report concluded that the Sino-Soviet alliance would persist against the West. The USSR would remain leader of the alliance. Although there were differences between China and the USSR, they had no choice but to maintain the status quo. Both countries left room for each other to disagree rather than weakening the alliance.¹²²

Khrushchev's visit to America and meeting with Eisenhower at Camp David irritated Beijing. China's leaders believed that the so-called ‘Camp David spirit’ was nothing but a gift to the US whereby the Soviets betrayed China. After the visit, Khrushchev took part in the 10th anniversary celebrations of the foundation of the New China, and he counselled Mao to give up his radicalism. Mao regarded that as ‘surrenderism’ that would expose weakness to the US. In April 1960, in accusing Yugoslavia, China

¹²⁰ Council, Intelligence, and United States, *Tracking the Dragon*. Central Intelligence Agency, 2004, 124.

¹²¹ FRUS/1958-1960/Vol.19, Document-258, NIE 13-2-59, February 10, 1959.

¹²² FRUS/1958-1960/Vol.19, Document-292, NIE 13-59, July 28, 1959.

criticised the Soviet path to Communism and Soviet foreign policy since its 20th National Congress, launching the prelude to the Sino-Soviet public debate.¹²³

The public debate directly caused a withdrawal of Soviet experts from China in August 1960, and the conflict appeared in the open. This event was essentially the end of the honeymoon period in Sino-Soviet relations, and the relationship was in decline after that. The Eisenhower administration wrongly believed that cohesion in Sino-Soviet relations would be stronger during the following five years, despite the conflict of interests in Sino-Soviet relations, because US intelligence insisted that neither China nor the USSR wanted their common interests to diverge to an irreparable extent.¹²⁴

John F. Kennedy's 'Flexible Response' Policy and China

Before entering the White House, Kennedy had said that his China policy would be more flexible, active and effective than Eisenhower's.¹²⁵ The new administration adjusted the Eisenhower administration's estimates regarding the Sino-Soviet split. It thought that a Sino-Soviet split was inevitable and that neither side would make concessions to maintain the alliance. The USSR was concerned about its interests, so as long as China relied on its assistance, it had no reason to seek an improvement in the relationship.¹²⁶ On the Chinese side, radical nationalism could not give way to Soviet

¹²³ Li Jie, 'From Alliance to the split: The causes of Sino-Soviet debates,' *Dangde Wenxian*, 1998(2), p.6.

¹²⁴ FRUS/1958-1960/Vol.19, Document-344, NIE 100-3-60, Sino-Soviet Relations, August 9, 1960.

¹²⁵ Wesley M. Bagby, *American's International Relations Since World War I* (New York: Oxford University Press, 1999), 218; Timothy P. Maga, *John F. Kennedy and the New Pacific Community, 1961-1963* (Hampshire: Palgrave Macmillan, 1990), 2-6.

¹²⁶ FRUS/1961-1963/Vol. 5, Document-26, 'Position Paper Prepared in the State Department,' May 25, 1961.

pressure.¹²⁷ A further deterioration of relations between the USSR and China would provide the West with many opportunities to expand its influence and create favourable conditions for confrontation throughout the world.¹²⁸

Kennedy's China policy could be summarised as utilising the split and drawing China out of the Soviet bloc by actively developing the US-Sino relationship. On October 26, 1961, the Policy Planning Council suggested relaxing the comprehensive embargo to 'actively' develop Sino-US relations, including gradually relaxing trade restrictions and economic sanctions, enabling grain transfers and ending interference on Chinese territory.¹²⁹ Specifically, Treasury Secretary C. Douglas Dillon suggested authorising US oil companies to agree to fuel ships holding Communist China licenses that carried food from Australia and Canada to China. Kennedy was interested in the proposal, but he was also concerned that the action would present an opportunity for domestic political opponents, so he told Dean Rusk, the Secretary of State, to explain that the policy came at the request of the Canadian government instead of the US.¹³⁰ In April 1962, Walt Rostow, the head of the State Department's Policy Planning Committee, advised the administration to focus on the Sino-Soviet split and suggested improving Sino-US relations by opening communication channels and selling grain to China. United States Under Secretary of State Chester Bowles agreed, noting that the grain

¹²⁷ FRUS/1961-1963/Vol.8, Document-2, NIE 1-61, 'Estimate of The World Situation,' January 17, 1961.

¹²⁸ FOIA/General CIA Collection, 'NIE 10-61-Authority and Control in the Communist Movement,' August 8, 1961.

¹²⁹ FRUS/1961-1963/Vol.22, Document-76, Policy paper draft 'US policy toward China,' October 26, 1961.

¹³⁰ FRUS/1961-1963/Vol.22, Document-2, Memorandum from Dutton to Kennedy, February 1, 1961, enclosed in editorial note; FRUS, 1961-1963, Vol.8, Document-8, Record of actions taken at the 475th NSC meeting, February 1, 1961.

crisis in China was an opportunity for the US to sound out Chinese attitudes, so the US could sell some wheat without political conditions, which Kennedy accepted.¹³¹ Furthermore, Rusk argued that the US should convey a message to China that ‘we do not expect or ask them (Australia, Canada and France) in present circumstances to attach extraneous conditions to their supply of food grains to Communist China.’¹³²

Internal Opposition to Kennedy’s Policy Adjustment

However, with the further revelations of a split between China and the USSR, many senior US officials thought relaxing the embargo was unnecessary. Edwin Martin, the Assistant Secretary of State for US Economic Affairs, argued that the split between China and the USSR had resulted from the strict long-term embargo policy. He suggested that the Kennedy administration did not require any help from the CCP against the USSR and China's economic difficulties would increase the tension between Beijing and Moscow, which would be beneficial to the US.¹³³ Deputy Under Secretary of State for Political Affairs Ural Alexis Johnson strongly opposed a policy adjustment because any tentative approach to the Chinese about grain would likely convince them that their policy was paying off and that the US was being forced to react to the pressures of its commercial grain interests.¹³⁴ When Bowles met with Soviet ambassador Dobrynin on October 13, the latter said that China could not be self-

¹³¹ Chester A. Bowles, *Promises to Keep: My Years in Public Life, 1941-1969* (New York Harper & Row, 1971), pp. 470-471.

¹³² FRUS/1961-1963/Vol.22, Document-100, Rusk to Kennedy, April 4, 1962.

¹³³ FRUS/1961-1963/Vol.22, Document-82, Memorandum from James C. Thomson, Jr., to the Assistant Secretary of State for Far Eastern Affairs (Harriman), January 12, 1962.

¹³⁴ FRUS/1961-1963/Vol.22, Document-102, Memorandum from Johnson to Rusk, April 6, 1962.

sufficient without Soviet fuel and wheat. He even suggested that the Soviets could press China together with the US by ending the provision of Soviet fuel and US grain.¹³⁵ Frederick G. Dutton, the Presidential Special Assistant, argued that the White House should unofficially reject any proposals trying to defuse Sino-US tensions because such actions would be the first step toward a new China policy, which needed serious consideration.¹³⁶ On the one hand, Kennedy appeared to be convinced by Dutton; but on the other, he requested the Policy Planning Council (PPC) to thoroughly investigate a new China policy.¹³⁷

On June 22, 1962, the PPC submitted a 'carrot and stick' policy. It continued to argue that the US should allow China to enjoy the benefits of trade with liberal democratic countries. The connection would further damage the Sino-Soviet alliance. The new policy made compromises to appease hawkish opposition. It said that the US should be prepared to deter the CCP militarily in any arena.¹³⁸ Additionally, it suggested that the US should avoid pursuing détente too rashly or persuading others to do so, lest the pressure on the Chinese government be mitigated. By maintaining and strengthening the embargo, the US would retain a flexible and beneficial position.¹³⁹

China's Nuclear Weapons and the End of 'Flexible Response'

¹³⁵ FRUS/1961-1963/Vol.22, Document-15, Bowles to Kennedy, October 13, 1962.

¹³⁶ FRUS/1961-1963/Vol.22, Document-2, Memorandum from Dutton to Kennedy, February 1, 1961, editorial note.

¹³⁷ Ibid.

¹³⁸ FRUS/1961-1963/Vol.22, Document-99, editorial note, 'PPC paper draft-Basic National Security Policy,' June 22, 1962.

¹³⁹ FRUS/1961-1963/Vol.22, Document-157, Paper Prepared in the Policy Planning Council, November 30, 1962.

From September 6, 1963, to July 14, 1964, Mao personally presided over the publication of nine articles and criticised the Communist Party of USSR as a revisionist party. The split suggested that Kennedy's adjustment of China policy was unnecessary because the current Sino-Soviet relations were in *de facto* disrepair, so the US did not have to improve US-Sino relations.¹⁴⁰ The CIA estimated that the termination of Sino-Soviet cooperation would affect China's economy enormously, which matched US interests because China's economic collapse would damage its image as a paragon among undeveloped countries.¹⁴¹

Furthermore, the development of Chinese nuclear weapons in 1963 made Kennedy extremely concerned. US intelligence agencies consistently warned that China would successfully test a nuclear weapon by late 1964, yet the successful test on 16 October 1964 nonetheless shocked US officials. Afterwards, China successfully developed strategic weapons such as medium-range ballistic missiles, guided missiles and long-range ballistic missiles, and established strong Soviet-standard conventional forces with more than a thousand fighter aircraft and hundreds of ships. Kennedy considered uniting allies and even approaching the USSR to sanction China until it abandoned its nuclear programme, which meant that he had given up on rapprochement with China.¹⁴²

Lyndon Johnson's China Policy

¹⁴⁰ FRUS/1961-1963/Vol.22, Document-176, 'Problems and Prospects in Communist China,' May 1, 1963.

¹⁴¹ FRUS/1961-1963/Vol.5, Document-269, Memorandum prepared by the CIA, November 29, 1962.

¹⁴² Kevin Quigley, "A Lost Opportunity: A Reappraisal of the Kennedy Administration's China Policy in 1963," *Diplomacy & Statecraft* 13, no. 3 (September 2002): 175-98, 191.

Avoiding Chinese involvement in the Vietnam War¹⁴³ was a critical issue for the Johnson administration, and a China confrontation study group was established. First, the military considered tough measures. To prepare for China's military intervention, Earle Gilmore Wheeler, the JCS chief, proposed strengthening US military actions in Southeast Asia, including striking north Vietnam and military bases on Chinese territory. He added that the Johnson administration 'must' prepare for a further escalation of the war. Cyrus Vance, the Deputy Secretary of State, and Llewellyn Thompson, the US Ambassador to the Soviet Union, submitted a report to the group that said supporters of escalation estimated the probability of Chinese military intervention as high.¹⁴⁴ However, before the China study group reached an agreement, Johnson grew impatient with Vietnam and was determined to escalate militarily because he was not willing to be regarded as a 'paper tiger' by the Chinese.¹⁴⁵

This led to US officials' concerns about a Sino-US conflict, so they turned to other, non-military measures to de-escalate the rivalry between the two countries. An analysis, NIE 12-5-66, was submitted to the White House in early 1966, and decision-makers came to two conclusions: first, China had recovered from a severe economic crisis in the last five years and developed advanced weapons; second, the Vietnam War had not placed an economic burden on China, but escalation would impact China's economy

¹⁴³ The Vietnam War (1955-1975) was a major conflict in Southeast Asia between communist North Vietnam, supported by its allies, and South Vietnam, backed primarily by the United States. It was part of the Cold War-era containment policy to prevent the spread of communism.

¹⁴⁴ FRUS/1964-1968/Vol.30, Document-94, Memorandum from Thompson to Rusk, July 15, 1965.

¹⁴⁵ Thomas G. Paterson and J. Garry Clifford, *America Ascendant: U. S. Foreign Relations Since 1939* (D.C. Heath and Co., 1995, 172-173).

significantly. Therefore, economic sanctions would slow the pace of PRC nuclear weapon development, weaken assistance to Hanoi and force China to focus on its own economic difficulties.¹⁴⁶

The Johnson administration nevertheless considered more flexibility in its China policy, aiming to mitigate US rivalry with China in Southeast Asia. In June 1966, a special study group organised by DoD completed a 'long-range study' that proposed making friendly signs and relaxing sanctions such as establishing unofficial contact on culture, education, and exhibitions.¹⁴⁷ James Thomson, the China specialist on the staff of the National Security Council, explained the policy's rationale. In the short term, the US could change a previously rigid and defensive posture toward China and demonstrate a welcome degree of confidence and flexibility to allies. In the longer term, the US could communicate a new and supportive message to elements within mainland China pushing for policies of pragmatism and accommodation with the outside world.¹⁴⁸

National Security Advisor McGeorge Bundy even suggested permitting US companies' overseas branches to trade non-strategic items with China and allowing China to use US dollars in its trade with third countries. Beijing was concerned about its weak economy in the wake of the cultural revolution. US relaxation would soften Beijing's antagonistic attitudes.¹⁴⁹ Secretary of State Dean Rusk was reluctant to accept Bundy's

¹⁴⁶ FRUS/1964-1968/Vol.30, Document-118, 'Communist China's Economic Prospects,' January 13, 1966.

¹⁴⁷ FRUS/1964-1968/Vol.30, Document-161, 'Communist China: Long Range Study,' June[undated] 1966.

¹⁴⁸ FRUS/1964-1968/Vol.30, Document-173, Memorandum from Thomson to Rostow, August 4, 1966.

¹⁴⁹ FRUS/1964-1968/Vol.30, Document-250, Memorandum from Bundy to Rusk, March 29, 1967.

recommendations, so a debate on the issue within the State Department lasted for nearly a year. On February 22, 1968, Rusk agreed to a minimal relaxation, including (1) relaxing the trade control between US overseas subsidiary corporations and China; (2) cancelling some regulations on ports; (3) cancelling some regulations on travel to China; and (4) considering changing the license system for exporting agricultural products.¹⁵⁰

However, the US's attempts to revive the relationship with China encountered resistance from both internal and external actors. Rusk opposed further steps to establish a relationship, and some US Asian allies were against unilateral US détente toward China.¹⁵¹ National Security Council senior staff Alfred Jenkins continually pushed for relaxation. He argued that the US should reduce trade sanctions against China to the level of those adopted against Communist countries in Europe.¹⁵² By the end of Johnson's tenure, Jenkins seemingly convinced Rusk, who proposed relaxing trade controls and financial sanctions on China, but Johnson said he did not want to introduce these policies in haste.¹⁵³

From Kennedy through Johnson, US policy towards China softened slightly. While Kennedy initially pursued a more flexible approach towards China, his efforts were thwarted by internal political pressures and China's nuclear weapon development.

¹⁵⁰ FRUS/1964-1968/Vol.30, Document-303, Rusk to Johnson, February 22, 1968.

¹⁵¹ FRUS/1964-1968/Vol.30, Document-313, Jenkins to Rostow, June 7, 1968.

¹⁵² FRUS/1964-1968/Vol.30, Document-328, 'Further Thoughts on China,' October 9, 1968.

¹⁵³ FRUS/1964-1968/Vol.30, Document-336, Rostow to President Johnson, January 6, 1969.

Although Johnson adhered to traditional US policy and initially avoided engagement with China, the intensification of the Vietnam War and the persistent threat from China forced a reconsideration. The growing disinterest among officials in the conventional containment policy towards China shifted perspectives. However, engulfed in internal debates, the Johnson administration ran out of time to substantially address the China issue before the end of its term.

Sino-British Relations in the 1960s

Sino-British relations developed significantly during the 1960s. Economically, trade between China and Britain increased considerably. Following the split in Sino-Soviet relations, trade volume between the two countries declined sharply. In the 1950s, China's trade with the Soviet Union and Eastern bloc countries accounted for two-thirds of China's total foreign trade, but by the mid-1960s, it accounted for less than 20%.¹⁵⁴ In order to break its diplomatic isolation, China attempted to develop economic relations with Britain. The British government also took measures to strengthen its economic connections with China. By the end of 1964, China had ordered 500 Land Rover vehicles at a cost of £840,000 and signed its first order in shipbuilding for two 15,000-ton freighters from Britain. Britain also sold six civil aircraft to China, valued at £4.5 million for the sale of the aircraft together with spares & maintenance. The British government believed it could maintain close ties between the two countries by selling parts and providing maintenance services.¹⁵⁵

¹⁵⁴ AMDA/FO-371/187017, 'Commercial relations: UK,' April 4, 1966, 151.

¹⁵⁵ CAB-129/112/13, 'East-West Trade Differences with the Americans,' February 4, 1963, 4.

In 1964, trade between China and Britain reached \$171.26m, a 33.4% rise from \$115.57m in 1963. This figure jumped to \$258.61m in 1965, and \$342.85m in 1966. Despite political turmoil during the Cultural Revolution, trade remained robust, with 1969 and 1970 seeing totals of \$403.47m and \$489.51m, respectively. This growth was not only due to increased Chinese exports, but also a surge in British exports to China, reaching a record high of \$385.62m in 1969. China's exports to Britain remained between \$100m and \$130m during this six-year period. During 1965-1969, China's overall foreign trade volume dipped from \$4.245 billion to \$4.029 billion, while Sino-British trade steadily climbed. In 1969, this trade accounted for 10% of China's total, with 16% of China's total imports coming from Britain. This made Britain China's third largest trade partner after Japan and Hong Kong, and its largest European trading partner.¹⁵⁶

British Challenges to US Trade Control to China

US trade control policy left the British government led by Harold Macmillan dissatisfied, and economic interests pushed Britain to avoid trade controls. On February 27, 1962, British and US representatives held meetings in Washington on East-West trade controls, focusing on the interpretation of the COCOM embargo standards. The British proposed three principles regarding the embargo's standards, and hoped to reduce the scope of the embargo in the International List 1 by at least 50% by using

¹⁵⁶ Wang Hongxu, *Sino-British Relations Since the 1970s* (Harbin: Heilongjiang JiaoYu Publisher, 1996), 81.

these principles. First, the British believed that the common pattern of use of a product, rather than any alleged use in the Soviet bloc, should determine whether it was to be regarded principally as a military instrument. No particular type of equipment should be embargoed merely because its use in the bloc was mainly military.

The second principle the British advanced was that the importance of an item should be taken into account when evaluating it against the criteria. What mattered was the current significance of an item to waging war or producing military equipment. Equipment control should be relaxed when such equipment had been in normal commercial use for so long that any 'know-how' could be considered common knowledge. Third, the British believed that many items, especially in electronics, became less important strategically as their commercial uses grew. Any embargo would lose its meaning after a certain period (i.e. four years), depending on the type of equipment. The US agreed with the second and third provisions but not the first. This debate revealed that Britain had different opinions from the US on the standard of military equipment.¹⁵⁷

The Viscount Aircraft Deal, 1961

One of the most important trade deals was Britain's sale of Vickers Viscount aircraft to China in 1961. The sale was not merely a commercial issue between Britain and China but carried political implications for Anglo-American relations.¹⁵⁸ The Viscount

¹⁵⁷ FRUS/1961-1963/Vol.4, Document-307, 'US-UK Hold East-West Trade Talks,' February 27, 1962.

¹⁵⁸ Engel, *Cold War at 30,000 Feet*, 216-51; Kaufman, *Confronting Communism*, 156-59.

contained weather radar and communications equipment subject to strategic controls. The FO officials said that while the Chinese might want to purchase the Viscounts for commercial reasons, the timing of the request was clearly political. Although the Viscount sale was not necessarily connected directly to discussion of China's seat in the United Nations, it could cause difficulties for Anglo-American relations generally. Thus, London decided that Washington should not be informed of the Viscount sale 'until the status of the Chinese offer became clearer'.¹⁵⁹

However, by October 1961 the Kennedy administration had learned of the Viscount negotiations. The State Department believed that a COCOM rejection of the British application would not damage the UK's economic, political or social circumstances so seriously that the security considerations involved could be overridden. To the DoD, Chinese Communist military capabilities would be enhanced if the embargoed equipment could be obtained and copied. On November 8, Undersecretary of State George Ball therefore decided that the US should not acquiesce to the British application for an exception in the COCOM.¹⁶⁰

Even so, on November 17, Macmillan's Cabinet authorized the sale of Viscounts to China without obtaining American approval. On December 1, after four months of tough negotiations, Vickers representatives and the Chinese signed a contract worth £4.5 million for the delivery of six Viscounts over a period of eighteen months. In

¹⁵⁹ FO-371/158424, Record of meeting, August 16, 1961.

¹⁶⁰ Mark, *The Everyday Cold War*, 65.

assessing the significance of the Viscount deal, Michael Stewart, Charge d'Affaires in Beijing, argued that this was the first time that Britain had secured a contract that committed China for some years ahead to a degree of technical and financial dependence on the UK, and the first time that Beijing had made a discernible switch from Soviet to UK sources of supply in a vital purchasing sector. From the British point of view the Viscount deal was therefore a great success. ¹⁶¹

Continuing Anglo-American Debates over Trade Controls in the 1960s

The fundamental reason behind the divergence between the British and US governments was that Britain needed trade with China more than the US did. On June 24, 1962, the two sides held a meeting on the China issue in London. Macmillan said that he simply could not understand US-China policy. The US still did not recognise the legitimacy of the PRC, but Britain and China were developing good trading relations. Britain was an island country, and its economy relied on trade.¹⁶² The British government realised that many countries such as France, West Germany, Japan and Sweden were actively developing trade with China, and it could not agree to impose stricter controls on China. If Britain imposed an embargo, China would still import these items from other Western countries, and British economic interests would be sacrificed for no strategic gain.¹⁶³ In March 1964, in response to a US request for a stricter trade embargo against China, the British government argued that the previous

¹⁶¹ Ibid. 66.

¹⁶² FRUS/1961-1963/Vol.22, Memorandum of Conversation, June 24, 1962.

¹⁶³ AMDA/FO-371/170662, 'Foreign policy: visit of foreign secretary to China; Chinese attitude to Nuclear Test Ban Treaty,' undated, 1963, 174.

strict embargo was the result of the Korean War, but there had been no need for a comprehensive embargo since at least 1958. China had acquired nuclear weapons, so the effect of the military embargo was negligible.¹⁶⁴

In general, the US government hindered British exports to China in three ways. First, it prevented US subsidiaries from exporting to China; second, it strictly restricted the transfer of items made in the US to China; and finally, it refused to license items exported to China. British manufacturers often complained about these problems, although they did not seriously hamper British exports to China because, except in a very few cases, all commodities could be de-Americanized. The UK also needed to weigh the disadvantages of competing with the US.¹⁶⁵ But, as R.A. Butler, the Foreign Secretary, noted, the British government would assess the US opposition to trade with China on the basis of full consideration of its own national interest. If US opposition exceeded a certain limit, Britain would take retaliatory measures, including reducing exports to the US.¹⁶⁶

In the late 1960s, the Johnson administration had differences with its allies over the export of products with advanced technology to the Communist countries. Britain hoped to expand this market but the US believed that these items could be used for military purposes and stricter trade controls were necessary. While promoting the

¹⁶⁴ FO-371/175938, 'Commercial relations: UK,' March 24, 1964, 25.

¹⁶⁵ AMDA/FO-371/186991, 'Foreign policy,' January-April, 1966, 36.

¹⁶⁶ FO-371/175938, 'Commercial relations: UK,' March 24, 1964, 25.

growth of non-strategic commodity trade with Eastern Europe and the USSR, the Johnson administration also pushed COCOM to accept 'some form of China differential'. The US emphasised the China threat and hoped to re-establish a complete embargo against China. Considering the Sino-Soviet split, the US thought that the possibility of exporting sensitive items from the Soviet bloc to China was reduced, so it could thus ease controls toward the USSR and Eastern countries. Britain remained opposed to the 'China differential but it was hard to relax the controls under COCOM owing to US opposition.'¹⁶⁷

Politically, China and Britain kept a stable relationship and solved certain diplomatic problems. However, Chen Yi, the Chinese foreign minister, argued that US escalation of the Vietnam War in 1965-66, created a new obstacle to diplomatic normalisation. Beijing's propaganda machine fiercely attacked Britain for defending American aggression in Vietnam. China linked Vietnam and Hong Kong by protesting against British tolerance of the American use of the colony as a base of aggression against North Vietnam. The Vietnam War made it impossible for UK-China political relations to move forward. But Britain had not become the principal enemy of the PRC. China's diplomatic protests and propaganda attacks regarding Britain and Hong Kong amounted to a symbolic communication just to make its position known and to stress its stand on other, more important issues.¹⁶⁸

¹⁶⁷ FCO-21/96, 'Economic affairs (external): Sino-British trade relations,' December 19, 1966, 192-194.

¹⁶⁸ Mark, *Everyday Cold War*, 108-109.

During the Cultural Revolution, the British chargé d'affaires office was burned by the Red Guards in August 1966, but British ministers and diplomats managed to draw a subtle distinction between the street-level violence of the Red Guards and China's largely cautious foreign policy at the international level. As Odd Arne Westad shrewdly observes: 'The PRC's foreign policy in the mid-1960s was ... high on rhetoric but low on action. [With the exception of Vietnam], China's general direction during the Great Proletarian Cultural Revolution was inward and away from engaging foreign revolutions.' While condemning the Red Guards' actions in Beijing and capitalising on the London incidents, Mao and Zhou did not fundamentally change China's general policy towards Britain and Hong Kong.¹⁶⁹

The British Labour government (1964-1970) led by Harold Wilson addressed the Red Guard incidents by limiting the movement of Chinese diplomats and Xinhua Agency journalists in London, while maintaining a stance of positive engagement. British decision-makers evaluated and dismissed various policy alternatives such as expelling Chinese diplomats or severing diplomatic ties, deeming them counterproductive to the long-term strategic goal of integrating China into the global community and the immediate objective of protecting Hong Kong and British citizens in mainland China. They made a pragmatic assessment of the events within the broader context of China's internal power struggle and its primarily non-interfering diplomatic approach. For

¹⁶⁹ Westad, *Global Cold War*, 182; The Cultural Revolution (1966-1976) in China was a socio-political movement initiated by Chairman Mao Zedong to enforce communism by removing capitalist and traditional elements from society.

Wilson, and British diplomats, engagement or dialogue with China was deemed the optimal approach to reinstating a degree of normality in UK-China relations.¹⁷⁰

Conclusions

During the early Cold War period, the British and US governments frequently disagreed on China. However, both nations made compromises to preserve their partnership. The US initially pursued a rigid containment policy towards China, peaking under Eisenhower, but this slowly softened in the 1960s. Despite occasional differences, Britain stood by the US during pivotal events such as the Korean War and the Taiwan Strait crises, and – somewhat reluctantly - supported US policy in Vietnam, indicating a shared commitment to containing Communism. Nevertheless, Britain's containment stance was moderated by its interests in Hong Kong and trade relations with China. Therefore, it often contested US trade control policies. The US expressed discontent towards Britain for selling strategic items to China but did not impose restrictions on these activities. Such mutual concessions allowed both countries to balance their China interests without losing face.

The US was less troubled by the PRC's growing economic power and more by its increasing political influence. Despite China's advancements in nuclear capabilities since 1964, the US did not perceive China as posing a direct territorial threat. Instead, it was primarily concerned about Southeast Asia, believing a loss there would

¹⁷⁰ Mark, *Everyday Cold War*, 133-134.

compromise the West. This apprehension underpinned US policies in the Pacific and determined its reactions to potential increases in China's political clout.

By the 1960s, the US had several reasons to reconsider its containment policy towards China. First, the attempted containment over the past two decades had enjoyed limited success. Despite the Sino-Soviet split, China had developed a formidable army, nuclear weapons, and had enhanced its reputation amongst developing countries. Furthermore, US domestic politics, under the Kennedy and Johnson administrations, demanded a change in the rigid containment policy.

Above all, the late 1960s marked a significant shift in the international political landscape compared to the 1950s. The Sino-Soviet alliance had disintegrated, and China saw the USSR as a threat, not a partner. The ending of Soviet assistance disrupted China's military development, prompting it to seek closer ties with the West. Additionally, US allies, like Britain, France, and West Germany, had improved relations with China. These nations, especially Britain, started pressing the US to amend its policies towards China.

Chapter 3: From Nixon to Carter: US arms sales policy towards China, 1969-1981

Introduction

Developing Sino-US relations, splitting the Sino-Soviet alliance, and using China to contain the USSR had all been discussed in the White House before 1969. But military conflicts on the Sino-Soviet border in 1969 marked a radical split between China and the USSR and brought into play the 'strategic triangle' between China, the USSR and the US. To Richard Nixon and Henry Kissinger, the split gave the US a chance to engage with China and weaken the USSR. A secure relationship with China would be advantageous in the long term, so the Nixon administration believed that the US should remain officially neutral in the conflict but support China to some extent. The Carter administration also debated the issue of relations with China following the Sino-Soviet split, especially between Secretary of State Cyrus Vance and the National Security Adviser Zbigniew Brzezinski. Carter officially initiated arms sales to China in 1980 as a response to the Soviet invasion of Afghanistan.

This chapter focuses on US arms sales policy towards China, the development of China's foreign policy and arms import policy, and the interactions of US and Chinese policies. It begins with the split in the Sino-Soviet alliance in 1969, and then analyses the policies of the Nixon and Carter administrations in taking advantage of the Sino-Soviet split. First, it examines the strategic triangle between the USSR, China and the US in the early 1970s and initial military cooperation between the US and China. It

then analyses the failure of this cooperation owing to distrust between China and US. The chapter then explains the process whereby China established its arms import policy under the Hua Guofeng/Deng Xiaoping dual-centre structure, and how the policy was impacted by 'Leap Outward'. Next, the chapter examines the different opinions on arms sales policy amongst US decision-makers during the Carter period. The Carter administration established its arms sales policy on a step-by-step basis in the communication with Beijing. The Soviet invasion of Afghanistan in December 1979 made Carter determined to sell arms to China, and the two countries made significant progress to this end in the last year of Carter's presidency.

Sino-Soviet clashes in 1969

Since 1968, Chinese and Soviet border patrols frequently clashed, with exchanges of fire. On March 2, 1969, combat occurred between the Chinese and Soviet border patrols in Zhenbao island on the Ussuri River, the border between Northeast China and Eastern Siberia. In the days that followed, the incident escalated into wider skirmishes. The Soviet border force employed more than 50 armoured vehicles and tanks, 110 soldiers and 36 aircraft (though no bombs were dropped); it fired 10,000 shells. The front line of the artillery attack was 10 kilometres wide and 7 kilometres deep. In the fiercest battle on March 15, Mao Zedong warned that China must prepare for war: 'Now we are facing a powerful enemy, and we must mobilise and prepare'.¹⁷¹

¹⁷¹ Li Danhui, 'The Sino-Soviet border conflict of 1969: origins and consequences,' *Dangdai Zhongguoshi Yanjiu*, no.3:48 (1994).

A few days later, Leonid Brezhnev and Alexei Kosygin, Chairmen of the Soviet Council of Ministers, sought talks with Mao Zedong and Zhou Enlai, and Kosygin proposed restraint to minimise the tension. The Chinese responded coldly, so the Soviets planned a retaliation on the Sino-Soviet border in Xinjiang. A battle took place on August 13, 1969, when, after a series of military reconnaissance efforts, the Soviet army dispatched more than 300 soldiers to its border, adjacent to the Terekty area of Yumin County, Xinjiang, China. When the Chinese border squadron entered the area, the Soviet army crossed the border and launched a surprise attack, supported by two helicopters and dozens of armoured vehicles. Four hours later, the Chinese patrol squadron was completely wiped out.¹⁷²

Four generals and a shift in China's foreign policy

The Sino-Soviet split did not occur overnight. Growing disputes over ideology, divergent policies towards the US, competition in the 'Third World' and border conflicts caused the two sharp military conflicts in 1969. However, most scholars agree that the border clashes greatly influenced the changing shape of the 'strategic triangle' between the US, the USSR, and the PRC.¹⁷³ On February 19, 1969, Mao ordered four generals - Chen Yi, Ye Jianying, Nie Rongzhen and Xu Xiangqian - to discuss the international situation as he thought that 'some international affairs are strange'.¹⁷⁴

¹⁷² This conflict was called the Terekty incident, August 1969 – see page 5 above.

¹⁷³ Yang Kuisong, 'The Sino-Soviet Border Clash of 1969: From Zhenbao Island to Sino-American Rapprochement,' *Cold War History*, No.1:1(2000):21-52; W. Burr, 'Sino-American Relations, 1969: The Sino-Soviet Border War and Steps Towards Rapprochement,' *Cold War History*, No.1:3(2001):73-112; Wang Zhongchun, 'The Soviet Factor in Sino-American Normalisation, 1969-1979' from William C. Kirby, Robert S. Ross, and Gong Li, ed., *Normalisation of US-China Relations An International History* (Massachusetts: Harvard University Press, 2005), 147-174.

¹⁷⁴ Literature Research Office of the CPC Central Committee (LRO), *Mao Zedong's Chronology* (Beijing: Central

The four generals agreed that Soviet threats to Chinese national security had gradually surpassed those posed by the US. On July 11 1969, in a report titled 'initial estimates of the war situation', the quartet advanced four views. Firstly, the conflicts between the two superpowers had not been mitigated but had escalated. 'Confrontation [between superpowers] was common and acute'. Secondly, it was impossible that the US and USSR would begin a war against China together or individually in the future but they would consistently pose a military threat to China. Thirdly, both were incapable of provoking world war, and confrontation between them would focus on Europe and the Middle East. Soviet threats surpassed US threats, but it too would not start a total war. The troops' move toward the east did not mean a changed strategic focus. The US opposed any Sino-Soviet war, and it would not allow self-willed Soviet expansion.¹⁷⁵

Furthermore, the four generals suggested that China needed to achieve rapprochement with the US. On March 19, the four generals suggested easing Sino-US relations and restarting Sino-US talks.¹⁷⁶ Although Mao still had suspicions about the US, Zhou's comments - 'no limitations in thinking' and 'closely noticing the changing of the international configuration' - implicitly encouraged the generals to investigate the possibility of a Sino-US rapprochement.¹⁷⁷ Ye Jianying compared the US, the USSR

Party Literature Press, 2013), 230.

¹⁷⁵ Xiong Xianghui, *My Life of Intelligence and Diplomacy* (Beijing: Zhonggong Zhongyang Dangshi Publisher, 1999), 181-186.

¹⁷⁶ Nie Rongzhen Biography Compilation Group, *Biography of Nie Rongzhen* (Beijing: Dangdai Zhongguo Publisher, 2015), p.392.

¹⁷⁷ Xiong, *My Life of Intelligence and Diplomacy*, 179.

and China with the 'three kingdoms' period in Chinese history, and suggested allying with the US against the USSR.¹⁷⁸

After the Terekty incident, Beijing greatly improved its assessment of the Soviet threat. A task force studying foreign policy under the Chinese Military Commission expressed concerns about a Soviet invasion. In a report submitted to the Chinese government, they argued that the USSR was accelerating its war preparations. Soviet leaders were 'a bunch of reckless adventurers', and they could do 'any stupid or bad thing', so 'the danger of war coming early is possible'. After receiving this report, Mao instructed war preparations and the evacuation of top leaders to other cities in case of Soviet nuclear strikes.¹⁷⁹

On September 17 1969, a month after the clash at Terekty, the group of four Chinese generals submitted another report, 'views on the current situation'. Chen Yi proposed to Mao that it was necessary to open up Sino-US relations by taking advantage of Soviet-US divergences. He also presented some suggestions to Zhou Enlai. First, that the Sino-US talks in Warsaw that had been held on and off since the Taiwan Strait crisis in 1958 should be resumed, and that China should take the initiative to renew the proposal to hold Sino-US ministerial-level or higher-level talks to negotiate and resolve any fundamental and related issues between China and the US. China should not propose

¹⁷⁸ Junshi Kexueyuan, *Ye Jianying's Chronology* (Beijing: Central Party Literature Press, 2007), pp.982-983.

¹⁷⁹ Deng Lifeng et al., eds, *History of the Chinese People's Liberation Army Volume VI* (Beijing: Junshi Kexue Publisher, 2011), 105.

conditions in advance such as solving the Taiwan issue. He also said that holding the talks in the Chinese Embassy was necessary for secrecy. It is difficult to measure directly to what extent Mao accepted these suggestions as the relevant archives are still classified, but he approved the Warsaw talks on January 20, 1970, which proved to be an ‘icebreaker’ event.¹⁸⁰

Initial US Triangle Strategy

The US took the initiative to contact the PRC under the Nixon administration after the Chinese leadership had reached their consensus. In the early 1960s, the US initially considered achieving a rapprochement with the PRC, but both Kennedy and Johnson had failed to achieve this, leaving the task to Nixon. Henry Kissinger, Nixon’s National Security Adviser, sought ‘equilibrium power’, a system in which the predominant powers each had a stake in international stability so that none would try to dominate, or overthrow the system. It was simplistic, therefore, to continue thinking of the balance of power as a ‘zero sum game,’ in which ‘gains’ for one side invariably meant ‘losses’ for the other. What might appear as a loss in one area— the stalemate in Vietnam, for example, or the Soviet attainment of strategic parity—could be compensated for by gains in other areas—an opening to China, or a negotiated settlement on arms control. It was the overall calculus of power that was important, not the defeats or victories that might take place in isolated theatres of competition. Kissinger believed that a strategic

¹⁸⁰ Chen Xiaolu, ‘Chen Yi and China Diplomacy,’ from Foundation for International and Strategic Studies, *Global Warm and Cold: The International Strategic Thinking of a Generation of Leaders* (Beijing: Central Party Literature Press, 1993), 156.

triangle along these lines amongst the US, the USSR and the PRC could improve the US situation in the Cold War.¹⁸¹

Before entering the White House, Nixon's article in *Foreign Affairs* in October 1967 expressed the complexity of his China policy. He wrote, 'dealing with Red China is something like trying to cope with the more explosive ghetto elements in our own country'. Nevertheless, before Beijing had a 'deliverable nuclear capability', the world would have to find ways to bring this 'outlaw force' within the law, to open a dialogue, and to restrain aggression.¹⁸² These words revealed that Nixon regarded the PRC as an aggressive nation, but he also hoped to bring it within international society.

In February 1969, the newly-elected President Nixon requested a study on US policy towards China, and the subsequent responses by officials remained within US conventional thinking on China issues. The CIA argued, 'there is little prospect for change in China's attitudes and policies regarding the US.'¹⁸³ Although most members in the senior review group agreed with the desirability of a less tense US policy towards China, Kissinger stated that 'a China that was heavily engaged throughout the world could be very difficult and a dislocating factor. Why is bringing China into the world community inevitably in our interest?'¹⁸⁴ The US government even announced a new

¹⁸¹ Henry Kissinger, 'The Central Issues of American Foreign Policy,' in Kermit Gordon (ed.), *Agenda for the Nation* (New York: 1968), 585-614.

¹⁸² W. Burr, 'Sino-American Relations, 1969,' 76.

¹⁸³ FRUS/1969-1976/Vol.17, Document-12, 'Summary of the CIA Response to NSSM 14,' Washington, undated.

¹⁸⁴ FRUS/1969-1976/Vol.17, Document-13, Minutes of the Senior Review Group Meeting, Washington, May 15, 1969.

Anti-Ballistic System on February 14, focused on the 'China threat'. The Pentagon believed the system could intercept China's new generation of strategic weapons. It would decrease American casualties by around seven million if the US suffered Chinese nuclear attacks.¹⁸⁵ The policy made Mao think Nixon was 'actually engaging in military expansion'.¹⁸⁶ Kissinger later acknowledged that 'all ideas about rapprochement, whatever their rationale, it has to be said, were little more than nebulous theories when the new Administration came into office.'¹⁸⁷

Nixon's Pursuit of Sino-US Rapprochement

The US had little ability to influence Chinese policy, so Nixon and Kissinger were concerned that the idea of a rapprochement was only wishful thinking. The key to achieving their plan was understanding Chinese attitudes. In his visit to Paris on March 1, 1969, Nixon told the French president Charles de Gaulle that it was necessary to develop a relationship with China in the long term.¹⁸⁸ After the Zhenbao island clash, Nixon discussed his aim to improve the Sino-US relationship with de Gaulle. In early May, the latter ordered Etienne Manach, the French ambassador to China, to transfer Nixon's messages to Chinese leaders. No archives showed whether the French did so but if they did it might have influenced the Chinese military quartet's research and decision making.¹⁸⁹

¹⁸⁵ FRUS/1969-1976/Vol.34, Document-6, Paper Prepared by the NSC Staff, Washington, undated.

¹⁸⁶ LRO and PLA Academy of Military Sciences (AMS), *Mao Zedong's Military Papers Since the Establishment of the PRC Volume Three* (Beijing: Central Party Literature Press, Junshi Kexue Publisher, 2010), 357.

¹⁸⁷ Kissinger, *White House Years*, 205.

¹⁸⁸ FRUS/1969-1976/Vol.41, Document-118, Memorandum of Conversation, Paris, March 1, 1969.

¹⁸⁹ Niu Jun, eds, *China's Strategic Decision-making in the Cold War Period* (Beijing: World Affairs Press, 2018), 462-463.

The USSR was alert to the possibility of a rapprochement in Sino-US relations, and it pressed the US on the issue. On June 24, 1969, Alexander Haig sent Kissinger a very important document from the CIA, which detailed Soviet concerns over the possibility of improved relations between the United States and PRC. Haig wrote, ‘the report, together with others we have picked up, simply confirms that a concerted effort on our part to at least threatening efforts at rapprochement with China would be of the greatest concern to the Soviets’.¹⁹⁰

The strong Soviet response made the Nixon administration more determined to develop Sino-US relations. Kissinger believed the conflicts between China and the USSR revealed that Soviet leaders had become increasingly focused on the China problem, so the US should make more effort for a rapprochement with China. The US government therefore declared on July 21 1969 that it was removing some trade restrictions on China and relaxing the travel ban. Later, Nixon took advantage of a visit to Pakistan and Romania to establish new communication channels with China. He told Yahya Khan, the President of Pakistan, that China was a necessary player in Asian affairs and that the US would not participate in any activities against it.¹⁹¹ He also supported a proposal for the US Senator Mike Mansfield to visit China. The latter sent a letter to the Chinese through Prince Sihanouk of Cambodia, hoping to visit China and meet

¹⁹⁰ FRUS/1969-1976/Vol.17, Document-15, National Security Study Memorandum 63, Washington, July 3, 1969.

¹⁹¹ FRUS/1969-1976/Vol.17, Document-26, Memorandum from Grant and Saunders to Kissinger, Washington, August 21, 1969.

Zhou Enlai. Sihanouk transferred the letter to the Chinese ambassador and Zhou Enlai received the request.¹⁹² The National Security Council concluded that the evolution of more moderate Chinese policies would offer the prospect of increased stability in East Asia.¹⁹³

Sino-Soviet Conflict and US ‘Active Neutrality Policy’

The further Sino-Soviet clash in Terekty in August 1969 provoked a war scare in Beijing and Washington. The Chinese Military Commission Task Force estimated that the Sino-Soviet border clash could escalate to a full-scale war in the winter of 1969, and Mao therefore planned to 'cope with a surprise attack from the USSR'.¹⁹⁴ On August 28, the Central Committee of the CCP ordered all units to prepare for war against aggression.¹⁹⁵ Mao estimated that the Chinese National Day holiday and the Sino-Soviet border negotiation on October 20 could be dangerous, so he ordered the evacuation of senior Chinese officials in Beijing. Mao himself immediately went to Wuhan after the Chinese Politburo meeting on October 14. As for the US side, the National Security Council believed that the Sino-Soviet relationship would be difficult to revive because the USSR had shown a strong sense of seeking revenge and aggression. The US should particularly consider Moscow's potential use of a pre-emptive nuclear strike against China.¹⁹⁶ On August 18, one of the officials of the Soviet embassy in Vietnam expressed

¹⁹² Literature Research Office of the CCP Central Committee, *Zhou Enlai's Chronology* (Beijing: Central Party Literature Press, 1998), p.312.

¹⁹³ FRUS/1969-1976/Vol.17, Document-23, Response to National Security Study Memorandum 14, Washington, August 8, 1969.

¹⁹⁴ Deng et al, *History of the Chinese People's Liberation Army Volume VI*, 107.

¹⁹⁵ CCP History Teaching and Research Office, *Reference materials for CPC history teaching Volume 26* (Beijing: National Defense University Press), 365-367.

¹⁹⁶ FRUS/1969-1976/Vol.17, Document-24, 'The USSR and China,' Washington, August 12, 1969.

the idea of attacking China's nuclear facilities to William Stillman, the US special assistant in Vietnam - the first time that the USSR officially expressed this intention to the US.¹⁹⁷

The war scare accelerated the change in US policy. On September 25, Kissinger held a Senior Review Group Meeting to discuss US policy toward China. He explained Nixon's position, that the US would lean toward China while publicly pronouncing it favoured neither. He supported the 'leaning toward China' policy because 'it was more logical to support the weaker against the stronger', and 'during hostilities, neutrality would have the objective consequence of helping the USSR, and assistance to China would probably not make any difference to the outcome'. In addition, if China lost in a conflict with the USSR, Sino-Soviet differences could not be exploited, and the US would be left with a passive policy. He also pointed out that China was adjusting its foreign policy and giving signals for a rapprochement. In this regard, Kissinger wanted to make the operation of the Soviet-China-US strategic triangle beneficial to the United States. He believed that the US should not conspire with the USSR against China but should respect and engage with China instead.¹⁹⁸

In essence, the policy was one of 'active neutrality'. The 'neutrality' required the US to keep officially neutral in Sino-Soviet differences, but that the US should 'lean toward China' in its relations with the two countries. Mutual hostility between the USSR and

¹⁹⁷ FRUS/1969-1976/Vol.34, Document-63, Memorandum of Conversation, Washington, August 18, 1969.

¹⁹⁸ FRUS/1969-1976/Vol.34, Document-68, Minutes of Review Group Meeting, Washington, September 25, 1969.

the PRC provided the US with opportunities for flexibility, so the key was to balance the two powers. Any slight shift could aid this goal. On the one hand, it was impossible to completely stand with the Chinese because the US still needed Soviet cooperation in other fields involving strategic arms reduction and avoiding nuclear war. On the other hand, the Chinese needed some assistance to deter Soviet threats. China was the weaker power, and if the US hoped to press its interests, the current situation of a China hostile to the USSR should be maintained.

The NSSM-63 report¹⁹⁹ of October 1969 explained how the US utilised the strategic triangle. 'Each of the three powers wants to avoid collusion between the other two or any dramatic expansion of the power of either adversary at the expense of that of the other', it said. Growing dissidence between the USSR and China reduced their policies that were antagonistic to US interests. The US should pursue official 'neutrality' in the Sino-Soviet split because, if it supported one side in the conflict too openly, the US would be unable to gain advantages in relations with the other since both would fear US support of the other. The most important objective was 'pursuing US own long-term interests towards both China and the USSR, without undue regard to the interpretation either side might put on our actions. In implementing this policy, the US should attempt to develop our relations with China, and simultaneously seek to negotiate with the USSR on the important issues.'²⁰⁰

¹⁹⁹ NSSMs are National Security Council Memoranda requested by the President or National Security Adviser to report on a particular issue of national security or foreign policy'.

²⁰⁰ FRUS/1969-1976/Vol.17, Document-40, Draft Response to National Security Study Memorandum 63, Washington, October 17, 1969.

In November 1969, the 'active neutrality' policy became a consensus within the Nixon administration. In senior group meetings, officials in the State Department noted that it left room 'for movement in our relations with China', but 'military support was not thinkable as US policy'.²⁰¹ There were still some different voices in the bureaucracy, like that of William G. Hyland, a member of National Security Council, who argued that 'trying to be slightly sympathetic towards Peking' could cause 'a massive overreaction from the USSR' but little payback from the Chinese, but Kissinger ignored such voices, replying with a dismissive 'thanks'.²⁰²

The 'active neutrality policy' served US détente policy toward the USSR as well as the aim of achieving a rapprochement with China. In Kissinger's mind, détente referred to 'habits of mutual restraint, coexistence, and ultimately, cooperation.'²⁰³ In other words, negotiating essential issues with the Soviets which would make them realise cooperation with the US rather than confrontation benefitted them. The 'China card' was a critical factor in this balance, convincing Moscow to believe that the possibility of a Sino-US rapprochement was as significant as any actual steps towards that end. Although reiterating that the Sino-US relationship did not target the USSR, Kissinger recognised that these words were simply verbal tricks.²⁰⁴ Therefore, the policy had two

²⁰¹ FRUS/1969-1976/Vol.17, Document-47, Minutes of the Senior Review Group Meeting, Washington, November 20, 1969.

²⁰² FRUS/1969-1976/Vol.17, Document-27, Memorandum from Hyland to Kissinger, Washington, August 28, 1969.

²⁰³ Kissinger address at San Francisco, February 3, 1976. Cited in Gaddis, *Strategies of Containment*, 281.

²⁰⁴ *Ibid.* 288, 291, 295.

meanings in practice. Firstly, the US should develop the Sino-US relationship as a means to push US-Soviet negotiations. Secondly, US-Soviet relations were more important than relations with China, but the US must hide this fact when communicating with the Chinese.

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However, Chinese leaders were aware of these tricks and refused to be played by the US. Mao approved Zhou Enlai's approach to the US for containing the USSR and avoiding war but this move was based on expediency as the Chinese leader could not suddenly change his traditional approach favouring revolution against the US.²⁰⁵ After the US bombing campaign in Cambodia in 1969-70, Mao said, 'US imperialism looks like a behemoth, but it is a paper tiger, struggling to the death'. He also called upon 'the world's people uniting' to 'defeat the American aggressors and all their lackeys!'²⁰⁶ The Chinese Politburo decided to postpone the Sino-US talks and declared in favour of supporting international revolution against the US. Mao was satisfied with the decision and instructed: 'approved'.²⁰⁷

Kissinger's secret visit to China in 1971 and Nixon's visit in 1972 showed US commitment, and Mao also hoped that the development of Sino-US relations would contribute to escalation between the US and the USSR. A CCP politburo report for Mao

²⁰⁵ Shen Zhihua and Li Bin, eds, *Fragile Alliances: The Cold War and Sino-Soviet Relations* (Beijing: Social Sciences Literature Press, 2018), 465-466.

²⁰⁶ AMS, *Mao Zedong's Military Papers*, 364.

²⁰⁷ LRO, *Zhou Enlai's Chronology*, 367.

Zedong argued that the development of Sino-US relations was ‘the result of fighting with imperialists, revisionists and opposition factions’, which was also ‘the inevitable trend of the domestic and foreign difficulties of the US Empire and the competition between the US and the USSR for world hegemony’. A successful negotiation could ‘intensify the rivalry between the US and the USSR and enhance China's own strength’. It could also expose the ‘US reactionary forces even more and raise people's consciousness’.²⁰⁸ After Nixon's visit and the declaration of the China-US joint communique, the CCP announced that inviting Nixon to China was Mao's foreign policy for ‘utilising contradictions, splitting the enemy, and strengthening ourselves’.²⁰⁹

China and the US shared a common threat, the USSR, and temporarily stood together. The Pentagon reported a significant increase in Moscow's Asian ground forces from 1965 to 1972, to nearly 500,000 personnel. Air combat power grew fivefold, making up 25% of Soviet 'frontal aviation units'. The modernised Soviet Pacific Fleet extended substantial force across the Pacific. These nuclear-equipped ships, stationed near the Chinese border, possessed capabilities beyond what was needed to repel a Chinese attack.²¹⁰ Kissinger emphasised in Beijing that China was not regarded as a threat to the US and that there was scope to improve their relationship further.²¹¹

²⁰⁸ LRO, *Selective Materials of the Decade of the Cultural Revolution Vol.1*, ‘Report of the Political Bureau of the CCP Central Committee on the China-US talks,’ May 29, 1971, 122-125.

²⁰⁹ *Selective Materials of the Decade of the Cultural Revolution Vol.1*, ‘Information of the CCP Central Committee on the China-US Joint Communique,’ March 7, 1972, 167-171.

²¹⁰ Ali, *US-China Cold War Collaboration, 1971-1989*, 82.

²¹¹ FRUS/1969-1976/Vol.17, Document-139, Memorandum of Conversation1, Beijing, July 9, 1971.

Kissinger and Alexander Haig suggested the opening of Sino-US economic and technological communications.²¹² Secretary of State William Rogers said to Nixon that it was the right time to ‘proceed with the remaining measures relaxing economic controls against Communist China.’²¹³ In March 1971, Kissinger proposed a policy of economic links and trade, requiring that trade controls with China should be relaxed, to the same level as export controls on goods to the USSR and Eastern European countries.²¹⁴ Peter Peterson, assistant to the President for international economic affairs, also sent a letter to Kissinger, saying that he fully supported the relaxation of the trade ban and stressed that economic interest groups advocated exports to China, which would help the President gain domestic political advantages.²¹⁵

The US pursued economic cooperation with China to press the USSR amid stalled negotiations on behalf of SALT (Strategic Arms Limitation Talks) and to demonstrate the advancement of Sino-US relations. This move also appeased European and Japanese allies discontented with the US embargo policy against China. The economic approach was low-cost compared to security promises and could be easily withdrawn if Sino-US relations did not progress as intended, minimizing potential loss.

However, the Chinese government had a qualified opinion on the issue and expected to

²¹² FRUS/1969-1976/Vol.17, Document-173, Memorandum from Kissinger to Nixon, Washington, November 26, 1971.

²¹³ FRUS/1969-1976/Vol.17, Document-49, Memorandum from Rogers to Nixon, Washington, December 2, 1969.

²¹⁴ FRUS/1969-1976/Vol.17, Document-111, Memorandum from Kissinger to Nixon, Washington, March 25, 1971.

²¹⁵ FRUS/1969-1976/Vol.17, Document-127, Peterson to Kissinger, Washington, May 24, 1971.

implement and deepen the cooperation through mutual agencies. It clarified that ‘trade could be expected to grow only slowly and hinted that the growth rate would be determined politically’.²¹⁶ The Department of Commerce warned that ‘we should not let US business become convinced that there is a great market where none exists, at least over the next 3-5 years’.²¹⁷

The same considerations also existed with regard to US technology transfer policy, which was cautiously but steadily promoted while the US attempted to avoid any impression that such transfers had political meaning. Before Nixon's visit, China asked to upgrade its temporary earth satellite station to permanent status and to construct an additional satellite station. Kissinger approved the sale of equipment already in the PRC and deferred a decision on the other equipment, stating that these should be considered anew on their own merits. He concluded, ‘we should reject any effort to interpret the US sale of the RCA satellite earth station and related equipment to the PRC as a basic change in the US policy on the embargo of strategic communications generally.’²¹⁸

The US was clearly determined to develop the Sino-US relationship. John Holdridge, in the Office of Research and Analysis for East Asia, and the Pacific Director, reported to Kissinger that the US could ‘avoid political problems’ by establishing two non-

²¹⁶ FRUS/1969-1976/Vol.17, Document-217, Memorandum from Holdridge and Hormats to Kissinger, Washington, undated.

²¹⁷ FRUS/1969-1976/Vol.17, Document-218, ‘SRG Meeting on NSSM 148 (US/PRC Exchanges) and NSSM 149/CIEPSM2 (US/PRC Trade),’ Washington, March 31, 1972.

²¹⁸ FRUS/1969-1976/Vol.17, Document-229, Solomon to Kissinger, Washington, June 9, 1972.

governmental and non-exclusive channels for scholarly communications.²¹⁹ At the end of March 1972, the NSC formulated a new policy to enhance technological exports to China. It approved the sale of civil aircraft to China and the export of aviation equipment. The NSC also adjusted COCOM policy towards China, which was moved from the 'Z' level to the 'Y' level, the same as East European countries and the USSR. China had reportedly made a firm offer to buy several Boeing 707 aircraft and was negotiating other purchases from Lockheed. In February 1973, the NSC authorised Boeing to export eight other inertial navigation systems for passenger aircraft to China.²²⁰

In the first two years after Kissinger's secret visit to China, the US successfully implemented the 'active neutrality' policy. Nixon and Kissinger calculated that promoting Sino-US trade and technology relations could be achieved without becoming involved in political conflicts and they were very satisfied with the progress made in US relations with China. In March 1973, following a further visit to China the previous month, Kissinger wrote to Nixon: 'The progression of our relationship in the past twenty months is remarkable. I believe it is one of your most striking successes in foreign policy. If we continue to handle it carefully, it should continue to pay dividends in relaxing tensions in Asia, in furthering relations with Moscow, and generally in building a structure of peace.'²²¹

²¹⁹ FRUS/1969-1976/Vol.17, Document-248, Memorandum from Holdridge to Kissinger.

²²⁰ Digital National Security Archive (DNSA)/China (1960-1998), 'Sale of Inertial Navigation Systems to the People's Republic of China,' Washington, February 6, 1973, 1.

²²¹ FRUS/1969-1976/Vol.18, Document-18, Memorandum from Kissinger to Nixon, Washington, March 2, 1973.

Kissinger's visit to China, February 1973

In fact, significant divergences between the US and China had appeared during the visit to China in February 1973, which directly impeded further development, but Kissinger did not realise the problem. During the visit, Zhou Enlai had asked Kissinger whether the US thought the world was moving towards peace or war. He also pointed to 'developments in Europe', which made it seem as though the US 'sought to push the ill waters of the USSR eastward', and that 'we [the US] might be standing on Chinese shoulders to reach out toward the USSR'. These words suggested that China thought that the US 'might favour a Sino-Soviet conflict, to bog down the USSR and weaken it for our [US] attack.' Kissinger replied that the nature of the Soviet-US relationship meant that the US had to pursue a more complicated policy than the PRC which could oppose the USSR outright on a range of issues. He also emphasised that 'on issues of direct concern to Peking we would take Chinese interests into account, such as on the Soviet initiative on a nuclear understanding, where we have been fighting a delaying action ever since last spring.' But Mao and Zhou were not satisfied with Kissinger's reply. They both argued that the US might be helping the USSR, 'whether or not purposely'. Kissinger was unhappy with the Chinese leaders' stubborn attitude. He complained, 'whereas we saw two possibilities, i.e., that the USSR would either pursue a peaceful or a menacing course, the Chinese saw only the latter'.²²²

²²² Ibid.

Although severe problems existed in Sino-US relations, Kissinger believed the trend was 'positive'. However, Mao had more expectations of Sino-US relations. In his mind, the rapprochement should develop towards 'uniting the US against the USSR'. Ultimately, for China, the reason for the rapprochement with the US was to deal with the Soviet threat instead of the establishment of a US-Soviet détente. On February 17, 1973, Mao made a proposal to Kissinger. He argued that in the past, China and the US had been enemies, but now, they were friends, so China and the US should draw a line from the US, Japan, China, Pakistan, and Iran to Turkey and Europe to contain the USSR owing to increased Soviet threats to both Europe and Asia²²³, Such a strategy could be described as a 'one-line' policy, forming a united front against Soviet expansion. Mao warned Kissinger that the US should resist the temptation to 'draw the water to the east,' a strategy harming both China and the US. He argued that the West had encouraged Germany to attack Russia in the two world wars. 'Are you now pushing West Germany to make peace with Russia and then pushing Russia eastward? I doubt that the West as a whole has such a policy.'²²⁴

Mao's 'one line' strategy differed greatly from Nixon and Kissinger's 'active neutrality' policy. US policy aimed to maintain a strategic balance amongst the US, the USSR and China to achieve détente with the Soviets, and 'leaning to China' was necessary to secure it from Soviet threats. Mao's 'one line' policy aimed for a breakthrough in the

²²³ Henry A. Kissinger and William Burr, *The Kissinger Transcripts: The Top-Secret Talks with Beijing and Moscow* (New York: New Press, 1999), 86-101.

²²⁴ Gong Li, 'The formation and strategic intention of one-line policy,' *Mao Zedong and Deng Xiaoping Theory Research*, 2012(5), 68.

balance in favour of China. He wanted a wide front against the Soviets instead of détente. Essentially, both China and the US were pushing the other to take responsibility for coping with the USSR. The US-Soviet negotiations made Mao feel angry and betrayed. In June 1973, Leonid Brezhnev, the Soviet leader, visited Washington and signed thirteen agreements with the US about preventing nuclear proliferation, restricting strategic weapons and preventing nuclear war, which marked a new peak in US-Soviet détente from the Chinese perspective.²²⁵

The Chinese Foreign Ministry published a report in its internal journal discussing the Nixon-Brezhnev meeting, which argued that the US-Soviet meeting was ‘deceptive’ and showed ‘the atmosphere of the US and Soviet domination of the world’.²²⁶ The report embarrassed Mao because he was pursuing the goal of dividing the US and the USSR. The report contradicted his hopes for a ‘one line’ policy, so he ‘flew into a rage’ and attacked the Foreign Ministry because its argument was inconsistent with the central government’s.²²⁷ Mao’s anger meant that he realised his policy was failing. US and Soviet leaders had exchanged visits and signed a series of treaties that upset Mao. From his interpretation of Kissinger’s words during two years of visits to China from 1971 to 1973, he realised that the US had retreated from Vietnam and taken an advantageous position in the US-Soviet-China strategic triangle.²²⁸ He also felt humiliated and angry when Kissinger told him that the US would not let the USSR

²²⁵ Guo Wenqian, *The Final Years of Zhou Enlai* (Beijing: Central Party Literature Press, 2006), 286.

²²⁶ Zong Daoyi, ‘153 ‘New Event’ of Foreign Ministry in 1973,’ *Wenshi Jinghua*, 2011(5):21-25.

²²⁷ Mao was intolerant toward opposition and dissent. See: Maurice Meisner, *Mao Zedong: A Political and Intellectual Portrait* (Cambridge: Polity Press, 2008).

²²⁸ Niu eds, *China’s Strategic Decision-making in the Cold War Period*, 473-474.

attack China as he considered Kissinger's words were condescending.²²⁹

Failed Attempts at Military Cooperation

This slight against China's status led to the failure of initial attempts at Sino-US military cooperation. Kissinger did not realise that his attitude had irritated Mao, when he arrived in China for another visit in November 1973. He told Zhou Enlai that he had ordered a secret investigation in Washington about providing 'technical' assistance to China in a low-profile way because both sides hoped to avoid the appearance of official military relations. This assistance aimed to 'lessen the vulnerability of your forces and how to increase the warning time' in the event of a Soviet attack, and Kissinger repeated that 'it has to be done in such a way that it is very secret and not obvious'.²³⁰

On November 13, Kissinger proposed detailed suggestions for cooperation if war broke out. He said that the US could assist in two ways. Firstly, if the war continued, the US would provide weapons and other services, and secondly, the US would use its early warning system to assist China's immediate response. He explained that early warning required an air defence system against bombers. Kissinger suggested a 'hotline' between Washington and Beijing to provide early warnings from the US satellite system. If the USSR launched missiles, the warning would be transferred to Beijing within a few minutes.²³¹ Zhou Enlai did not reject Kissinger's proposal and he reported it to Mao

²²⁹ LRO, *Mao Zedong's Biography Volume 3* (Beijing: Central Party Literature Press, 2003), 1699-1670.

²³⁰ FRUS/1969-1976/Vol.18, Document-55, Memorandum of conversation, Beijing, November 10, 1973.

²³¹ FRUS/1969-1976/Vol.18, Document-59, Memorandum of conversation, Beijing, November 13, 1973.

to make a decision. It is not clear whether Mao responded to this offer.²³² The day after, Zhou and Kissinger agreed to discuss the issue again in the future, but the Chinese side did not seek to discuss the offer further.²³³

After Kissinger left China, Mao Zedong strongly opposed his proposal and criticised Zhou Enlai for entertaining it.²³⁴ On November 17, he held a meeting with Zhou and other staff in the Foreign Ministry, and said, ‘do not be fooled by the Americans. The Americans took straws from China to save themselves. We should pay attention to US actions; it is easy to act rashly when in the midst of a struggle, and it is easy to confuse appeasement with rapprochement. In my opinion, it is not possible to engage in any kind of military alliance with them [the US].’ He also criticised the trend in Sino-US economic relations, ‘Now [we are] doing too much business; I approved it, so the culprit is me. This time in collusion with the US, and the culprit is me as well.’²³⁵ Furthermore, the Politburo with Mao's approval held a series of meetings to criticise Zhou. It concluded that Zhou's mistakes were ‘forgetting to avoid mistakes in seeking a rapprochement’ and that ‘the fundamental reason was forgetting the Chairman's guidance’, as Zhou had ‘overrated the enemy's power, and underrated the people's power’.²³⁶

²³² Chen Jian, ‘Zhou Enlai and Kissinger's visit to China in November 1973,’ *Journal of East China Normal University (Philosophy and Social Sciences)*, 2014,46(01): 15-26+151, 21-22.

²³³ *Ibid.* 24.

²³⁴ LRO, *Zhou Enlai's Chronology*, 634.

²³⁵ ‘Conversations between Mao Zedong and Zhou Enlai,’ November 17, 1973, cited from Gong, *A Re-examination of the Normalization of Sino-US Relations (1969-1979)*, 274.

²³⁶ Niu, *China's Strategic Decision-making in the Cold War Period*, 475.

This political turmoil directly impacted Zhou Enlai's position in foreign policy decision-making and prevented him from developing a defence relationship with the US. Some writers have argued that Mao's decision was irrational, and that his prejudice damaged Sino-US cooperation.²³⁷ Indeed, Mao's 'one line' policy and the US 'active neutrality' policy had radical divergences, making the loss of military cooperation almost inevitable. Mao realised that the US was playing 'the China card', but initially he had some patience to manoeuvre with the 'imperialists'. In the Central Military Commission (CMC) meeting on December 21 1973, he told his audience, 'I spoke to Kissinger for almost three hours. In fact, I uttered only one sentence: beware, the polar bear will attack you, America!'²³⁸ The progress in Soviet-US relations had exceeded the expectations of Beijing. It was felt that establishing military cooperation with the US was meant to push China into an anti-Soviet front, allowing the US to keep aloof. Mao could not accept such a situation so, in his view, refusing a military relationship with the US was the most reasonable decision to make in order to avoid becoming a sacrificial lamb of détente.

Stagnation of Sino-American military relations in the Ford Period

The Ford administration inherited from Nixon the strategic approach of maintaining stability in US-China relations through the development of defence ties and technology transfer to China, and this was essentially a sub-strategy of the 'détente' strategy towards the Soviet Union, which was regarded as having greater significance. The

²³⁷ Ibid. 470; Chen, 'Zhou Enlai and Kissinger's visit to China in November 1973,' 15.

²³⁸ LRO and AMS, *Mao Zedong's Military Papers*, 389.

acceleration of US-Soviet 'détente' from 1973 therefore contributed to a decline in the momentum for developing US-China defence relations. Kissinger remained as US Secretary of State but in November 1975 he gave up the position of National Security Advisor, which he had also held. Shortly afterwards Ford's Secretary of Defence, James Schlesinger, who advocated for the development of US-China defence cooperation as a counter to the USSR, was forced to resign (to be replaced by Donald Rumsfeld) and technology transfers to China also declined.²³⁹

Apart from the strategic focus on US-Soviet 'détente', the slowing down of the development of US-China defence relations by the White House was also based on its assessment of China's political direction in the post-Mao Zedong era. Mao died in September 1976 and the US government believed that the legacy of the Cultural Revolution would weaken. But it also believed that the new Chinese leadership's foreign strategy would have some pragmatism but not fundamentally change, and China would not integrate into the international community or achieve modernisation.²⁴⁰ Thus while the political relationship between the US and China remained relatively stable during the Ford administration, bilateral defence relations faced setbacks.

Hua Guofeng and Deng Xiaoping: A Dual-Centred Structure

²³⁹ Dong Daling, 'The United States provided China with a preliminary nuclear war command and control system program,' *Military History Research*, 2014(3):143-152.

²⁴⁰ FRUS/1969-1976/Vol.35, Document-146, 'China's Strategic Attack Programs,' Washington, June 13, 1974; FRUS/1969-1976/Vol.18, Document-148, 'Paper Prepared in the Central Intelligence Agency,' Washington, June 1976.

In October 1976, Hua Guofeng and his allies ousted the 'Gang of Four'²⁴¹ from the Chinese Communist Party (CCP) Politburo, leading to Hua's ascension as China's paramount leader. The move and the economic recession were fraught with societal unrest and brewing tensions within senior party ranks.²⁴² To alleviate this, in February 1977, Guangzhou Military Region Commander Xu Shiyou and Guangdong provincial party leader Wei Guoqing proposed rehabilitating Deng Xiaoping, a proposition Hua initially resisted. However, recognizing Deng's potential to restore public confidence through reform, Hua conceded. By July, Hua officially held key leadership positions, while Deng was reinstated to his previous roles, chiefly in national defence and diplomacy.²⁴³

Hua and Deng's duel for supremacy was underpinned by their interpretations of Maoism. Hua sought to execute restrained reforms, using Maoism as legal backing but interpreting it to fit his policy line. Deng, on the other hand, openly challenged Hua's approach and proposed his own interpretation, 'seeking truth from facts', which won broad support, particularly from the military.²⁴⁴ By August 1977, the Chinese leadership resolved to cease the Cultural Revolution and usher in modernisation. Hua announced this shift at the eleventh National Congress of the CPC, dedicating more than half of

²⁴¹ The 'Gang of Four' was a faction of four Chinese Communist Party officials, Wang Hongwen, Yao Wenyuan, Zhang Chunqiao, led by Mao Zedong's last wife Jiang Qing, that wielded substantial influence during the Cultural Revolution, promoting radical policies and persecutions, and experienced a swift fall from power following Mao's death in 1976.

²⁴² Robert Weatherley, *Mao's Forgotten Successor: The Political Career of Hua Guofeng* (Palgrave Macmillan, 2014), 150.

²⁴³ Wang Hongxu, Sun Hao, and Liang Lin, *Deng Xiaoping and China Diplomacy* (Beijing: China Democratic and Legal Press, 2017), 25.

²⁴⁴ Deng et al, eds, *History of the Chinese People's Liberation Army Volume VI*, 373-4.

his report to modernisation and pushing for economic development over military preparedness. Both Hua and Deng downplayed Mao's predictions of an imminent world war, signifying China's changed priority towards economic growth and accelerating China's modernisation efforts.²⁴⁵

The 'Leap outward', July 1977

In July 1977 Hua Guofeng claimed that 'a new leap forward in the national economy is beginning'.²⁴⁶ On his advice, the State Council held meetings from July to September 1978 to study how to speed up the achievement of the 'four modernizations'. The Chinese leaders proposed to organise the 'new great leap forward' in the national economy and to achieve the 'four modernizations' at a faster pace than originally envisaged. They stressed the need to actively import advanced technology and equipment from abroad and to make extensive use of foreign funds to speed up economic construction.²⁴⁷ According to the Chinese historian Han Gang, from 1977 to 1980 there was a consensus among Chinese leaders to import foreign technologies to achieve modernisation.²⁴⁸ Hua Guofeng's main motto at this time, 'get going on a large scale', emphasised speed. It was later criticised as 'yang yuejin'. 'Yuejin' (leap forward) was already a derogatory term by the 1980s, and 'yang' (outward) is also sarcastically critical.

²⁴⁵ James T. Myers, Domes Jurgen, and Milton D. Yeh, *Chinese Politics: Documents and Analysis* (University of South Carolina P., 1995), 205.

²⁴⁶ Liu Rixin, *A brief history of New China's economic development* (Beijing: Central Party Literature Press, 2006).

²⁴⁷ LRO, *Chen Yun's Biography* (Beijing: Central Party Literature Press, 2015), 1482.

²⁴⁸ Han Gang, 'Some Truth About Hua Guofeng in History,' *Yanhuang Chunqiu*, 2011(03):9-17, 10-12.

Led by Hua and Deng, and with support from other party leaders, China was ready to learn from the West. In 1977, China's leadership devised an 'eight-year importing plan' to acquire foreign technology and finished equipment, including infrastructure and defense apparatus. The plan, necessitating \$6.5 billion in foreign exchange, indicated a shift towards Western import expansion.²⁴⁹

Deng Xiaoping advocated hastening this process. By March 1978, the Politburo had approved the plan, with Hua Guofeng emphasizing the need to counter China's technological backwardness through foreign advancement and experience. Between June and September 1978, the value of the import plan tripled to \$18 billion, financed by Western bank credits.²⁵⁰ By year-end, \$7.8 billion worth of agreements had been signed, including twenty-two major - primarily chemical - projects.²⁵¹ Despite some missteps leading to waste, this policy marked a significant departure from Mao's cautious approach towards Western technology.

Importing Technology from Europe or the United States?

However, Hua and Deng differed on which countries China should import technology from. Both leaders believed that the import of technology should be subject to foreign policy. It meant that China would give priority to importing technology from countries with which China wished to develop diplomatic relations. Hua preferred to deal with

²⁴⁹ Li Xiannian Writing Group, *Li Xiannian Biography* (Beijing: Central Party Literature Press, 2009), 1040-1.

²⁵⁰ 'Li Xiannian's speech at the State Council Meeting,' *People Daily*, September 9, 1978.

²⁵¹ Institute of contemporary China, *The Draft of History of the People's Republic of China (1976-1984) Volume 4* (Beijing: People's Publishing House & Contemporary China Press, 2012), 47.

Western European countries, owing to the influence of Mao's 'three worlds' theory. Hua claimed, 'Chairman Mao's theory on the three worlds...clarifies who is the main revolutionary force'.²⁵² In other words, 'we support the efforts of Western European countries to unite against hegemony. We hope to see a united and strong Europe', so 'Europe is the key.'²⁵³ He therefore dispatched Gu Mu, vice premier, and other high-level leaders, to visit Western Europe to discuss the import of technology.

On the other hand, Deng believed that the US should be the focus of China's foreign policy, so he argued that China should import technology from the US. Since April 1978, China had dispatched many visiting groups to the US to examine the import of technology at the same time as Gu Mu's visit to Europe. These groups were involved in researching US technology in various fields such as petrochemicals, marine development, space technology, high energy physics, mining, metallurgy, construction, agriculture, electronics and medicine.²⁵⁴ Deng and Brzezinski's meeting in May 1978 investigated the possibility of importing technology from the US, which will be discussed in detail below. Deng's voice did not receive enough support from the Chinese leadership. General Nie Rongzhen said, 'strategically, we need to move fast...we need to make decision as soon as possible instead of spending time on discussion.' In the end, General Ye Jianying, General Nie Rongzhen and Premier Li Xiannian supported Hua's plan. On June 30, 1978, they decided to utilise technology

²⁵² 'Hua Guofeng's Political Report at the 11th National Congress of the Communist Party of China,' 1977.

²⁵³ 'Unite and strive to build a modern socialist power,' *People's Daily*, March 7, 1978; Shi, *Hua Guofeng in Historical Turning Point*, 128-9.

²⁵⁴ Ruan Hong, *Han Xu's Biography: A Diplomat's Experience* (Beijing: Foreign Languages Press, 2007), 201.

and equipment from Western European countries to develop China's economy and industry.²⁵⁵

The End of the 'Leap outward'

The 'leap outward' reached its peak in 1978, and was not without its critics. General Chen Yun consistently argued that Hua's plan was too focused on quick success and instant benefits. After the meetings held in September 1978, he told Gu Mu that 'I support to import Western technology...but we should not be hot-headed'.²⁵⁶ During the Third Plenary Session of the Eleventh Central Committee in December, he argued that importing heavy industrial projects negatively impacted the development of light industry and agriculture.²⁵⁷ On April 1979, Vice Premier Li Xiannian said that it was necessary to adjust the import plan as soon as possible to make it more realistic within a limited budget, and he suggested cutting down some import projects.²⁵⁸

Such criticisms did not eliminate the negative effects brought by the 'leap outward'. In 1979, revenue fell by \$1.87 billion compared to the previous year, while expenditure rose by \$16.21 billion, and there was a budget deficit of \$17.07 billion for the year. The foreign exchange deficit was \$2.01 billion. In 1980, the fiscal deficit was \$12.75 billion.²⁵⁹ At the end of 1980, Chinese leaders decided to terminate the 'foreign leap

²⁵⁵ Li Xiannian Writing Group, *Li Xiannian Biography*, 1052.

²⁵⁶ LRO, *Chen Yun's Biography*, 1485-6.

²⁵⁷ Wang Junwei and Li Jianjun, *The Race to the Top: From the Great Leap Forward and the Foreign Leap Forward to a Soft Landing* (Beijing: Jincheng Press, 1998), 174-5.

²⁵⁸ *Ibid.* 227.

²⁵⁹ *Ibid.*, 244-5.

forward'. Deng recognised that China's economic development needed a pause. It meant that unhealthy enterprises would be closed down, and the government would reduce its expenditure, including defence expenditure, and the foreign exchange deficit. Imports from the West would focus on technology instead of finished products and equipment.²⁶⁰

The 'Leap outward' and Arms Importing Policy

The 'leap outward' had significant effects on China's arms import policy. In December 1977, the Plenary Session of the Central Military Commission made 'the Decision on Accelerating the Modernization of Our Army's Weapons and Equipment'. In 1978, the Central Military Commission formulated a 'seven-year (1979-1985) plan for the development of conventional weapons and equipment'. These documents especially emphasised speed and the import of foreign arms. Deng pointed out that importing Western arms was in part a method for improving Chinese arms, and that PLA researchers should investigate these arms for subsequent domestic production.²⁶¹ In a meeting with Manfred Werner, the Chairman of Bundestag Defence Committee of the Federal Republic of Germany, Deng expressed his willingness to import Western arms. 'China's strategy is still Chairman Mao's strategy - the people's war. Existing weapons can be used for attack, even if they are outdated.... Of course, we need to modernise our armed forces.... We are willing to absorb all the advanced things we need, as long as the conditions are suitable, including some advanced things in military

²⁶⁰ Ibid, 261.

²⁶¹ LRO and AMS, *Deng Xiaoping's Military Papers Vol.3*, 126.

technology’.²⁶²

In order to strengthen arms imports, Deng reshaped the party’s decision-making process. After his return in 1977, Deng planned to reform the management of military production and research, which was the core of defence modernisation. During the Mao period, this structure was loose and unconsolidated. The State Council was responsible for arms production, and the Central Military Committee was in charge of arms design and research, but there was no department in charge of arms imports.²⁶³ In October 1977, Deng established the Science and Technology Equipment Committee (STEC) in charge of all defence modernisation programmes, including arms production, research and foreign arms imports. Deng appointed Zhang Aiping, Deputy Chief of the Joint Staff, who had been denounced by Hua Guofeng during the Cultural Revolution, as leader of the STEC.²⁶⁴ Moreover, the military officials connected to the Gang of Four were removed and replaced by Deng’s supporters. For example, Li Jitai, the minister of the Third Machinery Department, was dismissed, and Lu Dong took responsibility for the fighter aircraft investigation.

Deng set two principles for China’s arms imports policy. The first was ‘doing what you can’. It required China to spend its military budget for arms imports carefully. The second was ‘self-reliance’, which meant that the import of Western technology was

²⁶² LRO, *Deng Xiaoping’s Chronology* (Beijing: Central Party Literature Press, 2004), 206.

²⁶³ Ye Zhengda, *General Ye Zhengda’s Memoir* (Beijing: Aviation Industry Press, 2013), 362.

²⁶⁴ Dongfang He, *Zhang Aiping’s Biography Vol.2* (Beijing: People’s Publishing House, 2000), 966-8.

aimed at improving China's own technology level.²⁶⁵ Therefore, he argued that China could not develop advanced tanks or planes without the required industries and infrastructures. China's limited foreign exchange should be allocated to purchasing cutting-edge technology or on dual use projects.²⁶⁶ The communique of the third Plenary Session of the eleventh Central Committee at the end of 1978 stated, 'based on self-reliance, China should actively develop economic cooperation based on equality and mutual benefit with other countries in the world and strive to adopt the world's advanced technologies and equipment'.²⁶⁷

Deng's words contributed to the misunderstanding that China was about to decrease the import of arms.²⁶⁸ In fact, Deng's words facilitated Western countries to sell arms. Amidst a frenzied atmosphere of importing Western technology, Deng did not strictly hold to his principles on arms imports. In April 1979, General Wang Zhen, Deng's closest political ally, said: 'we need to study foreign countries' experience. We need to have technology that Western countries already have, and we also aim to have technology that Western countries do not have.'²⁶⁹ Deng organised a special cross-department panel to take charge of arms contract negotiations with Western countries.²⁷⁰ He also dispatched Zhang Aiping to Italy and Sweden and Wang Zhen to

²⁶⁵ Liu Huaqing, *the Memoir of Liu Huaqing* (Beijing: PLA Publishing House, 2007), p.379.

²⁶⁶ LRO and AMS, *Deng Xiaoping's Military Papers Vol.3*, 135-7.

²⁶⁷ 'Communique of the Third Plenary Session of the Eleventh Central Committee,' *Xinhua Agency*, December 22, 1978.

²⁶⁸ John Fisher et al., *The Foreign Office, Commerce and British Foreign Policy in the Twentieth Century*, 541.

²⁶⁹ Wang Zhen Biography Compilation Group, *Wang Zhen's Biography* (Beijing: People's Publishing House, 2008), 578.

²⁷⁰ LRO and AMS, *Deng Xiaoping's Military Papers Vol.3*, 70-1.

Britain to discuss possible contracts at the end of 1978.²⁷¹ Chinese military attachés in the USA began working under new instructions that permitted them to have contact with their American counterparts.²⁷² During the period 1979 and 1980, China's arms imports increased significantly. The value of arms imports was only \$90 million in 1978 but doubled to \$180 million in the next year, and it kept going upward to \$190 million in 1980.²⁷³

The import policy suffered criticism as well. The Minister of Aviation Industry Lu Dong's spoke for most of the opponents of the 'foreign leap forward' arms import policy. He said, 'we must insist on the self-reliance principle when importing advanced military technology from abroad. We cannot have large scale imports because we cannot afford them...We need to import the technology we cannot produce by ourselves.'²⁷⁴ Zhang Aiping was another important Chinese leader who appealed for self-reliance. He said, 'I am against an open door with the roof off.'²⁷⁵ He even told a Chinese delegation to the US, 'we need to set a correct relationship when in contact with foreigners. We cannot act as a beggar...our plan is to focus on self-reliance and to regard foreign arms as a supplement.'²⁷⁶

Deng accepted these suggestions and adjusted the arms import policy at the end of the

²⁷¹ Dongfang, *Zhang Aiping's Biography Vol.2*, 965.

²⁷² FRUS/1977-1980/Vol.13, Document 85. Memorandum from Oksenberg to Brzezinski, Washington, March 16, 1978.

²⁷³ See Table 3-1.

²⁷⁴ Lu Dong, *Lu Dong's Papers of Economy* (Beijing: Metallurgical Industry Press, 1995), 203-4.

²⁷⁵ Dongfang, *Zhang Aiping's Biography Vol.2*, 985.

²⁷⁶ *Ibid.* 988.

‘leap outward’. At a meeting of the Joint Staff Department of the Central Military Commission on October 15, 1980, he denied the possibility of increasing military expenditure. He said, ‘a high military expenditure will affect our economic condition...in short, the proportion of military expenditure in the national budget cannot be increased now. The task of the military is to spend the money rationally.’²⁷⁷

As Table 3-1 shows, the value of arms imports dropped from \$190 million in 1980 to 70 million in 1982, and China cancelled many arms import proposals including the Harrier aircraft from the UK and Mirage 2000 from France.

Table 3-1 Value of Arms Transfers and Total Trade in China, 1971-1989

Year	Arms Imports (Million dollars)		Total Imports (Billion Dollars)		Arms Imports as % of Total Imports
	Current	Constant1990	Current	Constant1990	
1971	0	/	2240	/	0.0
1972	30	/	2840	/	1.1
1973	70	/	5130	/	1.4
1974	100	/	7420	/	1.3
1975	110	/	7395	/	1.5
1976	160	/	7420	/	2.7
1977	100	/	6595	/	1.5
1978	90	/	10350	/	0.9
1979	180	289	14490	22290	1.2
1980	190	280	19300	28440	1.0

²⁷⁷ LRO and AMS, *Deng Xiaoping's Military Papers Vol.3*, 180.

1981	130	175	17940	24120	0.7
1982	70	88	16690	21080	0.4
1983	100	122	21340	25950	0.5
1984	430	504	25950	30420	1.7
1985	650	740	42530	48410	1.5
1986	550	610	43170	47910	1.3
1987	625	672	43390	46670	1.4
1988	300	312	55280	57540	0.5
1989	110	110	58280	58280	0.2

(Source: World Military Expenditures and Arms Transfers (WMEAT) Data Files, 1974

- 1999, US State Department archived website -

<https://2009-2017.state.gov/t/avc/rls/rpt/wmeat/index.htm>)

The Carter administration and arms sales to China

For the Carter administration, the USSR was the main focus of foreign policy. Carter argued that the most important tasks were avoiding an arms race and eliminating the possibility of nuclear war. In the letter to Brezhnev, he summarised three areas where the US and the USSR could cooperate, 'A critical first step should be the achievement of a Strategic Arms Limitation Talks (SALT) II agreement without delay, and an agreement to proceed toward additional limitations and reductions in strategic weapons. Moreover, I hope we can promptly conclude an adequately verified comprehensive ban on all nuclear tests, and also strive to achieve greater openness about our respective

strategic policies.’²⁷⁸

Carter’s chief advisers had different opinions regarding US policy towards the Soviet Union and China. Disputes between his Secretary of State, Cyrus Vance, and his National Security Adviser, Zbigniew Brzezinski, in their Soviet policy led to variation in their China policy. Vance aimed to maintain ‘even-handedness’ between the USSR and the PRC, while Brzezinski favoured a tilt towards China. Both Vance and Brzezinski visited China and met with different responses. Chinese leaders had a cold attitude toward the former but reached important agreements on security issues with the latter, forging the start of official Sino-US diplomatic relations. This thesis will argue that Harold Brown, Carter’s Secretary of Defence, played an important role in the debate, and his pragmatism received Carter’s support in the end.

Vance’s ‘even-handed’ policy

Vance did not believe the USSR had a strategy for global dominance, but he felt it would continue to expand its sphere of influence whenever possible. ‘Competition was, and would continue to be, the principal feature of the relationship. Our task was to regulate it.’²⁷⁹ He opposed claims that ‘linkage’ would benefit US interests as a whole since it would restrict US flexibility and he preferred negotiating with the Soviets on a case-by-case principle.²⁸⁰ He was also concerned that linkage could be used to promote

²⁷⁸ FRUS/1977-1980/Vol.7, Document-1, Carter to Brezhnev, January 26, 1977.

²⁷⁹ Cyrus R. Vance, *Hard Choices: Critical Years in America's Foreign Policy* (New York: Simon and Schuster, 1983), 28.

²⁸⁰ *Ibid*, 441.

US policies toward China that would be a source of embarrassment to the USSR.²⁸¹ Therefore, he pursued an 'even-handed' policy, developing Sino-US relations but not sacrificing Soviet-US relations in the process. He also suggested that there was useful parallelism on geopolitical issues, that it was in the US's interest to prevent any reconciliation between the Chinese and the Soviets, and that the 'China card', if played deftly, could influence Soviet behaviour and contribute to a gradual improvement in relations.²⁸²

Vance's opposition to arms sales was clear. He even rejected discussing the issue within the State department or in his presence.²⁸³ He said, 'Some people have suggested that we look for ways to establish a direct US-Chinese security tie without addressing the normalisation issue. This approach can be quite dangerous, and going very far down this road would pose real risks.' In his opinion, the Chinese might be receptive, but he would be concerned at the Russian and Japanese reaction. 'Nothing would be regarded as more hostile to the USSR than the development of a US-Chinese security arrangement', he said. 'We must continue to maintain that fragile equilibrium recognising always how dangerous it is, but recognising also that some other relationship between the three nations could be more dangerous.'²⁸⁴

Warren Christopher, Deputy Secretary of State and Thomas Watson, ambassador to the

²⁸¹ Mary DuBois Sexton, 'The Wages of Principle and Power: Cyrus R. Vance and the Making of Foreign Policy in the Carter Administration' (PhD Thesis, Georgetown University, 2009), 140.

²⁸² Vance, *Hard Choices*, 75-7.

²⁸³ Ross, *Negotiating Cooperation*, 156.

²⁸⁴ Vance, *Hard Choices*, 77.

USSR, agreed with him and emphasised the ‘even-handed’ policy, i.e. that the US and China should only maintain general diplomatic and economic ties rather than defence relations. Arms sales would irritate the USSR and hurt core diplomatic issues such as the second stage of US-Soviet negotiations on SALT.²⁸⁵

Brzezinski’s Pro-China and anti-Soviet Proposal

Zbigniew K. Brzezinski, Assistant to the President for National Security Affairs, and his assistants Michel Okensberg and David Aaron, all opposed sacrificing Sino-US defence relations for the sake of détente with the Soviet Union, preferring overall ‘alignment with China against the USSR’. They advocated policies toward China and the USSR in economic and defence relations which they felt could press the USSR to respect US power and the principle behind détente.²⁸⁶ Brzezinski appealed for a much more offensive policy to contain Soviet expansion. He stated that the USSR should be considered a revolutionary power dedicated to ‘global pre-eminence’ and world transformation.²⁸⁷ For instance, he suggested viewing the SALT agreement purely as a chance to ‘halt or reduce the momentum of the Soviet military buildup’ rather than ‘a wider US-Soviet accommodation.’²⁸⁸

On the China issue, Brzezinski preferred to divide Sino-American relations into direct

²⁸⁵ Jean A. Garrison, ‘Explaining Change in the Carter Administration’s China Policy: Foreign Policy Adviser Manipulation of the Policy Agenda,’ *Asian Affairs*, Vol. 29, No.2(2002), 89.

²⁸⁶ Xin, ‘The Transfer of Civil High-Tech Equipment and Military Equipment to the PRC under the Carter Administration,’ 126.

²⁸⁷ Zbigniew K. Brzezinski, *Power and Principle: Memoirs of the National Security Adviser, 1977-1981* (New York: Farrar, Straus, Giroux, 1985), 148.

²⁸⁸ *Ibid.* 146

bilateral relations, common strategic interests against the Soviets, and normalisation—and sought to pursue each on a separate track.²⁸⁹ Brzezinski believed that the Chinese were seriously concerned about the Soviet threat and were interested in ways that the United States could be used to offset that threat. He thought mutually beneficial relations in certain areas could potentially progress before the wider normalisation process. In that context, he was eager to demonstrate steps in warming Sino-American relations as a signal to the Soviets to impress on them the importance of restraint and reciprocity.²⁹⁰ Brzezinski praised Nixon and Kissinger's efforts in strengthening Sino-US relations but thought the relationship in 1977 was 'rather dormant' compared to 1972'.

In fact, Brzezinski's proposal was different from that of Nixon and Kissinger. Nixon sought 'active neutrality', to maintain a balance between the Soviets and China. The US was to propose an even level of concessions to China and the USSR but unofficially lean towards China to obtain the most desired results. Kissinger thought that the US still needed Soviet cooperation in other fields including strategic arms reduction and avoiding nuclear war. Brzezinski went much further than his predecessors and tried to draw China officially into the Western camp against the USSR. He had three objectives - strengthening the impact of US ideology, improving US strategic status, and reviving US political appeal to developing world countries. If China's military was stronger, it could provide more support to US strategic interests. If US-China policy was given a

²⁸⁹ Ibid. 199.

²⁹⁰ Ibid. 196, 200.

high profile, it could offset Soviet military superiority.²⁹¹ ‘We have to cultivate this crotchety old fourth of mankind,’ he said, ‘partly because of what they are doing for the US strategically: tying down a fourth of our main adversary's military effort.’²⁹²

Furthermore, Brzezinski's arms sales proposal sought a long-term relationship with China to avoid Sino-Soviet reconciliation. After Mao's death, the USSR believed it was time to send signals to the Chinese for reconciliation. Harold Brown, the CIA's Robert Bowie, Secretary of the Treasury Michael Blumenthal, and the NSC's Michael Oksenberg all shared concerns that China's reform and opening could lead to reconciliation with the USSR. Bowie estimated the US had little impact on such a reconciliation because the Sino-Soviet relationship ‘appeared relatively independent of the state of Sino-American relations.’ Brzezinski believed that arms sales could give flesh to the bilateral relationship, so the US must ‘keep the Sino-US relationship qualitatively better than Sino-Soviet relations.’²⁹³ In this way, a long-term relationship would be established with China, whilst Soviet-US relations would improve in the future.²⁹⁴

Harold Brown's pragmatic China Policy

Harold Brown was regarded as a Brzezinski's ally, especially when he suggested

²⁹¹ Ibid. 459.

²⁹² FRUS/1977-1980/Vol.13, Document-30, Memorandum from Brzezinski to Carter, Washington, June 6, 1977,

²⁹³ FRUS/1977-1980/Vol.13, Document-31, Memorandum from Brzezinski to Carter, Washington, June 14, 1977; FRUS/1977-1980/Vol.13, Document-34, Summary of Conclusions of a Policy Review Committee Meeting, Washington, June 27, 1977.

²⁹⁴ Brzezinski, *Power and Principle*, 459.

reviewing the Sino-US security relationship in February 1977. He believed that the US had gained important security benefits from the new security relationship with Beijing, including a substantial reduction of the danger of a conflict in northeast Asia and the elimination of the friction that US China policy caused with major allies such as Japan. 'At least...the Soviets have so far been forced to divide their military strength.'²⁹⁵ He argued that the US must 'foster a relationship with Peking', to provide global balance to the US national security position because China could force the USSR to split its military strength. Brown considered the DoD should be directly involved in the China policy process.²⁹⁶ He also supported Air Force General George Brown, Chairman of the Joint Chiefs of Staff, to argue that the US had many contacts with the USSR, and such contacts should also be established with China as well. He directly recommended initiating talks with China's military staff and offering US military equipment and technology for the sake of 'even-handedness.' Brzezinski agreed and immediately formed an informal interagency group with Michel Oksenberg to review Sino-US relations.²⁹⁷

Harold Brown and his DOD favoured a middle course between Brzezinski and Vance, and Brown's influence on Carter's arms sales policy has been underestimated. In fact, his policy towards China differed from Brzezinski's as he felt that US policy toward China should match Soviet actions. It meant that the US should adjust Sino-US relations

²⁹⁵ FRUS/1977-1980/Vol.13, Document-9, Memorandum from Brzezinski to Carter, February 14, 1977.

²⁹⁶ Edward C Keefer, US Historical Office, *Harold Brown: Offsetting the Soviet Military Challenge 1977-1981* (Washington DC: Historical Office, Office of The Secretary of Defense, 2017), 396.

²⁹⁷ FRUS/1977-1980/Vol.13, Document-9, Memorandum from Brzezinski to Carter, February 14, 1977.

according to Soviet expansion. If the USSR was aggressive, the US should improve Sino-US relations to press the Soviets. Brown's China policy was more pragmatic and flexible, perhaps as a result of his technical career as a nuclear weapon scientist. Unlike Brzezinski and Vance, his policy did not evolve from a single broad philosophy but was adjusted to changing realities. In the beginning, Brown wanted to play the 'China card' because he believed that the Carter administration's China policy was not enough to match the USSR's offensive posture. It differed from Brzezinski's radical policy, and their divergence emerged in 1979 when the administration debated arms sales. When Carter was angry over the confusion in US policy, Brown was able to keep calm and oppose Brzezinski's policy of lethal arms sales, as will be discussed below.

Carter's China Policy

US arms sales to China were impeded in 1977 by Carter's idealism, concerns over the Soviet-US relationship, opposition from Congress, and the delay in normalisation. During his election campaign, Jimmy Carter said the country could not be 'both the world's leading champion of peace and the world's leading supplier of weapons of war.' Vance echoed Carter's concern and said that sales of arms abroad ought to be judged on the security requirements of the purchasing country and what effect such sales might have on the regional balance of power.²⁹⁸ Carter set four objectives for arms control:

- the reduction of nuclear weapons totals in a SALT agreement;
- the control of nuclear proliferation primarily through supplier-nation limitations;

²⁹⁸ 'The Race for Arms Sales,' *New York Times*, January 30, 1977.

-the reduction of US conventional arms transfers;

-the reduction of the US defence budget.²⁹⁹

Selling arms to China would violate his election promise, even though arms sales were never relegated to being purely an ‘exceptional’ instrument of foreign policy as promised in the administration's early days. As table 3-2 shows, total arms sales decreased slightly in Carter’s first year, 1977, but revived in 1978.

Table 3-2 The Growth in US Military Sales, Fiscal Years 1974-1978 (\$ millions)

Fiscal Year	Foreign Military Sales Agreements	Commercial Arms Sales	Total Sales
1974	10,741	502	11,243
1975	13,983	546	14,484
1976	13,233	1,407	14,640
1977	11,342	1,523	12,865
1978	13,534	1,485	15,019

(Source: SIPRI Arms Transfers Database, 2017)

Carter stood with Vance in opposition to selling arms in the beginning and agreed with Vance's concern that developing relations with China could influence Soviet-US relations negatively. At this early stage, Carter's Soviet policy aimed to ‘increase friendship with the USSR, a reduction in nuclear weaponry, and easing of the tensions between ourselves and the Soviets through quiet diplomatic channels’,³⁰⁰ so he hoped to improve the relationship with China without ‘further affecting our already strained

²⁹⁹ Nicole Ball and Milton Leitenberg, ‘The Foreign Arms Sales Policy of The Carter Administration,’ *Alternatives*, 4, no.4(1979):527-556.

³⁰⁰ Jimmy Carter, ‘The President's News Conference of July 12, 1977,’ The American Presidency Project, quoted from Sexton, *The Wages of Principle and Power*, 460.

relations with the USSR.’³⁰¹

Carter did not want to proceed quickly with arms sales to China before the normalisation of diplomatic relations. He acknowledged the three Chinese non-negotiable issues in the normalisation process: the revoking of the mutual defence treaty with Taiwan; official diplomacy with Beijing instead of Taipei; and troop withdrawal from Taiwan. However, Carter still expected to sell defensive weapons to the island and maintain unofficial relations. He said that he would not attend the normalisation negotiations until China compromised on these two points.³⁰² Vance also believed that the main obstacle to the normalisation of relations between the two countries was the Taiwan issue, and that the relationship would only progress if China was willing to compromise on its sovereignty claims. He thought that it would be necessary to ‘wait them out’.³⁰³

Congress and Carter’s policy

The attitude of Congress also influenced Carter’s China policy. In response to public outrage over the Vietnam War and the secret bombings in Laos and Cambodia during the Nixon period, Congress sought to reform arms sales policy to exert control over the White House. This led to the passage of the American Export Control Act (AECA) in 1976, which introduced several changes to the process of selling weapons to foreign

³⁰¹ Jimmy Carter, *Keeping Faith: Memoirs of a President* (Toronto: Bantam Books, 1982), 188.

³⁰² Carter, *Keeping Faith*, pp.191-2.

³⁰³ Breck Walker, "Friends but not Allies" - Cyrus Vance and the Normalization of Relations with China' *Diplomatic History* 33, No.4 (2009): 579-94, 580-1.

nations. Firstly, it formalised the role of the executive branch in negotiating and approving arms deals, assigning primary responsibilities to the State Department and the Department of Defence. Secondly, to ensure transparency, the Act mandated that the White House inform Congress of impending sales exceeding a specific dollar value. Thirdly, the Act required the White House to provide a political-military risk assessment for each proposed arms sale, weighing the national security benefits against potential negative consequences. Finally, Congress retained the power to block arms deals by passing a resolution within 30 days of official notification.³⁰⁴

Despite its initial promise, AECA, like other reforms of the 1970s such as the War Powers Act, proved to be more symbolic than effective. In reality, the Act had limited impact on curbing the arms sales efforts of the Executive. Congress, despite being designated as the leading branch of government in regulating foreign commerce, did not establish a significant role for itself in arms sales policy. Rather than requiring active Congressional approval for major deals or implementing annual reviews, Congress relinquished most of its authority.³⁰⁵

Additionally, certain pro-Taiwan attitudes in Congress impeded bolder strides in Sino-US relations. Carter noted: ‘Taiwanese lobbyists seemed able to prevail in shaping United States policy on this fundamental issue in the Far East... Those who succumbed

³⁰⁴ The text of the AECA can be found at 22 USC. § 2778, <http://uscode.house.gov/view.xhtml?path=/prelim@title22/ chapter39&edition=prelim>.

³⁰⁵ Trevor Thrall, and Caroline Dorminey, ‘The Role of Arms Sales in US Foreign Policy,’ *Policy Analysis*, Vol.836(2018).

to these blandishments were wined and dined by the Taiwan leaders, offered attractive gifts, and urged to influence me to forget about fulfilling American commitments to China.³⁰⁶

Carter realised he would have to avoid irritating pro-Taiwan members of Congress if he was to obtain support for the Panama Canal Treaty. He was concerned that any negative impact on Taiwan would mean Goldwater and pro-Taiwan lobby in Congress would veto a settlement of the Panama Canal issue.³⁰⁷

The Veto of Arms Sales to China in 1977

Carter and Brzezinski designed a new decision-making system, including two policy decision-making committees, the Policy Review Committee and the Special Coordination Committee (SCC). When the NSC considered a policy, it would release a Presidential review memorandum (PRM), transferred to one of the two committees according to the contents. The committees were to submit reports to the NSC for review. If the reports obtained approval, these documents would become the basis of Presidential directives. The former committee included Cyrus Vance, who usually chaired the committee, Harold Brown and Stansfield Turner, the CIA Director, and was responsible for long-term policies and defence issues. The SCC was led by Brzezinski and was in charge of key security policies, including the SALT negotiations, and

³⁰⁶ Carter, *Keeping Faith*, 187-8.

³⁰⁷ *Ibid.* 195.

decisions relating to the USSR and China.³⁰⁸

Prior to Vance's visit to China in August 1977, the two rival camps headed by Vance and Brzezinski debated arms sales policy, but Vance controlled the direction of the debate and rejected the latter's opinions. Brzezinski steadily pursued selling arms to China and on April 5 1977 he suggested a broad review of US policy towards the sale of defence-related technology and equipment to China.³⁰⁹ With the help of Samuel Huntington, Brzezinski then submitted a forty-three-page report to Carter on April 30, with the details of an arms sales plan, year by year. He aimed to transfer both non-defensive and defensive Western technology by 1978 and invite a Chinese leader to visit the US in 1979 to pave the way for long-term economic and cultural cooperation.³¹⁰ His assistant Michel Oksenberg worked secretly with senior CIA personnel on an examination of how European allies such as the UK could sell military equipment and technology to China to help develop the PLA's combat capability and China's defence industry. Together they prepared several documents for the NSC explaining the arms transfers policy.³¹¹

On June 14, Brzezinski proposed a comprehensive arms sales policy toward China. It included the sale of weapons and military technology such as anti-tank missiles and over-the-horizon radar; tacitly permitting third country sales of defence equipment and

³⁰⁸ Ali, *US-China Cold War Collaboration*, 123.

³⁰⁹ FRUS/1977-1980/Vol.13, Document-24, Presidential Review Memorandum/NSC 24, Washington, April 5, 1977.

³¹⁰ Brzezinski, *Power and Principle*, 65-6.

³¹¹ Ali, *US-China Cold War Collaboration*, 124-5.

technology; sharing intelligence on Soviet capabilities and strategies, troop deployments, military manoeuvres, and missile launchers; and enhancing intelligence capability vis-a-vis the Soviets through the sale of intelligence-related technology. However, Carter rejected most of the recommendations in Brzezinski's proposal and approved only the sale of intelligence-related technology and dual-use technology on a case-by-case basis.³¹²

Vance then chaired a meeting of Policy Review Committee on June 27, 1977, which vetoed Brzezinski's proposal. Only three of the reviewers – the CIA officer for China, James Lilley, the Deputy Assistant Secretary of Defence for East Asia and Pacific Affairs, Morton Abramowitz, and NSC consultant Richard Solomon - recommended a 'military relationship' with Beijing.³¹³ The participants did reach agreement on some general issues. Firstly, they supported establishing full diplomatic relations with the PRC and abandoning the treaty with Taiwan. Secondly, they recognised the importance of the triangular strategic relationship with China and the USSR. As Richard Holbrooke, the Assistant Secretary of State for East Asian and Pacific Affairs, suggested, 'it was clear that the Sino-Soviet-US triangle is inherently unstable and that a change in one leg could easily impact in unpredictable ways upon the other legs—hence the desirability of consolidating the Sino-American leg.'³¹⁴

³¹² FRUS/1977-1980/Vol.13, Document-31, Memorandum from Brzezinski to Carter, Washington, June 14, 1977.

³¹³ Ali, *US-China Cold War Collaboration*, 124.

³¹⁴ Brzezinski, *Power and Principle*, 459.

The document concluded that the sale or transfer of US military technology to China would increase tensions between China and the USSR and could threaten US interests. It recommended a parallel step, allowing the advanced technology sales of allies, which was regarded as a mild concession to Brzezinski. But Brown's reaction was that 'the paper undervalues the military value to US of USSR/PRC adversary relationship.'³¹⁵

Vance's failed visit to China, August 1977

On August 22, 1977, Cyrus Vance arrived in Beijing, and negotiations started the next day. There were two significant divergences between the US and China. Firstly, China had different attitudes to the US regarding capabilities and objectives for coping with Soviet threats. Vance emphasised that the current US-Soviet military relationship was a competitive one, and the US still had a strong strategic deterrent capability against the USSR. The United States would strengthen its global competitiveness in military, political, strategic and other fields to maintain a global strategic balance.³¹⁶ However, China expected the US to be more offensive to contain Soviet expansion worldwide, and was dissatisfied with the US goal of balance.

When Deng Xiaoping met Vance on August 24, he initially refuted Vance's assertion that the US was confident in maintaining the strategic balance and said that Vance was a blind optimist. He argued that confrontation and the arms race would continue, and the relative advantage of the US in power would be diminished. Vance retorted that the

³¹⁵ Keefer, *Offsetting the Soviet Military Challenge 1977-1981*, 396.

³¹⁶ FRUS/1977-1980/Vol.13, Document-47, Memorandum of Conversation, Beijing, August 22, 1977.

US-Soviet strategic balance had changed beneficially for the US.³¹⁷ Deng Xiaoping reiterated that the US should not underestimate the USSR and should establish a more equal relationship with the Western European countries. Hua Guofeng repeatedly emphasised it was the nature of Soviet social-imperialism to be expansionist, so the US should remain vigilant.³¹⁸

However, the Taiwan issue was a point of divergence which directly impeded normalisation. Vance proposed that the US retain trade, investment, tourism, scientific exchanges, and other personal ties with Taiwan, whereby US government personnel could stay in Taiwan for informal contacts. He also hoped that a time would come in the future where the US government could reiterate that it sought a peaceful settlement of the Taiwan issue, and China would not emphasise its right to the use of force to solve the Taiwan issue. Deng thought that Vance was not sincere because the proposal aimed to intervene in Chinese internal politics and continually maintain a US presence on the island. In the aftermath of the visit, Carter's overly optimistic public statements and a press leak from NSC staff suggesting Chinese flexibility on the status of Taiwan elicited a sharp retort from the Chinese side.³¹⁹ Vance concluded that Deng Xiaoping's remarks showed that the Sino-US relationship had embarked on a challenging long-term problem. There would be no breakthroughs at that time.³²⁰

³¹⁷ FRUS/1977-1980/Vol.13, Document-49, Memorandum of Conversation, Beijing, August 24, 1977.

³¹⁸ FRUS/1977-1980/Vol.13, Document-52, Telegram from Secretary of State Vance to the State Department and the White House, Beijing, August 25, 1977.

³¹⁹ Walker, 'Friends, but Not Allies'-Cyrus Vance and the Normalization of Relations with China,' 590.

³²⁰ Enrico Fardella, 'The Sino-American Normalization: A Reassessment,' *Diplomatic History* 33, no.4(2009):545-78, 551.

Deng's Policy of 'Aligning the US against the USSR'

During his visit, Vance completely misunderstood China's foreign policy. Deng was the leading actor during the visit, and his central policy was 'aligning the US against the USSR', but Vance did not show a willingness to contain the USSR with China. Deng did not have a strict 'doctrine' but rather a series of ideas. In Chinese foreign affairs, Deng Xiaoping had always displayed an anti-Soviet attitude. After his comeback in 1977, Deng tried to use Mao's 'Three Worlds' theory to forge a union against the USSR. 'Our foreign policy is formulated according to Chairman Mao's strategic thinking on the division of the three worlds. This thought guides our past, present and future foreign policy. One of the fundamental ones is that the third world is the main force for solving world affairs and for fighting against imperialism, colonialism, and hegemony.'³²¹

After the Sino-Vietnamese war in 1979³²², Deng was outraged at Soviet assistances to Vietnam which strengthened his attitude against the USSR. For example, his speech at a high-level diplomacy meeting showed his resolve against the USSR. He argued that it was wise to 'stand with third world countries' and 'renormalise relations with the US and Japan.' China had 'broken the arrogant Soviet plan' by the one-line policy.³²³ Deng's policy was different from Mao's. Mao's one-line policy was more like a strategic design for the future. Deng however actively pursued union against the USSR and had

³²¹ LRO, *Deng Xiaoping's Chronology*, 317.

³²² The Sino-Vietnamese War from February 17 to March 16, 1979, was a brief but intense border conflict initiated by China in response to Vietnam's invasion of Cambodia, characterized by large-scale battles and resulting in significant casualties on both sides.

³²³ LRO, *Selected Writings of Deng Xiaoping Vol.2*, 160.

a much more positive attitude toward approaching the US than Mao had done. On January 16, 1980, Deng asserted three tasks for the 1980s - 'opposition to hegemonism', 'the uniting of Taiwan', and 'accelerating economic construction'. He pointed out that the third task was the priority because the 'economy' determined China's ability in 'international affairs'.³²⁴ Approaching the US was 'killing two birds with one stone' because the US could assist China in dealing with Soviet threats and it could provide advanced technology for Chinese modernisation.³²⁵

Brzezinski's Take Over and Appeal for Arms Sales

After the failed visit, Vance decided to slow down the process of Sino-US normalisation. However, Michel Oksenberg argued that a hiatus in the normalisation issue could cause China to lose trust in the Carter administration and 'maintain equidistance' between the US and the USSR.³²⁶ Brzezinski thought the US should push Sino-US relations as soon as possible, and sought to take control of the normalisation negotiation, otherwise his China proposal could not be put into practice. Therefore, he secretly asked Oksenberg to suggest to Huang Zhen, the Director of the Chinese Liaison Office in the United States, that he should invite him to visit China. At the beginning of November, Huang, at a banquet, invited Brzezinski to visit China, and he agreed. This action irritated the State Department. Vance, Holbrook, and Habib were angry with Brzezinski, and feared that the State Department was no longer in charge of China relations.³²⁷

³²⁴ LRO, *Selected Writings of Deng Xiaoping Vol.2*, 240.

³²⁵ *Ibid*, 241.

³²⁶ FRUS/1977-1980/Vol.13, Document-59, Memorandum from Oksenberg to Brzezinski, Washington, September 23, 1977.

³²⁷ Brzezinski, *Power and Principle*, 235-6.

Brzezinski started to manage Chinese issues, and also recognised in his memoirs that the invitation would give him a chance to promote the transfer of sensitive military technology. He immediately drafted another paper - in November 1977 - that suggested relaxing controls over the transfer of defence-related technology and equipment to the PRC. The paper was the first one to propose a systematic US arms sales policy towards China, divided into five sections and an annexe. It stated that the US could secure its political interests through arms sales, by improving Sino-US relations and demonstrating to the USSR these improved relations. It noted that the USA's NATO allies sought a relaxation in the control of arms sales to China for economic reasons. The Chinese military threat to the US was extremely limited, and none of the possible initiatives outlined in the study could significantly increase this threat, although other Asian countries and Taiwan would be more concerned owing to China's geographical proximity and historical issues. Brzezinski bluntly concluded that US military technology transfers to China were 'designed more for political effect than for their impact on PRC military capabilities.'³²⁸

The paper renewed Vance's opposition. The debates took place under strict confidentiality, and only Vance, Brzezinski, Brown and a few senior assistants joined in. The debates focused on two main issues - the civilian and military dual-use of equipment and technology transfers to China; and the US attitude to the arms sales

³²⁸ FRUS/1977-1980/Vol.13, Document-67, Paper Prepared in Response to Section III of Presidential Review Memorandum 24, Washington, undated.

policy of its allies. As regards the first issue, Oksenberg appealed for a change in US policy over civilian-military dual use technology to respond to the USSR. He suggested an asymmetrical policy to remind the Soviets of their vulnerabilities in the East and to force them to back down in Africa, including formal diplomatic relations. This proposal was to include expanding trade with China, and deeper strategic consultations. He criticised the bureaucratic routines ‘bogging down’ Chinese orders for ‘ostensibly peaceful uses’ because of possible defence applications.³²⁹

Holbrooke and Abramowitz, the Deputy Assistant Secretary of Defence for East Asian and Pacific Affairs, criticised the ‘case by case’ principle because many cases inevitably turned into political matters, and they suggested applying different standards to China and the USSR.³³⁰ Robert W. Komer, the President's adviser on NATO affairs, suggested direct sales of TOW anti-tank missiles and assisting China in building production lines or encouraging France to sell similar weapons to China as soon as possible.³³¹ Carter approved the civilian technology transfer but insisted on the principle of case-by-case approval.³³² Before departing to Beijing, Brzezinski suggested again to Carter to approve the overall transfer of dual-purpose items to the PRC, but the President failed to respond.³³³

³²⁹ FRUS/1977-1980/Vol.13, Document-84, Paper Prepared by the NSC Staff, Washington, undated.

³³⁰ FRUS/1977-1980/Vol.13, Document-59, Memorandum from Oksenberg to Brzezinski, Washington, September 23, 1977.

³³¹ FRUS/1977-1980/Vol.13, Document-71, Action Memorandum from Komer to Brown, Washington, January 3, 1978.

³³² FRUS/1977-1980/Vol.13, Document-75, Memorandum from Press to Carter, Washington, January 23, 1978.

³³³ FRUS/1977-1980/Vol.13, Document-95, Memorandum from Brzezinski to Carter, Washington, April 18, 1978.

On the second issue, the protagonists debated whether to allow third countries to sell arms to China. In early 1978, Britain and France planned to sell arms to China and sounded out the US attitude. They hoped that the US was prepared to ease restrictions on arms sales. However, Vance stated that the US should be neutral and not advocate allied sales because the declared policy of the White House opposed transferring arms to China. Vance was concerned that the allies would regard any acquiescence as positive approval, and he continued to support an even-handed policy applying the same restrictions to China and to the USSR.³³⁴ However, Carter decided to allow the European allies to transfer arms. Critics asserted that his human rights policy and general idealism would not deter Soviet attacks, and that Soviet strategic power had surpassed that of the US. Soviet expansion in the Horn of Africa left many American officials deeply troubled and even some Democrats argued that Carter was simply preaching instead of applying power.³³⁵ The President was therefore determined to show greater strength against the Soviets, and told Vance that he did not seek to intervene in French decisions and would keep silent once the French took their decision.³³⁶

Brzezinski's visit to Beijing, May 1978, and US arms sales policy

In March 1978, Carter approved Brzezinski's visit to Beijing to confirm normalisation and hold extensive political and strategic discussions. Vice President Mondale, and

³³⁴ Vance, *Hard Choices*, 123-4.

³³⁵ Stephen E. Ambrose, *Rise to Globalism: American Foreign Policy Since 1938* (New York: Penguin Books, 1997), 289.

³³⁶ Ross, *Negotiating Cooperation*, 156.

General Brown all supported the decision. Carter had made decisions on the two differences in attitude raised in the Vance visit in 1977. Firstly, in terms of Soviet-US competition, Carter hoped to establish a long-term strategic cooperative relationship with China and was determined to react strongly to Soviet military increases and its agents' expansion worldwide. He asked Brzezinski in particular to explain to the Chinese that the US would strengthen both national defence and NATO's power. Secondly, Carter was willing to accept Chinese conditions on normalisation, including the ending of diplomatic relations with Taiwan, withdrawing US military personnel and facilities, and abolishing the US-Taiwan security treaty.³³⁷

During his visit to China Brzezinski implemented the proposals that had been approved by the President. Although Beijing still disagreed on Taiwan issues, the general atmosphere was warm and friendly. Deng agreed to accelerate the normalisation negotiations by suspending discussion over Taiwan. Why did Brzezinski obtain success when Vance failed? Neither reached an agreement with the Chinese over Taiwan, but Deng was willing to avoid discussion over the issue. Firstly, Brzezinski's active China proposal accorded with Deng's 'aligning the US against the USSR' policy. Huang Hua and Deng Xiaoping emphasised importing technology from the US, and Deng was worried about US restriction of technology exports. He questioned Brzezinski about whether the Soviet factor was the most important barrier to technology transfer, and the latter said he was not afraid of offending the Soviets. Deng was delighted with

³³⁷ Brzezinski, *Power and Principle*, 240-2.

Brzezinski's answer, and Chinese newspapers, like the *People's Daily*, stopped satirising US 'appeasement'.³³⁸

Beijing greatly admired Brzezinski's efforts to dissociate China policy from Soviet policy. Brzezinski's emphasis on developing bilateral relations accorded with Beijing's needs for modernisation, and there was no feeling that the US was 'playing the China Card.' Since the Mao period, US China policy was always subject to Soviet policy. The Carter administration realised the problem because this rigid linkage minimised US room for manoeuvre. As stated in an inter-departmental memo by a group of officials, including Richard Holbrooke, the Assistant Secretary of State for East Asian and Pacific Affairs: 'Neither our Soviet nor our China policy should be derivative of the other; the two must proceed in tandem'.³³⁹

The Sino-Soviet split in 1969 gave the Americans a 'China Card', which was an offensive term to Chinese leaders. Kissinger's and Vance's efforts failed because the Chinese leadership believed they were playing this 'China Card'. Brzezinski not only expressed his anti-Soviet attitudes but also emphasised his expectations for Sino-US relations in the future. Brzezinski said that developing US-China relations was not an expedient measure but a far-reaching strategic shift. The US welcomed a strong, peaceful and self-defensive China. The White House would accelerate the export of

³³⁸ Huang Hua, *Personal Experience and Knowledge - Huang Hua's Memoirs* (Beijing, World Affairs Press, 2007), 248; Ross, *Negotiating Cooperation*, 175-8.

³³⁹ FRUS/1977-1980/Vol.13, Document-92, Memorandum from Holbrooke, Abramowitz, Michael Armacost and Oksenberg to Vance, Brown and Brzezinski, Washington, April 4, 1978.

technical equipment to China in response to China's 'four modernisations'.³⁴⁰ In the meeting with Hua Guofeng, Brzezinski emphasised his expectation of developing a close relationship with China. Sino-US relations should be strategic in the long term, no matter whether the USSR was peaceful or aggressive.³⁴¹

After Brzezinski visited China, the US improved China's strategic status. Oksenberg believed that Chinese foreign policy was 'Leaning to One Side Again—This Time Our Side'. He wrote to Brzezinski, arguing that China's seeking arms in the West had two objectives, 'partly as a means of causing irritations in the détente process, but also as a means of making its defence capabilities more credible.'³⁴² At the same time, the contest between Hua and Deng had entered a vital period. Oksenberg detected the signals of this political rivalry, and suggested Carter quietly encourage European countries to consider China's quest for technology, arms and credit seriously. 'If the Chinese feel that the door has been slammed in their face, Deng may be on the end of a very exposed limb.'³⁴³ Carter later approved his Science Advisor Frank Press's suggestions to cooperate with China on civil technology and non-sensitive science. In November 1978, Carter signed NSC Document No. 43, written by Brzezinski and used it to guide US-China civil science and technology exchanges, which were less sensitive than technology transfer and foreign policy.³⁴⁴

³⁴⁰ CRS, 'Increased US Military Sales to China: Arguments and Alternatives,' May 20, 1981, p.13.

³⁴¹ Brzezinski, *Power and Principle*, 249-250.

³⁴² FRUS/1977-1980/Vol.13, Document-130, Memorandum from Oksenberg to Brzezinski, Washington, August 21, 1978.

³⁴³ FRUS/1977-1980/Vol.13, Document-153, Memorandum from Oksenberg to Brzezinski, Washington, November 15, 1978.

³⁴⁴ FRUS/1977-1980/Vol.13, Document-150, Presidential Directive /NSC 43, Washington, November 3, 1978.

However, Carter was ambivalent towards selling arms to China, and he still had no idea whether to endow more strategic meaning to the Sino-US relationship which could lead to a direct collision with the USSR. The Soviets vehemently opposed any weapons transfers to China, considering such arms sales an unfriendly act toward the USSR. Soviet media warned the West against collusion with China for anti-Soviet purposes and accentuated the dangers inherent in West European and Japanese arms sales to China. Pravda's criticism underlined Soviet sensitivity over Brezinski's trip to Peking. The Soviets were concerned over reports that Brzezinski favoured Western arms sales to China and were disturbed that his China trip came at a time of Sino-Soviet tensions over Soviet intrusion into north-eastern China.³⁴⁵

Brzezinski agreed with Okensberg's estimates that China was leaning toward the US, and he tried to push the process forward. He even suggested the 'makings of a Carter Doctrine' based on the emergence of China as an active diplomatic player and supporting European allies to sell arms toward China when the Soviets warned against them.³⁴⁶ He hoped that its European allies' arms sales would provide the Chinese with some military support. Brezhnev was very angry at Western arms sales towards China and sent a letter to Carter outlining his expectation that the US would stop European arms sales. Carter replied that the US had an even-handed policy which meant it would

³⁴⁵ FOIA-General CIA records, National Intelligence Bulletin, State Department, May 20, 1978, 1.

³⁴⁶ FRUS/1977-1980/Vol.13, Document-143, Memorandum from Brzezinski to Carter, Washington, October 13, 1978.

not sell arms to China or the USSR, but it could not prevent its allies from doing so.

Deng was satisfied with Carter's response.³⁴⁷

Sino-US Normalisation and Deng's Visit to the US

By 1979, Deng, China's new leader, introduced reforms and a fresh arms importation policy, while Brzezinski directed US China policy, navigating toward an alliance against the USSR. Although no official US arms sales initiatives existed, Carter softened on the issue, approving civilian technology transfers and consenting to arms sales by US allies. With the establishment of official Sino-American diplomatic relations on January 1, 1979, and the resolution of US bureaucratic battles, the burgeoning strategic partnership became clear and started significantly deepening. Deng and Carter cooperated effectively over Vietnam, facing barriers to arms sales primarily from Chinese internal debates and Carter's own willingness, while Taiwan's issue, met with Deng's flexibility, did not significantly obstruct arms sales.

After establishing diplomatic relations with the US, Deng aimed to utilise the improved relations to contain Soviet expansion in Asia. Deng had a one-week visit to the US from January 29 to February 3 1979, at the start of which he conveyed an important message to Carter that China was preparing for a war against Vietnam. Deng believed that Vietnam had become an 'East Cuba,' even more dangerous due to its large-scale army.³⁴⁸ In Deng's mind, the USSR completely controlled Vietnam, so China and the

³⁴⁷ Carter, *Keeping Faith*, 201, 209-10.

³⁴⁸ FRUS/1977-1980/Vol.13, Document-202, Memorandum of Conversation, Washington, January 29, 1979.

US should retaliate strongly. He did not think the USSR would have a strong response since it was incapable of large-scale action in the Far East in winter. Although the Soviets had increased their military, China could deal with it. Carter gave no encouragement to China's military actions but was willing to share military intelligence.³⁴⁹

Although there was no essential agreement, this discussion was significant. It was the first time a top Chinese leader had visited the US, and Deng used the visit to give advance notice to Carter about a very sensitive action. Deng Xiaoping hoped to deter the USSR, preventing it from taking large-scale actions against China and, at the same time, confirming the value he placed on the Sino-US strategic relationship. At an internal meeting with other CCP's leaders he said, 'why is the international community willing to offer money, equipment to help China realise the four modernisations? We are strong, we can contain the Soviet revisionists. If we are weak, what is the use of helping us? What is the significance?'³⁵⁰

Carter's behaviour proved his satisfaction with closer Chinese relations. Carter did not overtly support Deng's military response but he explained that his decision was not due to fear of the USSR but concern for regional stability.³⁵¹ Carter even promised that the US would lobby other countries to cut aid and not establish diplomatic relations with

³⁴⁹ Ibid.

³⁵⁰ LRO, *Deng Xiaoping's Chronology*, p.493.

³⁵¹ FRUS/1977-1980/Vol.13, Document-205, Memorandum of Conversation, Washington, January 29, 1979.

Vietnam. At the same time, the US encouraged the Association of Southeast Asian Nations Community (ASEAN) countries to increase military aid to Thailand and unite against Vietnam.³⁵² After the war, Deng said, 'we are satisfied with the US government position and attitudes when fighting against Vietnam.'³⁵³

Setting aside Taiwan Issues

However, Taiwan issues damaged the relationship again when China retaliated against Vietnam. Deng and Brzezinski agreed to suspend discussion of the issue temporarily during the normalisation process, but China was concerned that the US had deceitful intentions on this issue. As early as December 4, 1978, Han Nianlong, Acting Foreign Minister, proposed that all US-Taiwan treaties should be voided, but the US did not give a clear response.³⁵⁴ On January 26, 1979, the Taiwan Relations Bill was introduced into Congress. On March 3, Chai Zemin, Chinese ambassador to the US, conveyed a message to Vance, hoping that the White House could intervene in the Congressional process to downgrade the US-Taiwan relationship. The Chinese did not understand how US politics functioned, so they regarded Carter's silence as betraying the Shanghai communique.³⁵⁵ Chai Zemin later recalled, 'every country has a lobby group in Congress, but we don't have this lobby group, so no one speaks for us in Congressional meetings.'³⁵⁶

³⁵² Ibid.

³⁵³ Gong Li, 'The US-China-Soviet Triangle Relationship in the 1979 Sino-Vietnamese Border Conflict,' *Guoji Guancha*, 2004(3): 66-72, p.70.

³⁵⁴ USDDO, 'Briefing Paper for US Ambassador Leonard Woodcock's Meeting with Chinese Vice Premier Deng Xiaoping,' December 12, 1978, p.3.

³⁵⁵ FRUS/1977-1980/Vol.13, Document-234, Telegram from the Embassy in China to the State Department, Beijing, March 27, 1979.

³⁵⁶ Republics' Ambassador Programme Group, *Ambassador of the Republic* (Hangzhou: Zhengjiang University

China had no retaliatory measures or disputation with the US on this topic. Instead, it focused on comprehensively advancing Sino-US relations involving the economy, culture, security cooperation, and detailed implementation rules. China allowed the US to install a set of US intelligence equipment in western China to monitor Soviet arms control, and the Americans shared this information with China.³⁵⁷ In March 1979, for the first time, China secretly proposed to the US the purchase of C-130 tactical transport aircraft, P-36 anti-submarine patrol aircraft and military avionics equipment, but Carter rejected China's proposal. Then, China hoped to purchase the F-15 and F-16 to systematically enhance the combat effectiveness of the Chinese Air Force against the USSR, but again the US refused.³⁵⁸

The reasons behind Deng's downgrading of the dispute over the Taiwan Relations Act were complex. Chinese media explained for a short period of time that the Act violated the principle of establishing diplomatic relations. The *People's Daily* and *Reference News* had only one or two brief reports. This low-key and restrained approach was in sharp contrast to China's previous handling of Sino-US disputes.³⁵⁹ Firstly, China faced severe foreign pressure. China's military suffered significant casualties, 27,000 in Vietnam, which exposed the backwardness of China's armaments. Deng also terminated

Press, 2009), p.61.

³⁵⁷ Ruan, *Han Xu's Biography*, pp.225-6.

³⁵⁸ USDDO, 'Summary of Vice President Walter Mondale's meeting with Chinese Vice Premier Deng Xiaoping,' United States: Washington, August 28, 1979, p.17.

³⁵⁹ Fan Chao, 'Discussion of China's policy towards the US and Sino-American Interaction in 1979,' *International Political Studies*, 2015, 36(03):130-146+8.

the Sino-Soviet alliance treaty signed in 1950 in late March 1979, and this action incurred Soviet opposition. Importing US arms could improve the relationship and strengthen China's defences for coping with Soviet retaliation. Secondly, Deng Xiaoping was suffering strong criticism, so he wanted to decrease any impact of the Taiwan issue. The left wing within the CCP argued that Deng's policy contradicted Maoism and Marxism.³⁶⁰ Wei Jingsheng, an electrician in Beijing, posted a *dazibao* (wall poster) on March 25, appealing for democratic reform and criticising Deng Xiaoping as a new dictator. Defence Minister Ye Jianying also expressed his dissatisfaction with Deng by emphasising the need for 'democratic centralism' in meetings.³⁶¹

Improving Sino-Soviet Relations?

Critics also targeted Deng's foreign policy. Deng pursued a policy 'aligning the US against the USSR', and he achieved normalisation with the US, a war against Vietnam and the introduction of foreign capital and technology. However, Deng's political opponents argued that the price of his policy was too high. Normalisation had not led to the prospect of a peaceful solution to the Taiwan issue, nor did the pro-Western orientation allow COCOM to relax restrictions on exporting sensitive technologies to China, and France and Germany remained hesitant about arms sales to China.³⁶² On the UK side, the Callaghan government was consistently pushing arms sales to China but

³⁶⁰LRO, *Deng Xiaoping's Chronology*, 501-2.

³⁶¹ Shi, *Hua Guofeng in Historical Turning Point*, 312-3.

³⁶² FOIA, General CIA Records, 'Monthly Warning Assessment: China,' May 30, 1979, 2.

no contracts were signed by mid-1979, which will be discussed in the next chapter.

Some of Deng's critics proposed an 'even-handed policy toward the US and the USSR or rapprochement with the USSR. They thought it was necessary to improve Sino-Soviet relations in order to improve Sino-US relations. Two sets of improved bilateral relations might maximise China's interests.³⁶³ On July 17, some Chinese ambassadors openly doubted Deng's foreign policy. Hu Yaobang, Secretary-General of the Central Committee, argued that 'Soviet people still have friendship with China,' and China should reconsider the threat of the USSR. However, the Central Committee's conclusion suppressed Hu's suggestion, 'only the USSR can threaten war...our one-line policy...is mainly against one hegemony (the USSR) ...the US is an indirect ally at least.'³⁶⁴

Nonetheless, China's Foreign Ministry arranged negotiations based on the idea of improving Sino-Soviet relations. On July 21 1979, the Sino-Soviet State Relations Negotiation Office was established, and on the 27th, the Chinese government delegation was established. In the preparatory stage, the delegation mainly completed the preparation of four documents, including bilateral relations and border status. Due to the limitation of materials, the specific content of the four documents and the negotiation plan are still classified, but judging from the title, China did have a

³⁶³ Lin Fenglin, 'My Experience in Sino-Soviet Border Negotiations,' *Bainianchao*, 2008(07):30-4, p.32.

³⁶⁴ Zhu Liang, *Memories and Thoughts of Diplomatic Work* (Beijing: Contemporary World Press, 2012), p.90.

normalisation policy toward the USSR.³⁶⁵ The messages from the Chinese embassy in the US showed that China's policy of 'aligning the US against the USSR' could be changed.³⁶⁶

The Brzezinski and Brown Debates on Arms Sales Policy

Carter's idealistic foreign policy also faced critics. Since the end of 1978, the Ogaden War, the Ethiopian Civil War, the Yemen Crisis, Vietnam's invasion of Cambodia, and the USSR's deployment of armoured combat brigades to Cuba had made many Americans deeply dissatisfied with Soviet expansion and Carter's perceived weakness. In 1979, the Iranian Revolution broke out, and US-Iran relations deteriorated sharply. The US faced comprehensive strategic challenges. Negotiations on restricting the transfer of conventional arms broke down, and the USSR's large-scale arms sales to 'third world' countries severely damaged US interests. Carter's idealistic arms control policy was also criticised.³⁶⁷

US officials sought to adopt an active China policy to improve the situation. But Brzezinski and Harold Brown differed over the acceptable degree of arms sales. Brzezinski and David L. Aaron, Deputy National Security Affairs Assistant, suggested selling lethal weapons to China, such as anti-tank missiles, but Carter denied permission

³⁶⁵ Chu Yun, *Diplomatic Missions to Seven Countries: General Ambassador Wang Youping* (Beijing: World Affairs Press, 1996), p.250.

³⁶⁶ FOIA/General CIA Records, 'Monthly Warning Assessment: China,' June 22, 1979, 1-2.

³⁶⁷ Xin, 'The Transfer of Civil High-Tech Equipment and Military Equipment to the PRC under the Carter Administration,' 138.

for this.³⁶⁸ Brown suggested a limited arms sales policy, which meant that the US ‘openly encouraged third country arms sales to China or explicitly adopted a pro-China tilt in providing dual-use technology’. Strengthening US-China relations could force the USSR to abide by détente, while the USSR would still seek expansion. Therefore, the US should sell non-lethal dual-use equipment to China, such as radar and communication equipment. Such a limited arms sales policy could make clear to the USSR that progress in the Sino-US defence relationship depended on whether the USSR continued the détente policy.³⁶⁹

Brown's idea of limited arms sales could give some flexibility to US policy. Before he visited China, Brown sent a memorandum to Carter to explain his proposal. He objected to arms sales to China, but also argued in favour of keeping the option for further development. He said, ‘on the one hand, we must avoid gratuitously provoking the USSR and alarming our allies. But it is equally important that the Soviets understand that if they engage in aggressive or expansionist actions which challenge the shared security concerns of the United States and China, Washington and Beijing may respond with cooperation in the field of defence as well as diplomacy.’³⁷⁰ He indicated that this incremental approach was not only most likely to exert a deterrent effect on the Soviets but insured domestic and allied support for broader Sino-US defence cooperation if it

³⁶⁸ Ibid. 139.

³⁶⁹ FRUS/1977-1980/Vol.13, Document-233, Memorandum from Brown to Brzezinski, Washington, March 23, 1979.

³⁷⁰ FRUS/1977-1980/Vol.13, Document-283, Memorandum from Brown to Carter, Washington, December 13, 1979.

should become necessary in the future.³⁷¹

Carter's Approval to Brown's Proposal

Brown's proposal shared the same points as Brzezinski's that arms sales contributed to China's opening. DOD officers directly pointed out, 'our hope for a more pragmatic and pro-Western Beijing regime lies in Deng and his reforms.' However, defence modernisation was the last of Deng's 'Four Modernisations', and the military was unhappy with this and Deng's reforms. US assistance in military modernisation would help overcome these equipment deficiencies, since China's own limited investment resources prevented large Chinese purchases.³⁷² Carter approved Brown's proposal because it made the US policy depend on the USSR's choice, and Carter would not follow Brezinski's proposal to take the risk of irritating the Soviets by improving arms sales. On July 11, 1979, Carter decided to improve US-China defence relations by transferring non-lethal dual-use technologies and equipment to China on the 'case-by-case' principle to retaliate against Soviet expansion.³⁷³ He also overcame Vance's opposition and approved a visit to China by Brown to build a high-level US-China defence exchange.

Mondale's Visit to China, August 1979

³⁷¹ FRUS/1977-1980/Vol.13, Document-286, Memorandum from Brown to Carter, Washington, December 29, 1979

³⁷² FRUS/1977-1980/Vol.13, Document-325, Memorandum from Komer to Brown, Washington, November 22, 1980.

³⁷³ FRUS/1977-1980/Vol.13, Document-253, Memorandum from Brzezinski to Vance and Brown, Washington, July 11, 1979.

In the meantime, Carter's Vice President, Walter Mondale, made an important visit to China. Both Brzezinski and Brown understood that negative signals had come from China, and they therefore supported Mondale's visit on August 27. During the visit, Mondale said that the US prioritised Sino-US bilateral and strategic relations by listing China as a friendly country. The US would also treat China and the USSR differently over dual-use technology exports and afford most-favoured-nation-treatment to China. Deng was particularly excited about the US commitment to high-tech transfer and even began to arrange working-level matters during the talks. Mondale was cooperative in asking the Chinese to make a list of urgent matters to report to President Carter. Meanwhile, in response to Deng Xiaoping's complaints about technology transfer, he said the US was trying to tilt COCOM toward China in technology transfer.³⁷⁴

Mondale's visit strongly aided Deng in Chinese internal politics. The day after Mondale left, Deng claimed in the Politburo meeting, 'we can't improve relations with the USSR when a million troops are on our border.'³⁷⁵ He emphasised to Wang Youping, the delegation chief, that China must insist on principle instead of showing weakness.³⁷⁶ Deng even said, 'what can the USSR give us? Nothing.'³⁷⁷ Compared to the plan submitted by the Ministry of Foreign Affairs, the Politburo meeting on the 29th no longer placed the Sino-Soviet bilateral relations on an important setting. This Politburo

³⁷⁴ USDDO, 'Summary of Vice President Walter Mondale's Meeting with Chinese Vice Premier Deng Xiaoping,' August 27, 1979, 2-7, 7-11.

³⁷⁵ Diaoyutai Compilation Group, *Diaoyutai Archives* (Beijing: Red Flag Press, 1998), 1131.

³⁷⁶ Ma Xusheng, 'My Witness to the Normalization of Sino-Soviet Relations,' *Bainianchao*, 1999(04): 32-38, p.34; *Diplomatic Missions to Seven Countries: General Ambassador Wang Youping*, 251.

³⁷⁷ *Ibid.* 34.

meeting adopted the policy of Deng Xiaoping's 'the anti-Soviet united front policy.' It concluded, 'Comrade Xiaoping's thought is not only the criterion that our delegation abides by in the negotiation of state relations but is also a basic principle of relations with the USSR throughout the 1980s.' In the following month, Deng had a significant victory over Hua Guofeng. The fourth Plenary Session of the eleventh Central Committee dismissed Hua's supporters Wang Dongxing, Ji Dengkui, Wu De and Chen Xilian's from the government.³⁷⁸

Deng had no opposition within the party, and Hua admitted his failure. Deng's China had turned to the West, and the only barrier to arms sales was Carter's determination. Until the end of 1979, Carter was still very cautious about arms sales to China. He was unwilling to provoke the USSR and hoped it would resume détente. In October 1979, a DOD research report reached the media provoking much concerned debate. The report proposed starting arms sales to China and even included specific plans for Sino-US military cooperation during wartime. However, the department pointed out that it was not official policy, and Vance also clarified that the US had not changed its policy of not seeking arms sales to China.³⁷⁹

The Afghanistan War and US Arms Sales Policy

On December 25, 1979, the Soviet invasion of Afghanistan pushed Carter to a decision

³⁷⁸ Ibid. 34, 37.

³⁷⁹ CRS, 'Chronologies of Major Developments in Selected Areas of Foreign Affairs, Cumulative Edition 1979,' January 1, 1979, 28.

regarding US arms sales to China The President was completely enraged, and he later wrote, 'I was determined to lead the rest of the world in making it as costly as possible. There was a balancing act to perform - America being the leader, but at the same time consulting and working closely with the other nations. To be effective, punitive action had to be broadly supported and clearly defined.'³⁸⁰ In the NSC meeting on January 2, 1980, Carter supported selling arms to China. When Vance suggested consulting Congress in advance, Carter responded that he did not need to and claimed, 'we should sell weapons to China, including F-16s.' Vance and Brown also opposed Brzezinski's proposal of selling the over-the-horizon radar to China because they thought the US should leave more time for the Soviets to change their minds, but Carter strongly agreed with Brzezinski this time. He did not consider over-the-horizon radar in violation of rules regarding arms sales to China and concluded that the US should give a strong signal of support to the Chinese.³⁸¹ Brzezinski recognised in his memoir that the Soviet Union's aggressive actions accelerated the US to sell arms to China.³⁸²

Visit by Harold Brown to China, January 1980

During Brown's visit to Beijing in January 1980, Deng raised the issue of importing some finished arms, including F-15 fighters, which did not accord with his arms import policy of preferring technology. Brown rejected the Chinese proposal for lethal arms, because he aimed to 'elicit from the Soviets greater restraint and sensitivity to US

³⁸⁰ Carter, *Keeping faith*, p.472.

³⁸¹ FRUS/1977-1980/Vol.13, Document-287, Minutes of a NSC Meeting, Washington, January 2, 1980.

³⁸² Brzezinski, *Power and Principle*, p.475.

interests in third areas' by some low-level arms sales to China as a warning. He did not want to sell large-scale arms to escalate US-Soviet confrontation. He regarded Deng's arms import requests as Beijing's 'US Card'. In Brown's mind, Deng wanted a highly confrontational US-Soviet relationship so as to use China's strategic value to ask for significant benefits from the US. The more intense the confrontation between the United States and the USSR, the more China would benefit. Therefore, he wished to 'stay away from any gratuitous 'baiting of the Polar Bear.'³⁸³

When Brown met with Zhang Aiping, the head of STEC, he stated US arms sales principles, that the US did not want to be a 'large department store', and the only solution was differentiating 'components that we could transfer' and those that China in time 'might be able to produce' itself. Understanding Chinese arms import policy, the US was willing to transfer military equipment blueprints and help China become more self-sufficient instead of exports. Brown also emphasised that the US focus was not on improved Chinese military capabilities but to cement a reasonable improvement in bilateral relations.³⁸⁴ His words and attitudes took effect and the Chinese downgraded their expectations of US arms sales. China turned to import dual-use equipment and technology, including IR detectors, laser guidance, pulse doppler, inertial guidance and microwave electron tubes.³⁸⁵

³⁸³ FRUS/1977-1980/Vol.13, Document-268, Memorandum from Brown to Vance and Brzezinski, Washington, September 8, 1979.

³⁸⁴ FRUS/1977-1980/Vol.13, Document-293, Memorandum of Conversation, Beijing, January 8, 1980.

³⁸⁵ USDDO, 'Summary of a meeting between Gerald Dinneen and Liu Huaquing regarding the possibility of US military technology transfers to China,' DOD, January 8, 1980.

The US also relaxed the arms embargo in COCOM. It established 'exception procedures' for transferring technology to China and approved third countries' sales of military equipment to China through the COCOM framework.³⁸⁶ In March 1980, Carter officially ordered moving China from Y category to a separate one with its own letter designation 'P'.³⁸⁷ US policy was to afford different treatment for China and USSR export controls.³⁸⁸ Giving directions to US companies to sell military equipment to China, the US State Department issued Munitions Control Newsletter No. 81 on March 25, 1980, which permitted the sale of non-lethal military equipment such as radar, communications and logistics to China on a case-by-case basis.³⁸⁹

As historian Hugo Meijer summarised, the Carter administration's arms sales policy was based on several principles:

'a willingness to consider, case-by-case, the transfer of dual-use technology for military use; a willingness to consider, case-by-case, the sale of nonlethal military equipment and technology; no authorization for government-to-government Foreign Military Sales (FMS) to China; restricting shipments of dual-use and military support technology and equipment to those that could be transacted commercially through export licensing; a continued prohibition against

³⁸⁶ USDDO, 'Memorandum from Nicholas Platt, Richard Holbrooke, and Roger Sullivan regarding technology transfer and military equipment sales to China,' State Department, February 26, 1980.

³⁸⁷ The US export control regulations included several Country Group categories Z, S, Y, W, Q, T, V, plus the China-specific Group P established in 1980. Country Group Y included Albania, Bulgaria, Czechoslovakia, Estonia, the German Democratic Republic (including East Berlin), Hungary, Laos, Latvia, Lithuania, Outer Mongolia, and the USSR.

³⁸⁸ FRUS/1977-1980/Vol.13, Document-302, Memorandum from Brzezinski to Klutznick, Washington, March 17, 1980.

³⁸⁹ CRS, 'Increased US Military Sales to China: Arguments and Alternatives,' May 20, 1981, 14.

sales of weapons systems; assurance to US allies that all military and dual-use technology sales to China would be coordinated through existing COCOM machinery and a request that they do likewise; and a neutral attitude toward sales of defensive weapons to China by third countries.³⁹⁰

After Brown visited China, in the first half of 1980, Chinese Premier Hua Guofeng, Zhang Wenjin, Vice Foreign Minister, Geng Biao, Secretary-General of the Central Military Commission, and Liu Huaqing, Deputy Chief of General Staff of the People's Liberation Army conducted intensive consultations with senior US officials. Geng Biao visited the US in May 1980 and further negotiated with the United States the details of the sale of non-lethal military equipment to China. During this period, Geng Biao also asked the US to help China upgrade the J-8 fighter to improve China's ability to intercept Soviet strategic bombers. This paved the way for the Reagan administration to launch the 'Peace Pearl Program', the largest Sino-American military cooperation project.³⁹¹

On May 29, 1980, Tom Ross, Assistant Secretary of Defence, announced the first list of permissible sales to China. The list included AN/TPS-43 field air defence radar, AN/PRC-77 tactical radio communication equipment, AN/TRC-97 tropospheric communication system, CH-47 heavy transport helicopter, C-130H tactical transport

³⁹⁰ Meijer, 'Balancing Conflicting Security Interests,' 11-12.

³⁹¹ Xin, 'The Transfer of Civil High-Tech Equipment and Military Equipment to the PRC under the Carter Administration,' 143.

aircraft aero-engine, detection equipment, M-911 military heavy-duty tractor, MK33/34 radar jamming system, and armoured vehicle infrared decoy self-defence system and other equipment.³⁹² By July 1980, more than 400 types of US non-lethal military equipment were available to China. The US government strengthened communication with military enterprises, which had already received orders from China, and began verifying exports. American enterprises were also free to conduct arms procurement negotiations with China.³⁹³

Another breakthrough occurred during the visit to China of Bill Perry, the Undersecretary of Defense for Research and Engineering, in September 1980. The Chinese, recognizing their military vulnerabilities, welcomed the American delegation with openness, even granting access to their military factories. Despite their enthusiasm and determination to forge cooperative military technology relationships—preferably with the US or alternatively with other Western states—the delegation, shocked by the stagnation of China's military capabilities and production technology, concluded that high-technology transfers would scarcely enhance China's military due to its industrial backwardness. Consequently, Perry's technicians identified potential transfers in low and medium-level technologies, like anti-tank ammunition and jet engine technology, amongst others.³⁹⁴

³⁹² CRS, 'US Military Sales and Assistance Programs: Laws, Regulations, and Procedures,' July 23, 1985, 9; USDDO, 'Memorandum of Conversation at the 5/29/80 Meeting between Secretary of Defence Harold Brown and Chinese Vice-Premier Geng Biao,' DOD, June 10, 1980, 5-7.

³⁹³ CRS, 'Increased US Military Sales to China: Arguments and Alternatives,' May 20, 1981, 14.

³⁹⁴ FRUS/1977-1980/Vol.13, Document-320, Memorandum from Brzezinski to Carter, Washington, September 26, 1980

The smooth development of Sino-US arms cooperation made the Chinese worry about the upcoming US Presidential election. Before George H. W. Bush, the prospective vice-presidential candidate, visited China in August 1980, Chai Zemin, Chinese ambassador to the US, stated the PRC would take care so as not to allow the Republicans to reap inappropriate propaganda value from contacts with the PRC in Washington or Beijing. From a partisan viewpoint, Brzezinski said he was admittedly interested in not letting the Republican Party exploit their travel to the PRC for internal political reasons. Chai Zemin promised Brzezinski that he would not meet with Ronald Reagan before the Presidential election.³⁹⁵

Reagan's pro-Taiwan attitude enraged the Chinese. The Chinese government reaffirmed its right to liberate Taiwan by force of arms, a theme that had been muted since normalisation; the Chinese restated their opposition to the Taiwan Relations Act and asserted that it must be rescinded if Sino-US relations were to develop further.³⁹⁶ Republican positions would obviously impact Sino-US relations in the early 1980s.

Conclusions

The period of Sino-US relations in the 1970s witnessed pivotal shifts. Nixon and Mao initiated normalisation, and Deng and Carter established diplomatic ties in 1979.

³⁹⁵ FRUS/1977-1980/Vol.13, Document-317, Memorandum of Conversation, Washington, July 30, 1980.

³⁹⁶ FRUS/1977-1980/Vol.13, Document-318, Memorandum from Brzezinski to Carter, Washington, August 27, 1980.

Alongside these developments, China initiated economic liberalisation, and the US redefined its arms sale policy. While no formal agreements existed, Nixon and Mao's discussions greatly influenced future relations. The Soviet invasion of Afghanistan acted as a catalyst for the Carter administration to openly sell arms to China.

The US had to reconcile contradictory objectives: arming China while maintaining détente with the USSR. Nixon and Kissinger endorsed 'active neutrality', utilising the Sino-Soviet split to engage with China while keeping détente intact. Carter's policy was complex, dictated by internal bureaucratic clashes, Taiwan issues, and Congress, as well as his personal hesitations. Carter navigated disputes between Vance, who sought to avoid arms sales to China, and Brzezinski, advocating arming China. Brown linked US arms sales to Soviet behaviour, a principle continued by Reagan. The Soviet aggression in Afghanistan instigated Carter's decision to begin selling arms to China, albeit under controlled conditions.

China had differing responses to Nixon's and Carter's policies. Mao rejected military cooperation, feeling exploited when US-Soviet relations improved. Deng pursued military technology and arms cooperation with the US, viewing arms imports as a political tool to affirm China's close relationship with the US and strengthen his own political position internally. He initiated reforms in China's arms import mechanism, emphasising 'defence modernisation' and withstanding internal criticism caused by wasteful spending and inefficiency. Chinese internal politics influenced arms imports,

with Deng and Hua both advocating a policy of modernisation through foreign technology imports. The Carter administration used arms sales as a political tool to foster a pro-American policy in Beijing. Brzezinski's tough policy towards the USSR resonated with Deng, leading to a rare episode of political understanding in Sino-US relations during the Cold War.

Chapter 4: British arms sales towards China, 1969-1979

Introduction

The UK had long wanted to liberalise trade controls with China. In the late 1960s, suffering from severe recession and inflation, the UK desperately needed foreign trade to improve its domestic economy. The UK's China policy had been relatively active since the Second World War: the British government hoped to develop a good relationship with China, which would be beneficial for both export growth and Hong Kong's security. More importantly, with the withdrawal of British power from Asia, there was no longer a major security conflict between the UK and China. In the more than 20 years following the end of World War II, the UK traded with China in various ways, which naturally caused dissatisfaction in the US which aimed to maintain a strict trade embargo at the time. The existence of COCOM seriously inhibited the UK. Notwithstanding various 'exception procedures', the UK and the US had framed their China policies together. Building on their wartime experience, the UK and the US established close and effective cooperation in the first two decades of the Cold War, during which time they maintained COCOM to restrict trade with the Soviet camp.

However, the UK's reduction of its defence expenditure limited its defence policy mainly to Europe. After the devaluation of the British pound in 1967, the British army retreated from 'East of Suez'. While heavily involved in Vietnam, the US blamed Britain for providing no assistance as, at the end of the 1960s, Britain could not support US military action in Asia. Nixon attempted to rekindle the relationship, but British

Prime Minister Edward Heath was focused on the UK's relationship with Europe. Due to the split between China and the USSR, China implemented a comprehensive policy of friendship towards the West, and Europe was Mao Zedong's strategic focus. Compared with the cautious Sino-US relations, the development of Sino-British relations was undoubtedly more ambitious, and British arms sales to China quickly gained momentum in this period. In March 1972, Sino-British diplomatic relations were upgraded from chargé d'affaires to ambassadorial level, and unobtrusive arms sales commenced. The UK had a more open mind on trading with the PRC than did the US. Following the decline in the 'China differential' in 1957, the UK exported Vickers Viscount civil aircraft to China in 1961. After the deal on HSA Trident airliners in 1970 and the Rolls-Royce Spey Mk.512 civil aviation engine in 1972, China expected to acquire a licence to produce Rolls-Royce Spey Mk.202 military aviation engines and later import British HSA Harrier 'jump jet' fighter aircraft. This was also an important application of Mao Zedong's 'Three Worlds' theory.³⁹⁷

Throughout the 1970s, the US, China, and the USSR interacted in complex ways around the UK's arms sales to China. This chapter analyses China's foreign policy towards Europe and the UK during Mao Zedong's reign. China's diplomatic turn was the foundation that made British arms sales to China possible. The chapter also analyses British Prime Minister Heath's policy toward the US and China. The attitude of the US

³⁹⁷ Mao believed that the whole world could be divided into three 'sub-worlds'. The US and the USSR were the first world, and the second world contained other developed countries such as European countries, Canada and Japan. The third world included all developing countries. He argued that China's foreign policy should aim to unite all countries in the second and third worlds to fight with the US and the USSR.

was crucial to British foreign policy, but how this was reflected in Britain's arms sales policy toward China remained a problem. Next, the chapter discusses the first arms sales contract between China and the UK, for the Spey Mk.202 engine; this contract revealed how China's domestic affairs, US foreign policy, and UK domestic political decisions interacted. Following this, Heath's Conservative Party lost the election, and a Labour government came to power under Harold Wilson. Lastly, the chapter examines the arms sales contracts between China and the UK in detail and analyses the characteristics of British arms sales to China as well as China's arms import policy in practice.

Mao's Three Worlds Theory and Turning to Western Europe

When initial Sino-US military cooperation was lost under the Nixon administration, China quickly developed defence relations with Britain, and they signed military contracts in 1973, two years after Kissinger's visit to Beijing. Chinese attitudes towards Britain and the US were significantly different. Why did China accept a military relationship with Britain so easily? It is necessary to analyse how British and US positions differed in Mao's mind. This does not mean that other Chinese leaders were not important, but as discussed above, Mao's opinions had the greatest influence on the direction of Chinese foreign policy. In other words, without Mao's permission, the British arms sales could not have made such significant progress in a few years. Therefore, before going further, the first step is to analyse how Mao defined the British position in his theory.

After the Second World War, Mao proposed the 'middle area' concept, referring to those countries between the US and the USSR. Mao argued that the US could not attack the USSR before controlling the middle area.³⁹⁸ Mao adopted the concept to explain the Chinese British policy. In his talks with the British Labour Party delegation on 24 August, 1954, he discussed the different policies of Britain and the US. Mao argued that the US did not treat Britain as a friend because 'the US aimed to occupy this middle area, even including Japan and the UK'. He added that 'the US is on one side of the middle area in North America, and the USSR and China are on the other side. The goal of the US is to occupy the countries in this vast middle area, bully them, control their economies, build military bases on their territories, and preferably make them weaker, including Japan and Germany'. To resist US expansion, Mao argued, capitalist and socialist countries could live together. In contrast, Mao felt that China and Britain shared common interests in pursuing peace, and that they could also do business.³⁹⁹

Mao was aware of the close relationship between the UK and the US, but he nevertheless categorised Britain as in the 'middle area'. This expression showed that he deliberately differentiated the treatment of Britain and the US in Chinese policy, aiming to divide the Anglo-American alliance and restrain US actions. When meeting with Field Marshal Montgomery in 1960, Mao said:

³⁹⁸ Mao, *Selected Works of Mao Zedong Vol.4* (Beijing: People's Publishing House, 1951), 1191.

³⁹⁹ Mao, *Selected works of Mao Zedong's Foreign Policy* (Beijing: Central Party Literature Press & World Affairs Press, 1991), 161.

We want your country [the UK] to be stronger, France to be stronger, and you to have a bigger say so that things will be easier to handle, and the US, West Germany, and Japan will be restrained. Who are threatening you and France are the United States, West Germany, and Japan. It is also the three countries that threaten us. We do not feel that Britain is a threat to us, nor France. Threats to us are mainly from the US and Japan.⁴⁰⁰

In 1962, Mao explained how he recognised the divergence between Britain and the US. He argued that Britain and France were imperialists, albeit ‘medium-sized’ imperialist countries that ‘the big imperialist United States wants to eat’. Therefore, they could be ‘indirect allies’.⁴⁰¹

Mao's ‘middle area’ theory was transferred to the Three Worlds theory after the escalation of the Sino-Soviet split. The middle area theory suggested that China should stand with the USSR, but when China left the Soviet side and regarded the USSR as the biggest threat beginning in 1969, the middle area no longer fit into Chinese foreign policy. Mao needed a new theory to legitimise the Chinese change, which the Three World theory duly provided. In February 1974, Mao Zedong officially proposed the theory when talking with Zambian President Kaunda:

⁴⁰⁰ Ibid. 423-4.

⁴⁰¹ Ibid. 487.

I think the US and the USSR are the first worlds. Japan, Europe, Australia, Canada, and the centrists are the second world. We are the third world. [...]

The US and the USSR have more atomic bombs, and they are wealthier. The second world, Europe, Japan, Australia, and Canada do not have many atomic bombs, and they are not so wealthy; but they are richer than the third world. [...] The third world has a large population. [...] Asia, except Japan, is the third world. The whole of Africa is the third world, and so is Latin America.⁴⁰²

On 25 May, 1974, Edward Heath, the former British Prime Minister, visited Beijing and met with Mao. At the time, Heath said, 'if Europe is weak, the USSR will achieve its attempts to [invade] China. So a strong Europe is very important, which can trouble the USSR'. Mao replied, 'if your Europe becomes strong, we will be very happy!'⁴⁰³ This dialogue meant two things. First, a strong Europe could balance the US and the USSR. Mao recognised that Europe had diverged from the US, and that the alliance was not as strong as it had been in the 1950s. Second, Mao believed that China could unite Europe against pressure from both the US and the USSR. Additionally, the primary purpose of Mao Zedong's Three Worlds theory was to unite the vast number of so-called 'third-world' and 'second-world' countries to forge a broad international 'united front' against hegemonies. Given the US's strategic defensive position and the aggressive Soviet posture, the USSR was the primary threat to world peace and the most dangerous enemy

⁴⁰² Ibid. 600-1.

⁴⁰³ Mao, *Selected works of Mao Zedong's Foreign Policy*, 603.

of the peoples of other countries. At the same time, Mao Zedong concluded that the process of competing for world hegemony included both confrontation and compromise, of which the former was the norm. Therefore, an important principle of the international united front was to use the contradiction between the US and the USSR to constrain Soviet expansion.⁴⁰⁴

In 1974, under criticism from Mao and in failing health, Zhou Enlai gradually stepped back from foreign affairs work, and Deng Xiaoping took over. Two months after Mao's meeting with Kaunda, Mao designated Deng Xiaoping to participate in the Sixth Special Session of the United Nations General Assembly and there propose the Three Worlds Theory to the whole world. Mao sought consensus within the politburo. Jiang Qing, Mao's wife, opposed the appointment, but Mao said, 'Jiang Qing, it's my opinion that Comrade Deng Xiaoping goes abroad. You had better not object'. In this way, the chairman used his power to pass the resolution and form the consensus. After the official approval of the Political Bureau of the CCP Central Committee, Deng Xiaoping convened staff from the Foreign Ministry to discuss how to fit the theory into a speech; Mao approved their draft, saying 'good, agree'. Mao also called upon Zhou, Deng and Qiao Guanhua to discuss the draft further.⁴⁰⁵

In general, Mao's Three Worlds theory reshaped China's foreign policy. It differed from

⁴⁰⁴ He Li, 'On the Mao Zedong's Theory of Three Worlds and the Adjustment of China's Diplomatic Strategy in the 1970s,' *Dangshi Yanjiu*, 2010(04):14-21, p.19.

⁴⁰⁵ Wang, et al., *Deng Xiaoping and China's Diplomacy*, 89-90.

the 'one-line' policy, which aimed to address Soviet threats. After the loss of Sino-US military cooperation, Mao realised that the rapprochement benefitted the US much more than it did China, so the Three Worlds Theory categorised the US and the USSR as the 'first world' to emphasise the divergence between the US and China. It also meant that he had abandoned his stratagem of playing the US against the USSR.

The new theory also paved the way in developing Sino-British relations. In Deng Xiaoping's official description of the Three Worlds Theory to the UN, Britain was categorised as a 'developed country' instead of a 'medium-imperialist country', which provided broad cooperation space. Deng said 'the struggle of these [developed] countries against superpower control, interference, threats, exploitation and shifting economic crises is developing day by day'.⁴⁰⁶ The Three Worlds Theory was fundamental to Chinese foreign policy during the late Cold War, and China continued to use that characterisation until the 1990s. The theory welcomed cooperation with Europe and reshaped the Chinese position in international relations. Furthermore, it radically reduced the USSR's influence on China and explained how China fitted into the world without choosing a side, which imbued Chinese foreign policy with considerable flexibility.

British policy towards China after the split

In the short term, the British FCO realised that there was little Britain could do to

⁴⁰⁶ 'Deng Xiaoping's Statement at the UN General Assembly,' *People Daily*, April 11, 1974.

influence the Sino-Soviet conflict. It argued that 'the continuance of the dispute at its current level short of war' had been 'of advantage' to Britain, according to an FCO paper for consideration by the Defence and Overseas (Official) Committee's subcommittee on longer-term issues of defence and overseas policy. The dispute contributed to the 'redirection of Chinese trade to the West', might offer 'some value in stimulating Soviet/US agreements, e.g. on arms', and gave the West 'some limited opportunities to play off one adversary against the other'. When the subcommittee met to consider the FCO paper on December 16, 1969, it was suggested that one additional advantage of the Sino-Soviet dispute for Britain was that 'the Chinese would be less inclined to take action against Hong Kong'.⁴⁰⁷

In the long run, Britain believed that the Sino-Soviet split would improve the ability of the West to counter the increasing intention of the USSR - in Europe and further afield - to act against fundamental Western interests. It would continue to be a broad aim of Western policy to foster the continuance of the split. On the other hand, the rise of Chinese power in the years ahead would also pose threats to Western interests, particularly among developing countries. Such threats might be mitigated in the short term by China's preoccupation with her own internal economic development, but it should also be an important Western aim to increase China's material interest in having good relations with Western countries in the long term.⁴⁰⁸

⁴⁰⁷ CAB-148/100, Minutes of the Meeting of the Sub-Committee on Longer-Term Issues of Defence and Overseas Policy, December 16, 1969.

⁴⁰⁸ PREM-16/1535, 'British defence sales to China,' March 16, 1978.

Anglo-American Coordination Over China Issues

China's turning to Europe had lent flexibility to Britain's Chinese policy, and Britain could achieve high-level bilateral diplomacy. Edward Heath was generally regarded as a realist politician operating in the 'European wing' of British politics, and China had more motive to communicate with him in the expectation of fostering a strong Europe. Additionally, Pro-American tendencies were widespread throughout British bureaucracy and could not easily be thwarted or even altered by a Prime Minister's personal position, but Edward Heath's 'natural relationship' could relax the adherence to US policy somewhat. Heath, the realist, inherited the balance-of-power diplomatic tradition of former British politicians and paid attention to that balance in international relations. In his view, the balance was between East and West and, within the North Atlantic Alliance, between the US and Europe. Heath saw the 'unhealthy imbalance' in the North Atlantic Alliance as being caused by the weakness of Europe, and called on Britain and Western Europe to work on restoring the balance through integration, including trade, finance, political organisation and defence.⁴⁰⁹

To its supporters, integration into Europe would bring obvious economic and political benefits to Britain, and Heath chose to link Britain's future with European unity. Heath argued that if Britain wished to restore its fortunes, it must join the European Economic

⁴⁰⁹ Liang Jun, 'Edward Heath's adjustment of Atlantic Alliance Policy and the reconstruction of Anglo-American relations,' *Lishi Yanjiu*, 2019(01):123-144 and 191-2.

Community (EEC) and contribute to the wider concept of Europe.⁴¹⁰ Once a partner, Britain would have the potential to surprise the world again with its power and resources.⁴¹¹

Heath played down the importance of the Anglo-American relationship in order to aid Britain's accession to the EEC, a strategy Nixon was happy to accept. Heath believed that Britain's entry into the EEC also brought the United States closer to Europe, and that Britain could achieve a win-win with the US; Britain would never sacrifice the Anglo-American relationship. Heath and his British diplomats came to the following conclusion: although Britain's European obligations took priority, they should be handled by involving the United States as much as possible.⁴¹² In December 1970, at the first full-scale summit meeting in Washington, Heath avoided emphasising the 'special relationship' at a delicate point in his EEC negotiations by instead using the phrase 'natural relationship'. In fact, the US administration was aware of his predicament and was sympathetic. According to NSC papers, Heath was a tough-minded realist who prioritised British interests within the confines of economic constraints.⁴¹³ Kissinger said that 'he [Heath] could not risk making any concessions to us [i.e. Nixon and Kissinger] in advance; he wished neither to negotiate Common Market issues bilaterally with us nor appear as—or, for that matter, to be—America's

⁴¹⁰ Nicholas Ridley, ed., *One Europe* (London: Conservative Political Centre, 1965), p.17.

⁴¹¹ Geoffrey Rippon, *Britain+Europe* (London: Conservative Group for Europe, 1971), p.1.

⁴¹² FCO-7/1839, 'Memorandum on Anglo-American Relationships,' September 23, 1970; FCO-7/1840, 'Steering Brief,' December 11, 1970.

⁴¹³ Alex Spelling, 'Edward Heath and Anglo-American Relations 1970-1974: A Reappraisal,' *Diplomacy & Statecraft* 20, no.4(2009):638-58, p.641.

Trojan Horse in Europe'.⁴¹⁴

The US and the UK did not significantly diverge on Chinese issues, but the imbalance remained. During a meeting in Bermuda, Nixon discussed his visits to both Beijing and Moscow with Heath and received much support from the latter.⁴¹⁵ Heath consistently communicated with the US side about the development of Sino-British relations.⁴¹⁶ Heath focused on China's economic interests. He said, 'I was deeply interested in it as a country, in its people, in their artistic treasures and in their future political development. I also regarded China's potential market of major significance for the British if we had the skill and the drive to take advantage of it'.⁴¹⁷ Britain's China policy was not as restrained as US China policy, which was subordinate to its Soviet policy, and Soviet relations with the UK appeared to be less dynamic than with other major Western European countries. Paris, Rome and Bonn had robust bilateral relations with Moscow, whereas London opted to deal with Moscow through multilateral fora such as the Conference on Security and Cooperation in Europe (CSCE) and, most significantly, the North Atlantic Treaty Organization (NATO).

Similarly, the USSR's stance toward Britain was part of a larger plan aimed against Western Europe and NATO. Relations between the USSR and the UK were more dependent on movements in larger East-West contexts than relations with France or

⁴¹⁴ Kissinger, *White House Years*, 937.

⁴¹⁵ Edward Heath, *Sailing: The Course of My Life* (London: Sidgwick And Jackson, 1978), 485.

⁴¹⁶ *Ibid.* 494.

⁴¹⁷ *Ibid.* 494.

West Germany. As a result, it is difficult to separate Soviet-British relations from the complexity of broader global contacts.⁴¹⁸ Therefore, the Sino-Soviet split did not influence Britain's China policy as much as it did US policy. Throughout the 1960s, Britain sought to expand trade and other contacts with the USSR and Eastern Europe. The development of these commercial and cultural contacts with the Soviet Bloc was interrupted by the Soviet invasion of Czechoslovakia in 1968, but the British reaction to this event is interesting in terms of the continuation of pre-existing attitudes. As Harold Wilson commented to the House of Commons in November 1968, 'while we must increase vigilance, there must be no return to the Cold War; we must keep before us the continuing objective of a détente'. The Sino-Soviet split did not alter British policy. Expressions of support for the détente process continued after the Heath government came to power in 1970.⁴¹⁹

The Spey MK.202 Military Engines

After the Second World War, the UK, as a victorious belligerent, dominated the arms sales market from South Africa, through the Middle East, to South Asia, but its share in the arms world market decreased significantly in the 1950s and 1960s. For example, Britain built 51% of the total warships delivered, and the number fell to 34%. In this period, British arms sales policy was motivated mainly by political considerations, although commercial interests also contributed. By the late 1960s, commercial considerations had gradually become more consequential, and the market became more

⁴¹⁸ Frank Roberts, 'Soviet British Relations since the 1970s,' *International Affairs* 66, no.4(1990), 828.

⁴¹⁹ Brian White, *Britain, Detente and Changing East-West Relations* (Routledge, 2002), 124-125.

competitive, because European countries had revived their economy and arms industry from the war and attempted to increase exports. The UK had to compete with its Western allies, including France, the US, West Germany, Italy and the Netherlands.⁴²⁰ British defence sales policy was generally to support arms sales to other countries provided there were no overriding factors to the contrary. This standard governed sales to China.

With the development of Sino-British relations, arms sales became a focus. In August 1971, China and Britain reached a contract to sell 35 HAS Trident aircraft to China for £120 million. In this way, China obtained the Spey Mk.512 civil jet engine manufactured by Rolls-Royce.⁴²¹ In May 1972, the first British technical team visited China to provide technical maintenance services. The Chinese repeatedly proposed manufacturing the Mk.512 under licence and hoped to produce the Spey Mk.202 military engine,⁴²² as used in the Phantom fighters operated by the Royal Navy and Royal Air Force. China suggested that continuing to purchase Rolls-Royce civil aircraft engines would depend on whether the UK could sell Mk.202 military engines.⁴²³

One of the Chinese negotiators indicated to an HSA representative that they were

⁴²⁰ Phythian, *The Politics of British Arms Sales Since 1964*, 3. Relevant works on European arms sales to China see: Hugo Meijer et al., 'Arming China: Major Powers' Arms Transfers to the People's Republic of China,' *Journal of Strategic Studies* 41, no. 6 (February 24, 2017): 850–86; Andrew J. Pierre, *The Global Politics of Arms Sales* (Princeton: Princeton University Press, 2014).

⁴²¹ Xin Yi, 'Let the Chinese Board Our Ship': Examining the British Arms Sales to China, 1973-1982, *Cold War International History Studies*, 2019(01), 235.

⁴²² Spey MK202' is a military turbofan engine with more advanced performance designed by Rolls-Royce, a military modification of the 'Spey MK512' civilian engine. It is comparable to the TF-30 engine equipped by the US F-111 fighter-bomber. Compared with China's Turbojet-7 military engine, the engine has an afterburner, and its thrust is nearly twice that of the civilian version, rising to 20,500 pounds.

⁴²³ FCO-21/1126, [An unrecognisable name] to PM, April 6, 1973.

interested in the Harrier; and a quantity of 200 was mentioned. In June 1973, Ji Pengfei, the foreign minister, visited Britain, an act that aimed to 'give the appearance of substance to China's more active foreign policy and to demonstrate to other countries, especially the USSR, that China is a country with worldwide interests and connections.' The British said that they 'welcomed China's substantial purchases in the aerospace field'.⁴²⁴

Why was the Spey the first military device China sought to import from the West? Technical and political needs motivated the contract. The Chinese national defence industry suffered severe damage during the Cultural Revolution. The Fourth Five-Year Plan for National Defence Research and Production (1971-1975) was drawn up while being interfered with - and actively sabotaged - by the Lin Biao group.⁴²⁵ The plan ignored the country's economic capacity and blindly pursued grandiose plans and lofty targets, which impacted the development of the national economy and interfered with the research of new weapons. By 4 March, 1972, China had manufactured hundreds of defective aircraft, tens of thousands of unusable rocket launchers, and hundreds of thousands of substandard rifles.⁴²⁶

The situation was of great concern to Chinese leaders. After Lin Biao's removal from

⁴²⁴ AMDA/FCO-21/1107, Official Visits of the FCO Secretary to China and Hong Kong, October 27-November 4, 1972, 45.

⁴²⁵ Lin Biao, Vice Chairman of the CCP, who lost the political struggle with Mao in 1971, attempted to escape to the USSR but died on the way. Since the PLAA was based on the PLA Fourth Field Army led by Lin Biao, many of his closest aides became senior officers in the Air Force, who were called the Lin Biao Group.

⁴²⁶ Deng et al, *History of the Chinese People's Liberation Army Volume VI*, 207.

office, the CCP restructured the Chinese Army and defence production. On 4 March 1972, the National Defence Industry Office of the Central Military Commission proposed a plan to develop arms; and their priority was fighter aircraft.⁴²⁷ On 12 March 1972, the 601 Institute⁴²⁸ submitted a short take-off and landing fighter design proposal named 'J-13' to the Sixth Research Institute of the Ministry of National Defence. On 26 September 1972, the Sixth Institute approved the proposal, designated the task as the 'No. 2 project' (later named the 'J-13 project'), and indicated that the aircraft would replace the J-6 as the main fighter of the next generation. According to Chinese aviation experts, a new engine was needed to meet the J-13's requirements.⁴²⁹

China could not produce an engine appropriate for the J-13, so it sought external help. In May 1972, the Chinese proposed purchasing the Spey Mk.202 to a British technical assistance group, but there was some wariness about the prospect. On 19 May, Zhou Enlai, Ye Jianying and other central leaders listened to a report concerning the visit by Dr Hooker, the Rolls-Royce technical director, and Zhou instructed: 'We must carefully consider the patent issue, and we cannot be dragged into the 1980s by his suggestion. We must be confident and determined to change the backwardness of the aviation industry; we must set a direction when buying patents, we can negotiate, but we must be smart... the engine is the key, the heart; without the engine, how can an aircraft reach the sky?'⁴³⁰ Zhou's words suggested that he wanted to import the item. Compared with

⁴²⁷ Ibid, p.213.

⁴²⁸ A Chinese military institute focused on design of aviation weapons and fighters.

⁴²⁹ Ye, *Memoirs of General Ye Zhengda*, 306-7.

⁴³⁰ Chinese Aviation Industry History Office, *Chronology China's Aviation Industry (1951-2011)* (Beijing: Aviation Industry Press, 2011), 166.

ready-made arms, China paid more attention to technology and patents, and the preference was reflected throughout Chinese arms import policy.

The issue triggered a political debate within the Chinese government. For a long time, the Chinese national defence development principle had been that ‘self-reliance should be given priority, and foreign aid should be supplemented’.⁴³¹ Mao claimed that ‘it is dangerous for a country to rely on foreign arms.’⁴³² The geographical and general confrontation with the USSR required China to develop its aviation industry, and introducing arms from Britain could avoid dependency on the US and the Soviets in the aviation field,⁴³³ which successfully navigated the Three Worlds theory. Therefore, from 20 November to 23 December 1973, a group of 12 Chinese experts visited Britain for further investigation; their report argued that the engine would be useful and could improve the level of Chinese aviation technology.⁴³⁴

The ‘Glass Snails’ Incident

The so-called ‘glass snails’ incident impeded the procurement. Wang Zhidong, an expert who went to the US for technical investigation, brought back glass snails presented by the Americans. A Chinese critic⁴³⁵ regarded the gift as an insult to China’s national honour, and wrote a letter to Jiang Qing, saying that the delegation’s

⁴³¹ Mao, *Selected works of Mao Zedong’s Foreign Policy*, 318.

⁴³² Mao, *Mao Zedong’s Military Papers*, 343.

⁴³³ AMDA/FCO-21/1126, Policy on export of aircraft and spares from the UK to China, March-April 1973 (Folder 3), 92-3.

⁴³⁴ Chinese Aviation Industry History Office, *Chronology China’s Aviation Industry (1951-2011)*, 174.

⁴³⁵ According to current published materials, his name was hidden.

trip abroad was symbolic of ‘creepism’. The Americans had given each Chinese visitor a snail, which was interpreted to mean that the US was mocking the slow pace at which Chinese technology was developing. Afterwards, Jiang Qing criticised Wang as ‘foreign-loving’. The event impacted the Spey project, as many Chinese now raised objections to it; they regarded imports as ‘not simply a technical issue’ but rather as ‘a major issue of which way to go’, and even criticised the activity and its advocates as ‘worshippers of ‘an everything foreign’ philosophy’, ‘crawlerism’, ‘bringing wolves into the house’, and ‘slipping to the brink of treason’.⁴³⁶

In essence, this dispute was the continuation of Lin Biao's betrayal in 1971. Lin had been the top leader of the People's Liberation Air Force in the past, and his betrayal caused the Air Force to suffer intense accusations of potential disloyalty in domestic politics. The glass snails event again spurred people's aversion to Lin Biao, and that mood quickly transferred to the Air Force. On 13 February, 1974, the Third Machinery Institute held a meeting to criticise the Spey project as ‘a stumbling block to self-reliance’ and ‘the thinking of foreigner-worship’.⁴³⁷ On 11 May, 1974, Li Jitai, the minister of the Third Machinery Institute, submitted a ‘Report on Not Buying the Spey Mk-202 Engine Patent’ to the State Council and the Central Military Commission, arguing that ‘buying a patent is not conducive to developing a domestic engine’.⁴³⁸

⁴³⁶ Ye, *Memoirs of General Ye Zhengda*, 310.

⁴³⁷ Chinese Aviation Industry History Office, *Chronology China's Aviation Industry*, 176.

⁴³⁸ Ye, *Memoirs of General Ye Zhengda*, 311.

Ye Jianying did not accept these criticisms. On 18 May 1974, he stated, ‘My opinion is that you should not buy more than you need. The purpose is to introduce foreign technology and promote our own development’. On 19 May, Vice Premier Li Xiannian, agreeing with Ye Jianying’s opinion, said, ‘I agree to buy the main part of the engine, because ‘walking with two legs is better than walking with one leg’’. On 20 June, Minister of Foreign Trade Li Qiang wrote in a letter to Li Jitai: ‘This is a breakthrough in the introduction of military technology from Western countries, which is conducive to winning time and better adapting to the needs of the war’. He also said: ‘... For this patent, it is better to purchase it according to the plan previously approved by the central government’. At this point, the debate over whether to introduce Spey came to an end.⁴³⁹

Discussion on the Spey engine within the British government

On the British side, economic considerations motivated the UK to sell the engine. Rolls-Royce had gone bankrupt and been nationalised by the British government. The company had encountered financial difficulties in developing the RB211 civil aviation engine, so the British government actively supported Rolls-Royce in selling their products abroad. Additionally, the British aviation business was facing competition from the US. Sir Kenneth Keith, Rolls-Royce Chairman, asserted that US engine companies, backed by extensive resources and government programmes, enjoyed significant advantages. Consequently, he aimed to tap into the China market, where Rolls-Royce had built trust through prior Sino-British civilian contracts.⁴⁴⁰

⁴³⁹ Chinese Aviation Industry History Office, *Chronology China's Aviation Industry*, 177.

⁴⁴⁰ FCO-21/1126, Memorandum from Keith to PM, April 6, 1973.

Sir Kenneth proposed selling the engine to China, sidestepping COCOM and the US, but faced fierce resistance within the UK government. Officials dealing with USSR affairs, including Julian Bullard from the FCO's East European and Soviet department, strongly objected, fearing potential Soviet retaliation such as arming the IRA.⁴⁴¹ John Killick, ambassador to the USSR, warned that the real risk lay not in selling military items once or twice to China, but rather in breaking Soviet trust in Britain which had promised the USSR that its relations with China did not target any third party.⁴⁴²

The FCO and MOD agreed to the sales but vetoed the proposal to leave the US and COCOM out of the loop. James Cable, the head of the FCO's Planning Staff, argued that arms sales to China would not significantly alter the military balance between China and the USSR, and that 'the Russians have little to lose by quarrelling with us'; the sale was not a major matter as long as the dispute would not impinge directly on the interests of the US or of European partners.⁴⁴³ Moreover, the Chiefs of Staff committee's Defence Policy Staff reported to the Cabinet that the proposed sale of Spey to China could incite objections from the USSR and possibly SEATO's Southeast Asian members. They believed the sale would not destabilise Sino-Soviet relations and considered potential US reactions, particularly regarding the application to COCOM. The report inferred that while there might be US objections, there was room for negotiation.⁴⁴⁴

⁴⁴¹ FCO-21/1126, Bullard to Simmons, April 10, 1973.

⁴⁴² FCO-21/1127, Killick to Bullard, May 14, 1973.

⁴⁴³ FCO-21/1127, Cable to Bullard, May 17, 1973.

⁴⁴⁴ FCO-21/1126, 'Defence Implications of Sales of Harrier Aircraft and Spey Aircraft Engines to China,' Defence Policy Staff, April 9, 1973.

The Defence and Overseas Policy Committee (DOPC) was responsible for investigating the possibility of arms sales. It was chaired by the Prime Minister and its terms of reference were 'to keep under review the Government's defence and overseas policies'. It was an interdepartmental committee of the Cabinet involving the Foreign Secretary, the Chancellor of the Exchequer or Chief Secretary to the Treasury, the Home Secretary, the Commonwealth and Colonial Secretary and the Minister of Defence. Its report and conclusion would be given to the Prime Minister for approval and the PM usually accepted the committee's conclusion and recommendations. On 17 April 1973, DOPC presented a report to Prime Minister Heath, proposing a revision of COCOM rules to enable UK arms sales to China. They acknowledged that the military Spey engine couldn't follow the same exception process as civil aircraft. The sale was seen as a litmus test of US and allies' attitudes, impacting future Western strategic control policies. They declared, 'the Spey deal could break the log jam'.⁴⁴⁵

Afterwards, the DOPC organised a working group to investigate British policy toward COCOM. The working group aimed to answer two main questions. Do British interests require the embargo? And, assuming the embargo were maintained, what parameters would the British government like to see? The working group concluded that there was a strong military and strategic case for maintaining an embargo, but that the existing list of items should be shortened, because commercial benefits could accrue in certain

⁴⁴⁵ FCO-21/1126, DOPC(73)30, April 17, 1973, 1.

areas from relaxations of the embargo. The group suggested reinterpreting the rules of COCOM so as to restrict only those items presenting 'direct threats' to members.⁴⁴⁶ Heath approved the report. His approval meant that the British still sought to operate within the COCOM structure instead of abandoning it.

Anglo-American Negotiations on the Spey Engine

At the end of March 1973, the British Conservative government officially informed the White House that it was ready to sell the Rolls-Royce Spey Mk.202 military turbofan engine to China. Britain would provide imitation technology and parts, hoping that there would be no block from the US side. It was expected that China would use the Spey engine to power new fighter-bombers and high-speed interceptors. These new aircraft could fly at twice the speed of sound, which would be a tactical advantage essential for intercepting Soviet supersonic strategic bombers and for air-to-ground intruder operations.⁴⁴⁷ Heath wrote to Nixon for US approval, arguing: 'this transaction is precluded by current COCOM rules but suggests that this transaction would not, in fact, prejudice essential political and security interests - and would therefore be consistent with the US and UK policy towards the PRC'.⁴⁴⁸

Britain emphasised that the Spey could strengthen China's military against the USSR. The main threat to Western Europe came from the USSR, so improving the defence of

⁴⁴⁶ FCO-21/1127, DOP(SE)(73)6, May 31, 1973, 7.

⁴⁴⁷ FCO-21/1400, Martin to Hunt and Male, December 12, 1975.

⁴⁴⁸ FRUS/1969-1976/Vol.E-15-2, Document-221, Memorandum from Kissinger to Nixon, Washington, May 30, 1973.

the Chinese Air Force would benefit the West.⁴⁴⁹ Additionally, the item would add very little to China's military capabilities and so would not undermine détente. The British believed that even if they did not sell this type of engine to China, China would develop this kind of engine within a few years. Peter Carrington, the British Defence Secretary, also said that Spey would be used in China's defence operations against the USSR. China's arms import policy would be defensive in the short and medium term.⁴⁵⁰

The British fear was not of violating COCOM rules, but rather of irritating the US, which it could not afford to do. Clive Rose, of the British Embassy in Bonn, suggested that the manner of the British approach to other COCOM partners should be left 'deliberately vague'. 'Provided the Americans agree, we may wish to reduce to the minimum any element of consultation with the others'.⁴⁵¹ The Defence and Overseas Policy Official Committee on Strategic Exports (DOP(SE))⁴⁵² argued that if the US administration were to waive objections, those of other countries would assume less importance.⁴⁵³ Overlooking the US stance could have substantial repercussions. The US might halt aid to the UK, and applying Battle Act sanctions could disrupt technology research exchanges and US cooperation with UK's computer, electronic, and other

⁴⁴⁹ USDDO, 'State Department executive secretary Theodore Eliot, Jr. updates National Security Adviser Henry Kissinger on specifics of a British sale of the SPEY 202 jet engine to China,' State Department, June 27, 1973.

⁴⁵⁰ USDDO, 'Text of a draft British delegation memorandum to COCOM regarding the possible British sale of their SPEY 202 jet engines to China' Department of Defense, undated.

⁴⁵¹ FCO-21/1126, Rose to Royle, April 24, 1973.

⁴⁵² DOP(SE) was an official committee under the DOPC. The terms of reference for the Official Committee was 'to consider questions of defence and oversea policy'. The Official Committee was chaired by the Secretary of the Cabinet. Membership of the committee included the Permanent Under Secretary at the Foreign Office, the Joint Permanent Secretary to the Treasury, the Permanent Under Secretary at the Commonwealth Relations Office, the Permanent Under Secretary at the Colonial Office, the Permanent Secretary at the Ministry of Defence, the Chief of the Defence Staff, the Chief Scientific Adviser at the Ministry of Defence and the Permanent Secretary at the Board of Trade.

⁴⁵³ DEFE-5/195/18, 'Defence Implications of the Sale of Harrier Aircraft and Spey Aircraft Engines to China,' April 11, 1973.

industries, potentially impacting other major Anglo-American interests.⁴⁵⁴

Both Nixon and Kissinger believed that the British sales to China were feasible, and they hoped to maintain the decision-making process within the COCOM structure to avoid giving the impression that only the US and UK had taken part in the discussion. Nixon agreed that COCOM should maintain a smooth increase of 'non-strategic trade' with Communist countries, but he was dissatisfied with the rigid rules of COCOM. He saw the contract as representing a way to damage the COCOM system.⁴⁵⁵ Kissinger advised Britain not to rush for success but rather to wait for the outcome of the US debate. He stressed that COCOM did not allow the sales of sensitive equipment such as military engines to Communist countries, and that the sales were related to the overall adjustment of the Western world's arms sales policy to China.⁴⁵⁶

After receiving Nixon's positive reply, the British were reluctant to waste time rectifying the COCOM system or shortening the list, instead hoping to bypass COCOM to make the sale. Alec Douglas-Home, the Foreign Secretary, sent a letter to the White House in mid-June, stating that it would not wait for US opinions and would unilaterally sell China the Spey due to the urgent negotiations with the Chinese.⁴⁵⁷ Kissinger indicated that the White House agreed with Britain in this regard, and it was willing to strengthen China's defence capabilities and support British decisions.⁴⁵⁸ However,

⁴⁵⁴ Ibid. A-6.

⁴⁵⁵ FCO-21/1127, Nixon to PM, June 13, 1973.

⁴⁵⁶ FRUS/1969-1976/Vol.E-15-2, Kissinger to Nixon, May 30, 1973.

⁴⁵⁷ FCO-21/1127, Telegram from Douglas-Home, June 15, 1973.

⁴⁵⁸ FCO-21/1127, Telegram from Cromer to FCO, July 10, 1973.

Nixon still hesitated on the specific way to deal with the contract. When Kissinger asked him, ‘should the US make a superficial opposition following the usual practice and the current COCOM export transfer rules or directly support the UK in a low profile?’⁴⁵⁹ Nixon’s response was vague. In general, Nixon agreed with British arms sales, but he maintained that the sales needed to be discussed further within the US government.⁴⁶⁰

Nixon’s Concerns about the USSR and COCOM

Two objections were behind Nixon’s hesitation. First, some officials worried that the British sale could cause a deterioration of Soviet-US relations. The State Department and the Arms Control and Disarmament Agency (ACDA), among others, were concerned that British arms sales to China would seriously impact some of the negotiations in progress on Soviet-US ‘détente’ treaties, including *Basic Principles of Negotiations on the Further Limitation of Strategic Offensive Arms* and *Agreement on Prevention of Nuclear War* in 1973. The Soviets also expressed anger directly. During Leonid Brezhnev's visit to the US in late June 1973, the Soviet leader warned that any Sino-US military cooperation and defence arrangements were extremely dangerous and would have serious consequences. Kissinger denied any military cooperation with China.⁴⁶¹

In addition, Nixon was concerned that the sale could severely damage COCOM rather

⁴⁵⁹ FRUS/1969-1976/Vol.E-15-2, Document-222, Sonnenfeldt to Kissinger, Washington, July 12, 1973.

⁴⁶⁰ FCO-21/1127, Nixon to PM, June 13, 1973.

⁴⁶¹ FRUS/1973-1976/Vol.15, Conversation Between Nixon and Kissinger, Washington, March 16, 1973.

than promoting its reformation. During the détente of the 1970s, the rift between the US and other allies over East-West trade widened. Many Western countries gained huge economic benefits by exporting complete sets of advanced equipment and transferring high technologies to the USSR, and so appealed to relax the embargo still further. For example, the value of Soviet imports of Western machinery and transportation equipment increased from \$905 million in 1970 to \$5 billion in 1978.⁴⁶² In terms of transfer of high and new technology, the Federal Republic of Germany was the leading exporting country among COCOM member states. According to statistics, in 1977, 34% of the high tech imported by the USSR came from West Germany and 17% from Japan.⁴⁶³

In the NSC, Denis Clift, a senior assistant in charge of Soviet and European affairs, and Robert Hormats, a senior assistant in charge of international economic and trade affairs, strongly opposed the sale of the Spey Mk.202 and the modification of policy regarding the transfer of sensitive technical equipment.⁴⁶⁴ They argued that approving the sale of such sophisticated hardware to the PRC would eliminate COCOM as an effective embargo system, and that other partners would use the chance to significantly expand technology exports to the USSR, which could cause the collapse of the whole embargo.

⁴⁶² Philip Hanson, *Trade and Technology in Soviet-Western Relations* (London: Macmillan, 1981), p.159.

⁴⁶³ Angela E Stent, *From Embargo to Ostpolitik: The Political Economy of West German-Soviet Relations : 1955-1980* (Cambridge: Cambridge University Press, 1981), p.210.

⁴⁶⁴ USDDO, 'In a memorandum to National Security Adviser Henry Kissinger, NSC staff members Robert Hormats and A. Denis Clift discuss a proposed British sale of the SPEY 202 jet engine to China,' NSC, June 28, 1973.

Kissinger expressed his affirmative opinion on Britain's Spey sales and hoped that Nixon could overcome the opposition to facilitate them. He pointed out that even if the US and COCOM objected, Britain would nevertheless sell Spey to China, which was beneficial to US China policy. The US, Kissinger argued, should further adjust its technology transfer policy to China, and it should relax the limitation on exporting non-strategic technical equipment. Kissinger suggested that Nixon issue a Presidential directive to suppress opposition as much as possible, although the US would not publicly approve. He believed Defence Secretary James Schlesinger would follow his advice and quell opposition within the Defence Department. Finally, Nixon instructed that the US acquiesce in completing Britain's arms sale instead of expressing public disapproval.⁴⁶⁵

The Use of 'Exception Procedures' for the Spey Engine

Based on Nixon's final decision, Kissinger emphasised to Chinese Director of the Liaison Office in the United States, Huang Zhen, in San Clemente on 6 July, 1973, that 'we will do what we can to encourage our allies to speed up requests they receive from you on items for Chinese defence'. Furthermore, Kissinger relayed Nixon's opinion on the Spey sales:

You have asked for some Rolls-Royce technology. Under existing regulations, we have to oppose this, but we have worked out a procedure

⁴⁶⁵ USDDO, 'National Security Adviser Henry Kissinger informs President Richard M. Nixon of his support for the proposed British sale of its SPEY 202 jet engine to China,' White House, undated.

with the British where they will go ahead anyway. We will take a formal position in opposition, but only that. Don't be confused by what we do publicly. In the future, now that we have our military establishment understanding the problem, we can handle these problems in a different way.⁴⁶⁶

After obtaining Kissinger's and Nixon's approval, the British sought to utilise the 'exception procedure' to complete the export. On 9 July, 1973, Douglas-Home informed the UK's allies about the issue. The British government believed that it was beneficial for the West to develop a closer relationship with China and allow it to participate in international affairs. The British government had concluded that the deal would not undermine the West's basic political and security needs and would fully align with what their allies now saw as an appropriate attitude toward China.⁴⁶⁷ A week later, Britain's delegation officially applied to COCOM that 'the UK Authorities, therefore, wish to approve this export as an exception to the embargo and would be grateful for views of member governments by August 3 1973'.⁴⁶⁸ Although West Germany, France and Japan had reservations and the US officially objected, the DOP (SE) estimated that there was 'unlikely to be a very hostile reaction' from other governments to the case and the US objection was possibly for 'presentational reasons'.⁴⁶⁹ In this way, British arms sales would be a unilateral action instead of one taken by 'the West', so the US could avoid

⁴⁶⁶ FRUS/1969-1976/Vol.18, Document-41, Memorandum of Conversation, California, July 6, 1973.

⁴⁶⁷ FCO-21/1127, Telegram from Douglas-Home to Paris, July 9, 1973.

⁴⁶⁸ FCO-21/1128, 'Memorandum by the UK Delegation,' July 16, 1973, 1.

⁴⁶⁹ CAB-148/138, DOP(SE) (73)6th meeting, August 30, 1973, 1.

Soviet retaliation and strong responses from Congress while preserving COCOM's future.

The Heath government, as well as the subsequent Wilson and Callaghan governments, decided to use the exception procedure to complete arms sales to China. On 11 December, 1973, Rolls-Royce President Sir Kenneth Keith went to China to continue Sino-British negotiations. The British side sent envoys to the US and major European countries only to inform them of the process rather than to seek opinions.⁴⁷⁰ Concurrently, the Chinese bargained sternly: reducing the engines ordered from 200 to 50. The DTI created an unprecedented 'export authorisation' to alleviate Chinese concerns over export licensing. The Chinese amplified pressure on the Rolls-Royce negotiation team, repeatedly scrutinizing terms, creating obstacles over minor issues, and unnecessarily pressuring the British for time.⁴⁷¹ Edward Youde, UK Ambassador to China, was aware that the aggressive Chinese approach represented a psychological warfare element and showed concern on the part of the negotiators if the deal failed or did not give the desired benefits. However, over the years it became evident that this was the normal Chinese bargaining strategy for such contracts.⁴⁷²

On December 12, 1975, after long and arduous negotiations, Britain and China formally signed a contract in Beijing to transfer the Spey Mk.202 military engine and

⁴⁷⁰ FCO-21/1717, OD(79)5: Defence Sales to China: Future Policy, June 1979.

⁴⁷¹ John Fisher et al., *The Foreign Office, Commerce and British Foreign Policy in the Twentieth Century*, 533.

⁴⁷² *Ibid.*

its production technology. Both parties agreed that Spey would be introduced by the China National Technology Import Corporation and handed over to the Xi'an Aircraft Manufacturing Factory for licensed production. The British provided the first 50 prototype engines and related technologies and equipment for production and testing. The contract was valued at £90 million.⁴⁷³

After Spey: Western European Attitudes towards Arms Sales to China

When China introduced its open-door policy after Mao, large-scale connections with Western Europe were established. The Chinese and the Western Europeans viewed their steadily expanding relationship from very different perspectives. For Beijing, two considerations were dominant: rapid economic development and greater security vis-a-vis the Soviets. In the security area, Beijing made clear at every opportunity the importance it attached to containing the Soviets and its concern that weakness in the North Atlantic Alliance was undermining this effort. For the Europeans, there were many secondary motives, but the driving force was commercial. Few Europeans suffered from the illusion that there was a vast and easily exploited market in China, but they all knew that significant opportunities did exist; and given Western Europe's economic situation, the opportunities looked particularly enticing.⁴⁷⁴

Although Britain had sold the Spey military engine to China, there was no organisation readily available to structure and facilitate Western European arms sales towards China.

⁴⁷³ FCO-21/1400, Lush to Indelicato, December 10, 1975.

⁴⁷⁴ PREM-16/1535, 'British defence sales to China,' March 16, 1978.

This led some Western Europeans to suggest that, to the extent they consulted one another on arms sales to China, they should do so in the European Community (EC). Others had thought that specific arms sales could be considered by COCOM.⁴⁷⁵ However, neither the EC nor COCOM could properly address the military dimension of the subject, which led to NATO being considered. From the Western European point of view, NATO was far from the ideal forum, because deliberations would be heavily influenced by the US. A common NATO policy for selling arms to China would not necessarily coincide with an ideal common European policy.

Another problem was that NATO, being a comparatively loose association of states, found it difficult to arrive at common external policies. Common arms sales policies were particularly difficult to achieve because national economic and security interests were involved. To the extent that security considerations entered Western European countries' calculations, the lessons they drew were ambivalent. They recognised that bolstering the Chinese made sense in terms of the international power balance - and could also open up diplomatic opportunities for them in their relations with the Soviets. At the same time, many of them were concerned over the possibility of an adverse reaction from Moscow.⁴⁷⁶

Western European ambivalence was most evident in arms sales, which were lucrative

⁴⁷⁵ FOIA/General CIA Records, 'Western Europe Review,' National Foreign Assessment Center, December 20, 1978, 1.

⁴⁷⁶ Ibid. 2.

and appealing for those advocating for a stronger China to balance the Soviets. Yet, these deals risked a negative Soviet response. This dilemma was clear in West Germany's policy. The Soviets subtly cautioned West Germans against overstating potential economic benefits from China's openness to Western Europe. The Social Democrat-Free Democrat government in Bonn, denying any intention to use China against the USSR, showed concern over potential Soviet economic retaliation for the escalating West German economic ties with China.⁴⁷⁷ However, opponents, like the Christian Democrats and Christian Social Union, favoured a more relaxed arms sales policy from 1976. Certain Foreign Ministry officials even unofficially supported Chinese military delegation visits in May-June 1978, occasionally co-sponsoring with German commercial and industrial associations. West German private industry had clearly become more interested in the Chinese market but was still reluctant to do any deals without the West German government's approval.⁴⁷⁸

Italy and France were the two Western European countries besides the UK that were interested in selling arms to China. However, owing to the close connections between the Party of Italian Communists and the Soviets, Italian arms sales were severely restricted. The Italian Communist Party (PCI) hoped to improve their ties with the Chinese without needlessly antagonising Moscow. The PCI's policy was prudent, but it still wanted to make arms deals with Beijing, mainly for defensive weapons.⁴⁷⁹ French

⁴⁷⁷ Ibid. 28.

⁴⁷⁸ Ibid. 25.

⁴⁷⁹ Ibid. 38-9.

arms sales policy aimed at balanced cooperation with both China and the USSR, without exploiting their conflict. Thus, France did not intend to jeopardize its relationship with the USSR for the benefit of China. When Chinese Foreign Trade Minister, Li Qiang, visited the UK and France in 1977, France sought to condition military sales on economic ones, offering sophisticated technology like anti-tank missiles and advanced radar. However, after a stern Soviet response to these military supplies to China, France reassured Moscow that its choices were merely from a Chinese wish-list without any intention to aid China's strategic aims.⁴⁸⁰

The Origins of the Harrier Aircraft Deal

While the Spey deal advanced rapidly, the UK and China initiated another arms sales negotiation on the HSA Harrier fighter aircraft, but the deal was suspended during the Heath government. On 13 November 1972, Chinese representatives had secretly expressed willingness to import 200 Harrier aircraft during the ceremony for the British delivery of the Trident aircraft.⁴⁸¹ It was the first time that China expressed interest in the Harrier, prompting the HAS Chairman to seek Heath's approval. In January 1973, the PRC's Foreign Trade Minister, Bai Xiangguo, admired the Harrier's capabilities at a Hatfield airshow. Later in June, Chinese Foreign Minister Ji Pengfei reiterated China's desire to acquire the Harrier to the UK's Foreign Secretary, Alec Douglas-Home.⁴⁸² China hoped to buy the Harrier aircraft because it could provide close air

⁴⁸⁰ BT-241/2806, the USSR and French sales to China, December 10, 1977.

⁴⁸¹ FCO-21/1123, Kay to Marshall, November 7, 1973.

⁴⁸² FCO-21/1123, Stern to Hugh, October 26, 1973; FCO-21/1123, Gahan to Alston, February 28, 1973.

support in the border conflicts with the USSR. Such vertical take-off and landing (VTOL) aircraft were less reliant on airfields, which were fairly scarce on China's north-west border.

Before Heath visited the US in January 1973, British officials attached the Harrier sales as an essential issue on Heath's briefing points. The British anticipated that the deal could face more impediments than the deal for Speys because the Harrier was more 'offensive'. The British argued that the order would be of great economic value to the UK and of enormous importance in the 'Great Power Game'. Additionally, it would not redress the balance on the Sino-Soviet frontier in favour of China. It would not add to China's existing superiority over India, Taiwan and Hong Kong. Psychologically and strategically, it could be enormously important to involve China more closely on the Western side show Beijing that it would not stand alone in any confrontation with the USSR.⁴⁸³

The US did not respond to the British proposal immediately, but the deal irritated the Soviets. The Soviet Embassy had informally made their disquiet at the reports of Chinese interest in the Harrier known to the FCO. *Pravda* warned the British that Moscow would see the sale of Harriers as an 'anti-Soviet act'. George Walden, the First Secretary at the Soviet Desk in the FCO, argued that it would undoubtedly be a new, negative element in Anglo-Soviet relations, which were still recovering. Nina

⁴⁸³ FCO-21/1124, Hockaday to Jones: Annex-C, January 10, 1973.

Voshchankin, a Counsellor at the Soviet Embassy, had twice reminded the British of the seriousness with which the USSR viewed the possibility of such a deal.⁴⁸⁴ The British decided to advance the deal further, authorising the HSA to negotiate with the Chinese. Additionally, in February 1973, Peter Carrington, the British Defence Secretary, publicly stated in Tokyo that he was not opposed to arms sales to China, and the British government did not rule out the possibility of selling Harrier aircraft to China.⁴⁸⁵

However, Carrington's public statement was more tentative than definitive because Britain was insufficiently determined to push the deal further under pressure. Heath told the MOD to make clear to the Chairman of HSA that the prospect of government agreement to the sale of Harriers was highly uncertain, and that he should be careful not to raise any false hopes among the Chinese.⁴⁸⁶ The FCO determined that if the US reaction were 'completely unfavourable ... we would probably have to give a negative answer to the Chinese'.⁴⁸⁷ The DOPC organised a working group to assess whether the commercial advantages outweighed the political objections. On the one hand, it was difficult to give up a deal worth £400 million - and that 'might eventually be double this'. On the other hand, NATO allies as well as India, Australia and New Zealand objected to the deal, so allied opposition, which was stronger than that raised against the Spey deal, did not permit Britain to follow its course. The working group did not

⁴⁸⁴ FCO-21/1123, Walden to Gahan, March 2, 1973.

⁴⁸⁵ FCO-21/1123, Reuter's News, February 14, 1973.

⁴⁸⁶ DEFE-5/195/18, 'Defence Implications of the Sale of Harrier Aircraft and Spey Aircraft Engines to China,' April 11, 1973.

⁴⁸⁷ FCO-46/925, DOP (SE) 8th meeting, December 6, 1972, 1.

give a specific recommendation, and it suggested only that Britain's next step would depend on US reactions.⁴⁸⁸

The Suspension of the Harrier Aircraft Deal

Beijing did not make a firm request for Harrier aircraft until 1977, which confused the British. The British also had less motivation to push for the sale because the Harrier deal would distract from - and might even jeopardise - the Spey deal under negotiation.⁴⁸⁹ China's silence stemmed from complex reasons, including economic constraints. First, China lacked the foreign currency for the aircraft, as it was increasing its gold reserves. In mid-1973, Treasury Minister Chen Yun predicted the collapse of the Bretton Woods system, leading to a surge in the gold price. Given the US dollar's decoupling from gold and decreasing price ratio, Chen Yun suggested to Vice Premier Li Xiannian that China should buy some gold instead of foreign currency that would be devalued. This proposal was adopted by the State Council, directing departments to use foreign currency to buy gold.⁴⁹⁰ China's gold reserves nearly doubled, from \$7 million in 1970 to \$12.8 million in 1974, but this move exhausted its foreign currency supplies.⁴⁹¹

Secondly, internal Chinese politics significantly contributed to the delay. In 1968, the Air Force recommended solving the issue of short-range vertical take-off fighters in a

⁴⁸⁸ FCO-46/925, DOP (SE) (72)17, December 11, 1972, 1, 11-2.

⁴⁸⁹ Fisher, *The Foreign Office, Commerce and British Foreign Policy in the Twentieth Century*, 534.

⁴⁹⁰ LRO, *Chen Yun's Chronology Revised Edition Vol.2* (Beijing: Central Party Literature Press, 2015), 208.

⁴⁹¹ Su Ning, *Chinese Financial Statistics (1952-1996)* (Beijing: China Finance and Economics Press, 1997), 203.

report to the Military Commission and the National Defence Science Committee. In 1969, Lin Biao directed the Air Force to focus on developing helicopters and transport aircraft. Following this, Cao Lihuai, Air Force Vice Commander, advocated for accelerating these designs and researching vertical take-off and landing aircraft. Subsequently, Lin Ligu, Lin Biao's son and Deputy Director of the Air Force Operations department, approved Cao's project. The Third Ministry of Machinery Industry initiated the 'No. 4 project' programme, with the 601 Institute staff, developing the J-8, forming most of the working group. One of the military experts Ye Zhengda complained that:

Lin Ligu saw the idea from some foreign expansion films, so he ordered us to develop it. We have not conducted exploratory research on VTOL technology. It is not a bad idea if it is only used as pre-research. However, Lin Ligu ordered the pre-research without any technical reserves due to political needs. The subject was changed to model design trial production, and it was to be launched on July 1, 1971.⁴⁹²

After Lin Biao's attempted escape in 1971⁴⁹³, the No. 4 project Leading Group held its 12th meeting on 25 March, 1972, which criticised his crime of destroying the aviation industry and intervening in the No. 4 project and examined the 'subjectivism' and

⁴⁹² Ye, *Memoirs of General Ye Zhengda*, 238.

⁴⁹³ See footnote 425 above for details of Lin Biao incident. He attempted to escape from China to the USSR on 13 September 1971 but his plane crashed in Mongolia.

‘unrealistic’ errors in the development of the VTOL aircraft. This meeting also affirmed the enthusiasm and achievements of the cadres, technicians and workers who participated in developing the No. 4 mission. At the same time, it pointed out that vertical take-off and landing aircraft lacked basic research and technical reserves in China, and it was impossible ‘to make a fighter aircraft for combat use in a short period’. It suggested that No. 4 project should not be included in the national development plan as it was still ‘a scientific research project in the early stage.’⁴⁹⁴ This was tantamount to declaring that the project had failed, and any plans for introducing VTOL technology and aircraft were postponed.

Competition From Other Western Countries

The British were sensitive to Sino-French relations. Trade between France and China in both directions has been greater than that between Britain and China in the previous few years, and the gap seemed to be growing. In 1976, French exports to China were \$355 million, while their imports were \$194 million; British exports to China were \$123 million and imports were \$153 million.⁴⁹⁵ The British Prime Minister, James Callaghan, was alarmed about the development of Sino-French relations. The Prime Minister even said that the Chinese were ‘silly’ in believing that the French were more receptive.⁴⁹⁶ In November 1977, Foreign Secretary David Owen advised the PM to enhance arms sales to China, to bridge the gap between Sino-British and Sino-French relations. He

⁴⁹⁴ Ibid. 239-40.

⁴⁹⁵ PREM-16/1535, Owen to the PM, November 18, 1977.

⁴⁹⁶ PREM-16/1535, ‘UK/Chinese relations and Franco/Chinese relations,’ October 24, 1977.

suggested France's anti-US reputation might earn Beijing's favour over the UK's close US ties. With COCOM and the Anglo-American relationship, the UK lagged in competing for Chinese arms contracts. Richard Holbrooke, Assistant Secretary for Far Eastern Affairs, also feared France might outpace the UK and US by authorizing sales in 'grey' areas. British MOD officials prepared a paper with proposals on cooperating with the Chinese in these fields without compromising other political relationships, especially with the US. Owen was inclined to take a tough line with the US if they were too restrictive.⁴⁹⁷

The British were also concerned about US competition. The British ambassador to China, Percy Cradock, found that although the Carter administration hesitated to allow the allies' arms sales, US arms companies aggressively pursued them. The British advantage in this respect was temporary and already diminishing.⁴⁹⁸ DTI also recognised that British Harrier deals faced competition from American companies, although the US officially objected to the sales. It argued that the seriousness of the US threat depended on the importance the Chinese attached to early deliveries. Although the US would not wish to consider producing the basic Harrier, they could offer a superior version of the aircraft some three years after the UK could supply the current variant. Delaying a decision thus eroded the main UK advantage.⁴⁹⁹

⁴⁹⁷ PREM-16/1535, Owen to the PM, November 18, 1977.

⁴⁹⁸ PREM-16/1535, Cradock to the PM, July 31, 1978.

⁴⁹⁹ PREM-16/1950, US competition for Harrier sales to China, January 3, 1979.

The Adjustment of British Arms Sales Policy

Competition accelerated the formation of British policy. From 1975, the Spey deal triggered more Chinese interest in British arms, including a marine Spey,⁵⁰⁰ anti-tank missiles and aircraft. Foreign Secretary David Owen and Defence Secretary Fred Mulley asked officials to prepare a joint paper on defence sales to China in late 1977. In April 1978, the report was presented to Prime Minister James Callaghan. It suggested using the defence and aerospace industries to open up a more comprehensive export drive to China. In terms of COCOM, the document emphasised the policy line taken in the Spey case: The UK should discuss arms sales with other partners, but if the industrial and commercial benefits overrode the diplomatic difficulties, the UK could bypass COCOM.⁵⁰¹ Prime Minister Callaghan approved the document in the DOPC meeting on 21 June 1978. The British arms sales policy toward China would be taken on a case-by-case basis. This decision meant that the British officially confirmed a framework for arms sales to China. The arms sales policy explicitly targeted commercial interests and covered only defensive arms.⁵⁰²

Economic Motivations and Consensus in the Labour Government

Few internal objections were raised against the policy during the decision-making process. The main British departments and ministries involved in the matter, including DTI, MOD and FCO, all supported the policy. They recognised that China would likely

⁵⁰⁰ A version of the Spey optimised for use in maritime environments, such as by aircraft operating from an aircraft carrier.

⁵⁰¹ Fisher, *The Foreign Office, Commerce and British Foreign Policy in the Twentieth Century*, 540.

⁵⁰² PREM-16/1535, arms sales to China, June 23, 1978.

never become one of Britain's major trading partners but, at a time when world trade prospects were uncertain, it could offer a steadily expanding market for British industrial goods. The contracts that individual companies could hope to obtain might be large ones, and some would be in those areas of aerospace where competition with the US and France elsewhere in the world was at its fiercest. The UK could not hope to compete on an equal footing with the Japanese, but the government reasoned that British goals regarding China's economic interests should be able to match the performance of major Western powers.⁵⁰³

Economic benefits came in two forms: the profits obtained directly from arms sales, and the civilian contracts indirectly brought about by arms sales contracts. Aircraft and aircraft engines valued at £28.5 million (including the Spey and Trident contracts) formed a major part of the UK's total trade with China. The percentage of the two categories in total exports had risen from 34% in 1975 to 55% in 1977. Excluding exports of engines and aircraft, UK trade with China would have had a deficit of £63.3 million in 1977.⁵⁰⁴

Employment resulting from arms sales was also a substantial economic interest. Britain faced intractable economic problems: unemployment doubled between August 1974 and December 1975 and then continued to increase; the British pound's value plummeted, creating a massive balance of payments problem; inflation rose to

⁵⁰³ Fisher, *The Foreign Office, Commerce and British Foreign Policy in the Twentieth Century*, 538-9.

⁵⁰⁴ PREM-16/1535, British defence sales to China-Annex 2, March 16, 1978.

unprecedented levels; and economic growth remained sluggish.⁵⁰⁵ The British historian Mark Phythian argues that the employment issue was the preferred way of justifying British arms sales policy.⁵⁰⁶ There is also evidence that the Callaghan government was pressured by industry to increase arms sales to China. For example, Roy Grantham, the General Secretary of the Association of Professional, Executive, Clerical and Computer Staff, argued that arms sales to China would significantly support the industry and make the best use of its existing resources. In addition to the benefits to British Aerospace and Rolls-Royce, the advantages for other major suppliers in the industry would be substantial. Taking Chinese orders would create or maintain more than 10,000 jobs in the UK.⁵⁰⁷

Moreover, the British government conditioned arms sales on civilian goods sales in the same way as other European countries. Sino-British trade had lagged behind France and West Germany for a long time, but in 1976, civilian Italian exports to China also exceeded those of the UK.’ The British government believed that arms sales could improve political ties with China and thus contribute to increased numbers of civilian contracts. The Department of Trade claimed, ‘we do not have the competitive edge that will enable us greatly to improve our relative trade position with China unless we can establish a political advantage as well’.⁵⁰⁸ On 6 January, 1979, Callaghan announced that the government had now reached the stage where Britain was interested in

⁵⁰⁵ Rhiannon Vickers, *The Labour Party and the World: Labour's Foreign Policy since 1951. Vol.2.* (Manchester: Manchester University Press, 2011), 106.

⁵⁰⁶ Phythian, *The Politics of British Arms Sales since 1964*, 29-30.

⁵⁰⁷ PREM-16/1535, Grantham to PM, August 21, 1978.

⁵⁰⁸ PREM-16/1535, Dell to PM, July 28, 1978.

contributing to the modernisation of China. However, the British government was unwilling to be solely an arms supplier.⁵⁰⁹

Visit of Edmund Dell to China, August 1978

Secretary of Trade Edmund Dell made a successful visit to China in August 1978. He considered that in light of the generally more open attitude of the new Chinese leadership towards foreign trade, there was a genuine desire to see a significant increase in their trade with the UK. He even suggested that British exports to China might aim for a three- or four-fold increase in the next three years. China was prepared to open new trading opportunities to the UK and confident in the general British intention to be a supplier of military equipment.⁵¹⁰ The FCO supported his suggestions. Owen wrote to the PM about expanding the Sino-British exchanges, including making further high-level political contacts, exploiting commercial openings and cultural and science communications, and making defence sales. Owen reiterated the importance of arms sales in the relations. ‘We shall have to accept that the Chinese regard our attitude to arms sales as an indication of how seriously we take our relationship with them’.⁵¹¹

Divergences between the Labour Government and Parliament

Although the British Parliament lacked the power to intervene in arms sales, significant opposition came from MPs. The 1939 Import, Export and Customs Powers (Defence)

⁵⁰⁹ *Birmingham Daily Post*, January 6, 197

⁵¹⁰ PREM-16/1535, Dell to the PM, August 18, 1978.

⁵¹¹ PREM-16/1536, from Owen to the PM, August 30, 1978.

Act empowered the British government to control arms sales, excluding Parliament from decisions. Yet, during the 1970s, the Labour Party, particularly its left wing, vocally opposed arms sales to China in Parliament. This posed a problem for Callaghan, as nationwide Soviet suspicion meant that being labelled pro-Soviet by the Conservatives due to their opposition to a China-favourable arms deal could hurt the government's standing.⁵¹² As British historian Ed Hampshire pointed out, Robin Cook, a young backbench MP who was the most insistent parliamentary campaigner for reducing arms sales, presented the Labour Party's opposition in Parliament to the arms sales to China. Moreover, during this period, both the MOD and FCO received signed petitions from Labour MPs, church groups and local politicians protesting British arms sales to undemocratic regimes.⁵¹³

The debate between the Labour government and the Labour party in Parliament originated in the early 1970s. In the election of October 1974, the Labour Party took a left-wing position on defence issues and promised a reduction of nuclear weapons, but the Labour government failed to deliver on these promises. In the 1970s, there was a growing rift between senior Labour ministers and party activists and backbench MPs. Eventually, the Labour party found itself juggling two different defence policies: one voted for by activists at the annual conference, linking arms sales with human rights; and one based on pragmatic interests that the Labour government implemented.⁵¹⁴

⁵¹² PREM-16/1535, CM(78) 17th Conclusions-Minute No.2, May 4, 1978.

⁵¹³ Ed Hampshire, 'Missing the 'Klondike Rush?'' 539.

⁵¹⁴ Rhianon Vickers, *The Labour Party and the World, Vol.2*, 125.

The Conservatives, the party out of power, favoured strengthening China primarily as a counterweight to growing Soviet power as long as the Chinese did not pose a threat to the security of Britain or Western Europe. For this reason, they expected to see major agreements concluded, and accused the Callaghan government of deliberately dragging its feet on the Harrier deal for fear of the Soviet reaction. Robert Adley, MP for Christchurch and Lymington urged Secretary Owen to make a statement that Britain was ready to sell Harriers to China without political objections and would not be impeded by US opposition to Soviet pressure.⁵¹⁵

During a debate in the House of Lords on March 22, 1978, Fred Peart announced the government's policy on defence sales to China. The government would be prepared to consider requests by China for British defence equipment on a case-by-case basis consulting the USA and COCOM before taking any final decision. The statement was timely as there was considerable pressure from industry and their supporters in Parliament to be forthcoming on trade with China. Some MPs argued that industry would like to pursue contracts for Harriers, Swingfire,⁵¹⁶ marine gas turbines and many other items. There was the danger of a severe anti-climax if no progress was made in the defence equipment area. The industry had strong concerns that the French and others would beat them to the punch.⁵¹⁷

⁵¹⁵ BT-241/2806, Parliamentary question, November 10, 1977.

⁵¹⁶ Swingfire was a heavy, vehicle-mounted antitank missile. It was phased out of British service in 2005.

⁵¹⁷ PREM-16/1535, CDS's visit to China, April 7, 1978.

Strategic Considerations in British Policy

Beyond commercial interests, the Callaghan government also recognised a strong China as an important force in the global geopolitical landscape. In order to counteract the accelerated global expansion of the USSR since 1977, prompting Moscow to respect détente and promote the second phase of the negotiation on the SALT, FCO believed that the Chinese strategic concept had not changed from being entirely defensive, so strengthening China's power would promote global stability.⁵¹⁸ Hua Guofeng praised the British position when the Chief of the Defence Staff (CDF) delegation visited China in April 1978. He commented that Sino-British relations had been growing closer since 1972, and he agreed to send a Chinese military delegation to visit Britain. He also emphasised his interests in British advanced technology and military equipment.⁵¹⁹

At this time, Hua Guofeng still controlled the leadership in China and his pro-Europe attitudes advocated the further development of British arms sales to China. The Chinese Vice Chief of Staff, Yang Yung, said that the Chinese would follow the self-reliance policy but would also learn from the UK and prepare to introduce defence equipment including marine propulsion units, Harriers, and anti-aircraft and anti-tank guided missiles.⁵²⁰ Neil Cameron, a member of the CDF, claimed that the USSR was Britain's 'No. 1 enemy'. These remarks alarmed the Soviets, who registered much stronger

⁵¹⁸ FCO-21/1717, Appendix 1 to Annex B to DPS (Briefs) 5/79, May 29, 1979.

⁵¹⁹ PREM-16/1535, From Davies to Prime minister, May 2, 1978.

⁵²⁰ PREM-16/1535, visit of the CDs: other discussion, May 2, 1978.

opposition to Western arms sales to China than they had on the Spey deal. Callaghan said: 'Sir Neil's remarks should not be regarded as an attempt to extend or change government policy in any way'.⁵²¹ But Moscow claimed that the British government did not fundamentally deny the anti-Soviet statement.⁵²²

Callaghan tried to placate the Soviets. He said that he did not think arms sales to China were seen as a means of exerting pressure on the Soviet regime. Therefore, he emphasised that Britain would not sell offensive arms to be used against the USSR.⁵²³

The concerns about Soviet threats within the British bureaucracy and the pro-Sovietism of the Labour Party caused the government to be labelled weak on foreign and defence policy by the Conservatives, who asserted that Labour could not be trusted with the nation's security. As they stated, the Labour government did not complete any arms sales with China, except the Spey deal, which was confirmed during Heath's Conservative government.⁵²⁴

Soviet Responses to Sino-Western Military Ties

Moscow had ample reasons to be anxious about Sino-Western military ties and the possible increase in China's military capabilities. To maintain the military balance in East Asia, by 1979, a high command had been established for the Far East theatre of operations. This command was alleged to exercise authority over the Far Eastern,

⁵²¹ 'Defence chief rapped by premier by John Deans,' *Aberdeen Press and Journal*, May 3, 1978.

⁵²² PREM-16/1535, Keeble to the FCO, May 6, 1978.

⁵²³ PREM-16/1535, HM Ambassador designate to Moscow, March 20, 1978.

⁵²⁴ Rhiannon Vickers, *The Labour Party and the World*, 123-124.

Siberian, and Transbaikal Military Districts, which included Soviet forces in Mongolia. The threat of strategic weapons of mass destruction was made more evident to China through the deployment of the SS-20 IRBM and the Backfire bomber after 1978. The naval build-up was further highlighted by the temporary stationing of the antisubmarine warfare (ASW) carrier 'Minsk' and the large troop carrier 'Ivan Rogov' in Vladivostok in 1979.⁵²⁵ On 27 December 1978, Brezhnev sent a letter to Western countries, including the US, France, Italy, the UK and West Germany, before the NATO meeting in Guadeloupe in January 1979. He warned, 'the strengthening of détente and the line of arming China are incompatible. The latter leads to undermining the foundation of the former.'⁵²⁶

In fact, this letter bolstered Western attitudes towards arms sales rather than halting them, because the West was very willing to see Moscow pay more attention to East Asia instead of Europe. Though causing some issues within the British government, Callaghan ultimately declared his commitment to Chinese arms sales at the NATO meeting. This stance won the support of French President Giscard, who subsequently announced French defensive arms sales plans, speeding up negotiations with China on anti-tank missiles. The Italians, seeing the benefits of reintegrating China into the global community, also considered defence exports to China. Despite not seeking to sell arms, both West Germany and the US concurred that China could enhance global peace and

⁵²⁵ Paul Dibb, 'Soviet capabilities, interests and strategies in East Asia in the 1980s,' *Survival*, 24:4(1982):155-162, 158-60.

⁵²⁶ PREM-16/1950, Brezhnev to the PM, December 27, 1978.

stability, and arms sales to China could deepen Sino-Western relations.⁵²⁷

US Approval of British Harrier Deal

While abandoning the Harrier jet was a sensible decision in 1973, China's 'leap outward' policy from 1977 to 1980 broadened its interest in foreign arms. The topic of Harrier imports resurfaced during a British industrial delegation's visit to Beijing in November 1977. Chinese Vice Premier Wang Zhen met the delegation and expressed China's intent to acquire the Harrier fighter. Rather than the 200 aircraft proposed in 1973, Wang Zhen suggested buying 70 aircraft along with a production licence. Minister of Foreign Trade, Li Qiang, assured the British that aircraft importation was under serious consideration.⁵²⁸ Early in 1978, Chinese Defence Minister Zhang Aiping, in charge of Chinese arms imports, led a military delegation to the UK. China requested the UK to supply 10 aircraft in the first year and 20 annually thereafter. Following the delivery, China would acquire a licence for in-country production of the aircraft and engines. The Chinese estimated the contract cost to not surpass £1 billion, encompassing 70 fighter jets, spare parts, and the production licence authorization fee.⁵²⁹

Upon the PM's decision for a case-by-case approach on June 12, 1978, the UK government promptly consulted the Carter administration about the deal. Callaghan informed Cyrus Vance, Secretary of State, that the UK did not see major strategic or

⁵²⁷ FCO-21/1717, OD (79) 2nd meeting, May 31, 1979.

⁵²⁸ *Times*, December 18, 1977.

⁵²⁹ FCO-21 /1717, OD meeting, June 11, 1979.

security concerns with the deal, and hoped the US would not object in COCOM. However, Carter's hesitation and bureaucratic tensions between Vance and Zbigniew Brzezinski, the National Security Affairs Assistant, delayed the response. The FCO confirmed that the Harrier deal would face complications as Carter had suggested that the US might have to voice objections in COCOM.⁵³⁰ On the other hand, the Chinese emphasised to the British that Brzezinski and Frank Press had promised that the US would not object to the Harrier deal and suggested that Sino-British trade would depend on British willingness to sign the contract.⁵³¹

Beijing's pressure and US hesitation put Britain in an embarrassing position. China regarded the deal as a 'touchstone' that could be used to test British determination within Sino-British relations. The inconsistency of the US forced the British government to wait for the final outcome of the bureaucratic clashes in Washington. The British believed that Brzezinski's opinion would prevail, so they focused on lobbying Secretary of Defence Harold Brown regarding the marine engines.⁵³² Owen instructed the British Embassy in Washington to urge the Americans to give the British, without further delay, a favourable political decision and not to create difficulties when the matter was put formally to COCOM.⁵³³ At the same time, Percy Cradock, the British ambassador to China, suggested to Whitehall that China should be upgraded to the British world priority list because China had turned to the West.⁵³⁴ The suggestions

⁵³⁰ PREM-16/1535, DOP(78)14, June 19, 1978.

⁵³¹ PREM-16/1535, Dell to the PM, July 28, 1978.

⁵³² PREM-16/1535, Mulley to the PM, July 31, 1978.

⁵³³ PREM-16/1535, Owen to the PM, August 1, 1978.

⁵³⁴ PREM-16/1535, Telegram from Cradock to FCO, July 31, 1978.

piqued Callaghan's interest, but he requested that Sino-British relations 'hasten slowly' because the PM did not want to make decisions until he had received the US response.⁵³⁵

Brzezinski's successful visit to China in May 1978 relaxed US concern about European countries' arms sales. The US Secretary of Defence, Harold Brown, telephoned the British Defence Secretary to say that he had talked to Vance and Brzezinski. Under Carter's direction, the US administration would adopt a low profile on the British arms sales to China in general as they had done for the Spey deal a few years earlier.⁵³⁶ This was a good signal for the upcoming Harrier deal. In October 1978, the PM privately conversed with Brzezinski to learn the US attitude. Brzezinski told him that the US position on relations with China was identical to the UK's position. Brzezinski stressed that he was speaking purely personally, and he did not himself believe that the sale of UK Harriers to China would be a bad thing although the Harrier could be regarded as an offensive weapon. So the administration would probably no longer discourage the sale of weapons to China.⁵³⁷

Application of the 'Exception Procedure' to the Harrier Aircraft Deal

In early 1979, Callaghan ignored Brezhnev's warning and approved negotiating the Harrier contract with the Chinese. Furthermore, Eric Varley, Secretary of State for

⁵³⁵ PREM-16/1535, Rose to Baker, August 2, 1978.

⁵³⁶ PREM-16/1535, telegram from Brown to Mulley, August 11, 1978.

⁵³⁷ PREM-16/1536, PM's conversation with Brzezinski, October 6, 1978.

Industry, was dispatched to visit Beijing in February. He told Callaghan that China's open-door policy could give the UK opportunities to achieve its commercial objectives, and Hua Guofeng urged the British government to make a promise on the Harrier. However, the proposal was opposed in the House of Commons. Frank Allaun, a left-wing Labour MP, claimed, 'that the International Committee, while welcoming non-military trade and contacts with China, opposes the supply of Harrier jets, since notwithstanding facile and over-confident denials - this supply will undermine the prospects for East-West peace, détente, halting the arms race and SALT agreements. It, therefore, asked the government to reconsider the proposed Harrier deal'. Ron Hayward, the General Secretary of the Labour Party, told Callaghan that the party had agreed to defer consideration of the motion and to ask him for the government's policy on the supply of arms.⁵³⁸

Callaghan resisted opposition and aimed to progress Harrier sales negotiations as part of a balanced trade package. He told the Commons that selling defence items to China - ensuring each case was meticulously evaluated in terms of British international obligations - would not disrupt ongoing efforts towards international arms control and disarmament agreements like the Comprehensive Test Ban Treaty, then under active negotiation with the Soviets and Americans in Geneva.⁵³⁹ Finally, the government confirmed the first list of arms sales to China, including image intensifier tubes, ICS 3 (Marconi Communications Systems), SFCS 600 (Marconi Radar), MEL-Night Vision

⁵³⁸ PREM-16/1952, Hayward to the PM, January 29, 1979.

⁵³⁹ PREM-16/1950, PM to Hayward, February 15, 1979.

Equipment, FACE and Morcos (Marconi Space and Defence Systems); all that remained was to wait for US approval.⁵⁴⁰

However, the Carter administration did not act as Brzezinski's private message to the British suggested but kept silent on the issue from February to April 1979. In essence, the US did not want to amend COCOM rules or discuss any special arrangement for China in COCOM or in NATO. The UK was, in effect, left with a choice between suspending arms sales to China or notifying other COCOM partners ad hoc and bilaterally in capitals on each item as it came up.⁵⁴¹ West Germany, Canada and Japan insisted on proceeding through COCOM, whereas France agreed that British sales could proceed outside COCOM. Finally, in June 1979, the Carter administration tacitly acquiesced to the UK's request to make such sales outside COCOM. The UK could notify other countries without considering their opinions on relevant cases.⁵⁴²

The failure of the Harrier deal

After the Labour government's defeat in the general election of May 1979, Callaghan could not push the deal with China, though the US had essentially approved it. In August 1979, HSA set the Harrier's sale price at £5.5 million, excluding spare parts, simulators, training, or weapons. Each plane effectively cost around £10 million. China requested the British government's intervention for price reduction, leading the

⁵⁴⁰ PREM-16/1951, Defence sales to China, April 5, 1979.

⁵⁴¹ PREM-16/1951, Jay to the FCO, May 3, 1979.

⁵⁴² FCO-21/1717, Samuel to Cortazzi and Murray, June 4, 1979.

company to give a 2.5% discount. But China demanded a minimum discount of 7.5%, stating that under current prices, they might only import 20 to 30 aircraft.⁵⁴³ At the same time, China began to ask to purchase the US-made F-16 third-generation fighter from the US. France's Dassault company sought to sell 50 Mirage-2000 fighter jets to China, and France told Britain it would attempt to sell the Mirage 2000 if the Harrier deal was concluded successfully as this would show that military sales to China were possible.⁵⁴⁴

Ke Hua, the Chinese ambassador to the UK, also stressed to the British that, given the situation in Afghanistan following the Soviet invasion in December 1979, the UK should reduce the price. Once the British company cut the price significantly, the Chinese government would immediately sign the contract. In January 1980, Vice Premier Geng Biao complained to visiting US Defence Secretary Harold Brown that the Harrier had a limited range and was too expensive. The price was the main impediment to the deal, and when Secretary of Defence Pym visited China in early 1980 the Chinese informed the British that they were cancelling the deal. Beijing's decision to purchase neither the British Harrier nor the French HOT antitank missile, ostensibly for economic reasons, dashed West European hopes for a lucrative arms market in China. The 'leap outward' movement had lost some of its impetus in China by 1980. The military budget in 1980 was 13% less than 1979, so China could no longer afford such an expensive weapon.⁵⁴⁵

⁵⁴³ FCO-21/1824, China-Mr. Pym's visit, March 1980.

⁵⁴⁴ FCO-21/1717, Margolis to Allen, December 28, 1978.

⁵⁴⁵ FOIA/General CIA Records, 'China: Increased attention to western Europe,' March 21, 1983, 7.

The Harrier deal signalled Beijing's window-shopping tactics in arms importation. Although there had been some interest among Chinese bureaucrats in concluding substantial arms packages, Beijing's extensive window-shopping was also intended to extract as much free technical information as possible. Thus, the primary obstacle to major weapons transactions remained the gulf between China's interest in acquiring technology and production rights at low costs, and the West European desire to sell large quantities of finished items. Beijing repeatedly used the same tactic in the 1980s, as will be further discussed in the next two chapters.

Conclusions

Throughout the 1970s, the UK had wanted to strengthen Sino-British relations, and the split between China and the USSR gave the UK greater impetus to do so. From a political point of view, the UK believed that the Sino-Soviet split was beneficial to the relationship between China and the West. In addition, the UK also believed that the security of Hong Kong could be guaranteed, because China had to pay more attention to the Soviet threat from the north. Britain's Chinese arms sales policy was driven mainly by economic interests, which was the main thread throughout the 1970s. Whether it was Heath's Conservative government or Callaghan's Labour successor, British ministers all hoped to gain economic benefits through arms sales.

The DOPC (Defence and Overseas Policy Committee) played an important role in the

UK's arms sales decision-making process. Government departments such as the MOD or FCO could propose arms sales to the DOPC, and after approval by the Prime Minister, these proposals would be discussed in the DOPC. The outcome of those discussions would be regarded as guiding policies that should be followed by all departments. Apart from those officials who dealt directly with Soviet affairs, there were few dissenting voices. During this period, British arms sales were more proactive, which could be summed up as support in principle, but objection with exceptions.

The US could exert considerable influence on UK arms sales policy, but not vice versa. Because of the existence of COCOM, arms sales to China needed to be approved by this organisation, among whose ranks the US was the most significant member. For Britain, US opinions were far more important than those of other allies. In the Spey case, after obtaining US permission, the UK only informed other allies without seeking further comment. During the Carter administration, divisions within the US government greatly troubled Britain's arms sales policy. When the British approached different US officials, they tended to receive different answers. This phenomenon did not disappear, despite Carter's support, until late 1979. It also indirectly contributed to the failure of the Harrier contract, as China lost interest in gaining approval for import. This is also an important reason why the Labour government, despite vigorously promoting arms sales, did not manage to conclude any arms sales contracts. However, Labour's political legacy was inherited by the Conservative government, and Prime Minister Margaret Thatcher continued to advance the half-completed arms sales negotiations. In other

words, the Thatcher government was able to sell arms to China on a large scale because the Labour government had already made important headway.

Chapter 5: US Arms Sales Policy Towards China under Reagan and Bush, 1981-1991

In the 1970s, both the UK and the US initiated arms sales to China. The British government completed the historic Spey military engine contract under the Labour government and developed its arms sales policy. The Soviet invasion of Afghanistan led the Carter administration to open up exports of dual-use technology and non-lethal weapons. In 1980, the United States already provided China with a list of arms it could sell. However, US arms sales policy was still confused and ambiguous because it did not experience comprehensive reviews before being implemented. Selling arms to China was a difficult decision under Soviet expansion and threat. The Carter administration did not elaborate on the specific goals of arms sales policy, nor did it provide a general analysis of the connection between the policy and US interests. The policy was highly dependent on the understanding of arms sales by individual leaders in policy circles, such as Brown and Brzezinski. In addition, the Taiwan question was not settled, as Deng and Carter had put the dispute aside for the time being in the interest of containing the USSR. On the Chinese side, Deng's political position was precarious and constantly challenged by his pro-Soviet opponents, which cast a shadow over China-US relations. These intractable problems were handed to the Reagan administration in 1981.

This chapter focuses on the development of Reagan's arms sales policy towards China, the change in the 'strategic triangle with the USSR, China's foreign policy and arms

import policy, the Sino-US honeymoon period and the decline of the arms sales. The chapter discusses Reagan's arms sales policy in the early part of his presidency as well as the conflict with Deng over the Taiwan issue. It then analyses China's rapprochement policy toward the USSR and its influence on Sino-US relations and US arms and technology transfer policy, especially in 1983, which was an important year for Reagan's arms sales policy. The chapter discusses the administration's comprehensive review of the policy and some significant revisions. Weinberger's visit to Beijing in September 1983 is also discussed. The Sino-US honeymoon period is examined, as is the influence of Gorbachev's foreign policy from 1985. Finally, the chapter analyses the reasons for the decline and end of US arms sales to China between 1987 and 1991.

'Peace Through Strength' and Reagan's Arms Sales Policy Towards China

Dr James Wilson, a chief historian at the at US State Department, argues that Reagan had two strategies against the USSR: 'peace through strength', and a 'crusade for freedom'.⁵⁴⁶ Reagan's 'peace through strength' comprised three elements: firstly, matching Soviet military power in the short term; secondly, containing Soviet expansion; and thirdly, prompting Soviet arms reduction via bolstered American strength.⁵⁴⁷ Reagan associated this principle with renewed alliance cooperation. As National Security Decision Directive (NSDD) number 32, stated, the administration aimed to globally amplify U.S influence via bolstering existing alliances, improving

⁵⁴⁶ James Graham Wilson, 'How Grand Was Reagan's Strategy, 1976-1984?' *Diplomacy & Statecraft* 18, No.4 (2007): 773-803.

⁵⁴⁷ Beth A. Fischer, *The Myth of Triumphalism: Rethinking President Reagan's Cold War Legacy* (Lexington: University Press of Kentucky, 2020), 51.

relations with other nations, and supporting coalitions friendly to U.S interests.⁵⁴⁸

Ronald Reagan was not primarily interested in Sino-US relations except in relation to Taiwan, for which he had long been a strong advocate, especially during the 1980 presidential election campaign. From his election in November 1980 until the start of the presidency in January 1981, Reagan paid little attention to China.⁵⁴⁹ The State Department managed US policy towards China. Alexander Haig, Secretary of State, was the key actor in China affairs from 1981-1982. Alexander Haig, Secretary of State, was the ‘vicar’ formulating, executing, and articulating Reagan’s foreign policy (including China affairs) from 1981-1982.⁵⁵⁰

Haig regarded China as a crucial ally which could exert pressure on Moscow by establishing overt Sino-US military links.⁵⁵¹ In his memoirs, Haig noted ‘In terms of the strategic interests of the United States and the West in the last quarter of the twentieth century, China may well be the most important country in the world.’⁵⁵² His views followed on from those of Nixon and Kissinger, and aimed to move quickly to transform the tacit Sino-US alliance developed during the Carter years into a ‘strategic association.’⁵⁵³

⁵⁴⁸ The Federation of American Scientists, Intelligence Resource Program, ‘US National Security Strategy,’ National Security Decision Directive (NSDD)-32, May 20, 1982.

⁵⁴⁹ Ali, *US-China Cold War Collaboration*, 149.

⁵⁵⁰ Iwan Morgan, *Reagan: An American Icon*. (London: Bloomsbury Publishing, 2020), 156.

⁵⁵¹ B. Garrett, ‘The Strategic Basis of Learning in US Policy Toward China, 1949-1988,’ in G. Breslauer and P. Tetlock (eds), *Learning in US and Soviet Foreign Policy* (Boulder: Westview Press, 1991), 245.

⁵⁵² Alexander Meigs Haig, *Caveat* (Macmillan Publishing Company, 1984), 194.

⁵⁵³ Patrick Tyler, *A Great Wall* (Public Affairs, 2007), 296.

The pressing events of 1981 urged Reagan and his administration to consider arms sales to China. Soviet leader Brezhnev's threats to use force against Poland's Solidarity movement sparked a US reaction. The US military advocated proactive arms sales to China to counter Soviet actions. In April 1981, the JCS presented an assessment on US-Soviet relations from a strategic and military security standpoint to Reagan and Defence Secretary Caspar Weinberger. They contended that US-China relations, which had mutual benefits and potential for improvement, caused strategic uncertainty for the Soviets, including the threat of a two-front war. The JCS suggested aiding China in developing a military force capable of countering the USSR and supporting US objectives.⁵⁵⁴

Weinberger publicly stressed in April 1981 that the US would expand arms sales to China if the USSR sent troops to Poland.⁵⁵⁵ Firstly, China had potential as a 'second front' in the event of a major Soviet-Western confrontation. A declassified DoD memorandum from 1981 stressed, 'China is important to the US as a strategic counterweight to the USSR...The Chinese tie down 47 Divisions along the 3,000 miles Sino-Mongolian-Soviet border. About 25% of the Soviet defence effort, or \$40 billion annually, is devoted to counter the direct Chinese threat.' The obvious conclusion was to maintain, and if possible, enhance China's military value as a strategic counterweight to the USSR.⁵⁵⁶ Secondly, the DoD evaluated that during the 1980s, China's defence

⁵⁵⁴ DNSA/China, 'Report of the JCS on United States-China Security Relationship, JSC 2118/292-1,' April 17, 1981, 1-7.

⁵⁵⁵ CRS, 'Changing Perspectives on US Arms Transfer Policy,' September 25, 1981, 23.

⁵⁵⁶ US DOD, 'Military Sales to China,' 1981. Quote from Meijer, 'Balancing Conflicting Security Interests,' 13.

modernisation policy would focus on economic development, access to Western technology and limited imports of foreign weapons and equipment, so these improvements in China's military strength would strengthen Beijing's ability to deter Soviet invasion and defend itself against Soviet attack.⁵⁵⁷

Another pragmatic benefit of enhanced arms sales to China was that they could be bartered for Soviet concessions on arms control agreements. The CIA led by its new Director William Casey argued that arms sales to China would cause panic in Moscow. It surmised 'the Kremlin's primary interest will be to prevent the Sino-US relationship from deepening into a significant military collaboration directed against the USSR but to avoid, if possible, a rupture in relations with the West.'⁵⁵⁸ The CIA concluded that the strength of Solidarity in Poland and arms sales towards China would put pressure on the Soviets to negotiate with the West on arms control issues.

Historian Robert Ross has argued that Haig was the only high-level official who believed making concessions to China was important and whose efforts to improve Sino-American relations and place emphasis on the Soviet threat weakened America's bargaining position with respect to China.⁵⁵⁹ The critique was unjust. Haig's stance garnered extensive support within the administration. Vice-President George H. Bush, Weinberger, and the JCS all backed fostering ties with China to counterbalance the

⁵⁵⁷ DNSA/China, 'Defence Intelligence Estimate: PRC Defence Modernization in the 1980s,' DIA, March 1981, 2.

⁵⁵⁸ FOIA/CIA Collection, 'Prospects for US Sales of Defence Related Equipment to China,' May 15, 1981, 1-2.

⁵⁵⁹ Ross, *Negotiating Cooperation*, 265; Jim Mann, *About Face* (Vintage, 2000), 119.

USSR. National Security Adviser Richard Allen and Presidential Policy Adviser Edwin Meese, though keener on preserving 'official' relations with Taiwan, were also not against maintaining ties with China.⁵⁶⁰ CIA Director Casey highlighted to Reagan the importance of Sino-US collaboration in Afghanistan, encompassing intelligence gathering and equipping guerrillas against the Soviet army. This resonated with Reagan, affirming his support for ongoing strategic cooperation with China.⁵⁶¹

A more relaxed arms sales policy towards China naturally accorded with the principle of 'peace through strength'. On June 6, Reagan issued a secret directive adopting a plan to offer China 'strategic association' against the USSR. The US would begin to sell lethal, offensive weapons to the People's Republic of China.⁵⁶² In July 1981, Reagan issued NSDD-5 about arms transfers, stating that the United States must 'be prepared to help its friends and allies to strengthen their capability through the transfer of conventional arms and other forms of security assistance.'⁵⁶³ In September 1981, Reagan issued NSDD-11, 'Munitions/Technology Transfer to the People's Republic of China,' which stipulated that the case-by-case consideration of requests from the PRC for military-technology transfers should be based on several principles. Firstly, transfers must limit national security risks across areas of vital interest to the US, such as Japan. Secondly, the US would consider transferring weaponry, parts, and technical aid tied to

⁵⁶⁰ Warren Cohen, *America's Response to China: A History of Sino-American Relations* (New York: Columbia University Press, 2000), 203.

⁵⁶¹ Tyler, *A Great Wall*, 297.

⁵⁶² *Ibid.* 298.

⁵⁶³ The Federation of American Scientists, Intelligence Resource Program, 'Conventional Arms Transfer Policy,' NSDD-5, July 8, 1981.

conventional defensive abilities, including non-sensitive tech coproduction. Thirdly, transfers should not significantly enhance Chinese offensive capabilities or power projection. Finally, non-defensive items would be permitted selectively on a case-by-case basis, favouring component and technical assistance transfers over complete systems or their production technology.⁵⁶⁴

The Taiwan Issue and Reagan's 'China Card'

NSDD-11 initially shaped Reagan's China arms sales policy, but US-China arms dealings did not progress smoothly owing to the Taiwan issue. During his election campaign, Reagan and his team harshly criticised Carter's China policy, notably their denunciation of several official ties with Taiwan authorities. In 1980, Reagan's team issued a statement supporting the continuation of government-to-government relations with Taiwan and by May 1980, Reagan explicitly proposed maintaining both an embassy in Beijing and an official liaison office in Taipei. This controversial stance substantially jolted the diplomatic relations between the US and China.⁵⁶⁵ Members of Reagan's foreign policy team pointed to the need for the United States to demonstrate its obligations to its allies while at the same time maintaining its relationship with China.⁵⁶⁶ This elicited a potent response from China, as shown in Chapter 3. Chinese Ambassador to the US, Chai Zemin, lodged a complaint to Brzezinski about the Republicans' Taiwan policy, firmly stating that China would not permit Reagan to use

⁵⁶⁴ The Federation of American Scientists, Intelligence Resource Program, 'Munitions/Technology Transfer to the People's Republic of China,' NSDD-11, 22 September 1981.

⁵⁶⁵ Harding, *A Fragile Relationship*, 109.

⁵⁶⁶ 'Reagan's foreign policy adviser said: The normalization of Sino-US relations is a fait accompli,' *Cankao Xiaoxi*, June 10, 1980.

China for political gains.

In August 1980, the Reagan team floated the idea of a visit to China by Vice Presidential candidate George H Bush, in the hope that this would eliminate the effects of Reagan's comments on Taiwan internally and allay the concerns of Chinese leaders.⁵⁶⁷ After Bush's visit to China, Reagan issued a policy statement underlining the 'two Chinas' policy. The then British ambassador to the US, John Nicholas Henderson, thought that Reagan's desire to develop Sino-American relations and strengthen relations with Taiwan were two contradictory policies.⁵⁶⁸ Historian Melvyn Leffler has argued that Reagan did not have a grand strategy for winning the Cold War, and in fact, his policies over China were contradictory.⁵⁶⁹ If Reagan truly aimed to utilise the 'China card' as a strategic countermeasure against the USSR, maintaining favourable relations with China would be essential. However, Reagan's stance sparked significant disputes with China, particularly on the sensitive topic of Taiwan, thereby contradicting his own strategic objectives.

Miscalculation over Taiwan Issues between Washington and Beijing

The administration could well play the 'China Card' by selling arms against the USSR, but Reagan differed with China over Taiwan, which directly damaged Sino-US strategic cooperation against the USSR. How can this contradictory policy be explained?

⁵⁶⁷ James R Lilley, *Li Jieming's Memoir* (Shibao Press, 2003), 203; John H Holdridge, *Crossing the Divide* (Rowman & Littlefield Pub Incorporated, 1997), 197.

⁵⁶⁸ FCO-69/819, telegram from Henderson to FCO, June 8, 1981.

⁵⁶⁹ Melvyn Leffler, 'US Grand Strategy to Win the Cold War,' in *The Spell of Strategy: A Study of American Grand Strategy during the Cold War* (Shanghai People Press, 2009), 9.

Scholars have analysed Reagan's personal ties with Taiwan, for which he sacrificed Sino-US relations. This chapter argues that Reagan made a serious strategic miscalculation on Beijing's attitudes of US arms sales to Taiwan. Beijing regarded the issue as a red line, but Reagan believed that Taiwan was simply a bargaining chip used by Beijing. This miscalculation led Reagan to have the false confidence to try to balance Beijing's opposition and US interests in Taiwan.

The reasons for the miscalculation in Taiwan were complex. The Reagan administration underestimated the Chinese determination over Taiwan and overestimated the importance of the Sino-US relationship to Beijing. For instance, Reagan campaign adviser James Lilley later recalled that both Reagan and Allen believed that the USSR was the central issue in the US-China relationship and by simply cooperating against the USSR, the importance of the Taiwan issue would be diminished.⁵⁷⁰ US Chargé, Charles Freeman, also told the British that Taiwan was only a bargaining chip between the US and China and the situation was generally 'containable'.⁵⁷¹

The US intelligence system had also underestimated the importance of the Taiwan issue. The CIA's Donald Gregg thought China needed the US more than the US needed China, but the Americans had an interest in seeing the Chinese maintain influence in East Asia. The Americans should 'bite the bullet on arms sales to Taiwan but at the same time

⁵⁷⁰ Lilley, *Li Jieming's Memoir*, 205.

⁵⁷¹ FCO-69/818, Atkinson to Hugh, July 27, 1981.

offer a sweetener to the Chinese.’⁵⁷² Based on this pre-emptive judgment, the CIA misunderstood Chinese signals. China downgraded Sino-Dutch relations to a surrogate level because of the Dutch attempt to export submarines to Taiwan in January 1981. With this move, China hoped to warn Washington it was willing to downgrade US-China relations if the US insisted on selling arms to Taiwan.⁵⁷³ However, US intelligence interpreted the move in an ambiguous way and assumed China's response to US arms sales would be less damaging to US-China relations than was the case.⁵⁷⁴

Beijing was partly responsible for this false impression as well. In Deng's view, China's strategic value was so great that the US would not clash with China over Taiwan. In May 1980, he argued: ‘We will not overestimate our own value, nor do we underestimate it. the non-underestimation means that the strategic position China occupies internationally is not insignificant’.⁵⁷⁵ In an interview with the *Christian Science Monitor* on 15 November 1980 shortly after Reagan's victory, Deng continued to advocate a policy of ‘uniting the United States against the USSR’. The results of Sino-US strategic cooperation with the previous administration in 1980 clearly gave him confidence about China's strategic value. Deng believed that Reagan would take into account the overall strategic situation and maintain the stability of Sino-US relations.⁵⁷⁶

⁵⁷² FCO-69/818, French to Elliot, December 8, 1981.

⁵⁷³ ‘Xinhua News Agency Editorial,’ *Xinhua Agency*, January 17, 1981.

⁵⁷⁴ DNSA/China, ‘China's View of Relations With the New US Administration,’ National Intelligence Centre, June 2, 1981, 4.

⁵⁷⁵ LRO, *Deng Xiaoping's Chronology*, 640.

⁵⁷⁶ ‘Deng Xiaoping Answers Questions from American Journalists on Some Important Issues at Home and Abroad,’ *People Daily*, November 24, 1980.

After the meeting with journalist Anna Chennault⁵⁷⁷ in January 1981, Deng publicly refuted the notion that China was begging the US, and warned that any attempt to establish government-to-government relations with Taiwan would lead to a regression in US-China relations.⁵⁷⁸ However, in Anna Chennault's private correspondence with Reagan, she mentioned, 'it is interesting to note that Deng openly admits they will 'tolerate' our friendly attitude toward Taiwan as long as US-Sino relations would not suffer a setback.' She also mentioned that Deng said that China was poor and overpopulated so they needed to emulate technology from the US and Taiwan's economic model.⁵⁷⁹ The inconsistency between Deng's public statements and Anna Chennault's private comments helped make Reagan think that Deng's tough words in public were only bluffing.

China expressed its displeasure at the US inviting Taiwan officials to attend Reagan's inauguration ceremony. Deng Xiaoping specifically instructed the Foreign Ministry to show a tough stance, but 'not to do it completely at once. Act later. See how he [Reagan] approaches it.'⁵⁸⁰ To allay the Chinese government's concerns about the Reagan administration's policy towards China, Haig arranged a meeting between Reagan and the Chinese ambassador Chai Zemin. Reagan told Chai that the US wanted to strengthen its military ties with China to oppose Soviet expansion and that he did not

⁵⁷⁷ She was the widow of U.S. General Claire Chennault, leader of the "Flying Tigers" during World War II.

⁵⁷⁸ LRO, *Deng Xiaoping's Selected Papers Vol.2* (Beijing, People's Publishing House, 1994), 375-8.

⁵⁷⁹ RRPL/WHORM/Subject File/Box-C0034-02(China-PRC), Chennault to Reagan, January 12, 1981.

⁵⁸⁰ Wang Li, *Looking Back at the key moments in the evolution of China-US relations* (Beijing: World Affairs Press, 2008), 134.

have a two-China policy. He stressed US obligations to Taiwan and said the US would handle the issue of US arms sales to Taiwan very carefully.⁵⁸¹ The two sides interpreted these words differently. In Reagan's view, he had informed the Chinese that the US was ready to begin arms sales to Taiwan. However, from Beijing's perspective, Washington would not risk launching arms sales to Taiwan at the expense of Sino-US relations. On 23 March, former US President Gerald Ford met with Deng, who said optimistically, 'we were very pleased that President Reagan had taken a sensible stand. There is no other issue between China and the US, but a Taiwan issue. The Taiwan issue is not difficult to deal with as long as we consider it calmly and from a global strategic perspective.'⁵⁸²

Internal Voices in Beijing to Reapproach the USSR

At the same time, pro-Soviet voices within the Chinese leadership surfaced, urging China to improve the Sino-Soviet relationship to counterbalance the US. On 11 February, the Central Political Bureau met to discuss foreign policy, and Deng strongly opposed such ideas. 'Our strategic policy is to establish an international united front against hegemony', he said. 'Our slogan is to oppose hegemonism and maintain world peace. This policy should not be changed'. Trade with the USSR could be maintained at a certain level, and there could be some contact on the border issue, but negotiations involving the restoration of relations between the two countries had to be cautious. Without a major new development such as the withdrawal of Soviet troops from

⁵⁸¹ Zhang, *US policy decision on arms sales to Taiwan*, 145.

⁵⁸² LRO, *Deng Xiaoping's Chronology Vol.2*, 723.

Afghanistan, negotiations on the resumption of relations between the two countries could not be resumed. ‘This is a big gesture’ he said, ‘otherwise it will damage our diplomatic landscape. In international relations, the more popular language now is “playing a card”. It is of course a card trick, which can be achieved only by playing cards. We have to think about diplomacy from politics instead of playing cards.’⁵⁸³ Deng Xiaoping's opposition to revising China's policy towards the USSR showed that he maintained faith in the Reagan administration over the Taiwan issue.

Even in the Carter period, Chinese ideas of Soviet rapprochement had been present. By the end of Carter's term, this voice was extinguished by the positive political interaction between Brzezinski and Deng but it was rekindled under Reagan. Although Deng remained opposed to any adjustment in policy towards the USSR, a rapprochement was supported by Chairman of CCP Hu Yaobang, Chairman of Central Commission for Discipline Inspection Chen Yun, and Defence Minister Xu Xiangqian. They believed that the USSR was a socialist country in essence rather an imperialist country like the US. Although Sino-Soviet relations were very strained, they still thought that the alliance could be revived in the future.⁵⁸⁴

Deng had to soften Sino-Soviet confrontation and make concessions to the opposition. On 9 March 1981, the 90th meeting of the Central Secretariat was held. The conclusions stated that China only opposed Soviet foreign policy not its domestic policy. China

⁵⁸³ Li Xiannian Writing Group, *Li Xiannian Biography*, 134; LRO, *Deng Xiaoping's Chronology Vol.2*, 711.

⁵⁸⁴ Zhao Ziyang, *The Reform Process* (Hong Kong: New Century Press, 2006), 118-119.

would not entertain the idea of 'uniting the US against the USSR' because the USSR was not explicitly anti-China, only hegemonic. Furthermore, the Central Secretariat proposed cooling the Sino-US relationship. 'The hegemonic nature of the United States has not changed over the decades', it said. There had been significant changes in parts of US policy towards China, but there had been no overall change in its standpoint towards China. The offensive and defensive gestures between the US and the USSR had changed, but the fundamental contradictions had not changed, which were irreconcilable and inevitable. The more the Soviet-American conflict intensified, the more the United States was likely to come to China for help. 'If the US-USSR conflict does not escalate, the US will experience a better time, but the US will not treat us any better', the statement continued. 'Once the Soviet-American conflict intensifies, the best the United States can do for us will be no more than what Roosevelt did in World War II. ... too much hope [in the US] will disappoint us in the future'.⁵⁸⁵

The meeting was a revisionist attempt to transform policies towards the USSR and the US over the following few years and to adjust the US-USSR-China 'strategic triangle' to win a more favourable strategic position. It was also an attack launched by Deng's opponents against him. Facing pressure, Deng urgently needed a reconciliation with Reagan over Taiwan, so he regarded Haig's visit to China as an opportunity to repeat

⁵⁸⁵ Sheng Ping, *Chronology of Hu Yaobang's Thought (1975-1989) Volume 1* (Beijing: Ted Times LTD, 2006), 208-11; Franklin Roosevelt objected to Chiang Kai Shek's attack on the CCP during the Second World War but his administration refused to support the Communists against the KMT. This had obviously not been forgotten by Chinese leaders in the 1980s. See His Sheng Ch'i, 'Chiang Kai-Shek and Franklin D. Roosevelt' in Cornelis Van Minnen and John F. Sears, eds., *FDR and His Contemporaries: Foreign Perceptions of an American President* (New York: Palgrave Macmillan, 1991), 127-42.

the success of the meeting with Vice-President Mondale in 1979. Maintaining the development of Sino-American relations would help override Deng's opponents and the adherents of rapprochement towards the USSR.

The internal debates in Beijing were well known in Washington. Secretary Haig had received intelligence from the CIA that pro-Soviet factions were on the rise in China and that Deng Xiaoping's policy towards the US was being challenged. He believed that the US could not allow Deng's policy towards the US to be jeopardised and China's pro-Western track diverted.⁵⁸⁶ Defence Secretary Weinberger noted that these opponents would have cause to attack Deng if he showed any willingness to reconcile with the Americans over Taiwan.⁵⁸⁷

Reagan's Arms Sales Policy in 1981

Therefore, the two NSC meetings on 28 May and 4 June before Haig's visit to Beijing focused on the balance between US policies towards Beijing and Taipei. Secretary Haig was the most active participant in the formulation of China policy. National Security Adviser Richard Allen raised five key questions on China policy at the meeting on May 24 for discussion. These were:

- (1) Technology Transfer to the PRC;
- (2) Arms sales to Taiwan;

⁵⁸⁶ RRPL/Crest Release Executive Secretariat/NSC: Country File/Box-6-File (Australia-China), 'Analysis Report: Internal Challenge to Chinese Foreign Policy: Debate over Policies toward U. S., USSR, Taiwan,' March 11, 1981.

⁵⁸⁷ Caspar Weinberger, *Fighting for Peace: Seven Critical Years in the Pentagon* (New York: Warner Books, 1990), 184.

- (3) China, Cambodia, Vietnam and the US role therein;
- (4) China and Taiwan policy;
- (5) Security relations with Peking.

Haig contended that applying stringent export controls on China equivalent to those on the USSR was unjust. He pointed out that the US had more lenient sales to nations such as India, who had Soviet alliances, contrasting it with China's frontline position against the USSR and its conflict with Vietnam. Haig stressed the need to eliminate restrictions offensive to China, arguing that China should not be treated as a strategic adversary. He recommended preferential treatment for China regarding military/civilian dual-use items, distinguishing it from the USSR. Despite Reagan's pro-Taiwan stance, Haig believed easing trade restrictions could temper China's Taiwan resistance and facilitate future US actions. Advising a delay in decisions over Taiwan, he cautioned that precipitous US moves could destabilize Deng's position in the approaching CCP Plenum.⁵⁸⁸

Commerce Secretary Malcolm Baldrige worried that Haig was overzealous on technology transfer, doubting China's infrastructure and ability to handle advanced technology. ACDA Director Eugene Rostow held back his opinion on Haig's suggestions, pointing out both USSR and China were pressuring the West over exports, and he suggested a quiet and deliberate approach. Only Weinberger supported Haig's

⁵⁸⁸ RRPL/Executive Secretariat/NSC: NSC Meeting Files: Records (1981-1988)-NSC-00010, 'US Policy for Caribbean Basin, US Relations with the PRC, and Sinai Multinational Force,' NSC Meeting, May 28, 1981, 5-6.

proposals, advocating the removal of China from the defensive weapons prohibitive list and careful case-by-case item reviews.⁵⁸⁹

The China issue, unresolved at the 28 May meeting, was deferred to the NSC meeting on 4 June. On 2 June, NSC officials prepared a paper supporting Haig's stance on strengthening relations with China to 'soften' the Chinese for US moves on Taiwan. They suggested treating China akin to India and Yugoslavia, expecting increased revenue with controlled risks. The paper proposed highlighting the Soviet threat to Beijing to gain concessions on US arms sales to Taiwan. Advantages included setting a cooperation framework between Beijing and Taipei without coercing Taipei or the US playing a broker role, and justifying future arms sales to Taipei by emphasising the shared Soviet threat.⁵⁹⁰

The paper was circulated at the NSC meeting on June 4. Initially Secretary Haig blamed bureaucracy in Department of Commerce for failing to cooperate with the State Department on the technology transfer issue. For example, the Department of Commerce had suspended several hundred cases in the few months of the administration. He reiterated the importance of China, stating that 'on export control policy, we must understand that our strategic interests are served by preserving China against the USSR. China ties down one-quarter of the Russian forces, 52 divisions, not

⁵⁸⁹ Ibid.

⁵⁹⁰ RRPL/Executive Secretariat/NSC: NSC Meeting Files: Records (1981-1988)-NSC-00012, 'Memo from Admiral Nance to Lilley,' 1981, June 2, 1981.

all manned. This is up from 46 divisions.⁵⁹¹ Most participants including the Secretary of Commerce Malcolm Baldrige, Secretary of Defence Caspar Weinberger and President Reagan agreed with the interagency group's suggestions to establish a new relaxed export control policy in favour of China, which was called a 'two times' policy.⁵⁹² The 'two times' policy meant that the approval of equipment and technology at technical levels towards China should be twice the level of those approved for the USSR before the invasion of Afghanistan.⁵⁹³

Secretary Weinberger disagreed with other participants about arms transfers, arguing that the 'two times' policy was incompatible with the case-by-case principle as it implied 'automatic transfer authority'. Weinberger found this standard too vague to direct arms transfers. Malcolm Baldrige, acknowledging this ambiguity, argued that 'fuzzy' was precisely his aim. He believed that DOD officials were obstructing arms transfers by opposing these standards. The 'fuzzy' guidance aimed to expedite cases, increasing completed sales. Haig argued the general principle should ease sales, not make them more challenging. To quell the debate, Richard Allen suggested incorporating arms transfer guidance in a footnote to NSDD reports, undisclosed to China.⁵⁹⁴

Haig and other participants also diverged over Taiwan. The point of debate was when

⁵⁹¹ RRPL/Executive Secretariat/NSC: NSC Meeting Files: Records (1981-1988)-NSC-00012, 'National Security Council meeting,' June 4, 1981, 1.

⁵⁹² Ibid. 2.

⁵⁹³ Meijer, 'Balancing Conflicting Security Interests,' 14-6.

⁵⁹⁴ RRPL/Executive Secretariat/NSC: NSC Meeting Files: Records (1981-1988)-NSC-00012, 'NSC meeting,' June 4, 1981, 3-4.

exactly the US would let China know of its plan of arms sales towards Taiwan. This seemed to be a simple question of timing, but in essence, it involved whether Washington was determined to defend its foreign policy on the Taiwan issue without compromise. Secretary Weinberger argued that the US side need not volunteer this information. He said, 'we don't want any indication that Taiwan sales can take place only after consultations with the People's Republic of China. We can tell them they can read about it in the papers after we decide. We don't want to get them involved.'⁵⁹⁵

Richard Allen proposed a more assertive approach than Weinberger's, suggesting Haig reinforce the US's intention to enforce the Taiwan Relations Act. He feared that silence would lead the Chinese to think they had triumphed. Haig countered, arguing that bypassing the issue during his visit was impractical as the Chinese were likely to broach it. He warned that an inappropriate US response could jeopardise Deng's power position. Haig proposed a reconciliatory stance, but Reagan rejected this. Reagan didn't want to leave any room for misinterpretation by the Chinese that might allow them to use force. He asserted that if the Chinese criticised the Taiwan Relations Act, they should be told, 'this is the law of the land.'⁵⁹⁶

Reagan signed a Presidential directive after the NSC meeting. Firstly, the administration would liberalise export controls and adopt a 'two times' policy on dual use technology and weapons in favour of China. Secondly, Haig was authorised to inform the Chinese

⁵⁹⁵ Ibid, p.6.

⁵⁹⁶ Ibid, pp.6-7.

that the US intended to suspend China from the list of embargoed destinations for arms transfers and to adopt the case-by-case approach on arms exports.⁵⁹⁷ Reagan's arms sales decision would not be made public until China's Vice Chief of Staff, General Liu Huaqing, visited Washington in August. The White House needed time to consult with Japan and other Asian allies and to soften Taiwan's reaction.⁵⁹⁸ Thirdly, the directive embraced Weinberger's approach of reserved silence regarding Taiwan. Thus, Secretary Haig would only address the issue of arms sales to Taiwan if raised by the Chinese. Additionally, participants tacitly agreed that Washington viewed arms sales to China as contingent upon Chinese concessions regarding arms sales to Taiwan. This point was first introduced by Haig on May 24 and later supported unanimously by the interagency group on June 2.⁵⁹⁹

Haig's Visit to Beijing, June 1981

However, the Chinese side expressed anger towards US intentions. On June 11, the *People's Daily* declared, 'we would rather receive no US arms than accept continued US interference in our internal affairs by selling arms to Taiwan.'⁶⁰⁰ Hawkish Chinese Foreign Minister Huang Hua criticised US plans on the first day of Haig's visit. When he met Haig on June 15, Huang Hua said that China and the US could not construct a new strategic partnership without an arrangement on arms sales to Taiwan within a certain time period. He stated bluntly the Taiwan Relations Act was 'inappropriate' for

⁵⁹⁷ RRPL/Executive Secretariat/NSC: NSC Meeting Files: Records (1981-1988)-NSC-00012, 'National Security Decision Directive: China policy,' June 5, 1981, 1-2.

⁵⁹⁸ Tyler, *A Great Wall*, 300.

⁵⁹⁹ *Ibid.* 299.

⁶⁰⁰ *People Daily*, June 11, 1981.

US-China relations and that one billion Chinese people 'can't be bribed.' for arms and 'would not compromise their principles.'⁶⁰¹

In contrast, Deng was more conciliatory in meeting with Haig, particularly once Haig expressed the Reagan administration's anti-Soviet stance. Haig stated their conversation was productive and said 'we are pretty happy.'⁶⁰² Deng also expressed criticism over the US handling of Taiwan, albeit in a restrained manner. Noting internal political challenges preventing concessions on Taiwan, Haig acknowledged that 'any significant sales (towards Taiwan) will generate opposition from the PRC'. Fully aware of the importance of Congress in shaping US policy towards Taiwan, Haig reached out to key Congressional figures, such as Charles Percy, the Chair of the Senate Foreign Relations Committee, Howard Baker, the Senate Majority Leader, and Clement Zablocki, the Chair of the House Foreign Affairs Committee, expressing optimism expressing optimism about the future of US-China relations and advocating their support for modifying export controls on China. Haig also emphasised the importance of 'extreme care' when addressing the issue of arms sales to Taiwan.⁶⁰³

Negotiations on arms sales went smoothly. In Haig's meeting with Chinese Defence Minister Geng Biao, he systematically introduced Reagan's policy and stated that there was a consensus to reconstruct military superiority over the USSR among Congress,

⁶⁰¹ Tyler, *A Great Wall*, 299.

⁶⁰² DNSA/China, 'Telegram from Haig to Reagan,' June 16, 1981.

⁶⁰³ DNSA/China, 'Letter to congressman Zablocki from the secretary,' United States, Embassy (Philippines), June 17, 1981

the government and the people. He told Geng that the US would ease trade controls and arms sales to China and invited General Liu Huaqing to the US for a visit in August 1981. In response, Geng Biao showed interest in moving forward in purchasing US technology and military infrastructure and expressed appreciation towards US transfers.⁶⁰⁴

Contrary to the June 4 Presidential directive to maintain secrecy on the arms sales matter until August, Haig prematurely revealed details to correspondents, causing concern among US Asian allies, including Japan and Taiwan. The USSR reacted sharply to Haig's visit and the ensuing US arms sales. Soviet media, including *Pravda*, perceived the visit as broadening the military-strategic aspects of Sino-US relations. They warned of a 'dangerous destabilising factor' and highlighted potential shifts in regional military power due to China's acquisition of US weaponry. The Soviets inferred that the US had placated the contentious Taiwan issue by offering a broader array of military equipment and technology to China.⁶⁰⁵ In fact, Reagan was angry with Haig's behaviour and determined to have a tough position on Taiwan. On the last day of Haig's visit to China, Reagan said at a US press conference that he intended to implement the Taiwan Relations Act and sell defensive weapons to Taiwan. This pronouncement resulted in the failure of Sino-US negotiations on the Taiwan issue in 1981.

⁶⁰⁴ DNSA/China, 'Telegram from Haig,' June 16, 1981.

⁶⁰⁵ DNSA/China, 'Telegram from Matlock to Haig,' June 19, 1981.

The Suspension of US Arms Sales

Ever since the Mao period, there was concern in Beijing over the imports of military equipment whereby foreign countries could use arms sales to control China. This concern stemmed from New China's early reliance on the USSR. Following the breakdown of Sino-Soviet relations, the USSR withdrew its experts and ended, at a stroke, arms sales to China, which led to serious difficulties in China's economic and technological development. The Reagan administration's arms sales and Taiwan policy gave Beijing the impression that it was being manipulated, so it flatly refused to use arms sales in negotiations on Taiwan. On July 4, Director-General of the Department of American and American Affairs Han Xu sent an oral diplomatic note criticising Reagan's statement on the issue to US Minister to China Stapleton Roy.⁶⁰⁶

However, Reagan insisted on selling arms to Taiwan, and at the same time, on 25 August, the US informed China that it was ready for Liu Huaqing's visit to the US at the end of September and that the two sides could discuss a list of arms purchases.⁶⁰⁷ Prior to the Chinese response, on 28 August, Reagan issued a Presidential memorandum to Haig, Weinberger and CIA Director Casey, directing a general timetable for implementing the decision to sell FX fighter jets to Taiwan.⁶⁰⁸ Beijing was dissatisfied, and on September 2, General Secretary, Li Xiannian, chaired a meeting of the Leading Group of the CCP Central Committee on Foreign Affairs to discuss Liu Huaqing's visit

⁶⁰⁶ RRPL/NSC Country File/Executive Secretariat/PRC-China/Box-6-(July 1981(1/2), 'Telegram from Beijing Embassy to Washington,' July 4, 1981.

⁶⁰⁷ Li Xiannian Writing Group, *Li Xiannian's Chronology Vol.6* (Beijing: Central Literature Press, 2011), 149.

⁶⁰⁸ RRPL/NSC Country Files/Executive Secretariat/Taiwan-Box-10-(8/5/1981-9/8/1981), 'Memorandum for Haig, Weinberger, Casey,' August 28, 1981.

to the US, and the Chinese leaders agreed to cancel it.

US arms sales to China thus came to a standstill as the Taiwan issue had provoked a rupture. In essence, the two sides had a low level of strategic mutual trust and did not fully understand each other's interests and concerns. For China, the Taiwan issue was as important as the Soviet threat and it was impossible to abandon sovereignty over Taiwan in order to jointly deal with the Soviet threat. For Reagan, Taiwan had strong partisan and personal factors in its favour. A wing of the Republican party remained pro-Taiwan in spite of Nixon. Patrick Tyler writes: 'It [arms sales to Taiwan] was all about the money, about saving Northrop [the US aircraft manufacturer], about helping the President's friends out of financial trouble.'⁶⁰⁹ Reagan misjudged the importance of the Taiwan issue, and a host of complicating issues exacerbated Reagan's insistence on the matter.

Beyond the Taiwan issue, China and the US did not reach an agreement on the scope of arms sales. Deng became dissatisfied with the Reagan administration on the issue of arms sales and technology transfer. In the early 1980s, Deng repeatedly pointed out, 'We have some barriers in our relations with the United States, and one important barrier is that the United States is unwilling to transfer technology to China. In the past ten years, especially since the normalization of Sino-US relations, the United States has not given us even one good thing.'⁶¹⁰ He also said bluntly that there were 'problems of

⁶⁰⁹ Tyler, *A Great Wall*, 314.

⁶¹⁰ LRO, *Deng Xiaoping Chronology*, 858.

building mutual trust' – two in particular. 'One is the issue of Taiwan and the other is the issue of technology transfer'.⁶¹¹ Deng felt that the US did not offer enough military transfers, but instead engaged the Taiwan issue.

More importantly, Deng increasingly recognised that the policy of 'aligning with the US against the USSR' had several negative effects. First, too close relations with the developed countries could create alienation and misunderstanding amongst developing countries. Second, it was difficult to handle relations with countries who supported the USSR. Third, Chinese criticism of détente policy was poorly understood by Western European countries who largely still aimed to ease relations with the USSR.⁶¹²

The Adjustment of Reagan's Arms Sales Policy

The Reagan administration also began to rethink its arms sales policy. The Carter administration's arms sales policy to China was not be planned in advance, it had the character of an immediate, improvised response to the Afghanistan war. The Reagan administration's policy at the start was simply a continuation of Carter's. Haig's insistence on, and the military's support for, sales to China made change difficult. The policy had not been discussed in detail until mid-1981, so when the immediate phase of the response to the Soviet invasion of Afghanistan had passed, a more considered

⁶¹¹ Ibid. 885.

⁶¹² Boris Trofimovich Kulyk, *Soviet-China split: Causes and Consequences* (Far Eastern Branch of the Russian Academy of Sciences, 2000), 593; Xiao Chen, 'the Research of Deng Xiaoping's Foreign policy and Strategy,' *Zhonggong Dangshi Yanjiu*, 1996(03), 140; Wang Taiping, *New China's Diplomacy in 50 years* (Beijing: World Affairs Press, 1999), 1388-9; Wang, *Looking Back at the Key Moments in the Evolution of China-US Relations*, 153-4.

judgment and policy planning received renewed attention.

As early as January 1981, the Office of the Deputy Chief of Staff for Operations and Plans⁶¹³ commissioned a study on the implications of US-China security cooperation. By August, the Strategic Studies Institute (SSI), US Army College, had submitted their report. It detailed the objectives of the cooperation, including deterring Soviet aggression, enhancing US global warfighting capabilities, supporting China's current leaders, and improving US access to scarce resources. However, the report also highlighted the risks of arms transfers, namely escalating US-Soviet tensions and anxiety among Asian allies. To balance objectives and risks, the report proposed three principles for the US-China security relationship:

- (1) The overall relationship between the US and China should be allowed to mature and develop on its own merits, and not be used solely as a lever against the USSR.
- (2) Security cooperation should not become the leading element of US-China relations.
- (3) Arms sales and weapons technology transfers should not become the driving feature of US-China security cooperation.⁶¹⁴

According to the SSI report, the significance of arms sales was merely part of broader security cooperation, and it ought not to dominate Sino-US relations. The report contested the long-held belief from the Nixon to Carter era, which viewed Sino-US

⁶¹³ It was operating within the White House and directly serving the president and chief of staff in administrative and strategic capacities.

⁶¹⁴ DNSA/China, 'Implications for US-China Security Cooperation [Includes Endnotes, Bibliography, and Appendices],' Army War College, August 17, 1981.

relations in the context of the US-Soviet and Sino-Soviet relations. The report posited that Sino-US relations ought to be evaluated independently, rather than remaining subject to changes in relations with the USSR. In essence, the core conclusion of this report was that the Sino-US military relationship should be downgraded and brought back to a level that was commensurate with the overall state of Sino-US relations. As Weinberger noted, neither China nor the United States were truly ready for a close military bond in the early 1980s.⁶¹⁵

Beijing's 'Soviet Card'

The Taiwan dispute led Deng to accommodate his internal critics by implementing a 'rebalancing strategy'. This strategy involved maintaining impartiality between the superpowers by creating distance with the US and commencing the normalisation of Sino-Soviet relations. Certain Chinese leaders suggested this approach would empower China in the triangular relationship and decrease tensions with the Soviets, thereby allowing China to allocate more resources to its modernisation endeavours. Officially designated as the 'independent foreign policy', this approach was introduced at the 12th National Congress of the Communist Party of China in 1982. The policy highlighted China's determination to maintain its independence, stipulating that China 'will never be dependent on any superpowers or country groups and will never yield to the pressure of any superpowers'.⁶¹⁶

⁶¹⁵ Weinberger, *Fighting for Peace*, 183.

⁶¹⁶ 'Create a New Situation for Socialist Modernization in an All-round Way: Report at the Twelfth National Congress of the Communist Party of China,' Hu Yaobang, *People Daily*, September 1, 1982.

The CIA noted Beijing's efforts to enhance its leverage within the Soviet-Chinese-US dynamic by fostering better ties with Moscow. The Chinese aimed to create a consistent political channel with the USSR, reduce tensions, and exploit potential benefits from expanded collaborations with the Soviets. Furthermore, China sought to project an image of equal status with Washington and Moscow to the wider world.⁶¹⁷ The CIA's assessment proved accurate. The so-called 'independent' policy resembled Nixon's 'active neutrality'. While China maintained neutrality between the US and the USSR, it actively tilted towards the US for investments and technology. Deng clearly emphasized that it would be more beneficial for China to first solidify an agreement with the US before adjusting relations with the USSR.⁶¹⁸ This reflected that the aim of the rebalancing strategy was to play the 'Soviet card' and seize the initiative in US-China relations.

China leveraged the looming possibility of increased proximity with the USSR as a pressure tactic against the US. China's seeming indifference towards US cooperation over Poland in 1982 became clearer. In December 1981, with the Polish government declaring martial law and Soviet troops gathering on the Polish border, the US, which had not yet regained its military strength, was compelled to gather allies, including China, to pressure the USSR. However, during negotiations on January 22, China

⁶¹⁷ FOIA/CIA Collection, 'China's policies toward the United States and the USSR: Short-term prospects,' January 14, 1983, 8.

⁶¹⁸ Wang, *Looking Back at the Key Moments in the Evolution of China-US relations*, 150.

sidestepped the US's request for consultation on the Polish crisis. The US had earlier called for sanctions against the Polish government, but China was looking for the US stance on FX fighter sales before considering the issue of Poland.⁶¹⁹ On 29 January, China renewed its trade agreement with Poland, increasing the volume of trade in the agreement.⁶²⁰ In early 1982, Deng publicly affirmed the impossibility of China compromising on the Taiwan issue. He also stated that China was capable of countering Soviet expansionism independently. Sino-US military cooperation continued to cool, and on 6 April, the Chinese Ministry of Defence informed the US Embassy in Beijing that US Defence Secretary Weinberger's planned visit to China had been postponed indefinitely over the issue of US-Taiwan arms sales.⁶²¹

Deng welcomed Moscow's friendly overtures towards China in March. The Soviet leader, Brezhnev, delivered a speech in Tashkent on March 24, 1982, which indicated a potential shift in Soviet policy towards China. Brezhnev underscored the USSR's full recognition of China's sovereignty over Taiwan, and clarified that the USSR had never threatened China's security, nor had it any territorial claims on China.⁶²² According to the memoir of Qian Qichen, Director of the Information Department of the Foreign Ministry, Deng immediately instructed the Foreign Ministry to respond positively to

⁶¹⁹ RRPL/Executive Secretariat/NSC: National Security Planning Group (NSPG): Records (1981-1987)-NSPG-0033-Taiwan, 'Memorandum for the Vice President, Secretary of State, Defence, the Counsellor to President, DIC, the Chief Staff, the deputy Chief Staff, the Chairman Joint chiefs of Staff,' January 7, 1981.

⁶²⁰ 'China, Poland sign trade pact, according to United Press,' *Cankao Xiaoxi*, February 8, 1982; Wang, *Looking Back at the Key Moments in the Evolution of China-US relations*, 141; Huang, *Personal Experience and Knowledge*, 263.

⁶²¹ Richard H Solomon, *Chinese Political Negotiating Behaviour, 1967-1984* (Santa Monica, Ca: Rand, 1995), 97.

⁶²² 'Brezhnev's speech at the Tashkent Medal Conference,' *Cankao Ziliao*, March 24, 1982.

Brezhnev's speech.⁶²³ However, Deng was still cautious in adjusting his policy towards the USSR, and on 26 March Qian Qichen issued a brief statement: 'In the Sino-Soviet relations and international affairs, we attach importance to the actual actions of the USSR.'⁶²⁴

The Limitations of the 'Soviet Card'

Deng maintained a low profile in the development of Sino-Soviet relations. In late 1981, Moscow offered goodwill to Beijing through various diplomatic channels, but Deng did not respond or expect the USSR to abandon its hegemonic stance.⁶²⁵ At the end of 1982, when reviewing a report on 'Requests for Sino-Soviet Science and Technology Cooperation and Exchange Projects' from the Ministry of Foreign Trade and Economic Cooperation and the Ministry of Foreign Affairs, Deng instructed: 'To exchange science and technology with the USSR, do not go ahead at once, do one or two things first, and do not do more. But too much keenness must be avoided.'⁶²⁶ On the issues of diplomatic exchanges with the USSR, he emphasised the need to keep a good grip on the situation and not to be too proactive. China's position on 'Sino-Soviet negotiations should be neither too cold nor too hot'.⁶²⁷ This showed that the essence of the rebalancing policy was playing 'the USSR card.'

⁶²³ Qian Qichen, *Ten Episodes in China's Diplomacy* (Beijing: World Affairs Press, 2003), 3-4.

⁶²⁴ 'In response to Brezhnev's speech in Tashkent, our Foreign Ministry spokesman made a statement,' *People Daily*, March 27, 1982.

⁶²⁵ 'Foreign media commented that the USSR proposed to me to resume border talks,' *Cankao Xiaoxi*, October 22, 1981; 'Reuters Report: Zhao Ziyang Talks About Resuming Sino-Soviet Border Negotiations,' *Cankao Xiaoxi*, October 23, 1981; 'The foreign press commented that the USSR had recently asked to resume border negotiations with us,' *Cankao Xiaoxi*, February 25, 1982; 'The foreign press commented on Tikhonov's conversation with the editor of a daily newspaper,' *Cankao Xiaoxi*, February 16, 1982.

⁶²⁶ LRO, *Deng Xiaoping's Chronology*, 877.

⁶²⁷ *Ibid.* 893.

In a bid to prevent an overreaction from Washington and to safeguard Sino-US relations, Beijing downplayed the significance of the Soviet gestures and signalled its low expectations for Sino-Soviet rapprochement in its communications with Washington. During former President Nixon's visit to China in September 1982, Chinese leaders, including Deng and Li Xiannian, criticized the Soviets vehemently. While they acknowledged China's efforts to de-escalate tensions with the USSR, they reassured Nixon that there would be no genuine reconciliation. They depicted the Soviet military threat as more significant than ever and remained convinced of Soviet ambitions for global hegemony. Deng rhetorically asked, "Why else are they spending twice as much of their budget for military purposes as the US?" He characterized Soviet policy as a continuation of Czarist conquest and expansion, stating that the death of Brezhnev would not result in any change in policy.⁶²⁸

The partial rapprochement between China and the USSR had significant implications for China's arms import policy. As tensions eased between the two nations, China saw less immediate need for large-scale enhancements in military capabilities and shifted its focus towards self-reliance for military development. Consequently, China reduced its total arms imports after the military pressure subsided in 1982. Rather than large-scale acquisitions of finished products, Beijing pursued a more selective approach, aiming to procure advanced foreign technology to incorporate into its military industrial

⁶²⁸ USDDO, 'Memorandum from Clark to President Reagan,' White House, September 25, 1982.

infrastructure. This shift also affected the UK's arms sales to China. Many projects were unilaterally discontinued by China after 1982, including the highly valuable 051 project, which will be examined further in the next chapter.

Washington's Efforts to Rebalance Beijing's 'Soviet Card'

The CIA considered that although Beijing hoped to avoid dependence on foreign suppliers, so long as the USSR was considered its major threat, Beijing ultimately would accept a foreign and economic imbalance favouring the US and its Western allies. In its assessment, Beijing would continue to view the USSR and its surrogate, Vietnam, as its primary long-term military threat. Despite efforts to reduce tension with Moscow, Beijing remained deeply concerned about the expansion of 'Soviet' power. Beijing continued to view Soviet efforts to encircle China with a ring of hostile nations under Moscow's control as a direct challenge to its quest for regional dominance and its global aspirations.⁶²⁹

Even so, Beijing's rebalancing policy raised alarms in Washington. On 31 March 1982, a CIA report stated that the breakdown of Sino-US negotiations and the downgrading of Sino-US relations could occur in the next two to three months and that the USSR was taking advantage of the disagreement to influence the pro-Soviet faction in China.⁶³⁰ In May, US intelligence released another study on the Sino-Soviet rapprochement, which concluded that it would have significant implications for US

⁶²⁹ DNSA/China, 'China's Perception of External Threat,' November 1984, 2-3.

⁶³⁰ DNSA/China, 'NIO Monthly Warning Assessment,' March 31, 1982, 2-3.

global strategy. China would reduce its strategic pressure on Vietnam, which would jeopardise US interests in Southeast Asia. China would also be less interested in assisting the Afghan resistance. It would lead to greater Soviet deployment of forces to the Western Hemisphere, and less inclination to compromise in arms control negotiations.⁶³¹

The Reagan administration hoped to offset the effects of the Sino-Soviet rapprochement. Reagan signed NSDD-75 in early 1983 to strengthen containment of the USSR and he hoped to use China to continue to press the USSR, if China continued to support US efforts to strengthen its defences against Soviet expansionism. According to the directive, the US should over time seek to achieve enhanced strategic cooperation and policy coordination with China, and to reduce the possibility of a Sino-Soviet rapprochement. It was important to pursue 'a strategic relationship with China' and 'minimize opportunities for a Sino-Soviet rapprochement.'⁶³²

To counter the Sino-Soviet rapprochement, the Reagan administration moved towards liberalising technology exports to China. On September 22, 1982, the US approved the sale of a sophisticated electronic computer system to China, worth \$5 million. Then, on October 6, the State Department's Office of Arms Control announced that China had been removed from the arms export control list. Finally, in December, the US and China

⁶³¹ DNSA/China, 'Prospect for Sino-Soviet Rapprochement,' May 1982, 5.

⁶³² The Federation of American Scientists, Intelligence Resource Program, 'US Relations with the USSR-NSDD-75,' January 17, 1983.

signed a contract for a \$12 million deal, which included supplying an earth resources satellite ground station to China.⁶³³ On May 21, 1983 the Reagan administration announced its decision to continue to broaden Sino-American strategic cooperation by further liberalizing US export controls through the elevation of China into a Country Group V and the recognition of it as a ‘friendly, non-allied country’ alongside other ‘friendly countries.’⁶³⁴

This policy produced a good response from the Chinese side. Commerce Secretary Malcolm Baldrige's visit in May 1983 achieved a great success, especially since he was able to inform the Chinese of the President's decision to liberalise technology export to China. US ambassador to Beijing Art Hummel described the atmosphere for Baldrige's visit as ‘the best in my nearly two years as ambassador here.’⁶³⁵ On June 10, Paul Wolfowitz, assistant secretary for East Asian Affairs, reported to Secretary of State George Shultz – who had replaced Alexander Haig in July 1982 - that relations with China were ‘improving’ in several areas, including four new science and technology protocols in nuclear physics, transportation, outer space and earthquake.⁶³⁶ Beijing saw this change as a victory for its rebalancing strategy. On September 24, 1983, Deng stated to North Korean leader Kim Il-sung, ‘the change in the US government is a change in its estimate of China in its global strategy... [US] technology transfer and

⁶³³ Liu Liandi and Wang Dawei, *The Trajectory of China-US Relations: A Survey of Major Events since the Establishment of Diplomatic Relations* (Beijing: Shishi Press, 1995), 92, 95, 104.

⁶³⁴ Meijer, ‘Balancing Conflicting Security Interests,’ 18. Country Group V included Western Europe, India, all of Africa except Libya, several Arab countries, Australia, New Zealand, and Japan. This group was subject to the most liberal export control regulations among the existing Country Group categories (Z, S, Y, W, Q, T, V, plus the former China-specific Group P established in 1980).

⁶³⁵ Shultz, *Turmoil and Triumph*, 394-5.

⁶³⁶ *Ibid.*

trade relaxation is related to the fact that we began to improve relations with the USSR during this period.’⁶³⁷

George Shultz’s China Policy

Reagan’s announcement in March 1983 of the Space Missile Defence System, the Strategic Defence Initiative, greatly increased the White House’s confidence in confronting the USSR. Congress also supported the administration’s basic defence programme and there was a bipartisan consensus on the modernisation of strategic weapons. Rapid economic growth also boosted the administration’s outlook. On the diplomatic front, the deployment of Pershing missiles in Europe united the NATO countries. The USSR remained embroiled in the war in Afghanistan, where Soviet troops suffered heavy casualties.⁶³⁸ These events led Reagan to be optimistic about American strength, declaring 1983 ‘a banner year for political courage.’⁶³⁹

Taking over as Secretary of State in mid-1982, George Shultz brought a contrasting perspective to China policy. More optimistic about the Soviet threat, he diminished the strategic worth of China and the triangular strategy’s relevance. To Shultz, China was a regional, not global, power. China-US tensions over Taiwan and China’s increasing rapport with the USSR had eroded strategic trust. Thus, he deemed close strategic relations with China unnecessary. In his 1983 China visit, Shultz announced the

⁶³⁷ LRO, *Deng Xiaoping’s Chronology*, 936.

⁶³⁸ Ross, *Negotiating Cooperation*, 269-70.

⁶³⁹ RRPL, ‘Address Before a Joint Session of the Congress on the State of the Union-January 1984,’ Ronald Reagan, January 25, 1984.

abandonment of the term 'strategic relationship' in Sino-US discourse, citing this as a suitable reaction to Beijing's foreign policy adjustments. His tenure marked a significant shift in the dynamics of Sino-US relations.⁶⁴⁰

However, the Reagan administration was loath to forfeit China's support in Asia or risk pushing it towards the USSR. The challenge for Shultz was maintaining relations with China while managing lowered strategic expectations, a tightrope that required significant diplomatic finesse. He chose to demonstrate US confidence and superiority over strategic issues without pandering to China, while also expanding cooperation in other domains. Shultz communicated to Chinese leaders that the unchanging Soviet threat required continued collaboration, albeit with respect for each other's interests.⁶⁴¹ This statement expressed the US dissatisfaction with the Sino-Soviet rapprochement. After that, he told new Chinese Foreign Minister Wu Xueqian that the US government had distributed a larger defence budget to modernize the military and discourage Soviet expansionist efforts.⁶⁴²

He showed sincerity in developing bilateral relations by suggesting restoring regular dialogue at high levels; restoring working-level strategic consultations; restoring the defence element in relations; expanding science and technology relations; expanding

⁶⁴⁰ Wang Jisi, 'the Strategic Triangle' in US China Policy," *Meiguo Yanjiu*, 1992(02):7-35+3, 13.

⁶⁴¹ DNSA/China, 'Memorandum from Wolfowitz to Shultz, checklist for your visit to China,' State Department, January 27, 1983, 2-3.

⁶⁴² DNSA/China, 'Memorandum from Wolfowitz to Shultz, your first meeting with Chinese Foreign Minister Wu Xueqian,' State Department, January 26, 1983, 4-6.

trade and all other links.⁶⁴³ In terms of technology transfer, Schultz responded positively to Deng's grievances. He said, 'some say export control policy towards China is unwarranted, but I don't believe it.' He explained the US maintained controls, administered as liberally as possible, on the most advanced technology for valid national security reasons. Shultz also recognised that it was inappropriate to place China, in the same category as the Soviet bloc, which was enunciated in the statement of May 1983.⁶⁴⁴

On arms sales, Schultz's attitude was openminded but not very active. He told Deng that the arms sales policy announced by Secretary Haig in June 1981, had not changed, and the US would still maintain the case-by-case principle. He especially referred to the approved US licenses for sales presentations of anti-armour missiles, helicopter-mounted close support weapons systems, and sophisticated photo reconnaissance equipment.⁶⁴⁵ Yet, during a meeting with Premier Zhao Ziyang, Schultz chose his words carefully to avoid suggesting that the US was eagerly preparing for arms sales. He wanted the US to 'avoid getting out front.' Hence, Shultz told Zhao, 'We do not actively push for weapons sales but are ready to assist if you are interested. Numerous American firms have approached us regarding items of interest to China. We have authorised licenses to facilitate them to explore sales opportunities.'⁶⁴⁶

⁶⁴³ Ibid. 4-5.

⁶⁴⁴ Ibid. 6

⁶⁴⁵ Ibid. 5.

⁶⁴⁶ DNSA/China, 'Memorandum from Wolfowitz to Shultz, your meeting with Zhao Ziyang,' State Department, January 27, 1983, 10-1.

Beijing Swings Back to Washington

Schultz's visit to China symbolised a key shift in US policy towards China. The Reagan administration had begun to view strategic considerations as less central to Sino-US relations. This attitude caused anxiety in Beijing. By early 1983 Chinese leaders realised the impossibility of Sino-Soviet rapprochement. Sino-Soviet discussions had failed to slow the drive for military and political dominance in East Asia. This included the build-up of the Soviet Pacific Fleet, the strengthening of Soviet forces at Cam Ranh Bay, and deployment of SS-20 IRBMs in Siberia. In unusually strident language, the Chinese media accused the USSR of supplying massive military and economic aid to Vietnam for 'strategic reasons' and stated that unprecedented Soviet-Vietnamese joint naval exercises in the Tonkin Gulf in March 1984 hoped to encourage Vietnamese 'aggression and expansion' against China. Chinese leaders concluded that Moscow's intransigence over disputes with China would continue in spite of periodic talks.⁶⁴⁷ On August 24, 1983, Deng chaired a meeting of the ad hoc Central Leading Group on Foreign Affairs and listened to a report from the head of the Ministry of Foreign Affairs on the international situation. The meeting reiterated that the USSR remained the major threat to China's security.⁶⁴⁸

Soviet military expansion in East Asia gave an impetus to Chinese military modernisation. China had ambitious military modernisation plans in 1983. In January that year, Zhang Aiping presented a weapons development plan to Deng, outlining the

⁶⁴⁷ FOIA/CIA Collection, 'US-China Relations Short-Term Prospects,' Directorate of Intelligence, July 1984, 2-3.

⁶⁴⁸ LRO, *Li Xiannian's Chronology*, 207.

country's main areas of defence deficiencies. These included a lack of anti-tank guns and missiles, and anti-aircraft guns and missiles for all altitudes on land, coupled with insufficient artillery power and inadequate tank assault capabilities. In terms of air force, weaponry was limited, and fighter planes lacked optimal combat capability. At sea, the plan advised focusing on the development of submarines, small and medium-sized surface ships, and coastal defence missiles. On 2 April, the Central Military Commission gave the green light to Zhang Aiping's proposals.⁶⁴⁹

The Chinese senior leadership began showing a new readiness to approve funding for military technology. The Chinese central military commission thus gained increased power to enact the military modernisation plan. From late 1982 on, it directed the acquisition of foreign weapons-related technology. For 1983 and 1984 combined the CIA estimated the Chinese signed contracts for nearly \$500 million worth of military imports.⁶⁵⁰ Chinese technical periodicals prominently featured diagrams of US weapons and performance characteristics that compared positively in every way to existing equipment. Chinese arms purchasers had on several occasions stated a preference for US technology over other foreign sources.⁶⁵¹ In the Middle East with Syrian and Israeli armed intervention into Lebanon in the early 1980s, Chinese military officers had seen the effectiveness of US weapons facing modern Soviet-produced weapons.

⁶⁴⁹ Dongfang, *Zhang Aiping's Biography Volume 2*, 1033-4.

⁶⁵⁰ FOIA/CIA Collection, 'China: Opening Doors to Western Military Imports,' October 1984, 2.

⁶⁵¹ FOIA/CIA Collection, 'China's defences against the USSR: shifting priorities and implications for US arms sales,' March 1984, 8-9.

Weinberger's visit to China, September 1983

Soviet military expansion and changes in the US-Soviet power balance impelled Beijing to draw closer to the US to contain the USSR. Chinese perceptions of the US-Soviet balance of power had changed by mid-1983. Robert Ross argues that there was a basic consensus among observers from China that the US had the upper hand against the USSR, so any US 'need to counterbalance the USSR with China' was 'less urgent'.⁶⁵² To counteract this trend, China invited Defence Secretary Caspar Weinberger to visit Beijing in September 1983. Shultz thought that China had a 'card mentality' and this invitation was a kind of 'US card' against the Soviets. Even so, he still thought Sino-US cooperation should continue, because 'even where we disagree with them we are nevertheless able to have a meaningful discussion with them and exchange views. This is quite different than our relationship with the USSR.'⁶⁵³ Therefore, the NSC wanted Weinberger on his visit to determine how 'serious' Beijing was 'in cooperating with us against the USSR'.⁶⁵⁴

During Weinberger's visit to China in September 1983, Chinese leaders showed a clear interest and hosted Weinberger warmly, unlike with Schulz. When Weinberger met with Chinese Defence Minister Zhang Aiping on 26 September, Zhang first stated that the US had long underestimated China's strategic value, but also asked for US military

⁶⁵² Ross, *Negotiating Cooperation*, 277-8.

⁶⁵³ RRPL/David Laux: Files/RAC-Box-14/Folder(China-Foreign Relations-Reagan Trip-Minutes of the NSC Meetings (1 of 2),' 'NSC meeting-Review of US-China Relations,' September 20, 1983, 7-8.

⁶⁵⁴ RRPL/David Laux: Files/RAC-Box-14/ Folder(China-Foreign Relations-Reagan Trip-Minutes of the NSC Meetings (2 of 2),' 'Talking points for the President,' September 20, 1983.

help. He highlighted that ‘China has paid a huge material cost to contain the Soviet threat and we hope that the US can help’ since this cooperation was clearly ‘in line with US global strategy.’⁶⁵⁵ Weinberger stressed it was in America's strategic interest to maintain China as a friendly non-allied country but warned China not to criticise US policy in the same manner as the USSR. He explained this would have a strong negative effect on Congress and be detrimental to future military technology cooperation.⁶⁵⁶

The following day Zhang Aiping reemphasised China’s military value to the US in Asia. Weinberger responded that China's position was ‘crucial’ and ‘we can give you whatever you need’ apart from ‘what we are developing.’ Zhang Aiping proposed China offer a list of what it sought instead of the US giving a list of what it could sell. As Weinberger recalled, the Chinese needed a broad framework agreement which would allow them to negotiate directly with US companies on desired items. The US government, on the other hand, wanted to agree to specific transferable categories in advance and work on an intergovernmental basis to find a suitable US firm for cooperation. Weinberger thought arms transfers should operate a on case-by-case principle, whereas the Chinese sought an easier path to obtain transfers from individual companies.⁶⁵⁷

The negotiations were difficult, and Zhang and Weinberger agreed to sign a brief

⁶⁵⁵ ‘Transcript of talks between Foreign Minister Zhang Aiping and US Secretary of Defence Weinberger’. Quoted by Dongfang, *Zhang Aiping's Biography Vol.2*, 1051-3.

⁶⁵⁶ Ibid.

⁶⁵⁷ Weinberger, *Fighting for Peace*, 198-9.

memorandum to record their initial agreements and divergences. Firstly, the US agreed to sell China certain defensive weapons systems on a case-by-case basis including anti-tank, anti-artillery, transport, field air defence, battlefield command, logistical support and some air interdiction capabilities.⁶⁵⁸ Secondly, both sides agreed to establish a staff officer working group on US-China military cooperation. Soon after the talks China sent a small military delegation as an investigation team to the United States to draw up its list of desired technology.⁶⁵⁹

The Establishment of a Three-Tiered Export Control System

The change from Shultz's efforts to diminish China's strategic position to the re-engagement between China and the United States on military issues evident during Weinberger's visit demonstrated their shared interests in countering the Soviet threat. For Washington, effectively managing their differences while building upon these shared interests became crucial. Throughout 1983, there were repeated discussions within the Washington establishment regarding the military sales policy.

In late May 1983, the RAND Corporation hosted a workshop and invited government officials and prominent scholars to examine US policy in the context of the US-China-USSR 'strategic triangle'. The workshop concluded that China had taken an advantageous position, having good relations with both superpowers. The group

⁶⁵⁸ Xin, 'On America's Technology Transfer and Arms Sale to China During the Reagan Administration Period,' 94.

⁶⁵⁹ Dongfang, *Zhang Aiping's Biography Volume 2*, 1053-4.

recommended that the US stabilize its relations with the USSR, emphasizing the steady US-China relationship and suggesting a response-based US stance on military cooperation with China.⁶⁶⁰ This was essentially a call-back to Harold Brown's principle – during the Carter administration - that US arms sales sought to restrain Soviet behaviour, not to escalate US-Soviet conflicts.

The suggestion received support from the Commerce Department and the DoD. Secretary of Commerce Malcolm Baldrige stated that technology transfer should support China's technological and economic modernisation, however this new policy must not damage the US-Soviet relationship, even though the military gap between the PRC and the USSR could widen further.⁶⁶¹ A report from the JCS also supported liberalising export controls further but recommended a ban on technology exports in special mission areas: nuclear weapons and delivery systems, intelligence gathering, electronic warfare, anti-submarine warfare, power projection and air superiority. The JCS believed that without restrictions in these six sensitive areas, the USSR would think that the United States was actively changing the Sino-Soviet military balance.⁶⁶²

The NSSD meeting in April 1983 concluded that China's attempts to modernize its military would not outpace the USSR's increasing qualitative edge in armaments. As

⁶⁶⁰ Norman D. Levin and Jonathan D. Pollack, *Managing the Strategic Triangle: Summary of a Workshop Discussion* (Santa Monica: Rand, 1984), vii; Harvey W. Nelsen, *Power and Insecurity: Beijing, Moscow and Washington 1949-1988* (Boulder, Colorado: Lynne Rienner Publishers, 1989), 129-42.

⁶⁶¹ Statement by Malcolm Baldrige. Quoted by Meijer, 'Balancing Conflicting Security Interests,' 20.

⁶⁶² DNSA/China, 'Assessment of the Risks and Benefits in the Transfer of Advanced Technology and Conventional Arms to China, US JCS, Memorandum for the Secretary of Defence,' 15 July 1983.

such, the US determined that its interest lay in assisting China in enhancing the quality of its defensive weaponry to maintain its status as a credible counterbalance. This led to a policy that allowed a full spectrum of technology transfer to China, including co-production, aimed at enhancing conventional defensive abilities. However, transfers that would significantly upgrade China's offensive and power projection capabilities were prohibited. Specifically, the US would not sell China weapons that could cause concern among its allies, pose a threat to Taiwan, or unnecessarily provoke the Soviets.⁶⁶³

Around the same time, the Reagan administration also established an informal inter-agency group to deal with US-PRC military relations. It was chaired by Special Assistant to the President for Asia Affairs Gaston Sigur, and met every two months to make decisions on US military relationship with both the PRC and Taiwan. It consisted of representatives from State (the Bureau of Political-Military Affairs and the Bureau of East Asian and Pacific Affairs), Defence, CIA and the NSC, totalling only eight people, and met in Gaston's NSC office. The efforts of the 'Sigur Group' in 1983-84 led to agreement with the PRC on four defensive mission areas of cooperation: TOW anti-tank guided missiles; large calibre artillery shell manufacture; J-8 avionics modernization; surface ship ASW weapons and equipment.⁶⁶⁴

⁶⁶³ RRPL/David Laux Files/RAC-Box-22/Folder-'China and Taiwan-NSSD 12-82-US Relations with China and Taiwan,' 'Next NSSD meeting on China, attachment A-US-China Relations: Policy and Prospects,' State Departments, April 13, 1983, 27-9.

⁶⁶⁴ RRPL/James Kelly Files/RAC-Box-1/Folder-'China-Military-1986,' 'Memorandum from Kissell and Laux to Poindexter-Annex-B,' NSC, August 27, 1986, 2.

The United States also facilitated China's defence modernization by relaxing restrictions on the transfer of civilian technologies, rather than engaging in large-scale arms sales. In August RAND's Richard Solomon produced a secret report arguing that instead of selling advanced weapons systems or technologies, civil and dual-use technology transfers would be of more benefit to Chinese defence, intelligence, command, communications, and logistics. To solidify the relationship, Solomon suggested professional military exchanges, favouring a mutually agreed programme over a 'shopping list' method for technology transfers, thereby ensuring smoother political and bureaucratic processes and coherent collaboration in defence.⁶⁶⁵

In November 1983, the US Department of Commerce instituted a three-tiered export control system. The 'Green Zone' encompassed seven categories representing 'minimal national security risk'—computers, computerised instruments, microcircuits, electronic instruments, recording equipment, semiconductor production equipment, and oscilloscope technologies. License applications for these items were considered and generally approved by the Department of Commerce. The 'Yellow Zone' pertained to high-technology goods, requiring case-by-case assessment by the Commerce and DOD. Licenses would not be granted if the technology posed a clear threat to US security interests. The 'Red Zone' consisted of the most sensitive areas: nuclear weapons and delivery systems, intelligence gathering, electronic warfare, anti-submarine warfare, power projection and air superiority, or the six Special Mission Areas, as delineated by

⁶⁶⁵ RRPL/David Laux: Files/RAC-Box-18/Folder-'China-Foreign Relations-US-Weinberger's 1983 Trip (4 of 10),' 'Defence Cooperation And the US-China Relationship,' Richard Solomon, August 1983, 2.

the JCS.⁶⁶⁶

This three-zone system represented a signal change in Reagan's arms sales policy. Improving China's military capabilities was now possible via the transfer of 'civilian' technology and not only military sales. This three-zone system delineated what kind of arms or dual-use items could be sold, which had not been clear since the Carter period. As Secretary Shultz recalled, there was a complex process with 'two types of controls: national security controls over which the Defence Department had a virtual monopoly and which they administered with great strictness; and foreign policy controls, which were much more flexibly administered by the Commerce Department.'⁶⁶⁷ The initial benchmark established in 1981 of the level of sales to China was 'two times' those to the Warsaw Pact. This was quickly abandoned in 1982 because it 'was neither clear nor predictable to the involved government agencies.' As Baldrige stated, 'the two-times benchmark was not easily applied across the Commodity Control List because in certain areas nothing was allowed to go to the USSR and therefore [the government] had a little difficulty with two times nothing in terms of how you apply that in making licensing decisions.'⁶⁶⁸

Reagan's Visit to China, April 1984, and the Approval of Foreign Military Sales

During Weinberger's visit, three subsequent high-level visits for 1984 were arranged.

⁶⁶⁶ Meijer, 'Balancing Conflicting Security Interests,' 20-1.

⁶⁶⁷ Shultz, *Turmoil and Triumph*, 394.

⁶⁶⁸ Meijer, 'Balancing Conflicting Security Interests,' 16.

Chinese Premier Zhao Ziyang's US visit in January, President Reagan's China visit in April and Chinese Defence minister Zhang Aiping's return visit to the US in June. These visits significantly accelerated the pace of US arms sales to China. During Zhao's visit, the DOD honoured the agreement reached with the Chinese during Weinberger's visit with direct meetings between Zhao Ziyang and representatives of US arms firms including Boeing, Douglas Aviation, and Lockheed.⁶⁶⁹ With the Zhao-Reagan meeting at the White House, for the first time at head of state level, the US solemnly promised to work together to upgrade Chinese military capabilities. Reagan claimed that technology transfer at all appropriate levels for both civilian and military uses - would be authorised.⁶⁷⁰

Reagan's visit to China on the other hand did not directly cover arms sales. Secretary Shultz described the visit as a trip 'dealing across ideologies' which nonetheless was 'a resounding success'. Xinhua press agency described it as 'a significant step forward.'⁶⁷¹ Reagan signed several agreements including a tax treaty, an agreement on the peaceful use of nuclear energy, an accord on cultural exchanges, protocols on cooperation in industrial science and technology, and scientific and technical information.⁶⁷²

The visit strengthened Reagan's confidence in the US-China strategic relationship. On 12 June 1984, Reagan approved China for FMS (Foreign Military Sales) cover, though

⁶⁶⁹ RRPL/WHORM Subject files/Box-CO034-02(China-PRC), Collamore to the Secretary, December 28, 1983.

⁶⁷⁰ The White House, 'Visit to the United States of Premier Zhao Ziyang, NSDD-120,' January 9, 1984.

⁶⁷¹ Shultz, *Turmoil and Triumph*, 398.

⁶⁷² RRPL/David Laux Files/RAC Box 14/Folder-'China-Foreign Relations-Reagan Trip-Accomplishments,' 'memorandum from David Laux to Robert Kimmitt,' May 2, 1984, 1-2.

only on an immediate payment basis.⁶⁷³ The DOD managed FMS and had authority to offer fairly favourable terms. Additionally, Chinese purchases of relevant military equipment and technology transfer projects no longer needed Congressional approval. China could even access services from US military's logistical support agencies on a contractual basis. If US firms lacked available stock, they were authorised to offer suitable replacements to cover purchases, and China would still benefit from DOD advantageous terms. Other American arms exporters could obtain approval for commercial sales through the State Department Office of Munitions Control.⁶⁷⁴

Zhang Aiping's Visit to the US, June 1984

In June 1984, a Chinese military delegation led by Zhang Aiping spent 18 days in the United States, visiting five states and one special administrative region, four military bases, a military academy and eight major military-sector firms. They visited production lines of fighter aircraft and their products, including early warning aircraft, strategic bombers, aircraft carriers, nuclear attack submarines and underground silos for Minuteman and Hercules intercontinental missiles.⁶⁷⁵

During the visit, Zhang and the State Department disagreed sharply over nuclear energy cooperation. Deputy Secretary of State Kenneth Dam claimed some Chinese nationals

⁶⁷³ US arms export mechanism contained three levels: foreign military assistance (FMA), foreign military sales (FMS) and direct commercial sales (DCS). See, CRS, 'US Military Sales and Assistance Programs: Laws, Regulations, and Procedures,' July 23, 1985, 13.

⁶⁷⁴ CRS, 'China-US cooperation: military sales, government programs, multilateral aid and private-sector activities,' June 9, 1989, 3.

⁶⁷⁵ 'Report on visits to the United States and Canada (1984) Chinese Foreign Ministry Issued No.131.' Quoted by Dongfang, *Zhang Aiping's Biography Vol.2*, p.1067.

had appeared at a uranium enrichment plant in Pakistan, accusing China of breaking the Non-Proliferation Treaty (NPT). Zhang Aiping thought this was a deliberate ploy to provoke Chinese negotiators, and was furious, and the talks apparently ending sourly.⁶⁷⁶ However, Department of Defence officials and the Chiefs of Staff were in fact pleased at Zhang's refusal to read the final documents.⁶⁷⁷ They believed China's hard line on this point would not allow the State Department to derail defence sales in the future with irrelevant diplomacy.

The incident was only recorded in Zhang Aiping's biography, and both Weinberger and Schultz did not mention it in their memoirs. The divergence between State Department and Defence Department was clearly present in their attitudes to Sino-US discussions. Shultz was ideologically hostile to China, but Weinberger's pragmatism emphasised China's military value in US foreign policy, and he even built a good private relationship with his opposite number Zhang Aiping. According to General Yu Jianzhong, 'The US State Department [was] less active than the military in developing US-China relations.' It was 'the military, and specifically Weinberger, [who] arranged our visit very well'. He surmised 'the military ... are more acutely aware of the importance of our strategic position than the State Department.'⁶⁷⁸

At the end of the visit, Zhang and Weinberger signed a letter of intent on military

⁶⁷⁶ 'Transcript of talks between Foreign Minister Zhang Aiping and Secretary of State Shultz (1984) Chinese Foreign Ministry Issued No.190.' Quoted by Dongfang, *Zhang Aiping's Biography Vol.2*, 1064-5.

⁶⁷⁷ Dongfang, *Zhang Aiping's Biography Vol.2*, 1065.

⁶⁷⁸ 'Yu Jianzhong's Visit Records,' October 21, 1997. Quoted by Dongfang, *Zhang Aiping's Biography Volume 2*, 1065.

technology cooperation covering three arms programmes: Tao anti-tank missiles; AN/TPQ-37 artillery detection radar; and the upgrade of the J-8 fighter's electronic avionics. However, before the finalised contracts and sales China sought to further inspect details of the systems. In August 1984, the US approved the sale of 24 dual-use Black Hawk helicopters to China at a total cost of more than \$100 million, to be delivered by the end of 1985.⁶⁷⁹ In September, the Pentagon established a Sino-US technical cooperation team to help modernise Chinese naval vessels and develop new destroyers.⁶⁸⁰

The relaxation of Reagan's arms sales policy did not immediately lead to increases in actual sales. Chinese restraints on military expenditure remained. It focused on buying weapons manufacturing technology rather than complete weapon systems. For instance, the Chinese saw Sino-US arms talks in February 1984 as a means to import technological know-how for its defence modernization centred on production at home in its own defence and civilian industry. The CIA analysed that China emphasised agreements that provided technological know-how that could be incorporated in its industrial infrastructure. Purchases largely covered short-term deficiencies, China's interest was not on the acquisition of end items but steady development of its own production capabilities.⁶⁸¹ As Table 5-1 shows, the proportion of China's defence-industrial output destined for the civilian market increased significantly from 6.9% in

⁶⁷⁹ CRS, 'US Arms Sales to China,' July 8, 1985, 22.

⁶⁸⁰ DNSA/China, 'US Technology Transfer Policy Toward China,' Department of Commerce, August 10, 1984.

⁶⁸¹ FOIA/CIA Collection, 'China-US military technology talks,' February 10, 1984, 2.

1975 to 63.5% in 1989.

*Table 5-1 Proportion of China's Defence-Industrial Output Destined for the Civilian Market (%)*⁶⁸²

Year	Civilian Output
1962	14.8
1975	6.9
1979	8.1
1980	18
1982	21
1985	43
1987	60
1989	63.5

Gorbachev Comes to Power, March 1985

In response to the evolving military relationship between China and the United States, the Soviet Union further intensified its military deployments in East Asia. By 1986, Soviet deployments around China had escalated to unparalleled levels. Moscow's Far Eastern forces received an array of new equipment including T-72 main battle tanks, armoured vehicles, 152mm self-propelled artillery, new helicopter gunships and troop carriers. The number of SS-20 IRBMs, each carrying three warheads with a range of

⁶⁸² Wang Shaoguang, 'Estimating China's Defence Expenditure: Some Evidence from Chinese Sources,' *The China Quarterly*, 147(1996): 889-911, 903.

5,000km, rose by 1986 to constitute over a third of the total 441 launchers. New Backfire bombers now targeted China. Naval threats also intensified. A second aircraft carrier joined the Soviet Pacific Fleet in 1984, along with an additional Ivan Rogov-class landing ship. In 1985, the fleet welcomed a second Kirov-class cruiser and several guided-missile destroyers. Cruise-missile combatants, submarines, and air-cushioned landing vehicles constituted immediate threats.⁶⁸³

On the other hand, Soviet foreign policy underwent significant new shifts. In March 1985, Mikhail Gorbachev became the supreme leader of the USSR, reshaping the 'strategic triangle' in the Cold War. Perestroika in foreign policy advocated de-escalation in relations with the United States, reductions in military expenditure and the army and an end to military confrontation.⁶⁸⁴

Gorbachev wanted to improve both US-Soviet relations and Sino-Soviet relations. He wanted to create a tension-free international situation that would pave the way for economic reforms in the USSR. At the beginning of Gorbachev's tenure, Reagan saw that this could be a turning point in the Cold War. Reagan proposed a head-of-state summit, subsequently realised in Geneva, November 1985. Despite the absence of substantive agreements on arms control, human rights and conflicts, both leaders began to build mutual trust. After the meeting, Reagan saw Gorbachev as a different type of Soviet leader, more flexible than his predecessors. Gorbachev had more doubts about

⁶⁸³ Ali, *US-China Cold War Collaboration*, 161.

⁶⁸⁴ Mikhail Gorbachev, *Perestroika: New Thinking for Our Country and the World* (Ottawa: Perennial, 1988), 173.

his opposite number but believed Reagan was willing to engage in dialogue with respect.⁶⁸⁵

Gorbachev also showed the possibility of reconciliation with Beijing. He attached particular importance to the Chinese issue. He perceived China's reforms and opening up and its foreign policy in a new light and made normalisation with China a basic objective of Soviet foreign policy.⁶⁸⁶ Gorbachev stated that the USSR sought 'a significant improvement in relations with the PRC and ...[Soviets] believe that this is entirely possible'⁶⁸⁷. He proposed Sino-Soviet relations be based on the five principles of peaceful coexistence and was prepared to discuss obstacles with China.⁶⁸⁸

Changes in the Strategic Triangle Relationship

Beijing responded positively to Gorbachev's friendly signals. On March 14, 1985, Gorbachev met with Vice Premier Li Peng, who stated that China was pursuing an independent foreign policy and that relations with the USSR would never be those of allies, but could be those of 'good neighbours' and 'good friends'.⁶⁸⁹ A former Soviet diplomat recalled, Li Peng also stated that China would not establish alliances or

⁶⁸⁵ Hal Brands, *What Good Is Grand Strategy? Power and Purpose in American Statecraft from Harry S. Truman to George W. Bush* (Ithaca, Ny: Cornell Univ. Press, 2015), 131; Steven F. Hayward, *The Age of Reagan: The Conservative Counterrevolution, 1980-1989* (New York: Three Rivers Press, 2010), 918.

⁶⁸⁶ Zuo Fengrong, 'Gorbachev's Adjustment of Foreign Strategy and the Normalization of Sino-Soviet Relations,' *Tansuo yu Zhengming*, 2005(10), 43.

⁶⁸⁷ *Pravda*, September 3, 1985.

⁶⁸⁸ *Pravda*, December 24, 1985. Quoted by Sun Yanling, 'The Normalization of Sino-Soviet Relations and Deng Xiaoping's Diplomatic Decisions for the USSR,' *Studies on the International History of the Cold War*, 2009(00):187-222+10.

⁶⁸⁹ Li Peng, *Peaceful Development and Cooperation: Li Peng's Foreign Affairs Diary* (Beijing: Xinhua Publishing House, 2008), 10.

strategic relations with any country, including the US.⁶⁹⁰ Deng urged the USSR to remove its military threat as soon as possible and to resolve 'three obstacles' regarding Vietnam, Mongolia and the Sino-Soviet border.⁶⁹¹

In 1986 there were more friendly signals. The USSR, to offset the effect of US arms sales to China, sent arms negotiators to Beijing in July 1986.⁶⁹² In his Vladivostok speech on 28 July 1986 Gorbachev announced six regiments would be withdrawn from Afghanistan by the end of the year. He hinted at the withdrawal of troops from Mongolia, expressed his willingness to discuss land forces in the Sino-Soviet border area, and accepted the Chinese position on the border, dividing territory equally along the centre of the main channel of the Amur (Heilong) River.⁶⁹³

Deng later told Gorbachev at a high-level meeting that 'we were pleased with [this] Vladivostok speech. We saw that it contained new elements of Soviet foreign policy and sensed the beginning of a substantial change in Moscow's policy, which allowed us to begin preparations for a high-level dialogue.'⁶⁹⁴ In accordance with the Chinese proposal to resume border negotiations, negotiations began in Moscow in February 1987. Previous efforts from February to July 1964 and from October 1969 to June 1978, had failed to achieve substantive results. This time, since Gorbachev accepted the

⁶⁹⁰ Sun Yanling, 'The Normalization of Sino-Soviet Relations and Deng Xiaoping's Diplomatic Decisions for the USSR,' 190.

⁶⁹¹ LRO, *Deng Xiaoping's Chronology*, p.1041.

⁶⁹² FRUS/1981-1988/Vol.5, Document-260, 'Information Memorandum from Solomon to Shultz, Washington, July 29, 1986.

⁶⁹³ *Pravda*, July 29, 1986.

⁶⁹⁴ Sun Yanling, 'The Normalization of Sino-Soviet Relations and Deng Xiaoping's Diplomatic Decisions for the USSR,' 195.

Chinese position, the negotiations were conducted in a favourable atmosphere.⁶⁹⁵

Gorbachev's overtures and military withdrawals seemed to signal on the surface a lighter arms burden. Why then did US arms sales to China increase? The Reagan administration was in fact deeply concerned about the improvement in Sino-Soviet relations from 1985 onwards. After Gorbachev's overture to China, State Department officials told Shultz that 'this [Soviet] Chinese posturing is unhealthy, and, at a certain point, could begin to erode Sino-American relations.'⁶⁹⁶ Shultz stressed to Gromyko in May 1985 that US-China relations would continue to develop, expressed in diplomatic terms: 'We were interested in a more stable situation and obviously China was a key country in the area'⁶⁹⁷

The Reagan administration believed that Gorbachev's China policy was threatening US strategic interests even as Soviet military outlays were reduced. NSC member Jack Matlock argued 'both Gorbachev and Shevardnadze may be more inclined to step up attention to [Western] US allies, China and the Third World, rather than making US-Soviet relations the linchpin of Soviet foreign policy.'⁶⁹⁸ Shultz endorsed Matlock's analysis and noted that Soviet foreign policy could shift its focus to the Islamic world and East Asia. In such a case, with Sino-Soviet reconciliation 'China looms as a major

⁶⁹⁵ Qian, *Ten Episodes in China's Diplomacy*, 27.

⁶⁹⁶ FRUS/1981-1988/Vol.5, Document-7, Information Memorandum from Rodman to Shultz, Washington, March 19, 1985.

⁶⁹⁷ FRUS/1981-1988/Vol.5, Document-28, Memorandum of Conversation, Vienna, May 14, 1985.

⁶⁹⁸ FRUS/1981-1988/Vol.5, Document-54, Memorandum from Matlock to McFarlane, Washington, July 2, 1985.

factor—and significant potential long-range threat.’⁶⁹⁹

In September 1985, a CIA report supported Shultz’s judgements and pointed out that Gorbachev’s new foreign policy was a ‘roundabout’ policy. The Soviets were making diplomatic gestures and concessions ‘to US friends and allies such as China, West Germany, Japan, and Israel’ thus ‘regaining the initiative in international affairs and undermining allied support’.⁷⁰⁰ The State Department believed the new Soviet diplomatic initiative would diminish US opportunities. It warned the US would be forced to ‘appear...to play ‘catch up’ with the Soviets in any initiatives ... [the US] might take in the China relationship.’ China would benefit and ‘unquestionably, will continue to try to balance between the Soviets and ourselves.’⁷⁰¹ It therefore recommended ‘staying in step with the Chinese on the ‘three obstacles’ as the key to ‘the solidity of the US-Chinese relationship.’⁷⁰²

The Honeymoon of Sino-US Arms Trade, 1986-87

The Reagan administration believed that maintaining US-China military relations, and increasing arms sales, could effectively offset the impact of Gorbachev's new foreign policy. Beijing’s commitment to gradually modernising its armed forces needed Western arms and military technology. Chinese leaders repeatedly expressed their

⁶⁹⁹ FRUS/1981-1988/Vol.5, Document-117, Memorandum from McFarlane to Reagan, Washington, undated.

⁷⁰⁰ FRUS/1981-1988/Vol.5, Document-80, ‘Paper Prepared in the Central Intelligence Agency,’ Washington, September 6, 198.

⁷⁰¹ FRUS/1981-1988/Vol.5, Document-260, Information Memorandum from Solomon to Shultz, Washington, July 29, 1986.

⁷⁰² Ibid.

concern at the slow pace of the J-8 program. However, upgrading artillery ammunition and providing a new antisubmarine warfare torpedo (Mark 46 Mod 2) progressed more steadily.⁷⁰³ Beijing's positive attitude strengthened the Reagan administration's confidence in the Sino-US relationship. As the Defence Intelligence Agency (DIA) reported, 'in the military realm, US-China interaction is becoming sufficiently routine that continued progress in the overall military relationship probably will not depend on the success or failure of any one program.'⁷⁰⁴ The stability of Sino-US relations left the USSR unable to use its rapprochement with China as an effective lever to deploy against the US.⁷⁰⁵

Moreover, the Reagan administration aimed to bolster arms sales to respond to the challenges from the new Soviet leader. Even Shultz, who had always been cool about arms sales to China, admitted that strengthening China's military power would retain enormous pressure on the USSR. The State Department asserted that the military modernisation of China 'is in the strategic interest of the United States. The Administration will continue to encourage public and private sector participation in China's military modernisation.'⁷⁰⁶

The DOD stated that the Sino-US military relationship contributed to the process by which China was gradually drawn into a Western political and economic orbit of

⁷⁰³ DNSA/China, 'Defence Estimative Brief, prospects for US-China Relations,' DIA, July 10, 1985, p.2

⁷⁰⁴ Ibid. 3.

⁷⁰⁵ DNSA/China, 'The Changing Sino-Soviet Relationship,' CIA, June 1985, 12.

⁷⁰⁶ DNSA/China, 'Export Licenses for China,' September 23, 1986, 40.

relationships and interests. In the short term this was an additional counterweight to Soviet power and in the longer term a foundation for stability in the Asia-Pacific region itself.⁷⁰⁷ There was a new objective for arms sales policy to China: facilitating the integration of China into the Western system. This idea had floated around since Nixon's first term; however, this was the first time that military relations and arms sales had such an objective.

The Reagan administration built a formal inter-agency team to promote arms sales to China. The previous ad hoc team established in 1983 was no longer able to handle the enormous workload. The pace of the FMS programmes, high-level visits and exchanges, and technology transfer had greatly increased. The administration therefore produced a system to provide the NSC and the White House 'with a comprehensive agenda of completed, pending, and future activities in the US-PRC military relationship and to report on the[ir] status.'⁷⁰⁸ The State Department recommended the creation of a formal Interagency Group (IG) on US-China Military cooperation chaired by State, under the Foreign Policy Senior Interagency Group chaired by Under Secretary Armacost to replace the informal IG established in 1983. The recommendation was approved by Reagan on August 27, 1986. Therefore, the value of US arms sales to China soared after 1985 (see table 5-2).

Table 5-2 US Military Sales to China, 1977-93 (Thousands of US\$)

⁷⁰⁷ RRPL/Paal Douglas files/RAC-Box-5/Folder-China-military January 1987-March 1987, Ross to Paal and Jackson, February 9, 1987, 1.

⁷⁰⁸ RRPL/James Kelly Files/RAC-Box-1/Folder-'China-Military-1986,' 'Memorandum from Kissell and Laux to Poindexter-Annex-B,' NSC, August 27, 1986, 2.

Fiscal Year	Foreign Military Sales Agreements	Commercial Export Deliveries	Foreign Military Sales Deliveries	Total Deliveries
1977		1023		1,023
1978		0		0
1979		0		0
1980		622		622
1981		0		0
1982		1,000		1,000
1983		209		209
1984	631	5,822	6	5,828
1985	421	56,857	424	57,281
1986	36,045	36,282	547	36,829
1987	254,279	30,589	3,887	34,476
1988	14,057	28,941	39,078	68,019
1989	412	17,918	99,616	117,534
1990	0	3,958	0	3,958
1991	0	2,600	30	2,630
1992	0	436	0	436
1993	0	0	11,642	11,642
Totals	305,845	186,257	155,230	341,487

Source: Security Assistance Agency, *Foreign Military Sales, Foreign Military Construction Sales and Military Assistance Facts*, Washington: Department of Defence, 1983 and 1993.

From 1985 to 1987, the total value of arms sales increased significantly from \$0.4 million to \$550.7 million. Frequent exchanges of high-level military visits between China and the US occurred. James Lilley noted the Chinese initiative in Sino-US military relations came from ‘high-level policy decisions on broad national interests [that] are driving the pace’⁷⁰⁹ Between 1985 and 1986, there was a high tide of military exchanges between China and the US In 1985, there were 23 exchanges, including 11 direct military exchanges and 12 military-related exchanges, ‘which demonstrated China's desire to modernise its military and the United States' willingness to help China’.⁷¹⁰ Working-level contacts happened in fields-training, logistics, military education, quality assurance, systems analysis and military medicine. The two most influential working-level contacts were the US Navy port call at Qingdao in 1986 and the USAF Thunderbirds demonstration team's visit to Beijing in 1987.⁷¹¹

In October 1986, Weinberger’s second visit to China involved the highest-level military contact. He had a ‘strategic dialogue’ with the Chinese leaders, noting that the two countries ‘had become close and trusted friends and that their military relations had grown tremendously’.⁷¹² During this visit, the two sides formally signed a series of contracts for the establishment of modern factories producing artillery shells, the upgrade of J-8 fighters, and the sale of Mark 46 anti-submarine torpedoes. In 1987, the

⁷⁰⁹ DNSA/China, ‘Lilley Testimony: Transfer of Military Equipment to China,’ July 30, 1986, 1-2.

⁷¹⁰ DNSA/China, ‘US-China Military Relations, 1979-1985: Analysis and Chronology,’ January 2, 1986, 1.

⁷¹¹ Eden Y. Woon, ‘Chinese Arms Sales and US-China Military Relations,’ *Asian Survey* 29, no.6(June 1989):601-18, 602.

⁷¹² Weinberger, *Fighting For Peace*, 294-6.

US Navy trained a Chinese naval officer and six technicians to use such torpedoes - the first military training of this type for a communist nation.⁷¹³ In the same year, \$62 million worth of artillery-locating radars were sold.⁷¹⁴

Secretary Shultz also had significant confidence in China's modernisation. He argued, 'if stripped of its superior military capabilities, the USSR would be an unimpressive power', and it was 'losing ground to a modernizing China.'⁷¹⁵ he hoped that China's technical development could become a good template for the Soviets and lead the USSR to go along the path of China. It meant a USSR basically focused on its own internal situation; a reduction of Soviet intervention to exploit regional conflicts; an ability to solve practical problems between the US and the USSR. This possibility stemmed from the USSR's fear of falling behind the United States and even China. Shultz said, 'The USSR is also now changing because of fear—fear of China's reforms, fear of Eastern European restlessness—but most of all because of fear of falling permanently behind the US.'⁷¹⁶

However, while military cooperation had been perceived as a logical progression in the evolving relationship, tangible steps towards cooperation had been cautious. US arms sales to China, though on the rise, were still significantly lower than sales to other Asian

⁷¹³ 'Chinese trained by Navy in \$1 million deal,' *United Press International*, March 10, 1987.

⁷¹⁴ FOIA/CIA Collection, 'Outlook for US-China Military Relations,' CIA Directorate of intelligence, February 12, 1987, 2-3.

⁷¹⁵ FRUS/1981-1988/Vol.5, Document-227, Telegram from the State Department to Shultz, Washington, May 6, 1986.

⁷¹⁶ FRUS/1981-1988/Vol.6, Document-94, Paper Prepared by Shultz, Washington, November 18, 1987.

regions, such as South Korea and Taiwan.⁷¹⁷ The United States still maintained restrictions in the following six areas: nuclear weapons and delivery systems, intelligence gathering, electronic warfare, anti-submarine warfare, power projection and air superiority.⁷¹⁸ Owing to limitations on Chinese military spending, the US-China arms trade concentrated in four main areas: J-8 avionics modernisation, large calibre artillery ammunition upgrade, ASW torpedo coproduction and antitank guided missile improvements. According to the DoD's assessment, all other projects would be delayed or cancelled.⁷¹⁹

Beijing's Strategic Concerns about US Arms Sales

China was not willing to be too close to the US strategically. For China, too close US-China military relations would undermine diplomatic independence. China suffered a loss of influence in the late 1970s, because many Third World countries came to see China as an agent of US.⁷²⁰ Beijing recognised that the political value of high-visibility contacts with the US could be eroded by overuse and had tried to organise contacts in a way that maximised their usefulness as political signals.⁷²¹

Furthermore, mutual strategic trust was limited. Given China's perception of its proper position in the US-China-USSR 'strategic triangle', the military and civilian leaders in

⁷¹⁷ DNSA/China, 'Technology transfer to China, office of technology assessment in Congress,' 1987, 18.

⁷¹⁸ DNSA/China, 'US export controls and technology transfer to China,' July 31, 1986, 1.

⁷¹⁹ DNSA/China, 'Defence estimative brief-defence implications of China's five-year plan for 1986-1990,' DIA, February 1986, 4-5.

⁷²⁰ FOIA/CIA Collection, 'Outlook for US-China Military Relations,' CIA, February 12, 1987, 3.

⁷²¹ RRPL/Paal Douglas Files/RAC-Box-5/Folder-'China-military, January 1987-June 1987,' 'Bureau of Intelligence and research-Analysis,' March 24, 1987.

Beijing were reluctant to establish an explicit strategic relationship with the US. Beijing would avoid significantly close security ties, and specifically avoid a military relationship that went much beyond the military technology transfers.⁷²² Beijing was extremely worried about military overdependence on the US. The DIA argued that military equipment and technology transfers would provide only minimal political leverage over Beijing and were only a start to establishing trust.⁷²³

Ideological divergence remained beneath the bedrock of US-China relations. In Zhao Ziyang's interview with American television networks, on 11 January 1984, he specifically ruled out the possibility of a 'strategic partnership' with the United States in view of Beijing's 'critical' views of US 'hegemonistic' behaviour in the Third World.⁷²⁴ Shultz defended himself in his memoirs but with a note of resentment; 'we knew that China wanted it both ways: to gain the benefits of a booming economy while maintaining state control over key aspects of economic and political behaviour.' He concluded 'a society cannot be Communist and capitalist at the same time.'⁷²⁵

US-China divergence over Taiwan also remained problematic. At a welcoming banquet on January 10 1984, Zhao had stated bluntly 'the Taiwan issue is the major difference' and 'the principal obstacle to growth' in relations.⁷²⁶ On January 18 1984, the *People's Daily* warned there were 'notable figures in US political circles' whose views on Taiwan

⁷²² DNSA/China, 'Prospects for US-China Relations, Defence estimative brief,' DIA, July 10, 1985, 4.

⁷²³ DNSA/China, 'China's Perception of External Threat,' DIA, November 1984, 12-3.

⁷²⁴ *Xinhua Agency*, January 11, 1984.

⁷²⁵ Shultz, *Turmoil and Triumph*, 396.

⁷²⁶ *Xinhua Agency*, January 10, 1984.

‘are not in keeping with the times today’. It hoped that the US would ‘show by its manifest actions that it will really keep its repeated promises,’ for relations to enter a ‘stage of stable development.’⁷²⁷

The J-8 avionics modernisation programme, begun in 1987, was the largest arms sales programme in the Sino-US honeymoon period. The first two fighters modified by the US were to be delivered to China in 1991, with the subsequent transfer of 59 sets of avionics equipment, related logistical devices and technical data, at a cost of approximately US\$502 million for the entire contract.⁷²⁸ In August 1986, China shipped two prototype J-8s to the United States and 110 American personnel investigated these aircraft. In August 1987, after a bidding process, China gave the contract to the Grunman Corporation, which had been previously involved in upgrading the J-8 series of fighter aircraft’.⁷²⁹

Pro-Taiwan politicians in the US expressed concern about the Taiwan Strait security balance. Alaskan Republican Sen. Frank Murkowski, warned that such ‘sales to China must be examined closely in light of our relations with Taiwan’ and the US had to ‘walk the tightrope between Peking and Taipei’ beyond simply ‘holding the Soviets at bay.’ The White House seemed to ignore Taiwan stating that the ‘military relationship with China is founded on the assessment that we share parallel interests, both globally and

⁷²⁷ *People Daily*, January 18, 1984.

⁷²⁸ CRS, ‘Technology Transfer to China,’ July 1, 1987, 228.

⁷²⁹ Yuan Lixin, *Keep Going: Airplane Designer Li Ming* (Beijing: Aviation Industry Press, 2012), 135, 140.

regionally' and referring bluntly to 'the growing threat posed by the USSR.'⁷³⁰

In general, the effect of US arms sales to China were limited. Even with the help of the United States, China's military was still no match for that of the USSR. The DOD estimated that by the end of the 1980s, 'China's posture relative to nearby Soviet forces will show modest improvement.' However, 'depending on the pace and scale of Soviet military upgrade in the Far East, China's relative position may not be much better than at present.'⁷³¹ China would also hardly pose a threat to the United States. The Office of Technology Assessment (OTA) argued 'at worst, the current policy of technology transfer to China entails only a moderate direct risk to the United States. China will not have the strategic strength for serious threats for several decades.'⁷³²

Normalisation of Sino-Soviet Relations, May 1989

Sino-Soviet relations were normalised in the late 1980s. The USSR accepted China's conditions on the 'three obstacles', urging Vietnam to withdraw its troops from Cambodia and reducing its presence in Mongolia and along the Sino-Soviet border. On 4 April 1988 the USSR, the US, Pakistan and the Kabul regime held final negotiations under the auspices of the United Nations where the USSR agreed to withdraw its troops from Afghanistan. Sino-Soviet relations were finally normalised in May 1989 with the successful visit of Mikhail Gorbachev to China. The State Department concluded the

⁷³⁰ 'Reagan set to sell jet update to Peking' by Edward Neilan, *the Washington Times*, January 29, 1986.

⁷³¹ DNSA/China, 'Defence estimative brief-defence implications of China's five-year plan for 1986-1990,' DIA, February 1986, 1.

⁷³² DNSA/China, 'Technology transfer to China,' Office of technology assessment in Congress, 1987, 18.

‘Soviet threat to the PRC was, over time, substantially reduced -- in part because of the growing friendship between the US and the PRC.’ Sino-US relations ‘provided running room for the US in its relationship with the USSR. As US-PRC relations developed, the USSR tended to moderate its own stance with regard to the US.’⁷³³

The CIA estimated that Sino-Soviet relations were ‘not likely to progress to the point where China moves to a truly equidistant position in the Sino-Soviet-US triangular relationship or stops competing with the USSR in many regions of the world.’ There was minimal prospect that Sino-Soviet ‘military contacts [could] extend to major arms sales, advanced technology transfer, or genuine military cooperation.’⁷³⁴ Tensions in the global triangle had eased. Shultz even promised Shevardnadze, the Soviet Foreign Minister, that ‘old ideas of the ‘China card’ and the ‘Soviet card’ ... once ... prevalent’ were now ‘outmoded.’⁷³⁵

The decline of US arms sales to China, 1987-89

In late 1987, the Reagan administration announced it would halt further liberalization of export controls due to the proliferation of Chinese missiles in the Middle East. The critical event was the sale of Chinese-made HY-2 Silkworm anti-ship missiles to Iran and CSS-2 intermediate range ballistic missiles (IRBMs) to Saudi Arabia. Shultz wrote to Chinese Foreign Minister Wu Xueqian, of ‘the danger inherent in the introduction

⁷³³ DNSA/China, ‘Partial upgrade,’ State Department, June 29, 1989,

⁷³⁴ FOIA/CIA Collection, ‘the prospects for change in Sino-Soviet relations,’ August 1988, iv.

⁷³⁵ FRUS/1981-1988/Vol.6, Document-179, Memorandum of Conversation, New York, December 7, 1988.

into this region, or any region, of a potent new weapons system, with capabilities and range significantly greater than other weapons systems already in the area.’⁷³⁶ Phyllis Oakley, the State Department deputy spokesperson, gave the official line that it was ‘a period of tension, obvious in the Gulf, and we feel at this point it's simply inappropriate to proceed with our review of further export control liberalization with the PRC.’⁷³⁷

According to Hugo Meijer, the Reagan administration used the carrot of further military cooperation as an instrument to blunt China's arms sales in the Middle East. The US interest in the status quo in the Middle East and the desire to enhance military cooperation with China was balanced in this way.⁷³⁸

American industry and COCOM partners were against continued use of export controls to China. Eben Tisdale, the chairman of Industry Collaboration on Technology Transfer, wrote to the State Department and warned of the dangers in the ‘unreliability in export licensing’ if the US changed course abruptly. He argued that ‘benefits that flow to US businesses as well as to US foreign policy from liberalizing our commercial exports to China’ would be ‘hampered’.⁷³⁹ COCOM had been on the verge of further liberalising dual-use exports when it reluctantly agreed in 1987 to freeze such plans. The Reagan administration received strong protest signals from COCOM members about the new

⁷³⁶ DNSA/China, ‘Letter from George Shultz to Wu Xueqian,’ March 28, 1988.

⁷³⁷ In the end of October 1987, NSC led an interagency effort to coordinate US position on further liberalization of technology exports in anticipation of an ad-hoc COCOM meeting on China. See, DNSA/China, ‘Memorandum from Almasov to Sigur,’ State Department, October 22, 1987, 2.

⁷³⁸ Meijer, ‘Balancing Conflicting Security Interests,’ 28.

⁷³⁹ DNSA/China, ‘From Tisdale to Derwinski,’ November 30, 1987.

course.⁷⁴⁰ Tisdale also warned that US ‘policy must be consistent, rational and consistent with the policies of our COCOM allies’ to avoid falling behind in the China market.⁷⁴¹

In March 1988 Foreign Minister Wu Xueqian assured the US privately that China would impose a ‘moratorium on deliveries of anti-ship missiles to Iran’⁷⁴² resolving the dispute. China promised to end sales and diversion from third countries of Silkorm missiles. The US responded positively announcing the resumption of export control liberalization.⁷⁴³ But even when China agreed not to undertake further arms sales in the Middle East, the US sensed China's sales would be difficult to control and could undermine US security promises. The White House claimed the dangers were not limited to the Iran sale, or the Middle East. It was a global problem, requiring the solemn efforts of all missile technology countries.⁷⁴⁴ The DOD argued that China's military modernization, in at least a couple of cases, would run counter to specific US interests or even provoke regional arms races. China's Silkworm sales to Iran demonstrated its arms marketing could affect the achievements of US foreign policy in other regions.⁷⁴⁵ This factor began to complicate the Sino-US relationship.

China had in fact offered to sell other missiles, including the conventional M-9 mobile

740 RRPL/Paal Douglas files/RAC-Box-5/Folder-‘China-technology transfer-Vol.1,’ ‘Memorandum from Robert Dean to Paul Stevens,’ March 25, 1988.

741 DNSA/China, ‘From Tisdale to Derwinski,’ November 30, 1987.

742 US State Department, ‘Chinese Arms Sales to the Middle East,’ 1988. Quoted by Hugo Meijer, ‘Balancing Conflicting Security Interests,’ 29.

743 Ibid.

744 DNSA/China, ‘For the Vice president’s meeting and dinner with PRC vice Premier Tian Jiyun,’ April 28, 1988.

745 DNSA/China, ‘China’s technology Modernization Program: A progress report,’ CIA, January, 1988, 17.

solid-propellant missile, the HQ-2 surface-to-air missile, the HN-5 and HN-5A shoulder-fired surface-to-air missiles, and the C-801, China's version of the Exocet. Sales of missile systems still under development, such as the M-9, allowed China to obtain foreign exchange to help underwrite its domestic plans, and provide an opportunity for battlefield testing before deployment at home. By the end of the 1980s, China had become one of the major arms suppliers of Iran (See table 5-3). The US government's attitude to arms sales to China had changed significantly by then. Only roughly \$14 million was sold through the FMS in 1988. Despite Chinese interest in advanced systems such as Stinger portable, Standard shipboard and medium-to-high-altitude Patriot surface-to-air missiles, SAM, Washington was not prepared to sell such missiles.⁷⁴⁶

Table 5-3 Arms deliveries to Iran, by supplier, 1981-1992 (US\$ million)

	USSR/Russia	China	West Europe	Other	Total
1981-84	370	540	1,670	3,350	5,930
1985-88	0	2,210	2,500	3,170	7,880
1989-92	2,00	2,400	900	1,000	6,300

(Source: SIPRI Arms Transfers Database | SIPRI, Sipri.org, 2019,

[https://www.sipri.org/databases/armstransfers.](https://www.sipri.org/databases/armstransfers))

The US again relaxed its technology export controls in 1988 after receiving a commitment from China to control its sales. The US proposed to COCOM a ‘China

⁷⁴⁶ FOIA/CIA Collection, ‘China’s search for air defence: on the verge of foreign acquisitions?’ April 8, 1986, 10.

Core List' further reducing the scope of multilateral export controls, liberalizing sales beyond the existing 'China Differential.' COCOM's executive committee agreed to work on such a list in October 1988, which was then endorsed in COCOM's January 1989 meeting.⁷⁴⁷

The End of US Arms Sales to China under George H Bush, 1989-91

In April 1989, students in Beijing gathered in Tiananmen Square, leading to weeks of escalating protests and a brutal government response. U.S. President George H.W. Bush focused on China's economic development and largely kept silent on the issue.⁷⁴⁸ The confrontation between students and the central government intensified, ultimately leading to violent suppression on 4 June 1989. President Bush condemned the use of force without directly criticising Chinese leaders. James Baker, Secretary of State, emphasized that the US had no intention of interfering in the internal political affairs of China.⁷⁴⁹ Although the Bush administration wanted to deal with the issue in a low-profile way, it still stopped US-Sino military cooperation including the suspension of arms sales to the PRC and the postponement of all high-level military-to-military contacts. The US also proposed strengthening the trade embargo in COCOM by cutting the list of core exports. It requested that COCOM partners draw up a shortened list by September 1991.⁷⁵⁰

⁷⁴⁷ Meijer, 'Balancing Conflicting Security Interests,' 32.

⁷⁴⁸ Jeff Hay (ed), *The Tiananmen Square Protests of 1989* (New York, Greenhaven Press, 2010), 13-14.

⁷⁴⁹ David Skidmore, and William Gates, 'After Tiananmen: The Struggle over U.S. Policy toward China in the Bush Administration,' *Presidential Studies Quarterly* 27, No. 3 (1997): 514-39.

⁷⁵⁰ Dianne Rennack, *China: US Economic Sanctions, Congressional Research Service Report for Congress 96-272* (Washington, DC: US Government Printing Office, 1 October 1997), 16.

These sanctions affected programmes such as the Large Caliber Ammunition Modernisation Program; the sale of four AN/TPO-27 'Firefinder' radars and the provision of support equipment and training; the sale of four Mark 46 MOD 2 torpedoes with support equipment, spares and training; and the J-8 II 'Peace Pearl' modernisation programme to develop, test and produce 55 upgraded fire control system kits and deliver them to the PRC to install in its J-8 II aircraft.⁷⁵¹ Beijing complained about these US sanctions on arms sales. Deng and other Chinese leaders believed that China was being treated unfairly because the US had been willing to work with Mao at a time when China's human rights situation was much worse than that of 1989.⁷⁵²

In fact, the Bush administration had shown little determination to terminate arms sales. It wished to continue the US-China military relationship, including arms sales to China. President Bush stated that a solid relationship between China and the US was in the interests of world peace and international stability.⁷⁵³ China's role in the 'strategic triangle' was irreplaceable, and severing military ties and terminating arms sales was tantamount to abandoning China and discarding its strategic value. The State Department argued that the Tiananmen Square incident did not necessarily portend a strategic shift in China's relations with the US and the USSR, because several of the elder statesmen and military leaders then regaining political influence had been more

⁷⁵¹ Meijer, 'Balancing Conflicting Security Interests,' 38.

⁷⁵² DNSA/China, 'China Lights, Report No.191,' State Department, March 12, 1991, 2.

⁷⁵³ DNSA/China, 'China-US Relations,' State Department, June 29, 1989.

reluctant than Deng to downgrade the threat from the USSR. They aimed to capitalise on their new political clout by increasing the military budget - a goal they would be reluctant to undercut by downplaying the Soviet threat.⁷⁵⁴ Based on this judgment, US-China military cooperation began to resume quietly in August 1989. Secretary of Defence Cheney secretly sent a four-man team to China on 13 August to restart FMS programmes. In early September 1989, the Peace Pearl project resumed after consultations.⁷⁵⁵

However, Bush's efforts to revive arms sales suffered from opposition in Congress. Both Democrats and Republicans criticised the administration for being too cautious, and bipartisan support increased for tougher measures against the PRC.⁷⁵⁶ Republican senator Warren Rudman from New Hampshire was adamant that Chinese leaders must accept the reality that America was an open society: 'The Congress reflected the views and feelings of the American people, and Congressional actions in the aftermath of Tiananmen should be interpreted with this in mind. That is reality. And China must recognize it as such and deal with it accordingly'.⁷⁵⁷

Congress therefore prevented the resumption of US arms sales to China. Congress passed a comprehensive sanctions amendment to the Foreign Relations Authorization

⁷⁵⁴ DNSA/China, 'China: Aftermath of the Crisis,' State Department, July 27, 1989, 10.

⁷⁵⁵ DNSA/China, 'Visit by DOD Team,' DoD, August 8, 1989.

⁷⁵⁶ Robert Suettinger, *Beyond Tiananmen: The Politics of US-China Relations, 1989-2000* (Washington, DC: Brookings Institution Press, 2003), 63-70, 83-7.

⁷⁵⁷ DNSA/China, 'CODEL Rudman: Meeting with Vice Foreign Minister Zhu Qizhen,' US Embassy (China), August 15, 1989.

Act for fiscal years 1990 and 1991, introduced on 21 November 1989 and signed by President Bush on 16 February 1990. Under Section 902(a) of the Act, the following sanctions were also imposed: (a) licensing was suspended for items on the US Munition List as well as crime control and detection equipment on the dual-use Commodity Control List, (b) the Trade and Development programmes were suspended, and (c) further China-specific liberalisation of export controls were frozen.⁷⁵⁸ In late April 1990, Chinese and American representatives held negotiations and terminated the project, which marked a complete halt to official Sino-US arms sales.⁷⁵⁹

The Gulf War from August 1990 to February 1991 shifted the internal focus of the US away from China-related issues. Additionally, this conflict demonstrated the waning ability of the USSR to sustain its global interests. Bush empowered the US Trade Representative to initiate investigations of China under Section 301 of the Trade Act of 1974 for unjust trade practices and infringement of US intellectual property rights. He authorised the confiscation of suspected illegal Chinese textile products in the US, in violation of China's quotas, and declared US intent to actively support Taiwan's admission to GATT. As the House Foreign Affairs Committee said, 'the collapse of the Soviet Union...may well have resulted in an eventual reassessment of US China policy in the 1990s regardless of other developments.'⁷⁶⁰

⁷⁵⁸ DNSA/China, 'China Lights, Report No. 191,' State Department, March 12, 1991, 2.

⁷⁵⁹ Yuan, *Keep Going*, 159-61.

⁷⁶⁰ CRS, 'Congress and Foreign Policy 1992,' January 1993, 152.

Conclusions

Reagan's arms sales policy experienced several changes of course. He inherited Carter's policy but extended it by selling lethal weapons to contain the USSR with the support of Secretary Haig and military circles. Disputes over Taiwan issues and China's attempted rapprochement with the USSR in 1982 dampened US enthusiasm on sales but a series of diplomatic successes vis-a-vis the USSR in 1983 rebuilt confidence in sales to China. Shultz restated Harold Brown's principle that arms sales to China should be correlated with the magnitude of the Soviet threat. He accepted that civilian technology transfer could effectively improve Chinese defence capabilities without the sale of arms or sensitive technology. Secretary of Defence Weinberger's visit to Beijing in September 1983 revived US-Sino military contacts and the arms trade and the speed of US arms sales to China significantly accelerated. In 1984, the decision to apply Foreign Military Sales (FMS) to China and the military cooperation memorandum initialled by Zhang and Weinberger represented the start of a Sino-US honeymoon for US arms sales to China.

But Gorbachev's 'new thinking' policy raised challenges as he actively improved relations with both the US and China, turning attention away from Europe to Asia. The Reagan administration recognised the challenge to its strategic position in Asia, and offset its effects by further strengthening the Sino-US relationship. But in 1987, China's export of missiles to the Middle East damaged further sales. The administration saw China as increasingly uncontrollable. The Tiananmen Square incident in May 1989 had

a profound and lasting impact on US arms sales policy towards China. It resulted in a rupture in US-China relations, which George H Bush tried to minimise but which led to a conflict between the White House and Congress over the appropriate response. Ultimately, Congress prevailed and imposed restrictions on arms sales and military cooperation with China. The Tiananmen Square event, coupled with the subsequent collapse of the Soviet Union, significantly altered the strategic landscape and reduced the imperative for a close US-China relationship in the realm of arms sales.

Chapter 6: UK Arms Sales Policy Towards China under Thatcher and Major, 1979-1991

Introduction

During the 1970s, the Sino-British relationship developed rapidly as the two countries built political, economic, educational, cultural and military ties. British arms sales policy towards China was one of the most important components of these military ties, which also included military exchanges and high-level visits. The British government's efforts in the 1970s to develop a coherent policy for arms sales policy to China had laid a sound foundation for the Thatcher government's arms sales policy that followed.

However, there were some issues that the Thatcher government needed to resolve. First, it needed to address issues arising from competition with other countries in the China market (within COCOM rules) and arms sales to China, which were banned by COCOM. Although the British government had reached a provisional agreement with the US government in 1973 that would allow Britain to bypass COCOM for arms sales, the temporary arrangement came under pressure from the UK's other allies and from China. The allies wanted Britain back in COCOM, but China wanted to be removed from COCOM rules. Second, the Thatcher government had diverged from the US on the issue of trade embargoes against the USSR. The trade policy regarding the USSR influenced UK and US technology transfer policy to China. Third, the Thatcher government faced competition in the Chinese market from deals made by its allies. The

US, France and Italy had also shown interest in arms sales to China, and China had considered their bids. However, thanks to its extensive efforts during the 1970s, Britain had already established a strong position in the Chinese arms sales market. Thus, the main task of the Thatcher government was to find ways of exploiting that dominant position to expand British arms sales to China.

This chapter examines British arms sales policy towards China under the Thatcher government, Anglo-American coordination in COCOM, British competition with other countries in the market and, ultimately, the end of British and US arms sales to China. It first examines the establishment of Thatcher's arms sales policy before and after the Soviet invasion of Afghanistan in December 1979 as well as some deals inherited from the Labour government. It then discusses Anglo-American cooperation on arms sales to China in light of the 'China differential' within COCOM and the 051-destroyer refit project. Finally, it discusses the end of British arms sales and coordination with COCOM partners after the Tiananmen Square episode in 1989.

The Thatcher Government's Economic and Strategic Considerations

An economic recession plagued Britain in the winter of 1978-1979 (the so-called 'Winter of Discontent'). The simultaneous rise of inflation and unemployment contributed to the Labour government's defeat in the general election of May 1979. When Margaret Thatcher took power her most urgent priority was to revive the British

economy, and was keen to increase the UK's arms trade.⁷⁶¹ According to the FCO, the main benefits derived from all British defence sales and services were (a) sustaining 75,000 direct job opportunities in UK industry, and (b) improving the country's trade deficit by an estimated £1,100 million in the financial year 1979/80. Arms sales could also contribute to maintaining a viable defence industry and sound technological base by facilitating longer production runs, economies of scale and reductions in the unit cost of equipment for Britain's own armed forces.⁷⁶²

The FCO's calculations indicated that China's total defence imports could total between \$6 billion to \$11 billion in the next decade.⁷⁶³ The Cabinet's Defence and Overseas Policy Committee (DOPC) issued Resolution OD (79)5 in June 1979, accepting the FCO's estimates and confirming that the Chinese market was one area where Britain could create more commercial interests through defence sales. The Cabinet believed that British industry was competitive and had a privileged position due to the aforementioned efforts made in the 1970s (see table 6-1). British shipbuilders estimated that Sino-British naval contracts could reach up to £900 million by re-equipping three Type-051 class destroyers and building three new destroyers; this would provide the manufacturers and sub-contractors with considerable opportunities. British Aerospace also raised hopes for employment with its missile deal and urged the government to relax arms export to China.⁷⁶⁴

⁷⁶¹ Phythian, *The Politics of British Arms Sales Since 1964*, 24.

⁷⁶² FCO-21/1718, Mehew to Ferguson, October 22, 1979, 10.

⁷⁶³ FCO-21/1718, memorandum from Chamberlain, October 26, 1979.

⁷⁶⁴ FCO-21/1818, Cortazzi to Lyne, February 22, 1980.

Table 6-1 Value of Arms Transfer Deliveries to China, Cumulative 1974-1988 by Major Supplier Countries (US\$ Million)

Year/Suppliers	USSR	US	UK	France	West Germany	Italy	Total
1974-1978	230	/	270	20	/	/	525
1979-1983	130	5	210	100	5	/	520
1984-1988	525	230	200	100	60	50	2465

(Source: World Military Expenditures and Arms Transfers (WMEAT) Data Files, 1974 - 1999, US State Department archived website -

<https://2009-2017.state.gov/t/avc/rls/rpt/wmeat/index.htm>)

According to Hugh Cortazzi, the British Ambassador to Japan, in the longer term, arms sales would lead to closer industrial and commercial contacts and improve the prospects for British civilian exports as a whole in China, because the Chinese government regarded willingness to supply military equipment as a necessary precursor to signing civilian trade contracts. The Cabinet considered that China remained a major potential export market and Sino-British civil trade could value about £7 billion between 1979 and 1985. Increased arms sales would only raise that number.⁷⁶⁵

The Cabinet found acceptable political reasons to sell arms. Resolution OD (79)5 asserted that supplying military equipment to China was unlikely to significantly reduce

⁷⁶⁵ FCO-21/1717, Samuel to Cortazzi: OD (79)5, June 5, 1979.

the Soviet threat to Western Europe. However, arms sales to China would strengthen its tilt toward the West and accelerate its integration into international society. UK arms sales would benefit the Anglo-American relationship because the US also wanted a strong and prosperous China.⁷⁶⁶

On the other hand, the DOPC also warned that selling arms to China could damage Anglo-Soviet relations, noting that the USSR might enact retaliatory measures to the detriment of British commercial interests. East-West relations in general, and in arms control negotiations in particular, could become more difficult. In order to counteract such likely negative effects, the resolution offered two suggestions: first, that Britain should publicly insist arms sales would be only part of a normal relationship with China; second, that Britain should also explain the decision unofficially to Moscow and ease Anglo-Soviet tensions.⁷⁶⁷

Tensions over Arms Sales to China

Although these potential factors did not override commercial interests, the British government still needed to resolve the conflict between its sales and COCOM restrictions. Since the Spey military engine deal in 1975, Britain had adopted an 'exception procedure' to sell arms to China with US acquiescence and could bilaterally inform other partners without submitting cases to COCOM. This expedient had two advantages. First, Britain avoided a lengthy COCOM review process and possible

⁷⁶⁶ Ibid.

⁷⁶⁷ Ibid.

vetoed. If arms sales were to be conducted through COCOM, its rules would need to be revised. Second, any such revision of COCOM rules would render the arms embargo against the Warsaw Pact very permeable.

However, the provisional arrangement of remaining outside COCOM for arms sales to China could not support large-scale sales because it had suffered increasing criticism from other allies. With the sale of a mortar-locating radar, the Cymbeline Radar, in 1979, a British official recognised that ‘the degree of opposition on the part of our COCOM partners to our notification procedure may be increasing’.⁷⁶⁸ Other COCOM countries were themselves more eager to partake in arms sales to China in the face of Soviet foreign policy in the late 1970s. Their complaint was not about arms sales in general, but rather that Britain ‘had an edge over’ its competitors in the Chinese market.⁷⁶⁹

Thatcher’s Arms Sales Policy

To appease allies’ opposition, the Thatcher government aimed to establish, within COCOM, a formal differentiation in favour of China vis-a-vis the Warsaw Pact. Resolution OD (79)5 stated that ‘our long-term aim should be to secure modifications to these [COCOM] procedures which would permit more lenient treatment within COCOM of strategic sales to China’. The proposal faced strong opposition. The Western allies believed that any exemption for China would mean relaxation of sales to Warsaw Pact nations; in other words, Britain's ‘China differential’ could open a

⁷⁶⁸ PREM-19/963, Lever to Norbury, December 3, 1979.

⁷⁶⁹ PREM-19/963, Rose to PM, June 8, 1979.

Pandora's box.⁷⁷⁰ US Secretary of State Cyrus Vance had made it clear that the US was opposed to arms sales to China being submitted through COCOM machinery. Its public position promoted equal treatment of sales to Warsaw Pact nations and China; however, it privately accepted British sales bypassing COCOM because arms to China could check the USSR. The US specifically asked Britain not to disclose the US attitude to COCOM allies.⁷⁷¹ The Thatcher government therefore agreed not to seek changes to COCOM rules for arms sales to China. Other COCOM allies were to be informed bilaterally but not consulted. The government reserved the right to review offensive weapons sales independently and, on a case-by-case basis with the 'exception procedure' intact.⁷⁷²

The UK established its own control lists with four levels of political sensitivity. Category 1 covered what 'British firms have hitherto been authorised to negotiate and which it is now proposed should be confirmed'. This included all kinds of naval, land, air and strategic equipment such as ship engines, anti-tank and surface-to-air missiles, military radar, Harriers, and aircraft engines. Category 2 meant 'not particularly sensitive'. Category 3 referred to types of equipment 'which are particularly sensitive'. Category 4 was embargoed equipment 'rule[d] out for sale to the Chinese' including large warships, strike aircraft and submarines. British firms could, with assured government approval, independently negotiate sales for Category 1. They could explore

⁷⁷⁰ FCO-21/1717, OD(79)5-Annex-C-1, June 5, 1979.

⁷⁷¹ Ibid. 2.

⁷⁷² PREM-19/963, Rose to PM, June 8, 1979.

Chinese interest in items in Categories 2 and 3, but the government would not necessarily approve such sale.⁷⁷³ The four-category system showed that the British government was far ahead of the US in policymaking. It defined in detail the categories of weapons that could and could not be sold, whereas a similar US system did not emerge until November 1983, when it became known as the ‘three-zone trade control system’ (see Chapter 5).

Hua Guofeng’s Visit to Britain, September 1979

During the visit of Chinese Premier Hua Guofeng to the UK in September 1979, both sides attached importance to arms sales. At that point, Chinese arms import policy was positive due to the influence of the ‘leap outward’, and Hua raised many arms import proposals, especially for British airforce arms like BL755 aircraft-carried cluster bombs and Marconi’s avionics for Chinese Chengdu J-7 fighters. On 31 July 1980, the Chinese government officially imported 124 sets of avionic equipment, including heads-up displays, static converters, radar rangefinders and other subsystems from Marconi to upgrade 100 J-7IA fighter jets. Marconi also agreed to transfer plans and technology for the production of relevant avionics systems for about £40 million.⁷⁷⁴

Hua also showed interest in British army equipment to upgrade the Chinese-made Type 59 tank. China hoped to incorporate new night-vision equipment, a fire control system and main gun from Vickers, and tank engines from Rolls-Royce. Lord Carrington, the

⁷⁷³ FCO-21/1818, OD (80) Annex-1, February 1980.

⁷⁷⁴ PREM-19/963, Pym to MT, July 1, 1980, 1.

Foreign Secretary, approved Rolls-Royce's transfer of the CV-12 diesel engine and transmission belt from the British Challenger 1 tank to China to develop a new mainline battle tank. China and Britain sent delegations to each other many times, including a visit by Hua Guofeng and leaders of the China North Industries Company to the Rolls-Royce tank engine factory.⁷⁷⁵ Although China did not import the British Vickers Main Battle Tank Mark 4 (also known as the 'Valiant'), Britain sold China (through Austria, which was not a member of COCOM) the British L7 105mm rifled tank gun, as well as production technology for several types of ammunition such as APDS (Armour-Piercing Discarding Sabot. This was of great significance in improving the anti-armour capability of the Chinese Army.⁷⁷⁶

China hoped to translate the success of the arms sales into a deepening of political ties, using Britain and Europe to alleviate the strategic pressure from the USSR on China. Hua stated that the Chinese and British were fundamentally aligned. China's development of relations with Europe and the US would therefore concern the USSR. Appropriate mutual efforts would constrain the Soviets' ability to provoke war. Hua Guofeng bluntly stated that if China could complete its military modernisation, it would immediately assume an ever-greater burden in containing the USSR.⁷⁷⁷

Thatcher responded indifferently to Hua's statement. She felt that Britain and China

⁷⁷⁵ AMDA/FCO-21/1824, 115; AMDA, FCO-21/1819, 2-4,42.

⁷⁷⁶ PREM-19/963, Pym to Carrington, May 1, 1980.

⁷⁷⁷ PREM-19/3, Palliser to Hunt, September 18, 1979.

faced a dangerous decade because the USSR was stronger at the conventional level, but Britain would not join the frontier against the USSR.⁷⁷⁸ In essence, the British side believed that Hua was playing the 'European card' against the USSR and that Britain should avoid giving any impression of strategic concerns motivating Sino-British relations. FCO argued that the Soviets were extremely sensitive and were watching for any sign that Western Europeans - and Britain in particular - were willing to side with China against the USSR, so the British side should take care to avoid making public statements during the visit that might unnecessarily damage Anglo-Soviet relations.⁷⁷⁹

The Soviet-Afghan War: Relaxation of UK arms sales policy

The Soviet-Afghan War was a turning point for British arms sales policy. In response to the Soviet invasion of Afghanistan, US President Carter announced the 'Carter Doctrine' in January 1980 and in March 1980, Carter ordered that China be removed from 'Y' countries with restricted trade. He established a new 'P' category for China to ease transfers of non-lethal military equipment. The US accepted arms sales by its allies to China of equipment containing US parts. This US shift encouraged the further expansion of UK arms sales. Recognising that the Carter administration's 'even-handed' policy toward the USSR and China had ended,⁷⁸⁰ Thatcher sent a letter to Carter emphasising an Anglo-American need to jointly strengthen strategic ties with China, including arms sales.⁷⁸¹

⁷⁷⁸ PREM-19/3, discussion between the PM and Premier Hua Guofeng, October 29, 1979.

⁷⁷⁹ PREM-19/3, Palliser to Hunt, September 18, 1979.

⁷⁸⁰ PREM-19/238, Telegram from Henderson, January 24, 1980.

⁷⁸¹ PREM-19/136, Thatcher to Carter, January 26, 1980.

Soviet behaviour significantly influenced the Thatcher government's evaluation of China's strategic status. A paper drafted for the Prime Minister entitled 'Western Strategy in the Wake of Afghanistan: A Draft Policy Towards the USSR' stated that Soviet goals were to realise communism, maintain satellite states in Eastern Europe, become a decision-maker in world affairs and achieve 'world hegemony'. The authors argued that partnership between China and the West was valuable for two reasons: China had the capacity to impose major regional restraint on Soviet expansion, and such a partnership would have a divisive effect within the Marxist camp.⁷⁸²

The FCO's report, 'Afghanistan: Forward Planning: China' further explained the importance of China. It warned that 'in recent decades the correlation of forces has been moving in favour of the Soviets'. Furthermore, Britain had to 'find ways of making it clear to them that things are not moving inexorably their way' and with the invasion of Afghanistan, the USSR 'must expect to find the rules changed against them in other [areas]'. It concluded that since 'China's global and regional importance [was] likely to grow steadily', the conscious 'development of closer ties with China...could be considered'. Arms sales to China could also marginally improve prospects for other trade with China and help resolve the issue of Hong Kong. Ministers in the Cabinet Overseas Policy Committee approved the report on 22 January.⁷⁸³

⁷⁸² PREM-19/238, PM to Hugh, May 10, 1980, 7, 17, 27-8.

⁷⁸³ PREM-19/963, Lyne to Alexander, January 29, 1980, 1. (Roderic Lyne was Foreign Secretary Carrington's private secretary)

However, officials still worried about a unilateral Soviet response to British arms sales to China. They concluded that such sales would only reinforce the Soviet conception of Britain as the European power most prepared to align with the US and would, as a result, expose Britain to selective Soviet reprisals. The British Ambassador to the USSR, Curtis Keeble, expressed his concerns about too warm a Sino-British defence relationship. He argued that, while hoping to exploit ‘the best of both worlds’, Britain must ‘not act in a hurry’ but must instead make its Chinese policy ‘pragmatic’. He suggested a ‘balance’ in the attitude towards China and the USSR.⁷⁸⁴ Other external factors also complicated British arms sales. India and ASEAN could raise objections, because the former regarded China as ‘aggressive and irresponsible’. Furthermore, China had its own long-term goals and interests, meaning that the prospects of long-term common interests between China and the West were extremely limited. It was only because of China's anti-Soviet stance that it sought a strong NATO and a politically united Western Europe. The report argued that China regarded the West as a source of cheap credit, cheap technology and cheap advanced military equipment.⁷⁸⁵

China's reluctance to assist Britain in diplomatic questions became evident in 1981. The incompatibility of long-term interests limited the further development of strategic cooperation between China and the UK. When Lord Carrington met Chinese Foreign Minister Huang Hua on 2 April 1981, Huang explained that China could not provide

⁷⁸⁴ PREM-19/963, telegram from Keeble to FCO, May 15, 1979.

⁷⁸⁵ PREM-19/963, Lyne to Alexander, January 29, 1980, 3.

support over Poland. Carrington replied that the West had learned its lesson from the disunited reaction to the Soviet invasion of Afghanistan. Political cooperation in Europe had improved greatly since then, and NATO was prepared to respond immediately in case of Soviet military intervention in Poland. Huang said that Britain should strengthen its awareness of the Soviet threat outside Europe. The invasion of Afghanistan and the Vietnamese occupation of Cambodia were linked in a wider Soviet drive south. The Soviets would continue to take advantage of the Iran-Iraq war, employing subversion in Iran and destabilising Pakistan. The Soviet aim was to reach the Persian Gulf and control oil producers and supply routes from there to the Indian Ocean and eastern Africa. Huang Hua hoped that Western countries would provide economic and military assistance to China to contain Soviet expansion in South Asia because China's ability to provide weapons there was very limited. Carrington gave no positive assurance regarding China's concerns.⁷⁸⁶

The Thatcher government decided to continue relaxation of restrictions on arms sales to China, despite the two nations' divergent long-term interests. It believed that the short- and medium-term interests of Sino-British relations (i.e. resisting Soviet expansionism and maintaining stability and prosperity in Hong Kong), overrode long-term doubts. The FCO argued that 'reconciliation between China and the USSR is unlikely in the foreseeable future; in the short- and medium-term China poses no strategic threat to the West; the internal situation is reasonably stable and the leadership

⁷⁸⁶ PREM-19/963, Telegram from Cradock, April 2, 1981.

are pursuing pragmatic, outward-looking policies'.⁷⁸⁷ Opposition from China's neighbours was not considered decisive, either. For the foreseeable future, arms sales would not significantly enhance China's 'blue water'⁷⁸⁸ capability, which was a concern for Japan, South Korea and ASEAN countries. Arms sales *per se* would not allow the Chinese to conduct naval operations in Indian territorial waters.

In February 1980, the Cabinet confirmed resolutions OD80 (15) and (17), which approved the case-by-case approach and certain proposals from industry regarding selling destroyers, air-to-air missiles and aircraft engines.⁷⁸⁹ These potential orders represented a step-change in British arms sales to China; Callaghan's emphasis on 'defensive' sales had been wholly abandoned. Instead, ministers decided that one primary international criterion was 'whether or not the proposed sale would upset or have a significant effect on the strategic balance in the area, meaning not only vis-a-vis the USSR, but also Japan and other countries in Southeast Asia'.⁷⁹⁰ The official British position, as related to the Western allies, avoided any link with policy towards the USSR. The former chargé d'affaires in Beijing, Sir Richard Evans, explained when discussing two possible sales in 1981 that sales to China were wholly unconnected 'with the present situation in Poland or as a measure aimed at the USSR. The UK never attempted to play the "China card"'.⁷⁹¹

⁷⁸⁷ FCO-21/1818, McLaren to Cortazzi, February 22, 1980, 1-2.

⁷⁸⁸ A blue water navy is one capable of operating over transoceanic distances.

⁷⁸⁹ FCO-21/1818, OD (80), February 1980.

⁷⁹⁰ FCO-21/3025, China-Review of UK policy on the sale of defence and military relevant equipment, May 15, 1985.

⁷⁹¹ FCO-69/817, Record of a discussion at the Quai D'Orsay, April 9, 1981.

Establishing the New 'China Differential'

Another major change brought about by the Soviet war in Afghanistan was that the US began to consider changing the COCOM rules and giving China formal favour. In January 1980, the Carter administration quietly informed Foreign Secretary Lord Carrington that it intended to sound out COCOM partners about establishing a new 'China differential' within the group that would treat China more favourably than Warsaw Pact countries for the export of weapons, defence equipment and high-technology civilian equipment on all three COCOM lists: the industrial list, the international munitions list and the international atomic energy list. To secure British consent to the proposal to revise COCOM, the US stated that it was prepared to agree to British defence sales to China as an exchange.⁷⁹²

The change of US policy aligned with British interests, and London responded to Washington that it hoped for full prior bilateral consultation before contacting other COCOM partners.⁷⁹³ For the duration of US trade control against China after the Second World War, the UK's opposition to COCOM had never changed, because the COCOM system damaged its trade with China. In the 1950s British policy was focused on raw materials, whereas from the 1970s the focus was on weapons. In 1957, Britain showed its determination to oppose the trade embargoes by unilaterally abolishing the old 'China differential' and using the 'exception procedure' to maintain exports to

⁷⁹² PREM-19/963, Pym to PM, April 18, 1980, 1-2.

⁷⁹³ PREM-19/963, Lyne to Alexander, January 29, 1980.

China. Britain had difficult negotiations with the US in the 1970s over Spey and Harrier. In other words, US preservation of COCOM was the biggest obstacle to British arms sales to China. However, this time, the UK and the US stood on the same side. Furthermore, accepting the US proposal might preclude Soviet retaliation because sales could be presented as arising from an overall Western consensus. The FCO argued that Britain needed to carry as many allies as possible (including Canada and Australia) in any strengthening of relations with China in order to present any new policy as a general Western one.⁷⁹⁴ Roderick Lyne, private secretary to Lord Carrington, summarised: ‘to avoid [the USSR] singling us out, we would need to carry our allies and other Western partners with us as far as possible’.⁷⁹⁵

On the other hand, the British government was not entirely satisfied with the American proposal. First, the new ‘China differential’ was not broad enough to meet British export hopes. Carrington argued that ‘there is some risk, if we accepted it, that some of our proposed defence sales might be vetoed’.⁷⁹⁶ British businesses worried that the Americans were using COCOM arrangements to halt British sales until US firms could win orders instead.⁷⁹⁷ Accepting a new ‘China differential’ meant that the UK would have to abandon ‘exception procedures’, thereby damaging the flexibility of British sales. The MoD argued that ‘the present procedure for notifying capitals does indeed suit our defence sales interests better than a more formal arrangement’.⁷⁹⁸

⁷⁹⁴ Ibid.

⁷⁹⁵ Ibid.

⁷⁹⁶ PREM-19/963, Carrington to Pym, July 8, 1980.

⁷⁹⁷ PREM-19/963, Pym to Carrington, July 14, 1980.

⁷⁹⁸ PREM-19/963, [unrecognisable name] to Carrington, July, 1980.

The shift in US policy was not in the interests of other Western European countries. Whereas the US saw the Soviet war in Afghanistan as a sign that détente had failed, other Western European countries believed that détente continued. Moreover, they already had many economic and political ties with the USSR, and the failure of détente would lead to a worsening of East-West relations. Creating a formal China differential in COCOM would provoke Soviet retaliation on politics and trade, because the action could be seen by the USSR as Europe leaning towards China. In general, other COCOM countries agreed to relax restrictions on sales to China but strongly opposed any radical revision.⁷⁹⁹ Germany and Japan did not wish to sell arms to China and were reserved about other countries' sales. France was partially constrained by its relationship with the USSR. The FCO assessed that France would be opposed to using increased defence cooperation with China as leverage over Afghanistan.⁸⁰⁰

Therefore, Britain worried that other Western countries might seek to restrain British sales by rejecting applications in COCOM in the interests of maintaining détente. Any COCOM reform influenced by these countries would impinge on British interests. Carrington and Francis Pym, the Defence Secretary, both believed that Britain 'could only accept submission [of arms to China] through COCOM if it was clear that our partners would in fact refrain from using their veto as a general rule'.⁸⁰¹ Britain largely

⁷⁹⁹ PREM-19/963, COCOM: Defence Sales to China, July 8, 1980, 1.

⁸⁰⁰ PREM-19/963, Lyne to Alexander, January 29, 1980.

⁸⁰¹ PREM-19/963, Pym to Carrington, July 17, 1980.

welcomed the US-proposed policy change to balance European countries' oppositions. Officials believed that 'American policy is basically consistent with [Britain's], and given that the Americans have been the main obstacle in practice to our exports of sensitive technology to China, the change in US policy can only be welcomed'.⁸⁰²

Britain nonetheless aimed to modify the American proposal to favour its interests. In the British draft formula, a phrase was added to the US proposal stating that COCOM exports to China 'should in general be approved'.⁸⁰³ American officials told the British government privately that they accepted the proposed formula except for this addition, so Pym had to withdraw it to avoid 'even more restrictive terminology being included by the Americans'.⁸⁰⁴ The private negotiation reflected that up until 1980, there had been an Anglo-American inner ring within COCOM that tolerated each other's proposals. Apart from the 'China differential' issue, the US had submitted an application to COCOM in June 1980 to export technical data for the assembly of military helicopters on Chinese territory. To secure US approval for British exports of tank engines and avionics, Britain maintained absolute silence on the US application, thereby giving tacit assent under COCOM's procedures.⁸⁰⁵ The US privately expressed appreciation for Britain's silent position.⁸⁰⁶

Britain submitted its formula for the 'China differential' on 26 November 1980. In the

⁸⁰² FCO-69/819, Manning to Watson, July 2, 1981.

⁸⁰³ PREM-19/963, Carrington to Pym, July 8, 1980.

⁸⁰⁴ PREM-19/963, Carrington to Pym, November 19, 1980.

⁸⁰⁵ PREM-19/963, Lyne to Dawson, June 18, 1980.

⁸⁰⁶ PREM-19/963, Omand to Lyne, June 20, 1980.

ensuing weeks, it was approved by every COCOM member except France. The French were not in principle opposed to anything Britain might wish to export to China, but would not agree to any formal procedure that discriminated against USSR and other proscribed destinations in favour of China. France preferred an informal differential and adopting an 'exception procedure' in Chinese cases instead of shortening control lists. It promised not to oppose British export cases. The British government thought that it would be fruitless to press for a formal agreement in COCOM. A too tough stance was considered likely to damage Anglo-French relations, and Britain accepted the informal arrangement. In 1981, Britain resumed the submission to COCOM of exports to China.⁸⁰⁷

Anglo-American Cooperation on Technology Blockade to the USSR

The year 1980 saw the unification of British and US positions on technology and arms transfer to China, when they established an informal 'China differential' in COCOM as a concession to European countries to preserve East-West relations. After Reagan came to power, however, the US and Western Europe, including Britain, had a more serious disagreement over technology trade controls on the USSR. In COCOM, the US government suggested increasing the level of control over Soviet trade, but the proposal was met with strong resistance from Europe.⁸⁰⁸

⁸⁰⁷ PREM 19/963, Carrington to Pym, July 27, 1981.

⁸⁰⁸ Douglas E. McDaniel, *United States Technology Export Control: An Assessment* (Westport, Conn.: Praeger, 1993), 38.

On 29 December 1981, the newly inaugurated Reagan administration banned the export of oil and gas equipment by US companies to the USSR. The Reagan administration argued that Western Europe's longstanding dependence on Soviet energy had come at the cost of continuous diplomatic concessions to the USSR.⁸⁰⁹ On 18 June 1982, the Reagan administration extended the ban to US subsidiaries in Western Europe and Western European companies licensed by the US government.⁸¹⁰ Reagan's energy equipment embargo of 18 June 1982 was resisted by the UK, West Germany, France and Italy. The Reagan administration was determined to terminate the supply of all energy technology and equipment to the USSR, so it rapidly imposed sanctions on two French companies and then on other Western European companies for shipping materials to the USSR.⁸¹¹

The new US Secretary of State, George Shultz, expressed his willingness to work with the British government to contain the USSR. He wrote to Foreign Secretary Pym about increasing competition and confrontation: '[i]t was time for the allies to demonstrate three things: realism, strength and readiness for a more constructive relationship'.⁸¹² Reagan's view was that 'one must hold that [Soviet] government responsible for its actions and base one's relationship with it on the realities of Soviet behaviour'. He wrote personally to Thatcher expressing a hope that the two nations might overcome their

⁸⁰⁹ Bruce W. Jentleson, *Pipeline Politics, The Complex Political Economy of East - West Energy Trade* (Cornell University Press, 1986), 201.

⁸¹⁰ M. Mastanduno, *Economic Containment: COCOM and Politics of East -West Trade* (Ithaca: Cornell University Press 1992), 250-3.

⁸¹¹ *Ibid.*

⁸¹² PREM-19/1033, telegram from Sutherland to FCO, November 15, 1982.

differences regarding the USSR, so that 'Western conduct toward the USSR be marked by unity of purpose'. The Thatcher government was persuaded and agreed 'to take the necessary steps to remove differences', including supporting the US position in COCOM, duly restricting credits, energy and control of technology transfer issues.⁸¹³

On November 13, 1982, Reagan announced the lifting of sanctions on oil and gas equipment, declaring a significant agreement among allies. The accord stipulated that allies would avoid trade agreements that could benefit the USSR's military or strategic advantage, particularly those involving high-tech goods and oil and gas equipment. The agreement also restricted preferential aid and new gas contracts until the completion of a study by Western allies on energy alternatives. Furthermore, it reinforced COCOM controls and proposed monitoring financial relations to standardize credit policies.⁸¹⁴

In 1983, the Reagan administration reiterated the technology blockade policy against the USSR. Reagan's NSDD 75 stressed that the US aimed 'to ensure that East-West economic relations do not facilitate the Soviet military build-up. This requires prevention of the transfer of technology and equipment that would make a substantial contribution directly or indirectly to Soviet military power'.⁸¹⁵

The Thatcher government followed Reagan's policy lead. On 8 September 1983, the Prime Minister held two seminars at Chequers with academics and advisers to discuss

⁸¹³ PREM-19/1033, text of revised US paper discussed, October 24, 1982.

⁸¹⁴ Philip J Funigiello, *American-Soviet Trade in the Cold War* (Chapel Hill: The University of North Carolina Press, 1988), 206-7.

⁸¹⁵ PREM-19/1033, Reagan to PM, November 12, 1982.

the question of relations with the Soviet Bloc. One article, 'East/West Relations', praised Reagan's technology control policy and stated that Western powers were successfully 'refining COCOM rules on the export of militarily significant technology and improving the effectiveness of the enforcement of these rules'.⁸¹⁶ Thatcher made the technological blockade of the USSR an important part of British foreign policy. Maximum care had to be taken to avoid exports that could have significant military applications; such exports could still be embargoed under effective COCOM procedures.⁸¹⁷

Beijing's Disruption of COCOM

The debates between the US and Europe over trade controls with the USSR from 1981 and 1982 convinced Beijing that the West favoured China over the USSR for technology transfer. As a result, Beijing confidently put pressure on Western countries, including Britain, to formally request differential treatment in COCOM or removal from COCOM. After the US eased restrictions on Chinese technology transfers in November 1983, China became more vocal in its opposition to COCOM rules, arguing that the US had simply shifted the headquarters of its trade restrictions from Washington to Paris. Beijing argued that it was absurd to treat China in COCOM as if the differences between China and the USSR were merely nominal. China insisted that there would never be any benefit to improving Russian military capability, whereas there were

⁸¹⁶ PREM-19/1033, 'East/West Relations,' August 24, 1983, 18.

⁸¹⁷ PREM-19/1033, 'Chequers: Discussions of Foreign and Defence policy,' September 12, 1983, 18.

plenty of advantages to doing so for China.⁸¹⁸

At the same time, China had begun taking steps to disrupt COCOM's coherence. The British Embassy in Beijing observed that the Chinese had been approaching certain COCOM members individually to suggest that others were selling goods subject to COCOM control without clearance. The number of cases was small, but Britain was positive that the Chinese were driving wedges between COCOM members. When John Stanley, UK Minister for the Armed Forces, visited Beijing in April 1984, Chinese Minister of Defence Zhang Aiping told him that US Secretary of Defence Weinberger had promised China that sales of US military equipment to China would not be subject to COCOM, and that he hoped the UK would proceed in the same fashion. The US denied Zhang's assertions in a meeting with British officials. In negotiations on a defence contract with the Netherlands, China attempted to place a deadline on the deal that would not allow sufficient time for consultation in COCOM; the same tactic was employed in negotiations underway with Italy.⁸¹⁹

Further Plan to Relax COCOM Regulations

The US was the main beneficiary of the informal 'China differential' established in 1981 due to its huge number of 'exceptional' exports to China (see tables 6-2 and 6-3). COCOM members applied to the Committee for approval to export embargoed goods, which was usually granted if all partners agreed that the end use would be civilian and

⁸¹⁸ FCO-21/2681, Telegram from Gomersall to FCO, January 9, 1984.

⁸¹⁹ FCO-21/2681, Barrass to Davidson, July 26, 1984.

no threat of military conversion existed. Since 1981, there had been an informal differential in favour of China in COCOM, under which applications to export embargoed items were usually granted. As the previous chapter described, the Reagan administration attempted to use the differential to narrow the military gap between China and the USSR, significantly improving technology transfer in the 1980s.⁸²⁰ In January 1984, Shultz stated in COCOM that ‘higher technology exports to China by all COCOM countries would be in our mutual security interests’. He pleaded for all members to permit the sale of more technically advanced equipment to China.⁸²¹

*Table 6-2 Number of US export licence approvals to China*⁸²²

Fiscal year	Licence approvals	Value (Unit: \$million)
1981	1508	306
1982	2020	355
1983	3314	775
1984	4587	1986
1985	8593	5730

*Table 6-3 US ‘Exceptional’ exports to China*⁸²³

Fiscal year	Total number of exceptional export applications raised by	Total number of exceptional export applications to China	The proportion of exceptional export applications to China

⁸²⁰ Mastanduno, *Economic Containment*, 279-81.

⁸²¹ FCO-21/2681, ‘COCOM: China,’ January 20, 1984.

⁸²² Mastanduno, *Economic Containment*, 279-81.

⁸²³ Ibid.

	the US to COCOM	raised by the US to COCOM	in exceptional US exports
1982	1150	626	54%
1983	1882	1502	80%
1984	3399	2931	86%
1985	3790	3612	95%

Britain agreed with Shultz's proposal because formalising the 'China differential' in COCOM had been an aim since late 1980. Geoffrey Howe, Foreign Secretary from June 1983, responded positively to Shultz's appeal and expressed a willingness to work with the US to promote the revision of COCOM rules. He explained that Britain's 'broad strategic objective' was 'building up China as a more effective counterweight to the USSR, without undermining the security of the West or putting critical Western technology at risk'.⁸²⁴ Britain could reap strategic benefits alongside the US and gain considerable diplomatic credit with the Chinese by taking the lead in liberalisation and thereby accruing considerable commercial benefits.⁸²⁵

Britain continued to seek a formal 'China differential' in COCOM. The British delegation in COCOM stated that because the absence of guidelines would lead to considerable friction among COCOM partners, 'it may be that the time has come to reconsider a special China procedure'.⁸²⁶ This statement sparked a debate over whether

⁸²⁴ FCO-21/2681, Howe to Shultz, February 21, 1984.

⁸²⁵ FCO-21/2681, Ashton to Quayle, November 30, 1984.

⁸²⁶ FCO-21/2681, Telegram from Howe to FCO, January 27, 1984, 2.

the China differential should be formalised. At a COCOM meeting on 31 January 1984, France and West Germany objected but Italy, Norway, Japan and Denmark were in favour. Belgium and the Netherlands expressed no opinion on the matter. France's opposition was the strongest, arguing that Chinese policies could change overnight and that China would not pass up an opportunity to normalise relations with the USSR.⁸²⁷ In essence, France and some other European nations refused to allow COCOM 'to be an instrument of America's broader economic warfare strategy', regardless of whether it was against USSR or using China.⁸²⁸

The soaring number of US exceptional export applications placed a heavy burden on COCOM. About 80-85% of COCOM cases in 1984 were exports to China, of which 80% came from US firms - a total of 2,931 US-to-China cases. In the same year, Britain submitted 340 cases, more than two-thirds of which were destined for China.⁸²⁹ Pressure developed - particularly from the US with the support of the DoD - to find ways to reduce this burden.⁸³⁰ The US aimed to build an ad hoc group (hereinafter 'the Ad Hoc Group') in COCOM for cases involving China, which could improve efficiency and reduce COCOM's workload.⁸³¹ In late January 1985, a US official privately revealed to the British that the US would formally propose the plan in COCOM as soon as possible and hoped to have British support.⁸³²

⁸²⁷ FCO-21/2681, Whitehead to Darke, February 1, 1984.

⁸²⁸ Alan P. Dobson, 'The Reagan Administration, Economic Warfare, and Starting to Close down the Cold War,' *Diplomatic History* 29, No.3 (2005):531-56, p.551.

⁸²⁹ FCO-21/3027, COCOM high level meeting: 6-7 February 1985, 1.

⁸³⁰ FCO-21/3027, Ashton to Orr and Elliot, January 22, 1985.

⁸³¹ FCO-21/3027, Telegram from Fretwell to FCO, January 29, 1985.

⁸³² FCO-21/3027, Telegram from Fretwell, January 29, 1985.

Britain agreed with the US position and suggested a radical plan based on the proposal, aiming to remove China from COCOM's control completely. There were three reasons for this plan. First, it attempted to avoid the impression that Britain was simply following the US in export restriction relaxation. As the FCO argued, 'our bilateral interest with China is in not being seen by the Chinese to adopt a less forthcoming attitude than other COCOM members'.⁸³³ Second, with the resolution of the Hong Kong issue, both China and the UK sought a rapid increase in bilateral trade, particularly for UK technology exports to China. Britain's enthusiastic attitude would greatly improve prospects for commercial contracts.⁸³⁴ Third, Hong Kong was to return to China in 1997, and whether COCOM restrictions on mainland China would apply to Hong Kong in the future was a thorny issue, so the restrictions as a whole should be lifted before Hong Kong's return to China.⁸³⁵

Ad Hoc Group in COCOM

The US hoped that Britain would support an incremental approach rather than a single package deal, and Britain compromised after private negotiations.⁸³⁶ At a high-level COCOM meeting in February 1985, it was agreed that an ad hoc study group should be set up to examine current procedures for the consideration of Chinese cases in COCOM and to produce recommendations.⁸³⁷ The Ad Hoc Group met five times on the new

⁸³³ FCO-21/3027, Ashton to Quayle, January 22, 1985.

⁸³⁴ FCO-21/3027, Elliott to Smith, February 1, 1985.

⁸³⁵ FCO-21/3027, Galsworthy to Wilson and Elliott, February 4, 1985.

⁸³⁶ FCO-21/3027, Maud to Smith, April 24, 1985.

⁸³⁷ FCO-21/3025, China-Review of UK policy on the sale of defence and military relevant equipment, May 15,

China procedure. In September, agreement on a 'package' of administrative exceptions noted 27 International List (dual use) equipment categories. COCOM agreed on a partial relaxation of restrictions to China, permitting licensing at national discretion on a range of items in telecommunications, computers and semi-conductors.⁸³⁸ Equipment so defined would not need prior COCOM review, but could be exported at each COCOM country's discretion, with post-shipment reporting only. Implementation of the package was subject to China's agreement to designate government authority to certify end-user certificates.⁸³⁹

Thatcher-Reagan Debate on the 051 Destroyer Project

British arms sales to China were severely affected in the early 1980s. The turning point came with Project 051, a China-UK project to upgrade Chinese destroyers. During a visit to the UK in July 1979, Yang Yong, Chinese Deputy Chief of the General Staff, and Liu Daosheng, Deputy Commander of the PLA Navy, asked Britain to help China launch large surface combat ships.⁸⁴⁰ On 29 February 1980, the Chinese and British governments signed an administrative agreement for Project 051, a modernisation programme to upgrade two Chinese Type 051 destroyers to the British Sheffield-class Type 42 destroyer standard. Britain would completely modernise the ships by installing Sea Dart air defence missiles, new communication systems, and fire control radar systems.⁸⁴¹

1985.

⁸³⁸ PREM-19/1682, Gilbertson to Powell, May 14, 1986.

⁸³⁹ DNSA/China, 'US export controls and technology transfer to China,' State Department, July 31, 1986, 5.

⁸⁴⁰ AMDA, FCO-21/1718, Defence sales to China: policy, June-October 1979 (Folder 5), 63.

⁸⁴¹ AMDA, FCO-21/1824, Pym minute to Carrington, September 23, 1980, 2.

When the initial agreement was signed, the British government planned only to notify the US of this combat ship modernisation. Defence Secretary Pym hoped that other COCOM partners and Japan ‘in particular’ would be notified only when ‘contract negotiations are further advanced’⁸⁴² to nullify any objections they might raise. When notifying the US, Britain explained the project only in general terms. Lord Carrington guessed that the US could create difficulties because of the sensitivity of major US Asian allies, so he proposed that details be given in the context of the discussions about the China differential, which might ease or eliminate US objections.⁸⁴³ As Britain had hoped, the Carter administration raised no objections to the package.⁸⁴⁴

However, as the negotiation of Project 051 approached completion in late 1981, a signal released from the US government rendered the contract uncertain. The Reagan administration refused re-export licences for two anti-submarine systems that constituted a minuscule part of the project. Britain had authorised EMI Electronics Limited to sell one portable acoustic tracking system (PATS) and two deep mobile targets (DMT) to the China National Machine Import and Export Corporation for acoustic training exercises. However, these systems included parts from the US firms Digital Equipment Corporation, Tektronix and Calcomp, who required re-export licences to be approved by the US government. Britain had notified the Carter

⁸⁴² PREM-19/963, Pym to Carrington, September 23, 1980.

⁸⁴³ PREM-19/963, Lyne to Norbury, October 13, 1980.

⁸⁴⁴ FCO-69/819, Burne to Comras, September 24, 1981.

administration about the systems in October 1980, but the Reagan administration claimed that they had never received notification. The Reagan government rejected the applications because the equipment could be used in direct anti-submarine warfare.⁸⁴⁵ The US also warned that they might veto British submissions for the entire project in COCOM.⁸⁴⁶

The British government was severely concerned about the rejection of the anti-submarine equipment re-export. It was a small case, worth only £3.6 million, but disapproval meant that the Reagan administration could overturn the former administration's silent assent for Project 051 as a whole. The technical superiority of the upgraded Type 051 destroyers meant that the project was more sensitive than anti-submarine systems. If such non-lethal systems were disapproved, any large-scale refit of Chinese destroyers would not take place. The British worried that failure in the case of the anti-submarine equipment would shake Chinese confidence in the project. In late 1981, China had allocated funds for the project in the next year's budget and hoped to sign a contract by the end of the year. Under the Chinese system, these funds would have to be withdrawn if products were not supplied. More importantly, the MoD believed that potential US opposition within COCOM would have severe implications for UK-China sales relations because China saw the project as a test for the entire defence sales relationship.⁸⁴⁷

⁸⁴⁵ FCO-69/819, Burne to Root, September 10, 1981.

⁸⁴⁶ FCO-69/818, Davies to Mclean, December 8, 1981.

⁸⁴⁷ FCO-69/818, Davies to Mclean, December 8, 1981.

The British government urged the US to approve the re-export licences that should be approved on their merits. The British Royal Navy and the MoD firmly stated that the potential improvement in China's naval anti-submarine warfare capabilities through DMT was likely to be very slight. Another strong argument raised by the UK was that the French had been promoting sales of very similar equipment to China. If EMI Electronics Limited were able to supply their PATS and DMT equipment, a check could be maintained by EMI engineers on how it was being used under maintenance schemes and the visitation rights that were given to US firms.⁸⁴⁸

Within the Reagan administration attitudes toward the case differed. The case was discussed at senior levels interdepartmentally, with discussions led by the State Department.⁸⁴⁹ DoD personnel did not accept the British technical assessment. They believed that the systems would add significantly to the anti-submarine warfare capability of the Chinese Navy. The Commerce Department's representatives supported the point.⁸⁵⁰ Although the State Department preferred to approve the case, Victor Comars, an official in the department, informally told the British side that a favourable decision might follow unless the DoD found new reasons.⁸⁵¹ There were different opinions within the DoD as well. Navy staff were the only faction opposing the case, but one DoD official told the British side that the DoD as a whole were not inclined to

⁸⁴⁸ FCO-69/819, Burne to Root, September 10, 1981.

⁸⁴⁹ FCO-69/819, Telegram from Fretwell, September 16, 1981.

⁸⁵⁰ FCO-69/819, Telegram from Henderson, October 13, 1981.

⁸⁵¹ FCO-69/819, Telegram from Henderson, October 20, 1981.

reopen their previous decision that re-export licences should be refused.⁸⁵² After a few weeks of debate, the US informally told the British government that they would refuse the licences.⁸⁵³

However, the British side was determined to resolve the anti-submarine case at the highest political level: Thatcher herself engaged in negotiations and ultimately persuaded the US to approve the re-export licences. In a letter to President Reagan, Thatcher argued that the equipment supplied, even in the best circumstances, would enhance the anti-submarine warfare capability of the Chinese Navy only in terms of the operational efficiency of existing systems. However, their effectiveness would still be inferior to Western standards and would not significantly increase the anti-submarine threat posed by the Chinese Navy.⁸⁵⁴ Douglas Hurd, the Minister for Europe, then went to Washington to persuade the US to review the decisions on commercial and political grounds. At the same time, the FCO had also given advance warning of the 051 Project to other COCOM partners.⁸⁵⁵

British efforts had an impact, although differences between the US DoD and the State Department persisted. The DoD insisted that the sale would significantly strengthen China's naval and anti-submarine capabilities.⁸⁵⁶ Under British pressure, Assistant Secretary of State of East Asian & Pacific Affairs John Holdridge informally confirmed

⁸⁵² FCO-69/819, Telegram from Henderson, October 23, 1981.

⁸⁵³ FCO-69/819, Cave to PM, November 23, 1981.

⁸⁵⁴ FCO-69/819, Morgan to Comars, September 30, 1981.

⁸⁵⁵ PREM-19/963, Lyne to Alexander, November 24, 1981.

⁸⁵⁶ FCO-69/819, telegram from Henderson, October 13, 1981.

the results of the 051 Project and the anti-submarine case. First, the US unexpectedly approved the 051 Project contract without modifications, whereas the British side had been prepared to meet obstacles. Second, although the Reagan administration could not formally drop its objection to the PATS and DMT in COCOM, it was prepared to see the sale proceed, albeit ‘quietly, with no publicity’.⁸⁵⁷ These words meant that the UK could bypass COCOM as they had done before, and the 051 Project was formally signed in November 1982.

The Failure of the 051 Project

However, the Chinese government pulled out of the contract before it took effect, as a direct result of the Falklands War. The apparent poor performance of British naval weapons and equipment on the battlefield damaged China's confidence in British naval arms. Two Type 42 guided-missile destroyers (HMS *Sheffield* and HMS *Coventry*) were sunk by the Argentine Air Force, with another (HMS *Glasgow*) seriously damaged. Additionally, two Type 21 frigates (HMS *Ardent* and HMS *Antelope*) were sunk. The conflict exposed the serious shortcomings of British surface combat ships in anti-strike, anti-missile, and fleet air defence operations. The Sea Dart missile was revealed to have poor accuracy and weak interception capability.⁸⁵⁸

Additionally, the Chinese ‘leap outward’ policy had been abandoned, and China returned to the self-reliance principle. Defence Minister Zhang Aiping was at the centre

⁸⁵⁷ PREM-19/963, Telegram from Henderson, January 30, 1982.

⁸⁵⁸ Xin ‘Let the Chinese Board Our Ship’: Examining the British Arms Sales to China,’ 253.

of the opposition to the deal. He said: 'Our country is a big country, and it is not realistic or possible for us to buy a national defence modernisation from abroad. We must be soberly aware that the most we can buy from abroad are second-rate things. These things can neither help us achieve the goal of national defence modernisation, nor can they help us get rid of the passive state of being controlled by others'.⁸⁵⁹

The FCO speculated that the true reason behind the cancellation could be a power struggle between personalities and factions in the Chinese Defence Ministry or the continuing tension between Army and Party leaders.⁸⁶⁰ However, there are no archives declassified from the Chinese side to prove the point so far. The Chinese were unified and did not admit that there were political obstacles. Vice Premier Wan Li explained to Secretary of State for Industry Patrick Jenkin that prices, technical specifications and unfair contract provisions had caused considerable disquiet within the Chinese government.⁸⁶¹ British officials also raised the issue with Chinese Ambassador Ke Hua, who replied that there was no political difficulty; rather, he said, the problems lay with either price or technical issues.⁸⁶²

The UK took efforts to save the contract. Ambassador Cradock said, 'I do not see any further scope for intervention from our side. If the contract does fall through I fear that the press will almost certainly interpret it as a sign of deterioration of relations between

⁸⁵⁹ 'Defence Minister Calls on China to Develop its Own Weapons, Zhang Aiping,' *Red Flag*, February 28, 1983.

⁸⁶⁰ FCO-21/2442, Elliott to Nott, February 25, 1983.

⁸⁶¹ FCO-21/2442, Telegram from Galsworthy, March 11, 1983.

⁸⁶² FCO-21/2442, Donald to Elliott, February 13, 1983.

the UK and China over the Hong Kong issue'.⁸⁶³ John Nott, the new Secretary for Defence, personally sent a letter to Zhang Aiping to persuade him to approve the contract. 'If at this late stage the contracts were not to be ratified, I fear that our efforts to advance defence collaboration and trade between our two countries would inevitably suffer a serious setback'.⁸⁶⁴ However, these efforts had no effect in the end.

The failure of the 051 Project affected industry and government differently. British industry's confidence in arms sales to China was badly damaged; following the 051 Project cancellation, British industry was doubtful about assisting with Chinese defence modernisation.⁸⁶⁵ The government's reaction was more restrained. Patrick Jenkin said that although it would be wrong to forget this episode, he nonetheless hoped that trade and cooperation between the two countries would grow despite the current setback.⁸⁶⁶

The difference in attitude between the British government and industry was understandable; after all, it had cost industry a huge amount in manpower and resources to sign the contract, whereas the government had paid the lesser price of silence. More importantly, the Thatcher government was concerned with the Sino-British trade deficit. UK exports to China had declined since 1979 and UK imports from China now exceeded UK exports by a ratio of almost two to one. UK exports were £213 million in 1979, but by 1982 the figure was only £103 million. The UK was anxious to change this trade situation and so offered to expand cooperation in science and technology to

⁸⁶³ FCO-21/2442, Telegram from Cradock, February 22, 1983.

⁸⁶⁴ FCO-21/2442, Paren to Cradock, February 15, 1983.

⁸⁶⁵ PREM-19/963, Heseltine to PM, July 28, 1983.

⁸⁶⁶ PREM-19/963, Varley to Coles, March 25, 1983.

drive UK exports to China.⁸⁶⁷ The British government regarded arms sales as a tool to reduce the trade deficit, so it continued to promote them.

In July 1983, China expressed interest in British submarine equipment. Before the setback over the 051 Project, China had been making informal inquiries about assistance with modernising their Type 033 diesel-electric submarines, whose design dated from the early 1950s. British officials perceived several sales opportunities for individual pieces of equipment such as periscopes, batteries and diesel generators, but these items had been restricted by policy in 1979. MoD and FCO officials subsequently reviewed the situation, paying particular attention to the significance of bilateral relations with China for the future of Hong Kong. They concluded that, despite the disappointment over the 051 Project, there remained sound defence and foreign policy reasons for continuing to promote a defence sales relationship with China and for relaxing the total embargo on the sale of all submarine equipment. They recommended that, on a national basis, UK should in future consider any proposals to modernise Chinese submarines or sell submarine equipment to China on their merits, taking care not to approve any proposals which might alter the balance of naval power in the region or assist the Chinese with their nuclear submarine programme.⁸⁶⁸ This view was backed by the Foreign Secretary, Geoffrey Howe, who averred that the possibility of a submarine deal should not be affected by the negotiations on Hong Kong.⁸⁶⁹

⁸⁶⁷ PREM-19/963, Meeting record, March 25, 1983.

⁸⁶⁸ PREM-19/963, Heseltine to PM, July 28, 1983.

⁸⁶⁹ PREM-19/963, Howe to PM, August 4, 1983.

In fact, Hong Kong was a factor that had exercised considerable constraint on what the UK could sell China for defence.⁸⁷⁰ During the negotiations on Hong Kong, Britain had never relaxed the export of submarine equipment. Thatcher stated that ‘the news that we might be prepared to consider proposals to modernise Chinese submarines or sell submarine equipment to China might be taken badly in Hong Kong if the talks with China were not going well’. On the recommendations made by officials who had reviewed the policy on this issue, the Prime Minister remarked that the UK must avoid giving the Chinese the latest abilities by 1997. ‘Even if we do not now envisage incidents with China, we should take every possible step to avoid them’.⁸⁷¹ Cabinet Ministers, considering the sale of submarine equipment in particular, expressed concern about the possible impact of sales on public opinion in Hong Kong during the negotiations with China over the future of the territory.⁸⁷²

The Hong Kong issue's influence on British arms sales to China diverged significantly from Taiwan's impact on the US-China arms trade. In the US-China dynamic, the US used arms sales as leverage to negotiate over Taiwan. However, in the Sino-British trade context, China, as the buyer, had sole veto power over contracts. During Thatcher's initial term, the collapse of the 051 Project demonstrated Britain's lack of influence over China's decisions and China's indifference towards the potential negative effects on

⁸⁷⁰ FCO-21/3025, Elliott to Dawson, March 14, 1985.

⁸⁷¹ PREM-19/963, Coles to Flesher, August 11, 1983.

⁸⁷² FCO-21/3025, China-Review of defence trade policy, May 24, 1985.

Sino-British relations. Britain was clearly on the defensive with regard to the future of Hong Kong and therefore did not have the relative freedom of action in bargaining over arms sales that was enjoyed by the United States.

Anglo-American Competition in the China Market

In November 1983, the US announced a new policy that listed China in Country Group 'V', with a three-tiered export control system for China consisting of 'Green', 'Yellow', and 'Red' zones. Items in the 'Green Zone' needed only Commerce Department licences. The 'Yellow Zone' included advanced technologies and required case-by-case review by the Commerce Department, the DoD, and other agencies. The 'Red Zone' included the most sensitive technology with direct military applications.⁸⁷³

This new policy aroused concerns amongst COCOM partners. The British government believed the 'Green Zone' definition allowed the US to manipulate COCOM and discriminate against other countries' applications to win advantages in the market. US exporters who wished to export goods under this definition could easily obtain licences from the Commerce Department and were not obliged to consult other departments. Applications submitted by other COCOM countries hoping to export similar equipment were subjected to full US scrutiny, including by the Pentagon. Applications for re-export of goods with US components were treated with similar stringency.⁸⁷⁴

⁸⁷³ Meijer, 'Balancing Conflicting Security Interests,' 21.

⁸⁷⁴ FCO-21/3027, 'COCOM high-level meeting: 6-7,' February 1985.

In January 1984, Secretary of State George Shultz wrote to all COCOM allies to explain that the US was not seeking unilateral commercial advantages in the policy, but his explanations were unconvincing. COCOM allies strongly opposed the US putting pressure on the body to quickly clear US cases related to China whereas the processing machinery for non-US applications remained slow.⁸⁷⁵ British exporters also felt that they faced discrimination from the US. As one MoD official wistfully observed, ‘the US, as a comparative latecomer to the market, appear to be so close to concluding agreements...some of which were originally offered by the UK during the 051 negotiations and others on which the US Govt had, until recently, an embargo, i.e., anti-submarine warfare systems, torpedoes’.⁸⁷⁶

Britain also discovered that unspecified items of US ASW equipment were on the Chinese shopping list,⁸⁷⁷ even though the US had opposed British sales of PATS and DMT in 1981.⁸⁷⁸ By 1985, British companies were complaining that the US was manipulating COCOM machinery to its own commercial advantage. However, the British government could not assemble sufficiently convincing or incontrovertible evidence and was thus forced to accept the situation.⁸⁷⁹

British Officials’ Appeal to Further Relax UK Arms Sales Policy

Because US policy placed British arms sales under significant competitive pressure,

⁸⁷⁵ FCO-21/2681, ‘COCOM: China,’ January 20, 1984.

⁸⁷⁶ FCO-21/3025, ‘Defence sales to China,’ January 25, 1985.

⁸⁷⁷ FCO-69/819, [unrecognisable name] to Jenkins, September 2, 1981.

⁸⁷⁸ FCO-69/819, Ridler to Smith, September 22, 1981.

⁸⁷⁹ FCO-21/3027, Ashton to Orr and Elliot, January 22, 1985.

British officials called for a more positive arms sales policy. DTI's Defence Sales Organisation conceded: 'we have been muddling along in this area for some time with no coherent policy'.⁸⁸⁰ Its suggestions were to actively 'target any UK initiative to the areas which China accords the highest priority, i.e., all submarine equipment, including torpedoes, naval systems, avionics and airborne radar and missile technology'. It hoped that Chinese 'liberalisation' could 'lead to a significant breakthrough in the Chinese market'; any 'concrete sign of UK's willingness to help China might have valuable knock-on effects in other less contentious [non-military] fields'.⁸⁸¹

As the Head of Chancery at the British Embassy in Washington, D.C. John Kerr summarised in a letter to the FCO: 'the Americans think they are in the process of entrenching themselves in an area where we were potential competitors. They are now almost complacent, not to say condescending, about their prospects'. He believed that Britain should relax arms sales policy as soon as possible in order to compete with the US.⁸⁸² DTI found that the US, France and Italy had been signalling to the Chinese that they were open to sales of highly sophisticated equipment. The DTI likewise hoped that Britain would make encouraging signs to China to avoid being left behind.⁸⁸³ The FCO accepted these suggestions and recommended to the Cabinet and Prime Minister that a thorough review and easing of arms sales to China was required. In response, the MoD

⁸⁸⁰ FCO-21/3025, 'Sales policy to China,' February 25, 1985.

⁸⁸¹ FCO-21/3025, China-Review of UK policy on the sale of defence and military relevant equipment, May 15, 1985.

⁸⁸² FCO-21/3025, Kerr to Elliott, January 9, 1985.

⁸⁸³ FCO-21/3025, China-Review of UK policy on sale of defence and military relevant equipment, May 15, 1985.

jointly reviewed defence sales policy towards China.⁸⁸⁴

The MoD supported the FCO's proposal and believed that Britain could compete with the US and France because governmental approaches, such as those regarding submarine equipment, created opportunities. The Hong Kong agreement was a good springboard for such initiatives.⁸⁸⁵ The MoD adopted a pre-emptive policy to strengthen UK competitiveness ahead of the new general policy. It aimed to utilise International Military Services Ltd. (IMS), a company wholly owned by the MoD, to counter US Foreign Military Sales.⁸⁸⁶ It set two goals for IMS. First, in its role as a British government agency, IMS was to offer contracts of selected equipment and services required by Chinese State corporations. Second, as a government-to-government contractual vehicle, IMS could sign major Sino-British contracts that involved the supply and transfer of technology.⁸⁸⁷

Thatcher had opposed the sale of submarine equipment to China in 1983. However, once China and Britain had reached an agreement on Hong Kong in December 1984, she was firmly in favour of relaxing sales restrictions, and by 1985 she supported the idea of winning the Chinese market by doing so. Upon learning that China favoured Italian and French submarine equipment, she even suggested that the FCO seek a further relaxation of restraints on sales of submarine-related equipment in torpedoes

⁸⁸⁴ PREM-19/1425, Lowe to Powell, February 19, 1985.

⁸⁸⁵ FCO-21/3025, 'Defence sales to China,' January 25, 1985.

⁸⁸⁶ See: FCO-21/3376, Pagnell to Ashton, March 13, 1986.

⁸⁸⁷ FCO-21/3376, Memorandum of China strategy meeting, March 26, 1986.

and torpedo firing systems.⁸⁸⁸

Revision of British Arms Sales Policy

On 29 May 1985, Thatcher was presented with a proposal on sales that revised the 1980 policy. No longer was it the case that sales ‘[should] not upset or have a significant effect on the strategic balance in the area meaning’ but rather, sales to China should be ‘not *less* favourable than to...other strategically non-aligned countries with expanding defence industries’. The preconception was that arms sales to China would not significantly affect the regional strategic balance. The proposal concluded that the strategic threat from China to the UK was negligible, that the threat to Hong Kong was small and was unlikely to grow due to arms sales, and that the Chinese were unlikely to pass British technology to Warsaw Pact countries.⁸⁸⁹ In general, the government believed that such a relaxed policy could increase opportunities for British exporters and would fit well with promoting a more cooperative relationship with China. With Chinese military equipment being more numerous and more advanced in its capabilities, China’s status vis-a-vis the USSR would be enhanced, and an overall positive effect on the global balance of power achieved.⁸⁹⁰

Revival of British Arms Sales, 1984 to 1985

From 1983 to 1985, British arms sales and other exports to China increased but faced

⁸⁸⁸ PREM-19/1425, Powell to Appleyard, February 4, 1985.

⁸⁸⁹ FCO-21/3025, ‘China-review of defence trade policy,’ May 24, 1985, 1.

⁸⁹⁰ PREM-19/1425, ‘China-review of defence trade policy,’ May 29, 1985.

enormous competitive pressure. In 1983, British defence sales to China were worth as little as £1 million, rising to £30 million and £50 million in 1984 and 1985, respectively. However, the British Ambassador to China pointed out that in 1986, of 750 Western companies who maintained permanent offices in Beijing, only around 20 were British; of these, only Rolls-Royce, British Aerospace, GEC Avionics and Marconi were in defence sales. Given the complexity of bureaucracy and the importance of personal relationships, such a small number of representatives was insufficient to assist in exploring the market. To ensure success, companies were obliged to invest time and effort in sounding out prospects and maintaining contact with decision-makers - and many European and US competitors were doing just that.⁸⁹¹

The improvement in political ties promoted Sino-British trade. Exports to China increased from £317 million to £396 million, and imports increased from £278 million to £308 million in 1984 and 1985, respectively. However, British exports to China had fallen behind those of France, Italy, Australia, Canada and West Germany, who had made sales worth £599 million, £608 million, £666 million, £721 million and £1.72 billion, respectively.⁸⁹² The Chinese were happy to receive British approaches, because their general aim was to increase Western European imports to avoid overreliance on US technology. When Zhao Ziyang, the Chinese Premier, visited Britain in June 1985, Thatcher told him that Britain was anxious to cooperate in the field of defence

⁸⁹¹ PREM-19/1682, 'Visit to China: 1st-7th April by Richard Luce,' April 18, 1986, 7-8.

⁸⁹² PREM-19/1426, Murray to PM, May 7, 1985.

equipment, particularly submarines and torpedoes.⁸⁹³ Sales of sensitive equipment meant progress in Sino-British strategic relations, so Zhao responded positively that Sino-British strategic cooperation should be reflected in other trade.⁸⁹⁴

Decline of UK arms sales to China, 1986

China's Seventh Five-Year Plan, beginning in 1986, saw the equipment side of its defence budget cut by 75%.⁸⁹⁵ Meanwhile, China's military industry had progressed and had been able to manufacture - at low cost and reasonably high quality - low-technology equipment such as airframes, ship and tank hulls, and some propulsion machinery.⁸⁹⁶ These factors caused a decrease of China's arms import from Britain. The total value of British arms exports was only £8 million in 1986.⁸⁹⁷ From January 1987 to August 1988, the total value of British arms sales to China was only £4.22 million. Stringent Chinese defence cuts halted nearly all naval modernisation plans. The Type 033 submarine modernisation project in which Thatcher had taken a personal interest was put on hold due to a shortage of funds. In order to recover from the drop in arms sales, Britain sent six government delegations to China in 1988 to explore the market but received only one Chinese visit in return.⁸⁹⁸

Britain had lost out in competition with other Western countries in the market. The

⁸⁹³ PREM-19/1426, Powell to Mogg, June 6, 1985.

⁸⁹⁴ PREM-19/1426, Powell to Ricketts, June 8, 1985.

⁸⁹⁵ FCO-21/3376, Loose minute by Jenkins, February 4, 1986.

⁸⁹⁶ PREM-19/1682, 'Visit to China: 1st-7th April by Richard Luce,' April 18, 1986, 8.

⁸⁹⁷ FCO-21/3734, Loose minute by Taylor, April 21, 1987, 16-7.

⁸⁹⁸ FCO-46/6836, 'Naval Attache Peking-Annual report,' February 10, 1989, 3-4.

British government had to lower its expectations for arms sales to China. A DTI official argued that the PLA would leave only enough room in China's budget to purchase US equipment. Compared with American equipment, British arms could not compete on price and technology. He concluded that 'the Chinese market will remain difficult, and defence business will never be extensive.'⁸⁹⁹ For example, the Chinese preferred to purchase US arms and technology, such as the avionics for the J-8 fighter as well as Chinook and Black Hawk helicopters. In the case of the J-8 deal, the Chinese had invited the British firms Ferranti, GEC (Avionics) and Easams to produce technical specifications and quotes simply for use as bargaining chips to achieve the best possible deal with the US government agency FMS. In fact, China was intent from the outset on purchasing US equipment to satisfy PLA needs; other suppliers would have been considered only in the event of US refusal to supply. British officials complained that when China had given the Americans the contract for J-8, worth £550 million, 'such collaboration is particularly significant for the UK against a background of continued US support for Taiwan'.⁹⁰⁰

The prices the British quoted in their bids were not competitive even against other European countries. When the Chinese sought an air-to-air missile for the J-8, a British firm could offer Skyflash missiles at £300,000 each, whereas an Italian competitor could offer Aspide missiles for \$200,000 each.⁹⁰¹ Although the British missiles were

⁸⁹⁹ PREM-19/1682, 'Visit to China: 1st-7th April by Richard Luce,' April 18, 1986, 8.

⁹⁰⁰ FCO-21/3734, 'UK-China MOU on defence equipment collaboration,' March 7, 1987.

⁹⁰¹ FCO-21/3376, Loose minute by Jenkins, February 4, 1986, 2.

more advanced, the price differential weighed most heavily due to Chinese commercial inexperience.⁹⁰² British naval sales also faced similar setbacks, such as during Britain's competition with Italy for torpedo sales in the mid-1980s; the Italians concluded the sale of 40 A244-S light anti-submarine torpedoes in 1987. The Chinese were satisfied with the deal, considering lower prices the most important criterion.⁹⁰³

Memorandum of Understanding on Defence Equipment Cooperation

During this period of declining sales, the DTI suggested that Britain should focus on collaborative arrangements and small-scale sales of advanced equipment to save British arms sales. For example, Vickers had arranged with the Chinese State Ordnance Supply Company, Norinco, for a joint-venture armoured personnel carrier with a Chinese chassis and a Vickers turret intended ultimately for sale to third countries.⁹⁰⁴ The resulting 'Memorandum of Understanding on Defence Equipment Co-operation' was eventually signed on 25 September 1986. It specifically mentioned 'the joint upgrading of existing equipment' and joint ventures for the 'co-production of new military equipment for export to third countries acceptable to both sides.'⁹⁰⁵ From 1986 onward, British high-technology equipment was fitted onto Chinese-produced weapon systems for export. IMS was the agency for finalising these more complex transactions.⁹⁰⁶

However, the MOU did not take effect. The FCO's 1987 report, 'Management of

⁹⁰² FCO-21/3376, Pragnell to Ashton, March 24, 1986, 2.

⁹⁰³ FCO-21/4000, Loose minute by Davidson, May 24, 1985.

⁹⁰⁴ PREM-19/1682, 'Visit to China: 1st-7th April by Richard Luce,' April 18, 1986.

⁹⁰⁵ PREM-19/2036, Ball to Powell, September 25, 1986.

⁹⁰⁶ FCO-21/3376, Pragnell to Ashton, March 24, 1986.

Military Assistance Overseas: China', noted that a stable and prosperous China, well disposed towards the West, was a major positive force, especially as a counterweight to the USSR.⁹⁰⁷ Britain's ebbing market share had some officials questioning the point of the MOU. They saw the Chinese as using the memorandum unilaterally simply to acquire military information. They believed Britain's willingness to host exchanges from China should be reciprocated in arms sales. It was very difficult for British military officials in China to gain access to the Chinese military system, and they complained that the Chinese did not aim to make an equitable contribution but instead regarded the MOU as a one-way flow of information under the guise of 'exchange'.⁹⁰⁸ Others in the MoD thought the MOU should continue, arguing that the exchange of military information was easier to realise than identifying collaborative or procurement projects. In their view, lecture visits and seminars by MoD experts in the areas of military training, operations and equipment acted as a showcase for potential arms sales.⁹⁰⁹

The MOU on defence sales came up for renewal in 1987. Britain decided to continue the MOU, despite there being little prospect of improved trade with China in the near future; the MOU had political value beyond immediate economic interests. 1986 saw visits to the UK by senior Chinese officials: Premier Zhao Ziyang, General Secretary of the Chinese Communist Party Hu Yaobang, and Minister of Foreign Economic

⁹⁰⁷ FCO-21/3734, 'Management of military assistance overseas-China,' April 21, 1987.

⁹⁰⁸ FCO-21/3734, 'UK-China MOU on defence equipment collaboration,' March 9, 1987.

⁹⁰⁹ FCO-21/3734, Loose minute by Ellender, February 20, 1987.

Relations and Trade Zheng Tuobin. During Hu's visit to Britain in June 1986, he commented that current Sino-British relations showed that ideological differences could be transcended and good friendships formed. Chancellor of the Duchy of Lancaster Norman Tebbit agreed, noting that 'what is the best system in China may not be in the UK. The systems could develop in different ways.'⁹¹⁰ Vice Premier Li Peng claimed that China was satisfied with the great development in economic relations over the past few years, and considered that they should be expanded further. In response, Thatcher said that Britain was 'taking a lead in securing relaxation of COCOM rules in China's favour'.⁹¹¹ Compared with Hua Guofeng's visit to London in 1979 and Lord Carrington and Huang Hua's 1981 meeting, the high-profile statements by Hu and Thatcher reflected the development of strategic and political trust.

Therefore, the FCO described the MOU as a series of 'pot-simmering' measures, involving various forms of collaboration such as visits that transcended a mere sales campaign, aimed at strengthening ties with China. In the revised MOU, China and the UK agreed to develop three areas: 'exchange of information on quality assurance procedures', 'pursuing sales to third countries of joint developments' and 'requests from the Chinese in areas of military expertise'.⁹¹² Even so, progress in these areas was slow. By early 1989, the British government had lost all hope of direct arms sales. After visiting China in January 1989, British Defence Export Services Organisation (DESO)

⁹¹⁰ PREM-19/2036, Lansley to Budd, June 10, 1986.

⁹¹¹ PREM-19/2036, 'Record of a meeting between the PM and Hu YaoBang,' June 9, 1986, 4-5, 8.

⁹¹² FCO-21/3734, 'Sales prospects in Japan, China and Hong Kong,' April 23, 1987, 2.

officials complained of ‘the difficulties facing UK firms’. They had repeatedly ‘emphasise[d] the low priority we give to this market’ and suggested instead ‘more accessible and certainly more lucrative markets in the region, i.e. the Republic of Korea’.⁹¹³ The FCO also agreed with the need to redefine British arms sales in Asia.⁹¹⁴

End of UK arms sales after the Tiananmen incident, 1989

Following the Tiananmen incident (see page 293) the British government immediately imposed sanctions on China. On 6 June 1989, the government claimed that all arms sales to China had been banned. On 7 June, the DTI took measures to enforce the ban, including the suspension of existing export licences, and the imposition of a moratorium on the granting of new licences relating to the export of goods on the military list. On 3 July, the DTI drew up a list of seven categories of equipment that should be considered to fall within the scope of the arms sales ban. The list included (i) small arms and machine guns; (ii) large-calibre weapons (e.g. rocket launchers, mortars); (iii) ammunition; (iv) bombs, torpedoes, rockets and missiles; (v) tanks and military vehicles; (vi) toxicological agents and tear gas; and (vii) security and paramilitary equipment.⁹¹⁵

The EC, meeting in Madrid in late June, then published a declaration interrupting military cooperation and imposing an embargo on the arms trade with China,

⁹¹³ FCO-46/6836, Wallis to Smith, January 25, 1989.

⁹¹⁴ FCO-47/6838, Smith to Wallis, February 3, 1989.

⁹¹⁵ FCO 21/4250, Sawyer to Voysey, July 10, 1989.

suspending bilateral ministerial and high-level contacts, and postponing any new cooperation projects by the Community and its member states.⁹¹⁶

However, the British government did not rule out the possibility of arms sales to China. British policy on defence sales to China was re-defined as follows: 'Exports of defence equipment are controlled internationally under COCOM, but many exceptions to the full rigour of COCOM restrictions are allowed. Export licence applications are given careful and close scrutiny which takes full account of both the potential for exacerbating regional tensions and the human rights situation.'⁹¹⁷ The UK adopted a flexible approach by emphasising 'exceptions' to the standard; thus, there remained considerable room to manoeuvre in arms sales to China. At a meeting on 26 July 1989, the MoD, DTI and FCO were unable to agree on a specific embargo list, but they agreed to adopt the practical approach of 'defining positive ground rules on the basis of a detailed review of equipment covered by those export licences which have been suspended'. The Export Control Organisation informed other exporters whose licences were suspended in June that, following a review, their licences were being restored and that they were free to export the equipment concerned.⁹¹⁸

The UK resumed exports of military equipment - with the exception of a ban on any item that could be used for internal repression, which included 'front line' equipment

⁹¹⁶ Presidency Conclusions European Council, Madrid, June 26-7, 1989.

⁹¹⁷ FCO-21/4250, Sawyer to Benedyk, June 5, 1989.

⁹¹⁸ FCO-21/4250, Nunn to Bill, July 27, 1989.

such as tanks and small arms.⁹¹⁹ All suspended export licences except ‘front line’ arms could be restored to the relevant exporter. For example, the MoD had no objections to the export of radar cross section measurement equipment to the PRC, and the DTI granted an export licence for the suspended item in August.⁹²⁰

There was evidence that British arms manufacturers lobbied the government to relax the embargo. For example, Vickers argued that ‘our defence interests range from main battle tanks through armoured personnel carriers to marine engineering equipment for naval ships and the blanket restriction makes it difficult for us to compete on items that are either relatively innocuous or where our competitors are more relaxed about supply’.⁹²¹ Similarly, the GEC company argued that if the British government refused the production licence, the contract of a tactical air navigation system would go to an Italian company.⁹²² With the government’s acquiescence, a high-level Chinese delegation, including senior PLA officers, visited the UK to further the GEC avionics AEW project in April 1990. This was GEC's private initiative nominally, occurring without government involvement and bypassing the Madrid declaration.⁹²³

The government maintained its support for British arms companies in the China market. In September 1989, the MoD approved the participation of British arms companies in an aviation exhibition in China that would allow China and other Far Eastern countries

⁹¹⁹ FCO-21/4250, Loose minute by Watson, August 18, 1989.

⁹²⁰ FCO-21/4250, Loose minute by Grossman, undated.

⁹²¹ FCO-21/4854, John to Seaton, June 27, 1991.

⁹²² FCO-21/4250, Sawyer to Voysey, July 10, 1989; TNA, FCO-21/4250, Bowyer to Grossman, July 13, 1989.

⁹²³ FCO-21/4546, Warren to McLaren, March 20, 1990.

to view British defence equipment.⁹²⁴ In January 1990, DESO argued that, despite HMG's 'arms embargo' declared by the Foreign Secretary on 6 June 1989, there still appeared to be considerable scope for defence sales to China.⁹²⁵ In March, the FCO responded positively to firms so that British attachés would continue to provide support for British companies seeking business. This included establishing working-level contacts with Chinese industrialists and military officers, forwarding relevant information to interested British companies, and visiting Chinese factories and research establishments.⁹²⁶ From January 1990 to mid-1991, the DTI received more than 160 arms export applications, of which only 12 were refused.⁹²⁷

The Labour Party criticised the Thatcher government's arms sales policy. The Labour MP Gerald Kaufman stated, 'Sir Geoffrey Howe's statement of 6 June did not include such modifications and exceptions to the arms embargo. It said specifically and clearly: 'All arms sales to China have been banned'. That commitment has been blatantly broken'.⁹²⁸ The government responded that none of the items concerned were lethal weapons; their export was therefore consistent with the policy.⁹²⁹ Howe stated: 'Our basic principle is...that it is important to maintain diplomatic, commercial and other human contacts, so far as is safe and possible, with the people and Government of China in order to try to retain the opportunity for recreating their previous open disposition'

⁹²⁴ FCO-46/6837, Fletcher to Pearce, September 5, 1989.

⁹²⁵ FCO-21/4546, Wallis to Seaton, January 26, 1990.

⁹²⁶ FCO-21/4546, Wallis to Seaton, March 5, 1990.

⁹²⁷ FCO-21/4854, Walters to Davies, July 11, 1991.

⁹²⁸ FCO-46/6837, 'Government breaks own arms embargo on China,' September 14, 1989.

⁹²⁹ FCO-46/6837, FCO press conference, September 15, 1989.

and that the twelve members of the EC subsequently adopted similar measures.⁹³⁰

The *Guardian* newspaper also criticised British arms sales policy in the GEC-Marconi case where, as before, ‘despite the prohibition of weapons sales to [South Africa and Iraq]...they went ahead’. It considered ‘the distinction between ‘non-lethal’ weapon or...for military use...meaningless; radars do not themselves kill, but they greatly enhance the effectiveness of weapons that do’.⁹³¹ The Labour Party’s resistance was too weak to stop continued arms sales and it could not overturn the government’s policy.

Some Western European countries including the UK opposed a US proposal to strengthen COCOM restrictions and shorten the export list. Geoffrey Howe argued that it would be premature to take steps in COCOM at that time, stating that Britain was ‘against use of COCOM as a forum for coordinating stricter controls on exports to China as a political response to current internal developments’.⁹³² COCOM, Howe insisted, should instead represent the ‘judgement of the strategic security threat posed by a proscribed destination, not taken as an expression of condemnation of internal behaviour’.⁹³³ France and Germany also stated that they would not produce a new list before September, while Canada and Italy opposed any further changes. After intense debate in COCOM, the consensus was a temporary freeze of further relaxations for China, but no roll-back of existing favourable treatment.⁹³⁴

⁹³⁰ FCO-46/6837, Arms sales to China by Kaufman, September 14, 1989.

⁹³¹ ‘Between avionics and arms,’ *Guardian*, September 22, 1989.

⁹³² FCO-46/6837, Telegram from Howe, June 8, 1989.

⁹³³ FCO-46/6837, Telegram from Howe, June 8, 1989.

⁹³⁴ FCO-46/6837, Telegram from Hentley, June 30, 1989.

Some western countries also attempted to break the arms embargo policy of EC, but the collapse of the USSR terminated the efforts. The EC agreed in October 1990 to gradually relax most of the restrictive measures (embargo on high-level visits, concessional finance, etc.) imposed on China following the Tiananmen events.⁹³⁵ In a discussion in the Asia Working Group in Brussels on 24 October 1990, there was debate about how to interpret the remaining Madrid measures: ‘Interruption of military cooperation and an embargo in trade on arms with China’ that had been agreed in June 1989 (see page 348). The Dutch argued that the ban should include ‘all arms, both lethal and non-lethal, as well as other military equipment and technology’. The British position was that ‘non-lethal’ equipment could be sold. Italy supported the Netherlands, and France stood with UK.⁹³⁶ From November to December 1990, representatives of Western countries held successive meetings in Brussels, but could not agree on the issue. After the dissolution of the USSR in 1991, discussions on the arms embargo against China were not resumed. The overall framework of the arms embargo on China has therefore remained unchanged to date.

Conclusions

Economic interests still strongly motivated the British arms sales policy towards China under the Thatcher government. Strategic considerations, including the improvement of British influence in the region, and the revival of its world role, were less important

⁹³⁵ FCO-21/4854, ‘Meeting with defence attaches,’ December 10, 1991.

⁹³⁶ FCO-21/4546, Burns to Davies, October 26, 1990.

as the scale of UK arms sales to China was felt to be too small to have much impact on its Soviet policy. The UK's China policy had a connection to Soviet policy in Thatcher's first term as the Soviet invasion to Afghanistan in 1979 gave the British government sufficient reasons to expand arms sales to China. But it was clear that these arms sales could not change the balance of power between the USSR and China. In Thatcher's second term the government was more concerned about the Hong Kong issue and bilateral trade and technology transfers. While the Soviet factor certainly retained some relevance, it seemingly occupied a peripheral position in comparison to the emphasis on economic interests.

US influence on British arms sales policy towards China remained significant under Thatcher. The change in US foreign policy in the end of Carter period drove the development of Britain's Soviet and China policy. The escalation between the US and the USSR in Africa and the Middle East moved American policy towards support of British arms sales. The most successful coordinated move between the US and the UK was the change in COCOM rules towards China. British arms sales towards China bypassed COCOM for a long time after the Spey case in the mid-1970s, and the US and UK cooperated to rectify the COCOM rules and put the arms sales cases concerning China under a multilateral structure. Although the British government argued that the previous process was benefitted the UK more, it made concessions to the US to gain further cooperation on the issue. This move shaped arms sales issues as a Western consensus, which accelerated both arms and technology transfers to China, but the

British gradually lost the China market due to US competition, especially after 1985. The acceleration of Sino-US military relations pushed the US to sell arms towards China, and the Chinese preferred US technology and arms. The political reasons for restricting Chinese imports of American weapons had been largely eased, and the Chinese had no reason to purchase more expensive British arms.

Chapter 7: Conclusions - 'Playing the China Card' Revisited

The exploration of US and UK arms sales policies towards China, placed within the broader context of Cold War politics and the distinctive strategic triangle involving these countries, yields profound insights into the foreign policy ambitions, strategic calculations, and power politics of the major powers of the time. Reflecting on the trajectories of these policies and their consequent reverberations, it becomes apparent that these were not merely about the sale of military equipment or technology; rather, they served as critical levers of foreign policy, wielded to shape alliances, signal geopolitical intent, and influence the strategic balance of power.

The examination of this period from the dual perspectives of both the suppliers - the US and UK, and the recipient - China, highlights the multi-directionality within this strategic triangle. While the US and UK pursued their individual objectives and interests, China's response and its strategic manoeuvring were equally significant in shaping the outcomes in this significant yet under-studied aspect of late Cold War international history. In embarking on this academic pursuit, the thesis aimed to examine four critical inquiries. Initially, the study focused on analysing the objectives and outcomes of US arms sales policy towards China. Next, it intended to analyse similar aspects of the UK's arms sales policy towards China. Subsequently, it aimed to decipher Chinese responses and perceptions towards the arms transfers from the US and UK and to assess Soviet responses to these military links. Finally, it planned to evaluate the case study of US and UK arms exports to China to shed light on the essence

of the Anglo-American ‘special relationship’ in this period in terms of how significant it was in influencing their policies towards China. This concluding chapter addresses each of these objectives, and provides a comprehensive summary of the conclusions drawn from this investigation, thereby enriching our understanding of the strategic implications of arms transfers in the wider geopolitical landscape of the late Cold War era.

1) US Arms Sales Policy towards China

The nature of US arms sales policy to China embodied a form of strategic cooperation. It was built upon the bedrock of US-Soviet confrontation and underpinned by strategic pragmatism within the broader Cold War geopolitical landscape. It was a crucial component of the Sino-Soviet-US strategic relationship. Rooted in *realpolitik*, the policy was engineered to leverage escalating Sino-Soviet tensions and to position China as a strategic counterweight to Soviet power. In this light, the arms sales were diplomatic tools employed to manipulate regional power dynamics. Arms sales represented US political support to China and aimed to send a political signal to the Soviets that the West would not allow Soviet expansion in East Asia. By selling arms to China, the US aimed to strengthen China, making it a formidable opponent that could potentially divert Soviet resources and attention.

However, the arms sales did not extend beyond common threats or form a long-term relationship. The policy represented a complex and fluid strategy, restricted by a

multitude of factors, so that the US managed its relationships with the USSR, China and Taiwan very cautiously. This balance involved infusing these arms sales with political symbolism signifying a strategic alliance, yet carefully avoiding an overcommitment of resources or excessive provocation of the Soviets. This approach fostered a sense of uncertainty within the Soviet leadership about the Sino-American relations, subtly helping to undermine Soviet influence in Asia. Therefore, the US did not pursue unlimited arms sales to damage the Sino-Soviet military balance. Such an action could have triggered Soviet retaliation, disturbing détente policy and potentially creating an overconfident, uncontrollable China. China could only be treated as a ‘card’ rather than a genuine strategic ally. The Taiwan issue was the main constraint in the Sino-US relationship. As the thesis shows, arms sales to China not only failed to facilitate the resolution of the Taiwan issue but were actually hindered by it. The issues between the US and China erupted during the Reagan era, resulting in a three-year stalemate. This underscores that cooperation on arms sales was quite limited and insufficient to help resolve the fundamental contradictions in Sino-US relations.

The Objectives of US Policy

In examining the historical trajectory of US arms sales to China, we observe a multi-dimensional strategy informed by a blend of geopolitical considerations. These objectives were largely related to the nature of the policy of limited strategic cooperation. One critical aspect of this policy was a calculated attempt to gradually amplify China's military strength. This objective was borne out of a strategic necessity

to manage the balance of power between China and the USSR, and former was obviously weaker than the latter. By cautiously bolstering China's military might, the US endeavoured to create a counterbalance and a division between China and the USSR, intending to sustain a state of relative equilibrium in the region. Simultaneously, the US was keen to manage China's military growth carefully. Its policy aimed to prevent abrupt escalations in China's military capabilities that could upset regional stability or trigger Soviet security anxieties. The ultimate objective here was to maintain the status quo, averting any sudden shifts that could disturb the regional balance of power or ignite unforeseen conflicts.

Furthermore, this policy was designed to bring China into closer alignment with the Western bloc, a manoeuvre embodying the larger Cold War aim of Soviet containment. The US's efforts to deepen China's integration into the Western sphere represented a crucial part of its global strategy. Arms sales became a critical tool in diplomatic engagements with China. These transactions served as a means to sway the course of China's internal political discourse subtly. This aspect of the policy further underscored the US's desire to solidify China's Westward alignment. Economic factors were also considered in this policy. The US aimed to derive economic benefits from these arms transactions, but it is evident that economic incentives did not outweigh political interests, emphasizing a policy that was notably steered by geopolitical and strategic priorities over fiscal gain.

The Evolution of US Policy

The considerations of each country on how to maximise their own interests within the framework of the strategic triangle relationship drove the phased changes in the US arms sales policy towards China. The development of US policy can be divided into four stages: the preparatory stage from 1969 to 1979, a vacillating stage from 1980 to 1983, a honeymoon stage from 1984-1986, and decline from 1987-1990. During the preparatory stage, US leaders mainly discussed whether to sell arms to China. After the Sino-Soviet split in 1969, Nixon and Kissinger emphasised the importance of China in containing the USSR and raised an 'active neutrality' policy to exploit the strategic triangle. Kissinger's policy referred to official neutrality between China and the USSR but active low-key deniable aid to China. Washington and Beijing achieved some military cooperation including intelligence sharing and joint assistance to Pakistan. Only some rare voices in Washington supported arms sales, but the formation of the strategic triangle relationship laid the groundwork for this policy.

Under Carter, disagreement over sales broke out between Cyrus Vance and Zbigniew Brzezinski. Vance preferred an 'evenhanded' approach to the USSR and China to avoid disturbing Détente. Brzezinski sought a tough Soviet policy proposing to 'align China against the USSR'. They diverged over whether China had enough strategic value in the effort against the USSR. Brzezinski's visit to Beijing was eventually successful, but Carter considered his proposal too radical to implement. Secretary of Defence Harold Brown offered the principle of correlating Soviet behaviour with arms sales to China,

accepted by Carter as the hedging alternative between the extremes. The key behind this decision lay in the Soviet invasion of Afghanistan, which fundamentally altered the strategic triangular relationship. The aggressive behaviour of the USSR triggered a sense of crisis in both China and the United States, compelling them to join forces in response to the new crisis.

This sense of crisis continued into the early period of the Reagan administration. At the start of the vacillating stage, from 1980 to mid-1981, the Reagan administration strengthened arms sales. Reagan inherited Carter's policy and even extended sales to lethal arms. The Soviet threat in Poland focused minds and key decision makers including Alexander Haig and Caspar Weinberger emphasised China's value.

However, the Taiwan issue caused US arms sales to cool down from late 1981 to early 1983. Reagan had severe disagreements with Beijing over Taiwan, which had taken centre stage after the normalisation of Sino-US relations in 1979. In Reagan's eyes, arms sales were an effective means to compel Beijing to make concessions on Taiwan, but Beijing saw the Taiwan issue as a red line. The Taiwan issue provoked a re-evaluation of the strategic triangular relationship by both China and the US. Beijing believed that the development of Sino-US strategic relations did not win concessions from the US on the Taiwan issue, but instead felt slighted. Therefore, Sino-US relations should be cooled appropriately and Sino-Soviet relations should be restored to some extent. This would be advantageous for gaining the initiative in the strategic triangular

relationship. On the other hand, Washington realised that an overly close strategic relationship with the China would allow Beijing to damage US strategic interests like Taiwan issues and containment strategy to the USSR but with impunity.

Therefore, with the resurgence of US power in 1983 and its gradual ascendancy in the US-Soviet confrontation, the new Secretary of State George Shultz did not believe China's strategic value was significant, so he had an accepting but not positive approach to arms sales. Shultz's visit to Beijing was not successful, restated the principle of responding to Soviet behaviour with sales. He emphasised that US was not bound to sell arms or sensitive technology to help China's military modernisation, and that civilian technology export would be on offer. The establishment of a three-zone technology control system represented a new approach. From 1982 to 1988, US civilian export licenses, some of which had potential military applications, approved for China reached \$17.5 billion, but arms sales through FMS were around \$600 million.⁹³⁷

After a period of cooling off, the ascension of Mikhail Gorbachev as the new leader of the USSR ushered in a fresh wave of transformations within the strategic triangular relationship, reigniting the significance placed upon military sales to China. From late 1983 to 1984, the USSR increased military outlays in the West Pacific, and in 1985, Gorbachev adjusted Soviet foreign policy from Europe to Asia-Pacific regions and attempted to seek rapprochement with Beijing. These changes made the Reagan

⁹³⁷ Bräuner Oliver et al., *Western Arms Exports to China* (Solna: Stockholm International Peace Research Institute, 2015), 40.

administration realise US-Sino military ties needed to be strengthened to offset Soviet actions. Weinberger's visit to Beijing in September 1983 revived US-Sino military contacts and Reagan's decision over FMS in 1984 signalled the start of the US-Sino honeymoon period. The US signed arms sales contracts with China and facilitated military exchanges between 1984 and 1987, which was the climax of Sino-US arms trade.

Even before their termination in 1990, US arms sales had declined after 1987. With the significant shift in geopolitics towards the end of the 1980s, both China and the United States lost interest in arms sales. China reduced its imports of western arms. The high-water mark was in 1985 with over \$650m of imports. By 1988 it had declined to \$300m and \$100m in 1989.⁹³⁸ By the late 1980s, China had entered the field of arms exports to other purchasers. Simultaneously, the US re-evaluated the strategic merit of the 'China Card.' This reassessment was propelled by alterations in the USSR's diplomatic doctrine and escalating apprehensions about China's escalating military sophistication and its consequent reverberations on regional and global security frameworks. Gorbachev's military withdrawal from East Asia made the 'China Card' unnecessary, and China's missile sales to the Middle East made the US administration concerned that a militarily modernised China would be uncontrollable and challenge US regional and global security promises.

⁹³⁸ CRS, 'China-US cooperation: military sales, government programs, multilateral aid and private-sector activities,' June 9, 1989, p.4.

The aftermath of the Tiananmen Square incident led to a pause on sales. Both the United States and Britain announced an embargo on arms transfers to China. The US executive and Congress clashed over sales. Congress saw no hope for China's democratisation and could not justify arms sales. The White House, however, still held hope for securing strategic and military benefits with subsequent arms sales to China. Therefore, the Bush administration quietly resumed sales by the end of 1989, allowing already signed and completed orders to be transferred, but did not authorise new sales because Congress won out and revised the Foreign Relations Authorization Act. Accordingly, following sanctions were also imposed: (a) licensing was suspended for items on the USML as well as crime control and detection equipment on the dual-use Commodity Control List, (b) the Trade and Development and OPIC programmes were suspended, and (c) further China-specific liberalisation of export controls was frozen.⁹³⁹

The distinct quartet of phases - the embryonic preparatory period, the fluctuating stage, the harmonious phase, and the final descent - each embodies a unique symbiosis of internal exigencies and external catalysts that moulded the US policy on arms transactions. Throughout these transitional phases, the United States' policy on military sales to China had consistently been influenced directly by the dynamics of the strategic triangular relationship. This substantiates the conclusion regarding the essential nature of the US policy on military sales to China, which embodies elements of strategic cooperation while remaining remarkably constrained. From an alternative perspective,

⁹³⁹ DNSA/China, 'China Lights, Report No. 191,' State Department, March 12, 1991, p.2.

military sales to China had become a barometer of shifts within the strategic triangular relationship. Within the context of the bilateral relationship between China and the United States, it represented the most delicate and sensitive aspect. Even the slightest hint of mistrust generated during interactions between Beijing and Washington could have profound implications for this facet.

The Outcomes of US Policy

US policy was successful in amplifying China's military strength to counterbalance Soviet power. The scale of US arms sales remained circumscribed due to China's precarious financial situation and stringent US regulations. These included case-by-case assessments and prohibitions on specific sectors, capable of boosting China's strategic capacities. The Reagan administration's evaluation candidly acknowledged that China's military prowess would continue to lag behind the superpowers till the close of the 20th century. Therefore, the practical military impact of US arms sales was relatively marginal, so China's improved capabilities not enough to significantly influence regional security or damage US global strategy.

Nevertheless, the symbolic importance of these sales should not be overlooked. They applied palpable political pressure on the USSR, which was less perturbed by the incremental growth in China's military capability than by the burgeoning Sino-American camaraderie that these transactions represented. The USSR's unease was evident in its continuous verbal condemnation of Western military sales and its efforts

to strengthen Sino-Soviet relations in the early 1980s and its increased focus on the East Asian region during the Gorbachev era. The USSR's display of goodwill towards China demonstrated that it was facing significant pressure from the strong strategic alliance between China and the United States. US military sales successfully impeded normalisation between China and the USSR. Deng Xiaoping believed that the United States could provide more advanced weaponry and civilian technologies that the USSR was unable to offer. The normalization negotiations between China and the USSR progressed slowly, starting in the early 1980s and only concluding in 1989, just two years before the dissolution of the USSR.

The United States achieved limited success in utilising military sales as leverage to influence Chinese politics. For instance, the Carter administration consolidated Deng Xiaoping's power in China through military sales and the transfer of dual-use technologies, thereby maintaining China's proclivity towards the United States. This was a notable and significant success because during the era of Mao Zedong, China's internal political struggles were entirely closed off, and the Western world had little influence over its internal political trajectory. However, the Reagan administration encountered significant setbacks over the Taiwan issue, which led to internal opposition against Deng Xiaoping within China and contributed to a partial easing of tensions between Beijing and Moscow.

The US goal of integrating China into the Western bloc was a patent failure. China

never exhibited an inclination to join the West. Beijing remained acutely aware that its alliance with the West was temporary, and it maintained a high degree of caution about deepening strategic collaboration with the US. The culmination of this reluctance materialised during the Tiananmen Square incident, which signalled a decisive halt to China's integration into the Western system. The harsh suppression of the student movement by the Chinese government was a poignant indicator of Beijing's resistance to political democratization reforms, underscoring the chasm between US objectives and China's own vision for its trajectory.

Overall, the US policy of military sales to China was successful. It achieved success in two crucial aspects: containing the USSR and maintaining the balance of power between China and the USSR, while preventing rapid growth in China's military capabilities during the Cold War period. US arms sales were the result of the larger shifts within the strategic triangular relationship between the United States, China, and the USSR not a decisive factor in themselves. As the most unstable component of the US-China relationship, it had a limited impact on the longer-term geostrategic relationships of both nations with the USSR.

2) UK Arms Sales Policy towards China

The policy of the UK regarding military sales to China fundamentally differed from that of the United States. The essence of the UK policy was primarily driven by economic considerations, albeit with inherent political implications due to the inherent

nature of arms trade. The essence of the US policy lay in its strategic approach, serving its containment strategy. However, US-Soviet relations were sensitive, so any direct military sales to China were perceived to carry unforeseeable consequences. As a result, the US was more cautious and restrained in its approach to such sales. When the United States accepted Soviet behaviour, there was no political pressure for arms sales to China to be completed. The UK had a relatively insignificant role within the strategic triangular relationship between the United States, the USSR, and China. The UK's policy concerning military sales to China predominantly operated autonomously, detached from the intricate dynamics characterizing the strategic triangle. The British government backed 'supporting arms sales provided there were no overriding strategic factors to the contrary'. British arms sales were more proactive, and based on support in principle, with objections treated as rare exceptions.

The UK's arms sales policy had a higher degree of flexibility and initiative, which allowed the UK to make decisions more independently and respond promptly to evolving circumstances in its relations with China. Firstly, there was no geopolitical conflict between Britain and China. Britain's arms sales to China did incite alarm among China's neighbours, including countries such as India and members of ASEAN. These nations, in the proximity of a potentially militarized China, were naturally apprehensive about the increasing firepower that Britain's arms sales could provide. However, Britain remained largely indifferent to their concerns because it no longer offered security assurances to the East Asia region unlike the US. The slow growth of China's military

strength was not seen as a significant threat to Britain's national security and strategic interests. Secondly, the resolution of the Hong Kong issue was resolved more smoothly compared to the Taiwan issue. After the end of World War II, Britain realised that Hong Kong was militarily indefensible, maintaining a good relationship with mainland China was almost the only choice. Therefore, there were no conflicts as severe as those around the Taiwan issue between China and Britain over Hong Kong.

While Britain was not directly engaged in the geopolitical tensions that constituted the Sino-US-Soviet triangular dynamics, the repercussions of shifts within this strategic framework inevitably radiated outwards, influencing the decisions and policies of Britain. The UK often invoked strategic factors as a pretext. The Heath government convinced Nixon and Kissinger that the Spey engine conformed with US strategic interests. The Callaghan government consistently emphasised to the US that arms sales were simply regular business, but it nonetheless fell back to advancing strategic reasons in attaining US approval: containing the USSR, integrating China and supporting US foreign policy. Following the Afghan War, Prime Minister Margaret Thatcher employed strategic justifications to advocate for the Carter administration's pursuit of military sales and cooperated with President Ronald Reagan in imposing technological embargoes on the USSR, while simultaneously loosening restrictions on the UK's own arms exports to China. Hence, due to the political nature of military sales policies and the escalating confrontation between the United States and the USSR, opportunities arose for the UK to increase its military sales to China.

The Objectives of UK Arms Sales Policy

Throughout the post-war period, Britain had retained a trading relationship with China. Britain's diplomatic efforts to persuade the US to cancel the trade embargo on China in the first two decades had built a reservoir of Chinese sympathy for potential purchases from Britain. The economic stagnation of the 1960s and 1970s left the British government open for any opportunities to improve its balance of trade. Owing to its focus on economic goals, UK's policy towards China are comparatively clear and straightforward. It covered three key aspects: profits derived from military sales contracts, the employment opportunities generated by such contracts, and the maintenance of the defence industry production line. Additionally, military sales contracts had the potential to stimulate growth in civil contracts, thus creating a ripple effect in other economic sectors.

On the other hand, the UK's policy on military sales pursued limited political objectives. Firstly, it aimed to enhance bilateral relations with China. This was deemed the most significant political objective, given that Beijing linked growth in trade with political relationships. London believed that fostering a positive London-Beijing relationship would open up more export opportunities for the UK, allowing it to gain a competitive edge over other European nations. Additionally, the development of this bilateral relationship was seen as beneficial in addressing the Hong Kong issue.

The UK also pursued strategic interests that were linked to the broader strategic triangular relationship between China, the United States, and the USSR. Firstly, London believed that military sales to China could compel the USSR to respect détente policies and alleviate pressure on the West. Secondly, London maintained that its military sales to China would not significantly enhance China's offensive capabilities but would rather bolster capabilities against the USSR, thereby serving the broader geopolitical interests of the West. Lastly, the British government saw military sales to China as a means to align China with the Western camp.

The strategic goals of the UK largely aligned with those of the United States. However, there were minor divergences between the two. Firstly, compared to the United States, the UK tended to underestimate the impact of military sales on the strategic triangular relationship, believing that military sales to China would not provoke strong retaliation from the USSR. Secondly, the British government preferred to avoid undermining détente policies in an overall sense, although its enthusiasm for détente was weaker compared to France and Germany. This policy approach was completely abandoned by the Reagan administration. Lastly, in formulating its military sales policy, the UK leaned towards portraying a collective Western policy to avoid individual retaliation from the USSR, which was also a significant factor in its decision to return to COCOM restrictions in 1981.

The Evolution of UK Arms Sales Policy

In contrast to the long-standing debates and lack of clarity surrounding the United States' policy on military sales to China, the UK's policy has had a more defined expression at the official level. Starting from the Heath government, through the Labour government led by Callaghan, and continuing into the Conservative government under Thatcher, each administration introduced its own military sales policy and made timely adjustments based on changing circumstances. In 1975, with the tacit approval of the United States, the British government utilized the exception procedure within COCOM to facilitate the export of the Spey engine. In 1978, the Callaghan government established the overall framework for the UK's military sales to China, emphasizing principles of 'defensiveness' and 'case-by-case approval,' while still utilizing the exception procedure to bypass COCOM restrictions. The Thatcher government in 1979 inherited and built upon the policies of its predecessor, implementing a four-tier classification list to manage specific types of weaponry. However, in the aftermath of the Soviet war in Afghanistan, Thatcher abandoned the strict insistence on purely 'defensive' material and agreed to all sales as long as they had 'no significant effect on the strategic balance in the area.' In 1981, in order to normalize military sales to China, the British government agreed to return to COCOM regulations and obtained verbal assurances of support from allied nations for their case. In 1985, the Thatcher government further relaxed the military sales policy, modifying the condition from '[should] not upset or have a significant effect on the strategic balance in the area' to 'not less favourable than to...other strategically non-aligned countries with expanding defence industries.' In 1986, a memorandum was signed between the Chinese and

British governments, specifically mentioning the joint upgrading of existing equipment and joint ventures for the co-production of new military equipment for export to third countries acceptable to both sides.

Changes within the strategic triangular relationship between the United States, China, and the USSR, US attitudes, the trade control of COCOM, competition from other countries in the Chinese market, the attitude of the industrial sector, and the bureaucratic consensus within the government all shaped the UK's policy on military sales.

The changes within the strategic triangular relationship between China, the United States, and the USSR had a profound impact on the UK's military sales to China on two significant occasions. The first instance was the Sino-Soviet split, which laid the groundwork for military sales. The second impact on British policy came with the Soviet invasion of Afghanistan. Throughout the 1970s, the United States officially opposed but privately supported British military sales. However, following the Afghan War, the United States openly endorsed British military sales, leading to rapid developments in the UK's policy.

The attitude of the United States was crucial, and was a primary consideration for the British government when formulating relevant policies. The stance of the United States had a direct impact on the extent to which the UK accepted COCOM restrictions. If the United States approved of British military sales, the UK would often disregard COCOM

restrictions and make unilateral decisions before notifying other COCOM member countries. However, if the United States displayed a negative attitude, the COCOM regulations became an insurmountable barrier that could not be bypassed.

In general, the US was not opposed to British sales in principle but believed such sales were proceeding too quickly. Britain had cancelled the China differential in 1957 and used exceptional procedures as the mechanism for exports. Exceptional procedures did not cover military-use sales. Britain hoped to allow military sales under COCOM by revising its basic charter. The US worried any such revision would lead to a chain reaction of unpredictable consequences damaging Detente with the USSR. This divergence reflected Britain's focus on national, largely economic, priorities and the US concern, as effective leader of the Western bloc, over global strategy. The US did permit British export of the Spey system using exception mechanisms to avoid changing the basic charter of COCOM in containing the USSR. The UK thus avoided lengthy renegotiation with all other COCOM members but set a thorny precedent.

The Soviet war in Afghanistan provoked a confluence in British and US attitudes to COCOM's rules. Both now sought a revision favourable towards China. France was opposed, believing East-West relations would be damaged globally. Britain and the US together achieved a partial victory with a revision of the rules. Both believed Détente had effectively collapsed with the entry of Soviet forces into Afghanistan and Soviet reactions could be ignored. In 1982, as European states hoped to re-establish relations

with the USSR, Britain came to the aid of the US by supporting the US line that normalisation with the USSR should be off-limits for all Western allies. In November 1982, members of COCOM signed an agreement imposing trade controls against the USSR. In 1985 Britain and the US again cooperated to set up an ad hoc group to speed approvals of sales to China. Britain had in fact hoped to remove China from COCOM controls altogether, but this step was too far for both the US and European allies.

Britain's relaxed arms sales policy was also motivated by concern about Western competitors. The British government believed that adopting a more lenient military sales policy would help garner favour from the Chinese government. They hoped this would enhance their chances of securing contracts in competitive bidding scenarios. As the thesis shows, fearing other sellers like the US and France, the Heath government had allowed the Spey contract to go ahead and the Callaghan government approved the transfers. With the Soviet war in Afghanistan and more western countries selling arms to China, competition against British firms became more intense. Technological features of British equipment were behind those of the US, but prices were higher than comparable products from competitors such as Italy. In 1985 the Thatcher government relaxed sales to China such they were 'not less favourable than to other strategically non-aligned countries with expanding defence industries.

In the UK, the arms industry operated with a significant degree of independence. Chinese government representatives were permitted to directly engage with British

companies to discuss potential arms sales and other defence-related contracts. These companies then sought governmental approval after preliminary negotiations were conducted or agreements reached in principle. This gave British companies the flexibility to respond swiftly to new business opportunities. The interests of the arms industry were effectively articulated and potentially incorporated into foreign policy decisions. Companies were proactive in developing relationships with foreign governments, creating opportunities that might not have otherwise existed. The contract negotiations for the Spey engine, Harrier aircraft, and the 051 project all originated from contacts between British defence companies and Chinese official representatives.

British officials were largely in step with well-established arms sales thinking, and it was a significantly positive factor for pushing arms sales policy. This consistency had its roots in the 1970s, when under the auspices of Heath's government, Britain had successfully forged a consensus across party lines and amongst civil servants in favour of arms sales to China. This consensus extended beyond merely those who directly interacted with matters concerning the USSR, capturing the universal agreement of officials and ministers within the MoD, the FCO, and the DTI. The consensus was inherited by both the Callaghan and Thatcher governments. Even within the House of Commons, any opposition to arms sales to China remained confined primarily to the left-wing elements of the Labour Party, highlighting the overwhelming bipartisan consensus in the matter. Even following the Tiananmen Square incident, when the Labour Party criticised arms sales, their efforts failed to influence government decisions.

This demonstrated a staunch British commitment to arms sales to China, which persisted even in the face of major political upheavals. Hence, the persistence of this consensus is testament to the strength of the arms sales industry within British policymaking circles.

The Outcomes of UK Arms Sales Policy

The military sales policy of the UK to China can be considered unsuccessful as it did not yield the anticipated commercial profits. The UK exported £25 million worth of military goods to China between 1984 and 1988, accounting for 0.3% of UK arms exports in that period.⁹⁴⁰ As revealed in the sixth chapter, by the late 1980s, there was a general loss of confidence within the British industrial and political sectors regarding China's arms market. While lacking key data to support this claim, the sense of disappointment was evident. It was observed that few British companies had established representative offices in Beijing, which was perceived as a waste.

Overall trade between China and the UK experienced an improvement. UK trade with China accounted for a small share of the UK's total trade in the 1980s. In 1980, China was the UK's 26th largest export market and 15th largest source of imports, accounting for 0.7% of UK exports and 1.5% of UK imports. In 1990, China was the UK's 19th largest export market and 12th largest source of imports, accounting for 1% of UK exports and 2.4% of UK imports.⁹⁴¹ However, it is difficult to attribute this

⁹⁴⁰ *Western Arms Exports to China*, 34-5.

⁹⁴¹ Matthew Ward, 'Statistics on UK Trade with China,' *Commonslibrary.parliament.uk*, November 5, 2019,

improvement solely to the UK's military sales to China, and the overall scale of such sales was indeed relatively small.

The improvement of bilateral relations did not yield the desired results for the UK. Unlike the US use of Taiwan in discussions over sales, the Thatcher government did not use the Hong Kong negotiations as leverage in future arms sales. Britain had hoped arms sales could help it achieve some of its goals in discussions over the future of Hong Kong. However, as discussions progressed in a tough atmosphere, Thatcher herself became convinced arms sales could have no bearing to Chinese attitudes to Hong Kong. The failure of Harrier aircraft and Project 051 proved Britain was unable to influence China's decisions, China was unconcerned by its failure negatively impacting Sino-British relations. Britain promoted an MOU on defence cooperation, and it is true that the bilateral relationship between China and the UK experienced an improvement due to the UK's lenient military sales policy and the signing of memoranda. Chinese senior officials had acknowledged this in formal settings. However, it was signed but not seriously implemented by the Chinese. These facts showed a simple truth that China only regarded Britain as a low-cost source for military information and a means by which to develop in the medium-term its own arms industry, rather than a reliable partner.

3) China's Arms Acquisition Policy

<https://commonslibrary.parliament.uk/research-briefings/cbp-7379/>.

Within the dynamics of the strategic triangular relationship, China had initiated three significant adjustments. The first occurred during the era of Mao Zedong and Richard Nixon, as elucidated in Chapter 3. The establishment of the triangular relationship resulted from proactive engagement by both China and the United States, rather than unilateral efforts. The second adjustment took place during the leadership of Hua Guofeng and Deng Xiaoping from 1977 to 1979. Deng's sustained efforts to draw closer to the United States led to a historic breakthrough with the Carter administration, paving the way for the formal establishment of diplomatic relations between China and the United States in 1979 and subsequent military sales to China. As Chapter 5 shows, the third adjustment occurred in 1982 when China proposed an independent and autonomous foreign policy, actively distancing itself from the US while concurrently seeking to ease tensions with the USSR to a certain extent. The 'Soviet Card' effectively stimulated the relaxation of US technology transfers. In essence, China possessed the capability to unilaterally influence the triangular relationship, rather than merely following the lead of US policy.

Complementing this significant strategic position is China's clear objectives in terms of arms acquisition. Firstly, China aimed to upgrade its weaponry to counter the military threat posed by the USSR. This objective emerged during the China-Soviet split and has remained a long-term goal. Secondly, China sought to establish a certain level of strategic trust with the West through military sales, aiming to gain access to advanced Western technology and investment to accelerate its Four Modernisations. Therefore,

fundamentally, China's acquisition of Western weapons served as both a tool to maintain geopolitical stability and as leverage to access advanced Western technology and financial resources.

The Limitations of China's Policy

Several factors had constrained China's ability to achieve its objectives. One primary factor was its limited financial capacity. Military modernisation represented the final goal within the framework of the Four Modernizations, and the overall defence budget was constrained by fiscal limitations. China witnessed a notable increase in inflation from 1980 onwards. While the officially reported defence budget experienced a 12% rise between 1980 and 1988, commodity prices surged by a staggering 60% during the same period. Although the official defence budget registered a 15.4% increase in 1989, when adjusted for inflation, it actually decreased by approximately 2.1%. The impact of inflation significantly outweighed the increase in the defence budget throughout the 1980s.⁹⁴² As a result, funds available for the import of military equipment were also restricted. China's Seventh Five-Year Plan, beginning in 1986, saw the equipment side of its defence budget cut by 75%.⁹⁴³

Furthermore, concerns regarding potential retaliation from the USSR constrained the development of China's strategic relationship with the West, impeding progress in

⁹⁴² Wang, S., 'Estimating China's Defence Expenditure: Some Evidence From Chinese Sources,' *The China Quarterly* 147(1996):889-911.

⁹⁴³ FCO-21/3376, Loose minute by Jenkins, February 4, 1986.

military sales. China sought to avoid its establishment of a strategic cooperative relationship with the West in public forums. This reluctance also stemmed from China's aversion to being used by the West as a pawn against the USSR. China desired to enhance its military capabilities but was unwilling to serve as a front line for Western containment of the USSR. If Beijing perceived that Washington was playing the 'China card,' it became difficult to sustain strategic and military cooperation.

The Features of China's Policy

China's internal politics strongly influenced the decision-making process of its foreign policy. Importing Spey was initially a technical issue, but the internal political turmoil almost scuttled the effort. Foreign policy struggled with nationalist ideology. After Mao proposed the Three Worlds Theory, China should have united the European countries and promoted cooperation as much as possible; in fact, although Chinese leaders were able to keep a clear mind, ordinary people could not change their thinking quickly, which had the power to damage the practice of foreign policy.

On the other hand, the principle of self-reliance was deeply rooted in the Chinese mind. This policy found a vigorous proponent in Mao and Deng's Defence Minister Zhang Aiping, who underscored the importance of self-reliance in military modernisation. Leaving aside political considerations, some experts genuinely believed that a dependency on foreign technology would impede domestic development. Therefore, China's arms acquisition policy was characterised by a distinct preference for

technological know-how and spare parts over the outright import of fully-finished products.

Limited budgetary means led Chinese negotiators to bargain hard. They frequently vacillated on bringing arms transfer negotiations to fruition, frustrating Westerners. In some cases, China would also negotiations to obtain as much technical information as possible without any intention of signing contracts.⁹⁴⁴ When finalising specific deals Chinese officials would agree in principle and then cite last-minute foreign offers and intensified financial constraints to force extra concessions. These repeated bargains wasted much time. China was not concerned by diplomatic consequences of failed negotiations, as in the 051-Class project. It also used arms sales to test western attitude towards China. As noted in Chapter 6, the British government stated on more than one occasion that China dangled arms sales to test the sincerity of western promises about bilateral relations. China often hinted that cooperation in arms sales could boost subsequent bilateral trade, but this was only a bargaining ploy.

China's Attitude to the US and UK arms sales

Although Beijing perceived American weaponry to be the most advanced, China demonstrated great caution in terms of strategic cooperation represented by military sales. Particularly during the Reagan era, the Chinese government repeatedly emphasized that the relationship between China and the United States was not

⁹⁴⁴ DNSA/China, 'China's Perception of External Threat,' DIA, November 1984, pp,12-3.

partnership but rather pragmatic cooperation. This stance aimed to avoid being treated as a mere pawn by the United States and to prevent countermeasures from the USSR. China also actively avoided reliance on US military equipment, as demonstrated in chapters five and six. China deliberately purchased weapons from countries such as France, Germany, and Italy to shape an independent and self-reliant defence industry.

China was more open to importing British than American arms, because China and Britain had fewer conflicting strategic interests, and objectives were largely aligned, with both viewing military sales as a pragmatic business endeavour. Chapter 6 explored the mutual understanding between both parties regarding their cautious approach to strategic issues under the sensitive circumstances of the Afghan war and the Poland crisis. This political understanding injected vitality into Britain's military sales to China, enabling the UK to maintain a competitive advantage in armaments prior to the Falklands War. However, the weak performance of British equipment in the Falklands naval battle shook China's confidence in British military sales, and other countries' efforts in the arms market seized the market share that had previously belonged to the UK. From that point on, the decline of British military sales became irreversible.

It was a deliberate strategy for China to play upon the differences between the two Western allies. China's strategic vision hoped to encourage the UK, one of Europe's most influential powers, to reduce the impact of US policies on its own agenda and, instead, pursue a more independent foreign policy. China aimed to carve out more room

for negotiation and gain better terms for itself in diplomatic and economic interactions. In the era of Deng Xiaoping, this tactic was particularly evident in the arms trade competition between the UK and the US. China astutely exploited the competitive dynamics between these two countries, thereby enhancing its own market position and strategic leverage.

Soviet Responses to the Sino-Western Arms Trade

The USSR consistently and clearly opposed Western countries' arms sales to China. Moscow employed various means, including diplomatic statements, newspapers, and communications, to warn Western nations about the potentially destructive consequences of arms sales to China for the relations between East and West. Concurrently, the USSR continued to deploy military forces in the Far East from 1969 onwards to counter the military threat posed by China. The Far East military deployments reached their peak around 1986.

The Soviet threat had complicated effects. On the one hand, the threat did indeed have an impact on the scale of Western arms sales to China. The US, UK, France, FRG, and Italy all faced the threat from the USSR, which kept them cautious and maintained a certain distance from China. As a result, they self-imposed limitations on the scale and intensity of arms sales to China. On the other hand, the Soviet threat also facilitated the formation of a collective Western approach towards arms sales to China. This can be observed through the coordination within COCOM, where Western countries,

especially the UK, intentionally shaped a collective policy on arms sales to China to avoid unilateral retaliation from the USSR.

Furthermore, the threat was also perceived by European countries as evidence of the effectiveness of the 'China card'. The more military forces the USSR deployed in the Far East, the more Western European countries welcomed it, as it indicated the Soviet Union's diversion of resources. Thus, there was a clear correlation between the Soviet Union's military deployments in East Asia and the intensity of Western arms sales to China. This correlation was evident in the cooperation between China and the US in 1972, the formation of consensus among Western countries on arms sales to China in 1979, and the peak of arms sales in the mid-1980s.

The USSR was not concerned about China's own military capabilities but it was worried about the potential deepening of strategic cooperation between China and the US symbolized by arms sales. As demonstrated earlier, both Moscow and Washington believed that China's military strength would remain limited and far from being able to compete with the United States and the Soviet Union by the end of the 20th century. However, the strategic cooperation between the West and China exerted significant pressure on the Soviet Union, as observed from Moscow's repeated attempts to improve relations with Beijing in the 1980s.

However, compared to China and the US, the Soviet Union's strategic adjustments were

too slow. For instance, in 1982, Moscow initially intended to win over China by exploiting the conflict between China and the US over the Taiwan issue. However, its rigid diplomatic policies and the military buildup in the Far East in 1983 pushed Beijing closer to Washington once again. Normalization of Sino-Soviet relations was not achieved until 1989, by which time the USSR was already unable to compete with the US so that the improvement in Sino-Soviet relations did not yield the expected strategic results.

4) The Anglo-American 'Special Relationship' and Arms Sales to China

The case of military sales to China reflects the essence of the 'special relationship' between the UK and the United States as a strategic alliance driven by shared interests. In this particular case, both sides shared strategic objectives: containing Soviet expansion in East Asia, maintaining China's alignment with the West, and diverting Soviet pressure away from the West. These common strategic goals formed the basis for cooperation on the issue of military sales to China, even though there were some important differences of policy between them.

Despite these differences, the two governments provided support to each other in terms of their strategic and economic goals. For example, the United States facilitated the UK's avoidance of COCOM restrictions. During the 1970s, with the support of the United States, the UK managed to bypass COCOM regulations in its military sales endeavours. This allowed the UK to save significant diplomatic costs associated with

communicating with COCOM member countries. The US support for UK military sales also shielded the UK from potential unilateral retaliation from the USSR. As discussed in Chapter 6, in the 1980s, the UK sought to make military sales a collective western endeavour, as evidenced by the informal agreement reached with COCOM member countries in 1981 and the modifications made to COCOM rules in 1986. Without US support, such tasks would have been virtually impossible to accomplish.

The UK also provided support to the United States. As the leader of the Western camp, the United States had to consider complex strategic dynamics, where even minor policy changes could have ripple effects. This made US policies appear rigid, while the UK could offer greater flexibility. The United States exhibited hesitancy in formulating its military sales policy towards China, as it had to simultaneously consider concerns about Soviet retaliation, Chinese overconfidence, and commitments to regional security. In contrast, the UK faced fewer constraints from such factors, allowing it to formulate military sales policies more swiftly and flexibly. For instance, in the early 1970s, the Nixon administration endorsed the policy of arming China but could not directly execute it. Instead, it successfully utilized the UK as a means to carry out military sales, a development that was welcomed by both parties. The Carter administration faced similar challenges, as it sought to maintain détente and faced sluggish progress in military sales to China. However, it gave the green light for the UK to sell Harrier fighter jets.

Arrangements for joint action between the US and Britain within the framework of COCOM were managed through unofficial, non-diplomatic ministerial channels, providing solid evidence that the 'special relationship' between the two nations remained sturdy. Given the inherently delicate nature of arms sales, the US could not openly endorse British arms transactions. Consequently, public assertions by US officials did not truly reflect the nation's actual stance on this matter. Instead, the real sentiments of the American administration carried greater significance for their British counterparts, typically communicated through informal channels. Once an unofficial, yet unambiguous commitment was given by the US, Britain would proceed with its course of action, regardless of reservations expressed by other allies. This was demonstrated when the Heath government proceeded with the transfer of the Spey aircraft engine immediately after receiving an approval message from Henry Kissinger. While the US government publicly denied British proposals to amend COCOM regulations, it unofficially sanctioned Britain's circumvention of these rules. The US voiced objections over several notable contracts such as those involving the Spey engine, Harrier aircraft, EDI, and the Project 051 destroyer within the COCOM framework. However, it had already approved each of these agreements informally in advance, reflecting the complexity and fluidity of the 'special relationship' in practice.

It is also clear that the 'special relationship' between the UK and the United States in their triangular diplomacy with China bore a pronounced asymmetry. In many instances, the British government demonstrated a considerable degree of foresight, modifying

proposals that could harm Anglo-American relations before the negotiation table. However, this proactive attitude, while serving to prevent diplomatic friction, did little to influence the course of American decision-making. In American policy calculations the views of its allies, not least those of Britain, were often drawn upon as points of reference in internal deliberations. Nevertheless, the United States was not inclined to make concessions unless the impact on its own national interests was insignificant. This highlighted the inherent imbalance in the relationship, where British influence was largely relegated to the realm of advisory opinions rather than substantive policy shaping.

There were exceptions to this rule, however. On fairly rare occasions, the United States did concede ground when there was strong British opposition to a particular decision. A case in point is Project 051, where Prime Minister Margaret Thatcher personally intervened in the negotiations. Her persuasive efforts eventually led the US government to compromise and approve British re-exports of American products to China. While such instances were few and far between, they nonetheless underscored the possibility of tangible British influence in certain circumstances. As this study of the triangular diplomacy involved in US and UK arms sales to China in the late Cold War demonstrates, while the Anglo-American 'special relationship' meant much more to the government in London than it did to the one in Washington DC it nevertheless brought important benefits to both.

Thus an investigation of US and UK arms sales to China between 1969 and 1991 provides an important regional case study of the Anglo-American 'special relationship' during the Cold War. It shows that, while the US was clearly the senior partner, in Asia as in Europe, the shared strategic imperatives of the two countries enabled significant cooperation and mutual benefits despite differences regarding the economic, political and strategic aspects of their individual foreign policies.

Appendix

Examples of Military and Dual-Use Contracts between China and the West, 1975-1991⁹⁴⁵

Countries	Items
US	<p>1984: Dual-use Black Hawk Helicopters.</p> <p>1986: Sikorsky S-70 Helicopters; the modernization of a production facility for 155mm artillery shells; Mark-46 anti-submarine torpedoes; AN/TPQ-37 artillery-locating radars.</p> <p>1987: The modernisation of J-8 combat aircraft.</p>
UK	<p>1975: licensed production in China of Spey Mark.202 turbo-fan engines.</p> <p>1980: Head-up displays (HUDs) and navigation/attack systems and other avionics for J-6 and J-7 combat aircraft; CV-12 diesel engine and transmission belt from British <i>Challenger 1</i> Tank.</p> <p>1981: Vickers' L7 105mm rifled tank gun and several ammunitions including Armour-Piercing Discarding Sabot.</p> <p>1982: Mortar locating radar.</p> <p>1984: A kind of Land Electronic Warfare equipment; J-7 Avionic equipment.</p> <p>1985: J-7 Avionics; Land Electronic Warfare equipment; mortar locating and ATC radars.</p>

⁹⁴⁵Sources: Author's table based on *Western Arms Exports to China*, 17-34; FCO 21/4000, Buckle to Simon, August 1988; Harold J. Johnson, *U.S. and European Union Arms Sales Since the 1989 Embargoes* (Testimony Before the Joint Economic Committee, United States General Accounting Office, April 28, 1998).

	<p>1986: the modification of an air refuelling tanker version of the Chinese H-6 bomber aircraft; Thermal Imaging Equipment [unclear type]; Range radar [Estimated as Searchwater Airborne Early Warning Radar].</p> <p>1987: Spares for Spey Mark.202 turbo-fan engines.</p> <p>1988: Combat aircraft Ejector seats; Helicopter avionics kit.</p>
France	<p>1978: SA-321 Super Frelon helicopters in ASW.</p> <p>1980: licensed production of SA-365 Dauphin / Panther helicopters;</p> <p>1982: Crotale surface-to-air missiles; Castor 2B fire control radars [estimated date].</p> <p>1987: HOT anti-tank missiles; SA-342 Gazelle helicopters.</p> <p>1988: Compact 100 mm naval guns; Sea Tiger naval surveillance radars [estimated date]; TAVITAC naval combat automation systems [estimated date].</p>
West Germany	<p>1981: Deutz AG's Type-6150L diesel engines for use in Chinese-produced YW-531/Type-63 APCs and WZ302/Type-70 self-propelled guns (The contract negotiation started in 1966); Deutz Type BF8L engines used in Chinese PLZ-45 self-propelled 155mm guns; the PCZ-45 armoured ammunition supply vehicles.</p> <p>1990: Dual-use North Benz trucks 1990.</p>
Italy	<p>1986: Aspide Mk.1 air-to-air missiles.</p> <p>1987: electronic counter-measures for Chinese A-5M attack aircraft [estimated date]; Radar for F-7M and F-7MP fighters [estimated date].</p>

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