destine visits to China by directors of the agency. Turner was kept out of the public eye; he stayed away from the American embassy and otherwise avoided places where he might be recognized. He even grew a mustache for the trip. The effort almost failed. Turner and an aide, future CIA Director Robert M. Gates, were taken on a tour of the Forbidden City at the same time as a Senate delegation. They scurried down an alley to avoid being noticed.46

Over the following decade, CIA Directors William Casey, Gates and William Webster all visited China. None of the trips was made public; the directors flew into and out of a special military airfield outside Beijing. In each instance, Chinese officials turned the visits into clandestine operations, although the American officials sometimes chafed at the restrictions.

"The Chinese suggested I wear a disguise," recalled Webster. He rejected the idea and refused to grow a mustache. Webster, like Turner, was taken to the Forbidden City, and he too ran into Americans he knew: A voice shouted out, "Hey, Bill Webster, it's Emmitt from St. Louis!" An aide, Bill Baker, was dispatched to warn Emmitt he should never say he had seen the CIA director in China.47

In order to disguise Casey, Chinese officials gave him a large hat with earflaps that covered his face. They also ordered that he not go into public places where he could be seen by other Americans. Casey grew so restless under the Chinese controls that at one point, in Shanghai, he demanded to eat with ordinary Chinese. "I don't want to be followed around and eat in empty rooms," he said to his Chinese hosts. "I'm going home if I don't get a good Chinese meal in a real restaurant with real people!" Chinese officials cleared out a restaurant and filled it with intelligence and military people in civilian clothes. When Casey was brought in, he said, "Yeah, this is what I want." Apparently not looking too closely at the other diners, he sat down and ate contentedly.48

The agendas for these directors' visits were highly orchestrated. During Gates's trip, he tried at one point to raise a subject that hadn't been planned. Let's talk about North Korea, Gates said: It looks like the Soviets are putting reconnaissance aircraft there and that China is losing all its influence.

Gates's host was the director of Chinese military intelligence, a notoriously hard-boiled operator named Xu Xin. He never even bothered to answer. "It's time for dinner," Xu said. He got up from the table and walked out of the room.49

China set the rules, and Americans were supposed to follow them.

CHAPTER SIX

Ronald Reagan and Taiwan

Unlike Richard Nixon, Ronald Reagan did not enjoy overseas travel. He rarely left the United States. In April 1978, however, the former governor of California flew off on a trip aimed at bolstering his credentials as a presidential candidate. One of the principal destinations was Taiwan.

Reagan traveled with his wife, Nancy; with Richard Allen, his principal adviser on foreign policy; and with Peter Hannaford, who had been one of Reagan's aides in Sacramento and whose small California lobbying firm received a $30,000-a-year retainer from the government of Taiwan. Reagan and his entourage saw several of Taiwan's leaders, including President Chiang Ching-kuo.

Reagan, who by then had been the leader of the conservative wing of the Republican Party for more than a decade, gave a luncheon speech in Taipei. "It is hard for me to believe that any sensible American who believes in individual liberty and self-determination would stand by and let his government abandon an ally whose only 'sins' are that it is small and loves freedom," he declared.1

Allen 'had hoped the Taiwan stop would pave the way for Reagan to visit China, too. Reagan was considerably less ambitious. "He had no taste for it," recalls Allen. "He actually didn't want to go to Moscow, either." Instead, after Japan and Taiwan, the delegation stopped in Hong Kong and then flew to Iran, carrying the Iranian Ambassador to Washington Ardeshir Zahedi with them, because Nancy Reagan wanted to meet the shah.2
The ascendance of Ronald Reagan in 1980 suddenly reopened the contentious issue of Taiwan, which American and Chinese officials thought they had settled.

Over the previous decade, Reagan had ranked, along with Barry Goldwater, as one of the two most fervent supporters of Taiwan in American politics. He had opposed normalization of relations with China during his unsuccessful 1976 campaign against Ford for the Republican nomination. In the early months of the 1980 campaign, Reagan's standard speech ended with an emotional declaration: "There's one message I want to deliver more than anything in the world as president—no moreTaiwans, no more Vietnams, no more betrayal of friends and allies by the U.S. government." He had also suggested on several occasions that if elected president, he would support the reestablishment of "official relations" with Taiwan.

By the summer of 1980, as Reagan wrapped up the Republican nomination and prepared to run against Carter, Reagan's advisers grew nervous that his support for Taiwan was becoming a liability. The Democrats warned that Reagan would cause a rupture in the new American relationship with Beijing. Chinese leaders had made plain that they would never accept an American consulate or governmental presence on Taiwan; yet this was exactly what Reagan seemed to advocate.

Allen was eager to defuse the issue before the fall campaign got under way. Shortly after the Republican convention, at a strategy session in California, he came up with an idea: George Bush, Reagan's vice presidential nominee, should visit Beijing, tell Chinese leaders what Reagan would do as president and work out some accommodation with them. The aim was to make use of Bush's experience as former head of the U.S. liaison office in Beijing to smooth over ties between China and the Reagan campaign.

"I went to Reagan and said, 'I'd like you to let Bush and me go to China,'" recalled Allen. "'They will listen to him, and we will offset the terrible damage being done to us. Because we're going to have this [questions about Taiwan] at every campaign stop... This is going to be a millstone hanging around your neck, unless you do something dramatic.'" Bush was happy to take on the assignment, and Reagan, though skeptical, gave his approval.

Bush flew to Beijing, accompanied by Allen and by James Lilley, who had served as the CIA station chief under Bush in Beijing and had also worked with Bush at the CIA in Washington. Allen, who had never traveled to China before, didn't trust Bush; he feared the vice presidential candidate might stray from Reagan's positions on Taiwan.

In China, Allen stuck close by Bush at all times, even making sure to ride in the same limousine with him. He discovered Bush was so loyal that he had nothing to worry about. "George was perfect. He did exactly what was expected," Allen concluded.

Speaking to Chinese Foreign Minister Huang Hua, Bush explained that Reagan did not want to reestablish diplomatic relations with Taiwan or to recognize two separate Chinese governments. Don't be deceived by the rhetoric, and read Reagan's language very carefully, Bush urged: We are not calling for any change in policy. But Huang demanded to know what Reagan had meant in calling for "official" relations with Taiwan.

The next day, August 22, 1980, Bush and his delegation had a meeting with Deng Xiaoping. In the midst of the session, an aide handed Deng a slip of paper with news from the United States. Reagan had just made another vague campaign statement, suggesting once again that he favored some sort of "official" relationship with Taiwan.

Deng was irate. If you do what Reagan is suggesting, you will set the clock back, he told Bush. The Chinese leader pointed out, correctly, that the Republicans had been planning to normalize relations with China during the Ford administration on essentially the same terms that Carter later worked out. I have my own country to run, and I don't plan to take out American citizenship, Deng fumed. He singled out for attack one of Reagan's advisers, Ray Cline, a former CIA station chief in Taiwan who had long been one of the Nationalist government's closest allies in Washington. "What's he doing in your campaign entourage?" Deng asked the delegation. It was a stunningly tense, frosty session. After it ended, and the Americans headed home, the official Chinese press branded Bush's mission a failure.

The most important confrontation was still to come: that between the advisers and Reagan himself. On the way back across the Pacific, Allen and Lilley drafted a careful statement for the Republican candidate, trying to gloss over the Taiwan issue so that it wouldn't dominate the fall presidential campaign. The statement formally acknowledged that Reagan wouldn't try to undo or renegotiate the terms of America's formal recognition of China.

When Allen and Lilley arrived in Los Angeles, they showed the Republican presidential nominee what they had written. "Oh, no, I'm not giving that statement," Reagan replied. "This really isn't what I want to say."

Bush talked privately to Reagan. Allen, separately, also saw the Republican nominee, warning him once again that they had to make the Taiwan controversy disappear at the start of the fall campaign. At one point, Reagan sat down and began to draft his own statement on a yellow
pad; Lilley thought that if those words had ever been uttered, the United States and China might have come close to war. The issue was left unresolved overnight, while those who had just returned from China got some sleep. Reagan had already scheduled a press conference for the following day.

The next morning, Reagan's high command gathered once again. This time Ed Meese, another Reagan adviser whose conservative credentials were impeccable, urged the candidate to deliver his advisers' statement. It was the pragmatic thing to do, he argued. "This is something that has been drafted, it has George Bush's support, and Dick Allen's behind it," Meese told Reagan. "I think this is something you can go along with."

In the middle of the tense meeting, Reagan began to tell stories. One anecdote followed another: He spun out jokes, yarns, tales. Those who hadn't seen Reagan in action had no idea how entertaining he could be. On the other hand, there was an important decision to make, and Reagan didn't seem to be focusing on it. The clock was going round. It was about five minutes before the press conference was supposed to start.

Finally, Reagan asked, "You still think I ought to make this statement?" Everyone in the room nodded. A few minutes later, he walked out and read to the press what had been written for him about Taiwan, acting as though the words represented his deep and long-settled convictions.

"I would not pretend, as Carter does, that the relationship we now have with Taiwan, enacted by Congress, is unofficial," Reagan insisted. However, this was a semantic subterfuge: Reagan agreed to accept and leave undisturbed the terms of the Carter administration's recognition of China.6

From a political standpoint, it worked. Taiwan subsided as an issue in the fall campaign. The controversy would return in a new form, however, after Reagan won the election.

When Reagan took office, China became one of the principal battlefields of bloodletting within the new administration. Throughout 1981 and the first half of 1982, American policy toward China and Taiwan was the subject of infighting between the moderate and conservative wings of the Republican Party; between the White House and the State Department; and ultimately, between President Reagan and his secretary of state, Alexander Haig.

Reagan arrived in the White House as an outsider, eager to bring about change, but also to win acceptance from the Republican establishment. At the 1980 convention, he had even flirted briefly with a deal that would have brought back Ford as vice president with special authority over foreign policy and would have returned Kissinger to secretary of state. Reagan ultimately rejected this arrangement, concluding he would have to yield too much of his power. Yet the episode revealed both his insecurity toward foreign affairs during the 1980 campaign and his uncertainty about the strength of his conservative base.

Reagan had proceeded to name Haig (who had been Kissinger's deputy, Nixon's White House chief of staff and the commander of NATO) to be his first secretary of state. That choice had once again seemed to suggest continuity with past Republican administrations. Such impressions, however, were misleading. Reagan, who often appeared passive and detached, did in fact want to control policy and, eventually, to change it. As time went on, the new president became ever less willing to defer either to tradition or to people like Haig.

When it came to China policy, Haig was a far cry from his mentors Nixon and Kissinger. He had all of their paranoia and none of their subtlety or syntax. For Nixon and Kissinger, forging a strong relationship with China had been a response to specific circumstances around the world; they viewed China as a means to the ends of a peace settlement in Vietnam and detente with the Soviet Union. Haig, by contrast, saw close relations with the Chinese regime as an end in itself; he portrayed himself as the keeper of the faith he had learned during his years in the Nixon administration. He would later assert in his memoirs,

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... The Chinese do not believe that the United States and its allies can bring about the neutralization of Soviet adventurism without the participation of China, or that China can do so without the participation of the United States and the West.7

Haig did not seem to understand at first that Reagan and others in the new administration might not share these views, or that by maximizing China's importance to the United States, he might also be minimizing America's leverage. He would probably not have survived in the Reagan administration in any case, because of his continuing bureaucratic struggles with the White House over his authority as secretary of state; but China was undoubtedly one of the contributing factors in his downfall. In their memoirs, both Haig and Reagan listed China as one of the principal issues on which they had disagreed.8

The main problem confronting the Reagan administration was what
to do about American arms sales to Taiwan. This was the question that had been left unanswered by Carter and Deng Xiaoping when they had hurriedly concluded the deal for normalization of relations at the end of 1978. China had refused to give its assent for a continuing American flow of weaponry to Taiwan, and the United States had refused to give up the arms sales.

By the time Reagan took office, Taiwan was seeking new weapons systems from the United States. The Nationalist regime was particularly eager to obtain a new American fighter plane called the FX for Taiwan’s air force. One of America’s leading defense firms, Northrop, had developed the FX with the aim of selling it to Third World countries, at a time when the Carter administration would not allow the export of America’s more sophisticated jet fighter, the F-16. Soon after taking office, however, Reagan reversed this Carter policy and allowed F-16s to be sold overseas, suddenly leaving Northrop with virtually no demand for an expensive plane it had paid to develop. Taiwan was one of the few prospective buyers for the FX, because the United States was not prepared to offend China by letting Taiwan purchase a plane so advanced as the F-16.9

Several members of the Reagan administration’s new foreign policy team were considerably more sympathetic to Taiwan than was Haig. They included Allen, who had become national security advisor; Secretary of Defense Caspar Weinberger; and Lilley, whom Allen had installed as the National Security Council specialist for China. Before long, the question of arms sales to Taiwan became the main battleground in the war within the administration over Reagan’s China policy.

At the State Department, Haig came up with an approach that seemed to be aimed at purchasing China’s tolerance for weapons sales to Taiwan. His first initiatives attempted to open the way for American arms to China itself; Haig’s hope was that once the Chinese regime was receiving its own weaponry from the United States, Beijing might complain less about continuing U.S. sales to Taiwan.

In June 1981, Haig made his first and, as it turned out, only foray to China as secretary of state. Before leaving Washington, he had won approval from the administration to bring to Beijing several gifts. First, Haig told Chinese leaders that the United States was ready to treat China as a “friendly, non-aligned country,” eligible to receive much greater amounts of American technology than the Soviet Union.

Haig then offered Chinese leaders an even more significant change: The Reagan administration, he said, was prepared to suspend the American prohibition on arms sales to China. The Carter administration had taken the first step by clearing the way for “nonlethal” military equipment, such as trucks; now, Haig told Chinese leaders the United States would be ready, on a case-by-case basis, to consider selling lethal weapons systems to China, too. He invited a top official of China’s People’s Liberation Army, Vice Chief of Staff Liu Huajing, to Washington to explore further exactly what weapons China might buy.10 As a test of how far the Reagan administration might be willing to go, Chinese officials quickly said they would be interested in purchasing several American weapons systems, including Hawk missiles, Mark 48 anti-submarine torpedoes and armored personnel carriers.11

Haig was supposed to dangle the prospect of American arms sales before Chinese leaders in secret meetings but say nothing about the subject in public. He had pressed the State Department to develop the idea, hurriedly, in the final weeks before his trip. The concept of making China eligible to buy arms had been cleared with the White House, but without the usual, exhaustive reviews within the Washington bureaucracy. The formal National Security Decision Directive (NSDD) worked out within the administration before Haig’s trip said the new policy of American arms sales to China was not to be revealed for several months, until after a follow-on trip by a Chinese defense official to Washington.12

Instead of keeping the idea quiet, however, Haig revealed this far-reaching change in American arms policy at a press conference in Beijing, proudly proclaiming that his trip marked a new step forward toward security cooperation between the United States and China. Even Haig’s aides at the State Department were stunned by the disclosure; the idea of selling arms to China had not yet been discussed at all with America’s allies in Asia. Haig’s performance particularly unsettled two members of the American party: Lilley and Richard Armitage, the Pentagon specialist on East Asia. Both men had been relegated to the margins of Haig’s delegation; they had been required to ride in the back of Haig’s plane and to share a hotel room together in China, while State Department officials of equal rank were given single rooms.

These two outsiders realized that they couldn’t send messages back to Washington through regular State Department channels, because Haig would see them. Instead, Lilley—who, as a former CIA station chief, was thoroughly familiar with the various secure communications systems at the American embassy in Beijing—secretly informed Allen in Washington that Haig had gone much further with the Chinese than the administration had expected. Armitage sent a similar message back to Weinberger. In Washington, Allen took the news of Haig’s improvised, unapproved disclosure directly to the president, and Weinberger may have done so, too.13
A few hours before Haig was to depart from China, Reagan appeared at a news conference in Washington. "I have not changed my feelings about Taiwan," he declared. "We have an act, a law called the Taiwan Relations Act, that provides for defense equipment being sold to Taiwan. I intend to live up to the Taiwan Relations Act." Chinese officials were taken by surprise; Reagan's tone seemed strikingly different from Haig's. The administration seemed to be trying to pressure Beijing to accept its agenda on Taiwan.

Haig expected to be seen off at the Beijing airport by the foreign minister, the usual custom. Instead, only a deputy appeared. He pulled Haig aside to complain about Reagan's remarks. "Who makes American foreign policy?" the official asked.

Haig was furious that the White House had undercut him. He even tried briefly to bar Lilley and Armitage from returning home on his Air Force plane. The episode illustrated the extraordinary divisions over China policy within the new administration.

Back in Washington, Haig continued to argue that by selling arms to China, America might be able to end Beijing's objections to the sale of the FX fighter plane to Taiwan. When John Holdridge, the assistant secretary of state for East Asia, said he was having trouble winning approval from the Pentagon to sell China the missiles and armored personnel carriers it wanted, Haig blew up. "Get it through your thick head," he ordered. "We're going to sell arms to China in September, so we can sell arms to Taiwan in January!"

The Chinese, however, were no happier with Haig's idea than was the White House. Haig seemed to be suggesting that China didn't care about the continuing American military support for Taiwan, so long as it got its share. In Beijing, Foreign Minister Huang Hua had warned Haig that China would not accept American weapons as a bribe. One Chinese press commentary warned that any policy seeking a trade-off between American arms for China and American arms for Taiwan was "doomed to failure."

China gradually increased the pressure on the new administration, creating a sense of crisis over Taiwan. Early in 1981, China had formally downgraded its diplomatic relations with the Netherlands by permanently withdrawing its ambassador there in retaliation for the Dutch sale of a submarine to Taiwan. Within months, Chinese officials began threatening to do the same to Washington if the Reagan administration persisted in plans for arms sales to Taiwan. Throughout the summer, China repeatedly postponed the visit by Liu Huaqin.

Once again, as it had in 1977, the Chinese leadership registered its displeasure with a new administration by rolling out the red carpet for those American politicians who had just left office. During the summer of 1981, no fewer than eight alumni of the Carter administration were welcomed to China.

Carter himself was among them; Deng Xiaoping told the former president that "we Chinese will never forget" his role in breaking off American relations with Taiwan. Chinese television broadcast an unusual prime-time interview with Carter, in which he pointedly said Taiwan was "a very difficult and sensitive issue" that should be resolved by the Chinese people "without interference from my country."

Carter's former assistant secretary of state, Richard Holbrooke, had a ready explanation for the sudden rush of out-of-office Democrats to Beijing. "With U.S.-China relations still a slight question mark, there is the sense that the Carter people represent continuity," he said. But there was another aspect to this phenomenon; former American officials were increasingly making commercial use of the contacts with Chinese officials they had made while in government.

By the time of Holbrooke's mid-1981 visit to Beijing, he had become a consultant for Lehman Brothers, the investment banking firm, and an adviser to Nike and Seagram. Carter's energy secretary, James Schlesinger, also visited China for Lehman Brothers. Carter's treasury secretary, Michael Blumenthal, came as chairman of Burroughs Corp., and Carter's agriculture secretary, Bob Bergland, visited for Farmland-Eaton World Trade. Chinese officials were discovering that American politicians, after they left office, often sought to make money from their China connections. And the leaders quickly learned to treat the out-of-office politicians well, realizing that many of them still had influence back home and might be back in office someday.

In the early fall of 1981, the Reagan administration was still weighing the possibility of selling American fighter planes to Taiwan. China decided to prevent this from happening by making a series of demands that went well beyond anything it had previously sought from Carter or Reagan.

At a meeting in Cancun, Mexico, Foreign Minister Huang Hua told Haig the United States would have to set a date by which all American arms sales to Taiwan would end. Moreover, Huang said, China expected the United States to limit both the quantity and quality of its arms to Taiwan to the levels of the Carter administration, and then to reduce these weapons sales year by year.

Until then, Reagan administration officials believed their troubles with China were merely over the sale of the FX fighter to Taiwan.
Huang's message amounted to a breathtaking ultimatum. Beijing was, indirectly, asking the Reagan administration to abandon Taiwan, leaving it without the military supplies on which the regime depended for its security in the absence of a defense treaty with the United States. Had Washington gone along with China's request, its action would have forced Taiwan not merely to negotiate its future with China, but to do so from a position of increasing military weakness.

A few days later, on a visit to Washington, the Chinese foreign minister repeated his demands and added a new one. In a meeting with Reagan, Huang said that the United States should also immediately stop all arms supplies, even minor ones, to Taiwan until after it negotiated with Beijing a long-term arrangement to end the arms shipments; if not, China would downgrade its relations with the United States. By this time, even Haig was irritated with China's lengthening list of demands. He warned Huang Hua that he was putting at risk everything that had been built up between China and the United States over the previous decade.

Almost immediately, however, Haig sought to ease the tension by making plain he was willing to accept one of China's requests. While insisting the United States could not set a date to end arms sales to Taiwan, he suggested the United States would be willing to limit these sales to a level no greater than that of the Carter administration. It was a significant concession, one that would circumscribe American policy in the years to come.

In a memorandum to Reagan on November 26, 1981, Haig justified this new limit by arguing that America's relations with China were at a "critical juncture," and that it was important to avoid "a setback which could gravely damage our global strategic posture." Moreover, Haig argued, American arms sales to Taiwan in Carter's last year had been substantial (slightly more than $100 million a year). "We must recognize that mainland capabilities and intentions do not require a level of U.S. arms sales [to Taiwan] above the final year of the Carter Administration, which provided an unusually high ceiling," Haig wrote.

At the beginning of 1982, the Reagan administration offered China another major concession. In January, Holdridge was dispatched to Beijing to inform Chinese officials that the administration would not sell Taiwan the FX fighter or any other advanced fighter plane. Instead, the United States would merely allow Taiwan to obtain or produce the same, older-model fighter planes, called F-5Es, that its air force already possessed. Reagan approved the decision after American defense and intelligence officials completed a study showing that Taiwan didn't need the FX; it could easily defend itself against China's relatively weak air force with its existing planes. Reagan finally gave up on the FX sale after a weekend meeting with advisers at Camp David.

This decision on the FX might well have ended the entire affair, if it had been offered the previous summer. By early 1982, however, China wanted to test how much more the United States would give. Haig was willing to go to great lengths to preserve what he considered America's strategic relationship with China. Furthermore, Richard Allen had just resigned from the NSC in a scandal over his acceptance of Japanese gifts, temporarily strengthening Haig's hand.

Administration officials thought China would be pleased that America would not sell Taiwan the FX. Instead, the Chinese pocketed this new concession and came back for more. They complained about a decision by the Reagan administration to sell some spare parts to Taiwan. They also expressed dissatisfaction that Taiwan might obtain more of the old F-5E fighters. Above all, Chinese officials kept pressing for the United States to set a date to cut off all arms sales to Taiwan.

Over the following six months, they brought all of their negotiating skills to bear in an effort to wring this last concession from the Reagan administration. They were very nearly successful.

The tenth anniversary of the Shanghai Communiqué was approaching. State Department officials suggested the idea of honoring the occasion with a new communiqué, one that would limit arms sales to Taiwan and would also proclaim America's and China's cooperation around the world. Chinese officials seemed interested, but then submitted language that would have forced the United States to phase out American weapons supplies to Taiwan. The Reagan administration balked, and the tenth anniversary of the Nixon trip passed with little celebration.

In May, Bush visited Beijing, urging Chinese officials to recognize that the United States could not possibly set a date to stop supplying Taiwan. The vice president tried to persuade Deng of the Reagan administration's good intentions. Like other American officials, he was also treated to a diatribe from Huang Hua. "He just battered Bush, saying this is a two-China policy," recalls Don Gregg, who accompanied Bush on the trip. "Bush kept saying, 'No, it's loyalty to our friends.'" Huang told the American delegation nothing had been accomplished since his trip to Washington the previous autumn. The State Department officials were stunned; they had already made several significant concessions, yet Huang was claiming there had been no progress.

The arms dispute was still unsettled when, on June 25, 1982, Haig suddenly resigned, after the list in his unending series of battles with the White House over his authority as secretary of state. "The only disagree-
ment was over whether I made policy or the Secretary of State did," Reagan noted in his diary.\footnote{35}

Haig was not quite finished with his work, however. Following the announcement of his resignation, he summoned subordinates at the State Department for a final talk about China policy. Within days, he wrote Reagan a memo summarizing where things stood in the negotiations over Taiwan arms sales. Haig recommended giving way to China on the final concession it had sought: a promise to end American arms sales to Taiwan.

According to William Roe, the head of the State Department's China desk who drafted the memo and agreed with its contents, Haig said he thought Reagan should accept language that spoke of "a day when arms sales [to Taiwan] will end." That was the promise China had long sought, its ultimate negotiating goal. Haig predicted gloomily that without such a concession from the Reagan administration, China was going to downgrade its relations with the United States.\footnote{36}

Haig's resignation deprived Beijing of its strongest supporter in the top ranks of the administration. At the same time, his recommendation brought the prolonged Taiwan arms controversy to a point where it was ready for a resolution: The administration had to decide how far it would go to accommodate China.

What Haig had written reflected the beliefs of many of the China experts at the State Department. Indeed, the administration was, by this time, considering seriously the idea of ending arms sales to Taiwan. Lilley, who at the beginning of 1982 had been sent to Taiwan as head of America's unofficial office there, was recalled to Washington and instructed to see if Taiwan might go along with the idea.

"They wanted me to go back and convince Taiwan that there should be a terminal date for arms sales," Lilley said. Instead, after returning to Taiwan, he cabled back that the idea wasn't going to work. His message annoyed Bush, who had been Lilley's patron and former boss. "It was the first time [Bush] was ever upset at me," recalled Lilley. "He said, 'You've got to realize where the big relationship is.'" Taiwan, Bush was saying, didn't count nearly as much as China.\footnote{37}

In the end, the issue was settled by Reagan himself. In July, aides brought the president the Haig memo arguing that the United States should agree to end arms sales to Taiwan. Reagan refused to sign it. He was willing to agree to limits on the sales and to other concessions, but not to a cut-off. Instead, he approved what was termed a "final offer" to Deng Xiaoping: a written agreement that spoke vaguely of America's hopes for a "final resolution" of the dispute over arms sales but set no date for the sales to end.\footnote{38}

After another month of testing to see if the administration might retreat a bit more, China finally agreed to the deal, which was enshrined in a communiqué on August 17, 1982. Haig had been wrong: Despite the refusal to set a date for the termination of arms sales to Taiwan, China did not downgrade its relations with the United States.

The 1982 communiqué was the most controversial agreement ever reached between the United States and the People's Republic of China. Although the Reagan administration did not promise to end all arms sales to Taiwan, it did agree to set strict limits on these sales, where none existed before.

In the days after the agreement was announced, the administration made public a series of assurances it had given to Taiwan's government in an effort to make the deal more tolerable. The administration promised that the United States would not consult with China about the kinds of arms to be sold to Taiwan; that America would never try to mediate between China and Taiwan; and that America would not pressure Taiwan to negotiate with China. Acting on Washington's instructions, Lilley had carefully negotiated the wording of these assurances with Chiang Ching-kuo.\footnote{39}

Still, these palliatives could not overcome the agreement itself. Over a period of ten months in 1981–82, the administration had repeatedly yielded ground in the talks with China, only to have Beijing ask for more. American objectives, such as obtaining a concrete pledge from China not to use force against Taiwan, were progressively weakened. The concessions Haig made in the early months of the talks might well have been part of a final package. In the years to follow, even those American officials who were the most sympathetic to China would describe the Taiwan arms negotiations as a classic illustration of how not to negotiate with Beijing.

The aftermath of this affair has never been made public. Shortly after the arms communiqué with China was issued, Reagan moved, secretly and unilaterally, to eviscerate what he had just signed. He dictated a terse, one-page memorandum that explained his own interpretation and understanding of what he had done. The United States would restrict arms sales to Taiwan so long as the balance of military power between China and Taiwan was preserved [author's emphasis], Reagan wrote. If China upgraded its military capabilities, the United States would help Taiwan to match those improvements. These were important qualifiers, not to be found in the language of the agreement itself.

Reagan's memo was placed in a safe at the National Security Council. Over the years, whenever any question arose about arms sales to Tai-
wan, the presidential memo would be pulled out of the safe. Here is how Reagan believed his deal with China should be interpreted, American officials told one another.

As a result, Taiwan obtained most of what it needed, and the dispute between America and China over arms sales subsided for another decade. Taiwan survived, and China, having tested America’s resolve, turned its attention elsewhere.\(^9\)

Among those in the Reagan administration especially ticked by the way the Taiwan arms issue had been handled was a young State Department official named Paul Wolfowitz. In the first years of the new Reagan administration, he was the department’s director of policy planning, charged with developing long-term strategies for American foreign policy.

Wolfowitz represented a new breed in American thinking about China. When it came to the Soviet Union, he was a hawk; in the 1970s, on issues like detente and the Soviet military buildup, he had been a certifiable hard-liner. In the policy debates of the Carter administration, he would clearly have sympathized with Brzezinski over Vance.

Yet unlike Brzezinski and many of these hawks of the 1970s, Wolfowitz didn’t think China was of much help to America in dealing with the Soviet Union. He believed that American foreign policy in general, and Haig in particular, vastly overestimated China’s strategic importance to the United States. China was important within East Asia, in places like Korea and Indochina, Wolfowitz argued. But the idea that it was the key to changing the worldwide behavior of the Soviet Union struck Wolfowitz as wrong. Indeed, he felt that the notion of China’s global strategic importance had been largely manufactured by Kissinger to make himself look smart and to help justify the opening to China.\(^8\)

The bottom line, Wolfowitz argued, was that China needed the United States far more than the United States needed China. It was China, not the United States, that was being threatened by a Soviet invasion. Washington had considerable leverage in negotiations with Beijing but wasn’t making use of it. The Carter administration should never have agreed in 1978 to a moratorium on arms sales to Taiwan, Wolfowitz thought: At the time of those negotiations, China was preparing to invade Vietnam and wanted desperately to solidify its ties with the United States. By overestimating China’s importance, America was making concessions it didn’t have to make.

For the Reagan administration, Wolfowitz’s line of thinking offered a way to bridge the 1970s disagreements over China between the anti-Soviet right wing and the pro-Taiwan right. Wolfowitz was arguing that if you kept China’s importance in perspective, you could be a staunch Cold Warrior without abandoning Taiwan. His view was also in line with some of the changing military realities of the Cold War. The People’s Liberation Army had been unimpressive in its invasion of Vietnam. The administration, meanwhile, had launched a massive American military buildup to confront the Soviet Union. By the early 1980s, Washington did not think China would be nearly so crucial in the event of a U.S.-Soviet conflict as it had thought a decade earlier.

During the negotiations over Taiwan arms sales, Wolfowitz had twice criticized in writing Haig’s reverence for China. In mid-1981, he sent along a broadly worded memo, drafted by an assistant, Sean Randolph, which argued that the United States was inflating China’s strategic significance. In the spring of 1982, Wolfowitz wrote a paper attacking the State Department for making too many concessions to China in the Taiwan arms negotiations.

Haig was infuriated. He ordered that his director of policy planning be cut out of all further information about the talks between Washington and Beijing, and Wolfowitz never heard anything more about the communiqué until after it was signed.\(^9\)

Nevertheless, Wolfowitz’s thinking about China attracted the attention of others within the Reagan administration, among them Haig’s successor, George Shultz. The new secretary appointed Wolfowitz to be his assistant secretary of state for East Asia, replacing John Holdridge, who had served with Haig on Kissinger’s National Security Council staff. It was a classic illustration of a personnel shift that represented a dramatic change in policy.

Shultz embraced many of Wolfowitz’s ideas. In Shultz’s memoirs, written a decade later, he said he had sought to “alter the thinking” underlying American policy toward China:

When the geostrategic importance of China became the conceptual prism through which Sino-American relations were viewed, it was almost inevitable that American policymakers became overly solicitous of Chinese interests, concerns and sensitivities. Indeed, while President Nixon’s historic opening to China in 1972 gave both countries some leverage with the Soviets, it is also true that the opening gave the Chinese leverage over us. As a result, many of the history of Sino-American relations since the normalization of relations in 1978 could be described as a series of Chinese defined “obstacles”—such as Taiwan, technology transfers, and trade—that the United States had been tasked to overcome in order to preserve the overall relationship.\(^2\)
Along with these ideas that had been earlier espoused by Wolfowitz, Shultz brought his own insights. As a former businessman and secretary of the treasury, he was impressed more by economic and industrial strength than by military power; in this respect, he was the opposite of Haig. Moreover, as a former labor negotiator, Shultz understood the bargaining process. "I am convinced that in international relations, as in labor relations, the road to a bad relationship is to place too much emphasis on the relationship for its own sake," he wrote, speaking of America's approach to China.

In early 1983, Shultz and Wolfowitz added the last, crucial element in their new Asia policy: the notion that Japan, not China, should be the primary focus of American attention.

During a speech in San Francisco outlining his ideas, the secretary praised lavishly Japan's growing economic power. He also spoke of the importance of democracy. "We believe that democratic nations are more likely to follow the just and sensible policies that will best serve the future of the region and the globe," Shultz declared. Frictions between the United States and China were inevitable, he argued, not just because of Taiwan, but because of "differences between our social systems."

Shultz's speech represented a subtle but remarkable change in the assumptions that had guided American policy toward Asia. For the first time, America was redirecting its foreign policy to take account of Asia's growing prosperity. The non-Communist governments of Asia—not only Japan, but South Korea and the nations of Southeast Asia—had been treated as sideshows in the Cold War for decades; Washington depicted them mostly as wards to be protected from Communism. Now, they were portrayed as important for their own sake, as future powers to be courted.

Even more strikingly, in the San Francisco speech Shultz discussed China without ever once using the favorable Kissingerian adjective "strategic." Instead, he talked of China's "regional role," suggesting that China's importance to American foreign policy lay mostly within Asia itself, rather than against the Soviet Union. This was, of course, also a considerable change for American policy: Kissinger, Brzezinski and Haig had all contended that China's support was essential for America in the Cold War.

Shultz's reorientation of American policy also reflected changes in China's own view of the world. In the 1970s, China had often been the cheerleader, indeed provocateur, seeking confrontation with the Soviet Union, at a time when the United States was pursuing detente. That phase ended after the invasion of Afghanistan, when China began to worry that it might be caught up in a dangerous conflict between Washington and Moscow. As Reagan increasingly challenged the Soviet Union around the world, China began to distance itself from the United States. In the fall of 1982, Communist Party General Secretary Hu Yaobang told a Party Congress that China would carry out an independent foreign policy, separate from that of either the Soviets or the Americans. The anti-Soviet partnership of Kissinger and Chou, or of Brzezinski and Deng, was not entirely eliminated, but it was being scaled back.

Soon after Shultz's speech, the Far Eastern Economic Review published a cover story called "Leaning Toward Japan," showing America's secretary of state at a street corner, following a sign marked "Ginza" and heading away from another one marked "Tiananmen." Shultz "does not view the Pacific through the dreary and emotional prism of Washington's Asian wars," the story said."

After his first two years in office, Ronald Reagan had, however hap-hazardly or inadvertently, come up with the personnel and the approach to China that suited him. The ideas propounded by Shultz and Wolfowitz were to guide American policy toward China for the remaining five years of the Reagan administration.

Shultz lost little time in putting these ideas into practice. Before his first trip to China in February 1983, State Department officials let it be known that the secretary was not carrying any surprise gifts or policy changes to Beijing, as other American visitors like Brzezinski and Haig had done in the past."

In Beijing, Shultz had a testy confrontation with a group of American executives eager to do more business with China. During a lunch at Beijing's new Jiangguo Hotel, the Americans repeatedly asked the secretary why Washington wasn't doing more to help them win business contracts. One of them observed that Japan and West Germany issued export licenses for China much more quickly than did the Reagan administration.

"Why don't you move to Japan or Western Europe?" Shultz asked. When another representative asked him why the administration had refused to grant Westinghouse the right to sell nuclear power plants in China, the secretary retorted, "The problem of proliferation is a distinct problem, and I think the question suggests in a rather cavalier fashion that [we] brush it off. I don't brush it off."

Shultz told the business leaders many of their questions implied that "there is something wrong with the United States." Some, he went on, "sign deals even though they know the technology cannot be exported, and then say to the U.S. government, 'We made this financial commit-
ment: now you've got to approve it.' Buddy, that's your problem when you do that. Don't complain to the government."  

In his memoirs, Shultz complained that the American business leaders had espoused "the standard Chinese line." His confrontation at the hotel had left him "with a sour taste," Shultz said. The contretemps illustrated how little influence the business community had over American policy toward China in the early 1980s. Eleven years later, during the Clinton administration, when Secretary of State Warren Christopher had a similar meeting in Beijing with American executives, the dynamics between business and government were strikingly different.  

The dispute over arms sales to Taiwan left a legacy of acrimony and factionalism that endured a decade or more. In the years after Nixon's rapprochement, many other battles had been fought within the U.S. government over China. Most of these, however, were conflicts between the executive branch and Congress, or among Cabinet-level officials: between Kissinger and Rogers, for example, or between Brzezinski and Vance. 

The Reagan administration's internal divisions over arms sales to Taiwan filtered down through the bureaucracies to a far greater extent than these other disagreements. Competing networks emerged within the government: one network of officials whose highest priority was close ties with China, and another of those who placed greater emphasis on relations with Taiwan, Japan and the rest of East Asia. The pro-China faction included men like John Holdridge and William Rope; its intellectual leader was Charles W. Freeman Jr., the deputy chief of mission at the American embassy in Beijing. The pan-Asia faction included Reagan's aides William Clark and Gaston Sigur at the National Security Council as well as Wolfowitz, Armitage, and Lilley.  

Each network was intensely suspicious of the other. The pro-China faction was accused by its opponents of wanting to abandon Taiwan, or at least wishing it would disappear. (On that last point, at least, the critics were often right. One U.S. official was amazed to hear Holdridge joke, in his State Department office, that it would be nice if a tidal wave hit Taiwan.) The other, pan-Asia faction was portrayed by its adversaries as a bunch of interlopers who couldn't understand Chinese culture and didn't respect or honor the foreign policy legacy of Nixon and Kissinger. 

In the aftermath of the 1982 communique, the pan-Asia faction triumphed within the Reagan administration. Wolfowitz became assistant secretary of state, and Reagan appointed Sigur to succeed him three years later. Armitage, their close ally, was in charge of Asia policy at the Penta- 

gon. Once a week, these men gathered together to work out the administration's Asia policies; it was something between a regular meeting and a cabal. One of its purposes was to make sure the administration continued to approve arms sales to Taiwan. 

By contrast, those State Department China hands who had worked mos: closely on the Taiwan arms agreement gradually found themselves further and further removed from American policy toward China. It wasn't exactly a full-scale purge, but it wasn't random, either. Holdridge was sent off to be ambassador to Indonesia. Freeman stayed at the American embassy in Beijing through 1984, but then was given assignments elsewhere; he wasn't involved in China policy for nearly a decade. 

Rope, the youngest and lowest-ranking member of the pro-China faction during the Taiwan arms negotiations, was unable to obtain any State Department job for any country in East Asia after his time ran out as head of the China desk in 1983. Finally, he gave up and became a specialist on Turkey. 

Alexander Haig's fortunes were unaffected, however. Following his resignation, Haig worked as a consultant for United Technologies, where he quickly adopted the formula he had so unsuccessfully put forward for the U.S. government as secretary of state: He tried to sell arms both to China and to Taiwan. 

In the months after the 1982 communique was worked out, the Reagan administration went about the task of deciding exactly what sorts of arms and other equipment Taiwan should be allowed to buy under the new agreement. To their astonishment, State Department officials soon found themselves receiving phone calls from Haig. 

Their former boss urged them to approve the sale by United Technologies of advanced Sikorsky helicopters to Taiwan. His lobbying effort was unsuccessful; the State Department did not let Taiwan buy these aircraft, but it approved the sale of less-advanced helicopters also made by Sikorsky.  

This did not mean, however, that Haig had somehow become partial to Taiwan. He soon appeared in Beijing, too, eager to sell weapons systems to China. In November 1984, Assistant Secretary of Defense Lawrence Korb visited China on a Pentagon delegation aimed at helping the Chinese army improve its logistics. While there, he ran into Haig. On a walk in the garden of China's state guest house at Diaoyutai, the former secretary of state told him the Reagan administration sought to open the way for the sale of more military hardware and technology to China. 

"We ought to give them [China] whatever they want," Haig told Korb. "They're not going to use it against us."
CHAPTER SEVEN

Reagan and the Golden Years

With Haig’s departure and the end of the acrimony over arms sales to Taiwan, the United States and China entered their golden years. Surprisingly, between 1983 and 1988, the Reagan administration forged a closer, more extensive working relationship with China’s Communist regime than the two governments had before or have had since.

American and Chinese military commanders who fought against one another during the Korean War crisscrossed the Pacific, offering warm toasts to the friendship between the People’s Liberation Army and the American armed forces. Intelligence agencies worked together to fight large-scale covert wars in Afghanistan and Cambodia. American defense contractors supplied weapons systems to China, and U.S. warships for the first time visited ports on the Chinese coast. Chinese leaders sent thousands of the country’s best and brightest students to American universities. U.S. Cabinet secretaries offered Chinese government ministers the best in American training and technology in fields ranging from agriculture to securities law.

In the days of Kissinger and Brzezinski, the collaboration between America and China had often been close, but not deep: It had been confined to the highest levels of government. Throughout the 1970s, the two countries had been somewhat constrained by the lack of diplomatic relations. By the early 1980s, America and China were ready to do serious business with one another. Though neither country realized it at the time, this decade would come to be viewed as the apogee in relations between the two countries.

What brought about this halcyon era? At least on the surface, it ran contrary to expectations. The first two years under Reagan had been rancorous. Moreover, many of China’s strongest allies within the U.S. gov-

ernment—those who, like Haig, believed most strongly in the importance of a strategic relationship between America and China—had by 1983 either lost their jobs or declined in influence.

Several factors were behind this era of good feeling. One was simply that America and China had tested one another to the point of exhaustion. Each side had probed the other’s limits. China had discovered how much the United States would give concerning Taiwan, and what it wouldn’t. Both countries recognized that despite their differences over Taiwan, they still had a great deal to offer one another. Both remained wary of the Soviet Union’s military power and Soviet intentions in Asia. China wanted American technology, and America was becoming ever more interested in pursuing its old dream of selling to the China market.

Another dynamic at work during this period might be called the phenomenon of reverse expectations. In its relations with America, Chinese officials have often been considerably more demanding of those Americans considered China’s “friends,” such as Kissinger, Bush and Haig, than of other U.S. officials. Those Americans whom China calls lao pengyou, old friends, can be repeatedly asked to deliver favors, where others are treated more pragmatically. China’s dealings with Reagan, Shultz and Wolfowitz—none of them considered friends—were less turbulent and more businesslike.

The final and most important factor propelling the two countries toward one another was China’s domestic politics. The 1980s were the peak period for the Westernization of Chinese society and culture. The country was emerging from the straitjacket of Maoism. Deng Xiaoping emphasized the importance of education, technology and expertise that China could best obtain from America and its Western allies.

Communist Party Secretary Hu Yaobang and Premier Zhao Ziyang, the two leaders whom Deng said he was grooming to succeed him in running the country, sometimes seemed considerably more eager to support the values of the West than Deng was. Zhao appeared in public in Western suits. Hu sometimes went further than Zhao: In the mid-1980s, he touched off a furor by suggesting that the Chinese people should eat with silverware instead of chopsticks. “We should prepare more knives and forks, buy more plates and sit around the table to eat Chinese food in the Western style, that is, each from his own plate,” he said. “That way, we can avoid contagious diseases.”

Hu’s and Zhao’s embrace of Western culture was reflected throughout Chinese society in the 1980s: China experimented with Western music, art, law, journalism, political science, business and finance in ways that had not been permitted a decade earlier, and without so many of the
political conflicts that would arise in the 1990s. The Communist Party did not yet view American influences and ideals as a threat to its rule over China, in the way that it did after 1989.

Thus, ironically, under Ronald Reagan and George Shultz, both considerably less enamored of China than their predecessors, America and China for a few years forged the sort of close working partnership of which Richard Nixon and Henry Kissinger had once dreamed.

Nothing could better symbolize the depth of the intelligence cooperation between America and China in the 1980s than the Afghan mules.

After the invasion of Afghanistan in 1978, the United States launched its biggest covert intelligence operation since World War II, aimed at supporting the mujaheddin rebels in their guerrilla war against Soviet forces. The CIA, working closely with Pakistan’s intelligence service, rushed to arm, train and support the Afghan resistance.

China was a partner in these clandestine operations. Starting with CIA Director Stansfield Turner’s visit to Beijing in late 1980, American and Chinese intelligence agencies had established a formal working relationship. China, like the United States, was happy to see the Soviet Union bogged down in a protracted war, one that might teach Moscow the dangers of trying to expand its power in Asia.

One of the main logistical problems for the mujaheddin was finding ways to distribute arms and ammunition to its fighting units. Soviet forces controlled the roads and the air. For resupply, the Afghan rebels relied on pack animals, moving overland at night. As the fighting in Afghanistan intensified, the mujaheddin discovered that there simply weren’t enough four-legged animals inside the country to support their operations. The rebels desperately needed mules.

Enter America and China. The CIA studied briefly the possibility of transporting mules from the United States to Afghanistan, but finally decided that the idea wouldn’t work: transportation was expensive, and American mules weren’t sturdy enough. Instead, the CIA turned to its Chinese partners and agreed to buy thousands of Chinese mules. Chinese intelligence officials arranged to have mules bred inside China and then marched along the Karakorum Highway, the route of the old Silk Road, from Xinjiang Province in far western China into Pakistan. There, the mules were laden with mortars, machine guns, rocket launchers and other guns and ammunition and sent on another journey into Afghanistan.

While the mules were the symbol of the Sino-American intelligence cooperation on Afghanistan, arms were the substance of it. Chinese intelligence supplied many of the weapons used by the mujaheddin, under a similar arrangement with the CIA: The United States paid the costs, and China supplied the goods.

For American intelligence, buying Chinese weapons served several purposes. China was relatively close to Pakistan, and the two countries were already allies, so it made sense to set up a flow of weapons from China to Pakistan to the Afghan guerrillas.

Furthermore, the Chinese arms enabled the CIA to maintain the fiction that the United States was not supplying the Afghan resistance. Through the first half of the 1980s, it was official American policy to make sure that the weapons used by the mujaheddin came from Communist countries, so that the Soviet Union could not accuse the United States of direct involvement in the war.

The CIA obtained some of the arms it needed for Afghanistan from Egypt, which had stocks of Soviet-built weaponry. In addition, the agency found that Israel was happy to sell some of the Soviet-made weapons that had been captured during the war in Lebanon; the Afghan mujaheddin didn’t realize that their jihad against Soviet forces was being fought with the indirect help of the Israelis.

Despite these other sources of supply, however, the overwhelming share of the CIA’s arms purchases for Afghanistan, particularly during the early stages of the war, came from China. At the Pakistan port of Karachi, Chinese ships unloaded cargoes of small arms, assault rifles, mines, anti-tank and anti-aircraft guns, rocket launchers and 107 mm rockets. Mohammed Yousaf, the general who headed Pakistan’s Inter-Services Intelligence (ISI) Directorate operations to supply the mujaheddin, estimated that the Afghan resistance received 10,000 tons of weapons in 1983. The arms supplies increased year by year to a level of 65,000 tons in 1987, with most of the shipments coming from China, Yousaf later wrote. By some estimates, China made $100 million a year through its weapons sales to the CIA.

Years later, the CIA’s massive payments for Chinese arms would seem ironic. By the late 1980s, the United States was complaining about China’s proclivity for selling arms, missiles and other weapons overseas, particularly in the Middle East. American officials sometimes accused the Beijing government, Chinese arms industries and the People’s Liberation Army of crass commercialism. Never was it noted that one of China’s earliest, biggest and most profitable customers for arms exports was the CIA.

For Michael Pillsbury, the covert operations in Afghanistan represented the fulfillment of the decade-old dream of American military cooperation with China.

By the beginning of the 1980s, Pillsbury had become part of a net-
work of right-wing activists in Washington, a loose alliance of congressional staff aides and other conservatives whose main interest was in weakening and challenging the Soviet Union. On Capitol Hill, Pillsbury's hawkish views attracted the support of several important Republican legislators, including Senators Orrin Hatch and Gordon Humphrey. After Reagan took office, he landed a job in the Pentagon as an assistant to Fred Ikle, the undersecretary of defense for policy.

Pillsbury was by nature both intelligent and conspiratorial. Secretary of Defense Caspar Weinberger later complained that Pillsbury had been "a loose cannon who was really in the department on sufferance because of his political friends." Such remarks reflected a common view of Pillsbury among top-level officials, not only at the Pentagon but at the State Department and CIA. Pillsbury was skilled at building up pressure on high-level officials to do things they hadn't wanted. He was, in many ways, a provocateur, whose talent lay in knowing how to work the executive branch and Capitol Hill on behalf of the causes that interested him.

During the 1980s, his cause was defeating the Soviets in Afghanistan, and the means he seized upon was the Stinger missile. As Ikle's coordinator for Afghan affairs, Pillsbury spearheaded a campaign to give these missiles to the mujaheddin.

In 1983, as the Soviet Union stepped up its efforts for a military victory in Afghanistan, Washington was divided over what to do. Some of the more hawkish officials in the Pentagon and CIA, together with their allies on Capitol Hill, urged the administration to intensify its efforts against the Soviet forces. Increasingly, they focused on the Stinger missile as a new weapon that could change the course of the war. The Stingers were portable and highly accurate weapons that might enable the Afghan rebels to shoot down Soviet aircraft.

More cautious officials, including Weinberger, worried that if the mujaheddin were given the Stingers, some of these missiles might be lost and fall into the hands of potential adversaries. Moreover, some officials feared that introducing the Stingers might prompt the Soviet Union to retaliate against Pakistan. In support of these arguments, opponents of giving Stingers to the rebels pointed out that the Pakistani government itself was cool to the proposal.

To help win the argument, Pillsbury made use of his China connections. In Washington, he enlisted the backing of Morton Abramowitz, the head of the State Department's intelligence service. Abramowitz had been one of Pillsbury's earliest patrons; in the 1970s, he had played a key role in winning acceptance in the Pentagon for Pillsbury's idea of an American military relationship with China. He was decidedly not part of the right-wing political coalition that made up the core of Pillsbury's support; yet Abramowitz feared that without the Stingers the Afghan rebels would lose the war.

On a trip to Beijing in early 1986, Hatch, Ikle, Pillsbury and Abramowitz persuaded Chinese intelligence officials not only to support the idea of giving the American-made Stingers to the Afghan resistance but also, more significantly, to lobby Pakistani President Zia ul-Haq to endorse the idea. That was an important change, underwriting the argument in Washington that Pakistan didn't want the mujaheddin to obtain these new weapons.

After China persuaded Pakistan to request the Stingers for the Afghan guerrillas, the opposition to the idea in the administration evaporated, and the way was cleared for the Stingers. During the last half of the 1980s, the United States sent roughly 1,000 of the missiles to the mujaheddin, at a cost of at least $30 million.

As the proponents had argued, the missiles proved to be effective, particularly against helicopters, although disagreement persists over how much of a factor they were in producing the Soviet withdrawal. As the opponents feared, hundreds of the Stingers sent to Afghanistan were lost or diverted; some were obtained by Iran. In the years after the war, the CIA launched what was called Operation MIAS (Missing-In-Action Stingers), spending tens of millions of dollars in an effort to buy back the Stingers that had been lost.

To the annoyance of the Reagan administration, Pillsbury became involved in the minute details of the Afghan war. One former CIA official recalls Senator Humphrey and Pillsbury, in a Capitol Hill hideaway office, telling American intelligence officials exactly which buildings and other targets they should try to hit in Kabul.

Pillsbury was not to be deterred. The covert Afghan war enabled him finally to put into practice the idea that America and China should team up to fight the military power of the Soviet Union.

Beginning in 1983, the Reagan administration progressively opened the way for China to obtain American arms and technology. It was the final step in the process that had begun under Carter and had continued when Haig sought to win Chinese assent for arms sales to Taiwan.

In May 1983, Commerce Secretary Malcolm Baldrige was dispatched to Beijing with the news that the Reagan administration would loosen its controls on high-technology exports to China. The administration decided to treat China like other countries in Europe, Asia and Africa that were considered friendly but were not allies. After Baldrige's trip the administration approved the export of several specific items of "dual-use" technology (goods with both military and commercial applications) that
could not have been sold to the Soviet Union or its allies in Eastern Europe.

With these liberalized export controls, American defense and high-technology industries rushed to sell hardware to China. In 1982, U.S. firms obtained licenses for about $500 million in exports to the People’s Republic; by 1985, the dollar value of these sales had jumped to $5 billion.11

Later that year, Weinberger traveled to China to revive the formal Sino-American military relationship that had started during the last year of the Carter administration. To demonstrate China’s importance to the Pentagon, Weinberger carried a huge delegation of American officials with him, including Armitage, Wolfowitz, Ike and General Colin Powell, who was then Weinberger’s military assistant.

The Reagan administration had by this time concluded China was not so strategically important as American officials had believed during the 1970s. Nevertheless, Weinberger’s Pentagon delegation tended to view China primarily through the prism of the Cold War. Weinberger said he hoped his trip would demonstrate to Chinese leaders “that they did not need to resume or strengthen their military ties to the Soviet Union.”

He delivered warnings in China about Soviet naval and air power in the Pacific. In one toast, he likened the People’s Liberation Army to a modern-day Great Wall blocking the “threat from the north,” an unmistakable reference to the Soviets. It was reminiscent of the visit to China a half-decade earlier when Brzezinski had inveighed against the Soviet “polar bear.”13

Weinberger found, however, that the Chinese were more interested in obtaining American technology than in talk of an anti-Soviet alliance. They pressed the Americans to approve the export of entire categories of new defense technology, so that Beijing did not have to ask for each item, one by one. Weinberger was unwilling to go so far. He did, however, announce that the administration had decided to approve export licenses for 32 specific items of military and dual-use technology that the Chinese had been trying to buy since 1981.13

Weinberger’s visit opened the way for much closer defense ties between America and China. The Pentagon and the People’s Liberation Army launched their most extensive series of exchanges ever. Over the following six years, American generals, admirals and service secretaries traveled to China, often offering American know-how or some new technology along with their toasts. In January 1985, General John W. Vessey Jr., chairman of the Joint Chiefs of Staff, became the highest-ranking American military official to visit China since 1949; he exchanged toasts of Chinese mao-tai and Missouri corn whiskey with Yang Dezhi, the PLA’s chief of staff, who had once commanded troops in their “human wave” attacks against American forces in Korea.14

One of the administration defense officials who took part in these exchanges with China was Lawrence Korb, the Pentagon’s assistant secretary of state for logistics. To Korb, a civilian, the U.S. military acted as though it was rekindling its old love affair with China—one that dated back to the days in World War II when American and Chinese soldiers had joined together against Japan. American military officers made sentimental returns to Chongqing, the locus of Chiang Kai-shek’s wartime government, or to other cities in China where they had served.

In their more private moments, Korb observed, American and Chinese military officers swapped stories about their shared dislike for the Russians and the Japanese. “The whole thing was so Cold War-oriented,” Korb said of the Pentagon’s military exchanges with China. “It was, ‘How do we keep the Soviets in a box and keep [Soviet military] pressure away from Europe?’ No one looked beyond the end of the Soviet empire. It was a classic case of the old adage, ‘The enemy of my enemy is my friend.’”15

As the American and Chinese armed forces began to do business with one another, arms sales became the medium of exchange. They were what China most wanted from the United States. “It turned into an arms sales relationship,” one senior Pentagon official acknowledged in a subsequent interview. “Our judgment is that pre-Tiananmen [before 1989], 60 to 70 percent of the military relationship was arms sales.”16

By early 1984, leaders of the People’s Liberation Army and of China’s defense industries were being brought to the United States for shopping tours of American companies and military installations. Among the visitors were He Ping, Deng Xiaoping’s son-in-law, and He Pengfei, the son of the famed PLA Marshal He Long. A decade later, during the 1990s, these two men would be depicted in Washington as arms dealers eager to sell Chinese weapons, missiles and technology to the Middle East and other dangerous parts of the world. Few Americans realized that both men, and other Chinese arms dealers like them, had during the 1980s received a warm welcome at the Pentagon.17

In June 1984, Reagan made China eligible for America’s Foreign Military Sales program, enabling Beijing both to buy weapons directly from the U.S. government and to obtain American government financing for these purchases. Over the next half-decade, China acquired a series of American weapons systems. It paid $22 million for American help in modernizing its factories to produce artillery ammunition and projectiles. China spent an additional $8 million for American torpedoes,
$62 million for artillery-locating radar and more than $500 million for American help in modernizing its jet fighters. 23

China also entered into several commercial transactions, in which it bought American hardware directly from U.S. defense firms. The most notable of these was the purchase of 24 Sikorsky S-70C helicopters from United Technologies Corp. Alexander Haig had helped make the deal. China thus was able to obtain helicopters similar to those that United Technologies had not long before sold to Taiwan.

By this time, Haig’s pervasive role in selling weapons systems overseas had attracted congressional attention. Speaker of the House Jim Wright, whose Fort Worth district included one of United Technologies’ main rivals, Bell Helicopter, complained to George Shultz that Haig was exploiting his former position as secretary of state to influence decisions on arms sales. 24

These American arms sales helped Chinese military officials to modernize some parts of their defense industries. Nevertheless, China never achieved all that it wanted from America during the 1980s. Its ability to buy weapons systems from abroad was limited by high costs. During this decade, the leadership was tightly controlling its defense spending. 25 Moreover, the Pentagon remained cautious about what it would permit China to purchase, worrying about the impact on Taiwan, Japan and other neighbors.

According to Armitage, who was in charge of Asia policy at the Pentagon, the general concept was to let China buy only military hardware “that the Soviets already had, that would serve them against the Soviets, and wouldn’t be used in a way that would be a particular threat to others.” 26 In practice, officials found that it was not so easy to say which weapons systems might threaten China’s neighbors. Taiwan did, in fact, lobby against American arms sales to the Chinese navy and air force, even though administration officials insisted these sales would not undermine the island’s security. 27

These arms deals were in many ways a symbol of the entire relationship between the United States and China in the 1980s. In military matters, as in virtually all other aspects of life, China looked with extravagant expectations toward the West and particularly toward the United States. China had been forced during the 1950s to depend on Soviet military technology in a partnership that had ended badly. Since that time, Chinese military officials had relied on their own resources, trying where possible to devise improvements for Soviet factories and technology.

In the 1980s, as Deng Xiaoping opened China to the outside world, the Chinese often tried to buy the best, most advanced Western goods they could find. Military officers were no different from anyone else. The problem was that the highest level of technology wasn’t always the one that was suitable for China. There were many instances where China didn’t have the infrastructure or the skills necessary to absorb the most advanced levels of technology. Sometimes, the best of the West was a misfit for China.

All of these problems came together in the largest single American arms sale, a deal in which China paid for American help to upgrade its F-8 jet fighters. This Chinese plane had been modeled on the Soviet MiG-21 and therefore, by the mid-1980s, was based on technology that was a quarter-century old. The administration agreed to sell China about $50 million in avionics kits (radar and navigational equipment) to improve the performance of 55 of these jets. The project, which Pentagon officials code-named Peace Pearl, was to be carried out largely by the Grumman Corp. in Bethpage, Long Island.

Years later, Pentagon officials would admit that Peace Pearl had been a mistake. The avionics kits proved to be difficult and expensive to install in the older Chinese planes. There were cost overruns, which in turn led to money disputes between America and China. Moreover, the kits weren’t enough to turn the F-8 into a high-performance plane. For that, China needed a new jet engine, and the United States was unwilling to sell China these engines.

The project was, in short, a piecemeal approach that didn’t solve the larger problem: China needed a completely new plane. “To take a dog aircraft and try to make it better, that was a mistake,” explained Carl Ford, who served as the deputy assistant secretary of defense for East Asia during the Bush administration. “Mistake two was that at such a primitive level of aircraft production, you can’t mass-produce avionics systems and weapons to put in it. And third, they had no agreement from anybody to get a jet engine.” 28

Nevertheless, Peace Pearl went forward, with costs and frictions between America and China mounting, until 1989, when the project became the subject of another, still more contentious dispute between the two countries.

It was inevitable that Ronald Reagan himself would visit Beijing, along with virtually all other senior officials of his administration. Reagan and his advisers began discussing a visit to China in early 1983. Such a trip, they thought, would not only dramatize the growing cooperation between the United States and China; it would also, not incidentally, provide colorful film footage that could be used to bolster Reagan’s foreign policy credentials in his 1984 campaign for reelection.

Reagan’s staff at first wanted him to go to Beijing in November 1983,
while he was visiting Japan and South Korea. By going so early, they felt, he could avoid charges that the trip was part of the 1984 campaign. At the State Department, Wolfowitz balked. Several American Cabinet members were visiting China in 1983, but no senior Chinese leader had agreed to come to the United States. American officials had suggested that Premier Zhao Ziyang visit Washington, but China had not agreed. Wolfowitz argued that if Reagan flew to Beijing to court its leaders so quickly after American Cabinet members did, his trip would undercut the sense of reciprocity between America and China; it might also reinforce the old notion that foreign leaders go to China to pay tribute.

Finally, the decision went up to Reagan, who backed Wolfowitz and the foreign policy team over Michael Deaver and the political advisers. I will go to China, but not until Zhao Ziyang comes here first, the president wrote. China soon announced that Zhao would visit Washington in January 1984, opening the way for Reagan to go to China in April.24

The struggle over Reagan's itinerary underscored how America's perceptions of how to deal with China were changing. The heyday of Kissinger's secret diplomacy were by now more than a decade old. No longer was America willing to dispense with the niceties of protocol in order to transact business almost exclusively on China's home turf. In an ideal world, such details might not matter. Yet China certainly cared about the setting and symbolism for doing business with the United States; American leaders had decided that they too should care about such details.

For the Chinese leadership, the mere fact of Reagan's visit was vastly more important than any business conducted while he was there.

Reagan was the world's best-known anti-Communist. In 1979, at the time Carter had established diplomatic relations with Beijing, Reagan had branded the People's Republic "a statist monopoly founded on violence and propaganda, and destructive of the humane tradition of the Chinese people themselves." By traveling to Beijing and treating Chinese leaders with respect, he seemed to be conveying an acceptance of their legitimacy.

So, too, in visiting China, the president was demonstrating the limits of U.S. backing for Taiwan. Reagan was America's most conservative president in two generations and over the previous decade had been one of the staunchest American supporters of Taiwan. Yet he, like his three predecessors in the White House, intended to do business with Beijing. America would make sure Taiwan had the weaponry it needed to defend the island, but Reagan's trip to Beijing eliminated any lingering doubts among Taiwan's leaders about the finality of America's recognition of the Beijing government.

Stopping in Honolulu on his way to China, Reagan met Senator Barry Goldwater, for years a fellow supporter of Taiwan. Goldwater was just returning from Taipei. "Barry was upset about my visiting China and made little attempt to hide it," Reagan recalled in his memoirs. "He suspected I was getting ready to give up on Taiwan, and I don't think I convinced him otherwise." Associates of Goldwater say he told Reagan, "You sold out Taiwan!"

In fact, Taiwan survived Reagan's trip and, after finally recognizing the limits of American support, made the changes it needed to adapt to the new environment. During the last half of the 1980s, the government gradually discarded its old and spurious claims to govern the entire Chinese mainland. The Nationalist leadership also phased out its authoritarian controls over Taiwan, opening the way for a more democratic government, one that could attract greater support in America. Reagan's trip to China may actually have helped Taiwan by teaching its government not to cling to the past.

In Beijing, Reagan received what was, in retrospect, a lesson on the vagaries of China's domestic politics. In addition to meeting with Deng and Premier Zhao Ziyang, he met with Hu Yaobang, who was Deng's top aide and the titular leader of the Chinese Communist Party. Hu informed the American president that Chinese politics was stable and orderly. There was, he said, no serious opposition to the party leadership's reform program. America need not fear chaos after Deng's departure, Hu told Reagan, because a younger generation of leaders was being groomed to take over.

In fact, the opposition within China to the reforms was considerably greater than Hu realized, and so was the power of party elders. As it turned out, the younger generation of Chinese leaders taking power after Deng Xiaoping would not include Hu Yaobang.

Reagan and his aides had one revealing contretemps with the Chinese leadership. White House officials had been told that China would broadcast on television, live and unexpurgated, a speech he gave to a select audience at the Great Hall of the People. In fact, however, the speech was videotaped and censored; Chinese authorities deleted the portions of the speech that inveighed against the Soviet Union and those that reached the values of democracy and free enterprise.

In one of the deleted passages, Reagan declared that "American troops are not massed on China's borders," an unmistakable reference to the Soviet Union. Foreign Ministry spokesman Qi Huayuan explained that "it is inappropriate for the Chinese media to publicize the comments by President Reagan on a third country." China was just
beginning to mend fences with the Soviet Union; from its point of view, the days when Americans and Chinese joined together to denounce the Soviet Union had passed.

China also censored Reagan's declaration that Americans "have always drawn tremendous power from two great forces—faith and freedom." In still another deleted passage, perhaps the most sensitive of all, Reagan asserted, "Abraham Lincoln defined the heart of democracy when he said, 'No man is good enough to govern another man without the other's consent.'"

Reagan's speech engendered some friction within the administration, particularly between Wolfowitz and Charles Freeman, deputy chief of mission at the embassy in Beijing. The two men were powerful intellectual forces, each representing a different point of view: Freeman was the strongest proponent within the U.S. government for a close relationship between America and China, while Wolfowitz was the leading skeptic about the value and wisdom of such ties.

According to Wolfowitz, Freeman was extremely upset that Reagan's speech had included words so provocative they had to be censored. "I remember Chas Freeman running up to me with his hair on fire, saying, 'We told you guys not to do that. See what happens?' And I said, it just means we said something they don't like. It probably means that three million senior cadres are going to ask to see the speech." Freeman, in an interview, said he did not recall the incident.

Reagan tried a second time to have some of those ideas broadcast to a Chinese audience. Appearing on Chinese Central Television, he told an interviewer that America had "no troops massed at your borders," again alluding to the Soviet Union. He also asserted that "economic growth and human progress make their greatest strides when people are secure and free to think, speak, worship, choose their own way and reach for the stars." Once again, these passages were deleted from the interview before it was published.

Finally, in Shanghai on the final stop in his trip, Reagan tried a third time. He appeared before a group of students and faculty at Fudan University, one of China's most prestigious educational institutions. This time, he denounced the Soviet Union as an "expansionist power" that had engaged in "an evil and unlawful invasion of Afghanistan." He also praised what he called "my own values" of faith in God and free markets. This time, the speech was carried live on Shanghai television, but without any translation into Chinese. Reagan had managed to get his points across in a fashion, but only to English-speaking residents of Shanghai.

Reagan's worst moment came on the way out of China. Flying back to Alaska aboard Air Force One, he gave a rare interview, his first in a year and a half, to the pool of reporters assigned to cover him. Tired and no doubt happy to have finished a successful trip, he referred to China as a "so-called Communist country."

Reagan recalled in the interview how he had visited a joint venture in Shanghai where an American firm, the Foxboro Company, was manufacturing industrial-control equipment with a Chinese state enterprise. "American concerns can create branches of their own in China, in this so-called Communist China," the president told reporters on his plane.

He was deluding the American public, if not himself. On the very day he left Beijing, Tiananmen Square had been decorated with huge portraits of Marx, Engels, Lenin and Stalin, the pantheon of Communist heroes, for the traditional May Day celebrations. Though Reagan was alluding to the economic reforms that for the first time permitted foreign investment in China, his words suggested that China's political system had fundamentally changed.

The offhand remark underlined an important change in America's approach to China. Richard Nixon had never tried to deny that he was doing business with a Communist government. Indeed, the thrust of Nixon's underlying political message throughout his career had been that he, Richard Nixon, was the American leader tough enough and clever enough to sit down with (or stand up to) Communists.

Reagan, who during the 1970s had often attacked Kissinger's obsession with realpolitik, seemed to believe he needed a moral justification for dealing with the Chinese leadership, in a way that Nixon did not. His solution was to suggest that its rulers were not really Communists.

Reagan's remark about "so-called Communists" epitomized the delusions and the China euphoria that swept America during the 1980s. The effect was damaging. America believed China was changing its political system more than it in fact was. The disillusionment would come in 1989.

Curiously enough, America's romantic view of China in the 1980s was sometimes belied by the realities that Reagan and other officials confronted during their visits to Beijing. A tension always existed between American officials' public portrayals of a steadily reforming, opening country and their private experiences of a Chinese system that never changed as much as the Americans thought. Indeed, the level of private mistrust between American and Chinese officials remained high, even during the 1980s era of good feeling between the two countries.

Years later, in his memoirs, Reagan acknowledged that during his 1984 visit to Beijing, American security officials had found five listening
suggest that my bags were gone through," he said. "I was in a guest house, and I fixed my bags so that I could know if somebody got into them. I never was expecting to find this, but I came back and found that they had been opened." Nothing of importance was inside, the intelligence official said.14

The Americans were not above some ploys of their own. One of the many Pentagon delegations to China included a young Marine who had never been in China before but who, unbeknownst to the Chinese, spoke fluent Mandarin. His job was to be silent, observe and listen to what Chinese military officials were saying to one another. The Marine discovered a bit of the enduring reality of China: The officers in China's field armies were much more worried about the central army leadership in Beijing than they were about the Soviet Union, the United States or any other country.15

In short, American defense and intelligence officials often treated China during the 1980s as a past adversary that might become a present one in the future. They prudently gathered information and tried to guard themselves against Chinese intelligence.

The view of China inside the U.S. government during the 1980s was often different from the one presented to the American people. The Cold War was not yet over, and China remained a potential partner against the Soviet Union. The positive images of a friendly, changing China were for public consumption. The darker images, the reminders of a more adversarial relationship, were exchanged privately in Washington or saved for the memoirs.

Even though by the 1980s the CIA and its Chinese counterparts had a formal liaison relationship with one another, each intelligence service continued to spy upon the other. Some of the skirmishing was inconsequential, but at times it was considerably more serious.

In late 1983, American intelligence agents in China assisted a young, well-placed official for China's Ministry of State Security, its foreign intelligence service, to flee the country. The Chinese official, Yu Zhesan, was the son of Yu Qiwei, one of the leaders of the Chinese revolution; he was also reportedly a protégé or adoptive son of Kang Sheng, who had been Mao Tse-tung's intelligence chief. In a hurried, tense intelligence operation, Yu was provided with a false identity and spirited out of China.16

When he was debriefed, Yu offered American intelligence a startling revelation: The CIA had been penetrated for many years by an agent for the Chinese intelligence service. The Chinese mole was Larry Wu-Tai Chin, who had been spying for Beijing at least since the time of the
Korean War while working as a CIA translator and analyst. Chin had held a security clearance since 1970; he had been stealing and photographing classified documents and then passing them along to a Chinese contact named Lee during occasional visits to Toronto. For his services, he had received about $10,000 a year in a Hong Kong bank account, much of which he had lost during gambling trips to Las Vegas casinos. Chin was arrested on November 22, 1985. As was customary in such cases, the State Department decided to lodge an official protest with the Chinese government for its spying activities. The usual protocol would have called for the deputy assistant secretary of state dealing with China to call in Chinese Ambassador Han Xu and lodge the American complaint. At the time, the deputy assistant secretary happened to be James Lilley, the CIA’s former station chief in Beijing, who had spent a good part of his career spying on China. While willing to deliver the protest, Lilley thought it would have prompted a lot of snickering from both American and Chinese officials. Finally, another State Department official was assigned the task.

Chin was convicted of espionage at a federal court in Alexandria, Virginia. On February 21, 1986, while he was in jail awaiting sentencing, he committed suicide by asphyxiating himself with a brown plastic trash bag, thus limiting the CIA’s efforts to learn more about his Chinese contacts and what information he had compromised.

Later that year, Chinese officials politely asked Lilley for help in contacting Yu Zhenzan. They said they wanted simply to learn more about Yu’s activities. The Chinese must believe we’re gullible, Lilley thought: Their interest in a face-to-face meeting with Yu Zhenzan could hardly be so benign. Only a year earlier, the Reagan administration had been embarrassed when a Soviet defector, Vitaly Yurchenko, suddenly decided to return to Moscow after a few months in Washington. Despite the supposed friendship between America and China, the administration turned down the request.

Among the many other visitors to the Diaoyutai State guest house during the early 1980s were Margaret Thatcher, the first British prime minister ever to visit China, and her foreign secretary, Geoffrey Howe. They were attempting to negotiate with Chinese officials the future of Hong Kong, a subject of considerable interest to the United States as well.

Under the three treaties Britain had imposed upon the weak Qing Dynasty in the nineteenth century, it held permanent title to about 8 percent of the land in Hong Kong, including the heart of its business and retail districts, Hong Kong Island and Kowloon. But Britain held the remaining land under a 99-year lease that was to expire in the year 1997. The British could have attempted to keep the vital downtown districts while returning the remainder to China. However, they realized that Hong Kong depended upon China for its water, vegetables and other services, and that Hong Kong, which had been seized by Japan during World War II, was, in military terms, virtually indefensible.

It was a situation ripe for negotiation. Unfortunately, Thatcher and her top aides approached the Chinese government in the style once exemplified by a British phrase book intended for English-speaking travelers to Asia: “What is your bottom price? I don’t like bargaining.” In talks that began in 1982 and ended with the signing of a final agreement in 1984, Thatcher and her aides made concession after concession.

Britain’s position at the outset was that it might possibly be willing to think about returning to China the 8 percent of Hong Kong over which it held permanent sovereignty if China would agree first to let Britain keep running all of Hong Kong. China would thus have titular sovereignty to Hong Kong, while Britain would continue to govern. In September 1982, Thatcher, fresh from her military triumph in the Falklands, tried to persuade Deng to accept this idea. She failed; Deng was understandably insulted by the suggestion that Hong Kong could be run only by Britain.

British officials then bargained their way backward in piecemeal fashion. First, they said they would definitely be willing to return Britain’s 8 percent to Chinese sovereignty, in exchange for a promise of British administration of Hong Kong. China refused this offer, too. In early 1984, Howe, with Thatcher’s assent, made the key concession by dropping the request for British administration. After abandoning their original negotiating objectives, they then went to work on a deal for Hong Kong’s autonomy under Chinese sovereignty—an agreement both looser and weaker than it might have been because Britain had conceded points that would have given it more leverage.

Britain’s Hong Kong negotiations served as another textbook example of how not to do business with China. Virtually all of the important discussions took place on Chinese soil. At one typical session, Howe and his aides found themselves struggling to work out their strategy amid Chinese eavesdropping:

We held our group meeting to consider this offer away from the microphones of the Diaoyutai, pacing up and down in the shade of a flowering thorn tree in the garden. (Who knows if we were “secure” even there?)
So, too, British officials let China employ a common negotiating ploy by setting an artificial deadline. A study of Chinese negotiating behavior, prepared for the CIA, found that China often tries to "control the pace... so that the counterpart government must make its final decisions under the pace of a time deadline." In the case of Hong Kong, China announced that there would have to be a negotiated deal by September 1984. In setting that date, China managed "to establish a time deadline where none really existed," the study for the CIA concluded.42

Most important of all, Britain took upon itself, rather than sharing with China, the burden of preserving Hong Kong's economic prosperity. Whenever the talks seemed to flag, and fears arose in Hong Kong of capital flight and a flood of refugees, it was Britain that made concessions to put the negotiations back on track. The British never seemed to recognize that China's stake in Hong Kong's future prosperity was even larger than Britain's own.

Indeed, Britain's series of negotiating retreats was foreordained because of its willingness to look seriously at other options for Hong Kong's future. Thatcher flirted with the idea of trying to create an independent entity out of Hong Kong Island and Kowloon. There was talk, too, of developing democratic government and letting Hong Kong Chinese run the colony. Yet none of her advisers was interested in these ideas.43

Above all, London's position in negotiating with China over Hong Kong was undercut by Britain's restrictive immigration policies: Thatcher and her aides were never willing to say (or threaten) that they would accept into Britain anybody who wanted to leave Hong Kong. A more liberal British immigration policy would have given China a stronger incentive to guarantee Hong Kong's citizens genuine political autonomy after Britain's departure; China didn't want to take over a city devoid of people. As it was, most of the residents of Hong Kong had no choice: They knew they could not leave, and would have to accept whatever deal Britain and China worked out.

On September 26, 1984, the two governments reached a final agreement under which Britain agreed to return all of Hong Kong to Chinese sovereignty in 1997, in exchange for loose Chinese assurances that it would preserve Hong Kong's economic system and its "way of life" for 50 years after the handover.

The Reagan administration's position during these Sino-British negotiations was one of neutrality. Declassified documents make clear that the administration did not want to be perceived as having supported Britain (or the people of Hong Kong) against China.

During Shultz's first trip to Asia as secretary of state in early 1983, he stopped in Hong Kong after visiting Beijing. The purpose of the visit was for the secretary to attend the annual meeting of all American ambassadors and chiefs of mission in Asia. While there, however, Shultz had lunch with Hong Kong Governor Edward Youde.

The briefing materials prepared for Shultz by the State Department warned that "there may be efforts by the press to cast your visit as a show of U.S. support for the continuation of Hong Kong's current status." The State Department paper cautioned the secretary that the principal American objective was "to avoid giving the impression that the U.S. is taking sides on the issue of Hong Kong's future."44

American officials kept careful watch over the talks between Britain and China. The job was carried out largely by Charles Freeman, the embassy's deputy chief of mission. When the talks started in the summer of 1982, Freeman felt that the United States couldn't play much of a role in them; at the time, the administration was in the midst of its own highly contentious skirmish with Beijing over American arms sales to Taiwan. A year later, as America's relations with China improved, Freeman became more active, operating as what he called a friend of the two parties. He kept in close touch with Zhou Nan, the steely Chinese negotiator for the Hong Kong talks, and also with Ambassador Percy Craddock and Tony Galsworthy at the British embassy, as the deal was being made. One correspondent for a British newspaper found that in the last days of the Hong Kong negotiations, Freeman was so well-informed that he knew the Chinese position before the British government did.45

In Washington, the story of the Hong Kong negotiations had an extraordinarily important aftermath. Soon after the deal was concluded, Deng Xiaoping launched an intensive effort, largely secret, to settle with the Reagan administration on the fate of Taiwan.

Thatcher signed the Hong Kong agreement in December 1984, during a brief trip to Beijing. While she was there, Deng gave her a message to deliver to Reagan. Now that Hong Kong's future is settled, the Chinese leader asked, why don't we apply the same formula of "one country, two systems" to Taiwan?46

Deng apparently expected that his message would be taken seriously, hoping that Thatcher would use her considerable influence with Reagan to get him to think again about Taiwan. Perhaps Deng also felt that the British prime minister might be eager to defuse criticism of the Hong Kong deal by persuading the Americans to accept a similar arrangement for Taiwan.

In any case, Deng misjudged. Thatcher came to Washington shortly afterward for talks with the American president but never delivered Deng's message; she either forgot about it or deliberately decided not to
bother. Soon after Thatcher departed, Chinese officials in Washington began quietly asking their American counterparts what they thought of Deng's proposal. Reagan administration officials were mystified by these questions until they finally discovered, with the help of the British, what had happened.  

At this juncture, American friends of China began weighing in with the administration, urging that Deng's "one country, two systems" offer for Taiwan was important and worth considering. At the State Department, Wolfowitz found that there was a lot of quiet lobbying at high levels to persuade Shultz to consider Deng's idea. Among those weighing in on China's behalf was Henry Kissinger, Wolfowitz discovered. The idea of a "one country, two systems" settlement for Taiwan began quietly gathering momentum in Washington.  

The Americans lobbying on behalf of Deng's offer argued that it represented an historic opportunity. No Chinese leader in the future would be as strong as Deng or as able to make a deal for Taiwan's future like the one he was offering, proponents contended. Wolfowitz—who was opposed to any bargaining with China over Taiwan—countered that if this argument was correct, then future Chinese leaders would also be less willing than Deng to carry out such an agreement. Moreover, Wolfowitz noted, if the United States embraced the idea of "one country, two systems" for Taiwan, it would be violating promises it made when it agreed to limit arms sales to Taiwan in 1982. At that time, the administration agreed it would not pressure Taiwan's government to negotiate with China or to serve as an intermediary between the two governments.

In the end, Deng's initiative on Taiwan failed. Shultz supported Wolfowitz, and the administration sent a message to China that it would not take up the offer for talks on Taiwan's future. Reagan himself would have rejected the idea, even if the State Department had supported it; his brief visit to China had not prompted him to abandon utterly his support for Taiwan. Having refused two years earlier to end American arms sales to Taiwan, Reagan would not likely have taken the larger step of negotiating a Hong Kong-type deal for Taiwan.  

Taiwan was different from Hong Kong. It had its own government and its own army. There was no 99-year lease about to expire for Taiwan. The Reagan administration, despite its improving relations with Beijing, had no interest in letting Taiwan's future be determined by the example of the way Britain had treated Hong Kong.

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Trouble in Paradise

On a cold, grimy evening in December 1984, a thousand students at Beijing University, China's best-known and most prestigious institution of higher learning, lit firecrackers, burned makeshift torches, put up wall posters and marched to the university administration building. They were protesting a new policy of cutting off electricity to student dormitories at 11 o'clock each night. At the time, a relatively young Chinese technocrat newly promoted to the top leadership ranks, Vice Premier Li Peng, defended the blackout, citing "an acute shortage of power supply" in China.

One month later, at a nearby campus, Beijing Normal University, another demonstration occurred, this time one with political overtones. In their wall posters, the students at this school complained about rising prices.  

The students' grievances were seemingly mundane. The demonstrations were, however, the first sign of dissent or unrest in Beijing since the repression of the Democracy Wall movement five years earlier. They were also the beginning of a chain of events that would expose the contradictions inherent in America's Cold War partnership with the Chinese Communist Party.

Over the next five years, the Reagan and Bush administrations consistently underestimated the tensions and cleavages that were emerging in China, both among ordinary people and in the leadership. American officials failed to recognize how intense was the appeal of Western-style political values in these early days when China was opening itself up. Still more problematically, the U.S. government also didn't appreciate the depth of the opposition to change, particularly among the elderly leaders.
of the Communist Party, and the broader discontent the economic reforms were producing in Chinese society.

Deng Xiaoping's first reforms, at the end of the 1970s and the beginning of the 1980s, had been launched in the countryside. The communes established by Mao Tsetung had been disbanded, and peasants had been allowed to grow their own plots. The impact was remarkable. Agricultural output increased year by year to the point where, in 1984, China had the largest single grain harvest in its history—no small achievement for a country with a history of famines and starvation.

That year, the leadership turned its attention to urban China. This second phase of Deng's reforms was not so simple, either economically or politically. Prices of food and other consumer goods, which had been fixed at artificially low prices for decades, were allowed for the first time to float in response to market forces. Many ordinary Chinese were confronting for the first time such elementary economic principles as the law of supply and demand.

The result was a period of uncertainty and upheaval. Elderly Chinese, who remembered well the hyperinflation of the last days of China's civil war, began stockpiling goods. When some residents of Beijing started buying eggs in amounts of 10 pounds or more, an official newspaper published assurances that the price of eggs would not go up. Elsewhere, Chinese hoarded sugar and soap. Others took their small savings and bought durable goods, such as refrigerators and television sets. Such prudence was well-founded: For the first time under Communist rule, inflation crept upward in Chinese cities.

It was a volatile mix: Young Chinese were flirting with Western political values, while their elders, including some within the Communist Party leadership, were growing unhappy with the impact of the new economic reforms. Before long, the effect could be seen in protest demonstrations on the streets of Chinese cities.

**Political protest in the People's Republic of China has some peculiar traditions.** In a nation where the Communist Party has a monopoly on power, those Chinese who want to register dissent have often found some safe political cover for their protests—that is, to demonstrate in the name of some cause so unsailable that authorities find it awkward to interfere. One such cause is the death of a revered Chinese leader, such as Chou Enlai. The other all-purpose vehicle for protest is anti-Japanese sentiment; no Chinese leader is eager to stop a demonstration that is supposedly aimed at expressing nationalist sentiments against Japan.

In the fall of 1985, China was suddenly struck by a series of anti-Japanese demonstrations. Unlike the smaller protests of the previous win-
urging that the Chinese press be allowed to report on the demonstrations. When Jiang appeared at Shanghai’s Jiaotong University, some of the students heckled the mayor and asked who had elected him.  

This round of demonstrations produced an upheaval in the top ranks of the Communist Party. As the student movement began to spread from Shanghai to Beijing, the leadership ordered an intense nationwide campaign against "total Westernization" and "bourgeois liberalization." Fang Lizhi and two other leading intellectuals accused of embracing these trends were expelled from the Communist Party.

The most astonishing of the political changes was announced less than a month after the Shanghai demonstrations: The leadership forced the resignation of Hu Yaobang, the ranking official of the Communist Party and Deng’s second-in-command. Zhao Ziyang, the premier, replaced Hu as party secretary.

Hu Yaobang had been at odds with elders within the Communist Party for other reasons, such as his efforts to install younger leaders and his attacks on privileges and nepotism. Nevertheless, the issue that provoked Hu’s ouster was his willingness to support political liberalization and greater intellectual freedom in China. The political changes reflected the fissures that were emerging in China, both at the grassroots and in the top levels of the Chinese leadership.

In Washington, these unfolding political events in China attracted scant attention. Those who noticed them at all tended to minimize their importance. A senior State Department official told reporters that Hu Yaobang’s downfall and the accompanying political changes in China were “a little bump on the road, but perhaps no more than that.” Some in Washington suggested that Hu had been dismissed primarily because of his mercurial personality, rather than because of a larger debate about the extent of economic and political change in China.

The main reason for the inability to grasp these emerging tensions was that doing so might have unsettled what were then entrenched American convictions about China. The American viewpoint of China throughout the 1980s rested upon two firmly held assumptions: first, that China was reforming smoothly and steadily; second, that Deng Xiaoping was in complete command of the country.

Winston Lord, who had come to Beijing as the U.S. ambassador in 1983, gave voice to these prevailing American beliefs when he told one interviewer: “There have been extraordinary changes [in China]—both the kind you can see and other, less tangible but equally important changes in mood. Almost all of these changes seem to be going in a generally positive direction.”

This optimism was shared by Reagan administration officials in Washington, and was furthered by American news magazines and television features. In 1985, the first year Deng’s reforms ran into serious difficulty in China, he was named Time magazine’s Man of the Year. The rising popular discontent over inflation and the divisions within the leadership over political liberalization were dismissed as minor and temporary difficulties.

Virtually all of the American analyses judged China almost exclusively against the standard of the Cultural Revolution. By these standards, to be sure, China looked good. However, as the 1980s wore on, ordinary Chinese judged the situation in China not just against that benchmark, but against their own lives as they had been two or four years earlier, and the lives of others in China in the 1980s. By these standards, increasing numbers of ordinary Chinese grew unhappy with the progress of the reforms.

From the distant perspective of Washington, the American preoccupation with Deng Xiaoping seemed logical. American officials had found during the late 1970s and early 1980s that Deng was the virtually unchallenged authority on relations between America and China. It was he who had made the deal for establishing diplomatic relations with the Carter administration in 1978, and he who had settled the dispute with the Reagan administration over arms sales to Taiwan.

The problem with this reasoning was that Deng’s authority over China’s domestic economy and politics was not nearly so absolute. Others within the Chinese leadership were willing to let Deng handle relations with the United States, but wanted to have their own say on what happened inside China. In one noteworthy illustration of the divisions within the leadership, Chen Yun, China’s senior economic planner and a leader nearly equal to Deng in seniority, warned party leaders against an over-reliance on market forces; he openly scored party officials who he said have “forsaken the socialist and communist ideal.”

Every few months, Deng would shift the direction of his policies in an effort to accommodate the views of Chen and other conservatives. From the distance of Washington, American officials, reinforcing their own beliefs in Deng’s omnipotence, would portray him as a sailor in charge of his ship, tacking with the gentle breezes. In China, however, the winds felt stronger, and it was sometimes harder to determine whether Deng was the sailor or the weather vane.

During the late 1980s, Washington received occasional warnings about the problems China was encountering. At the American embassy in Beijing, for example, one experienced intelligence analyst, Lee Sands, who was responsible for studying the Chinese economy, wrote exten-
sively about the rising unhappiness with and opposition to the reforms. His reports had little impact. After Sands returned to Washington, he was relegated to an obscure job in the Foreign Broadcast Information Service, where, disillusioned, he left intelligence work. In the 1990s, he became America's leading trade negotiator with China.

Some of the developments in China gave the more optimistic American views some plausibility. In the year after Hu Yaobang's resignation, the economic reforms went forward. With Zhao as Communist Party secretary, the leadership, after an interval of a few months, once again tolerated a modicum of intellectual ferment. At Chinese universities, faculty and students held workshops at which they freely discussed the possibility of political liberalization.

On the surface, nothing seemed to have really changed. But in fact China's problems were mounting, and America would soon be swept up in them.

Of all the American officials who have dealt with China in the modern era, Winston Lord was probably the least likely to emerge as an agent for change. He had, by the late 1980s, already been involved in American policymaking toward China for nearly two decades. He was, indeed, the embodiment of the old relationship Richard Nixon and Henry Kissinger had formed: Lord was the functionary who sat by Kissinger's side in the 1971 meeting with Chou Enlai and was the young staff who accompanied Nixon and Kissinger to their first meeting with Mao Tsetung.

Lord was not a daring individual; he rarely challenged authority or conventional wisdom. When Nixon invaded Cambodia in 1970, Lord and a fellow staff member at the National Security Council, Anthony Lake, strongly disagreed with the widening of the Vietnam War. Lake resigned, but Lord did not. Instead, he stayed on as Kissinger's loyal aide for six more years. When the Republicans left office, he became the president of the Council on Foreign Relations, an organization designed to perpetuate the traditions of American internationalism.

He had never held any job that did not involve foreign policy. Other American officials found themselves obliged to work for private companies, or to teach at universities, after the presidents for whom they worked left office. Lord didn't need to do so: He was a wealthy man, the heir to the Pillsbury baking fortune. His wealth made him incorruptible, in the sense that he didn't have to worry about his future job prospects. Yet it also left him narrow in his range of experience.

In private or in comfortable surroundings, Lord could be witty and self-deprecating. He realized how others perceived him. Asked once why Jesse Helms, the zealous conservative on the Senate Foreign Relations

Committee, had opposed his nomination as ambassador to China, Lord rattled off a list of his liabilities: "Rich kid from New York, Yale, Skull and Bones, more importantly I was president of the Council on Foreign Relations." 10 In public, though, Lord spoke in dull policy formulations, the dry idiom of the think tanks. He was a borrower and a polisher of ideas, not someone given to creative insights of his own.

One aspect of Winston Lord's life distinguished him from other mandarins of American foreign policy: his marriage to Chinese-American Bette Bao. Born in Shanghai, she had been brought out of the country as a little girl amid the upheavals of the Chinese civil war; her family had close ties to Chiang Kai-shek's Nationalist government. (After meeting at the Fletcher School of Diplomacy, the couple had married at Twin Oaks, the sumptuous Victorian-style residence of Taiwan's ambassador to Washington. That fact was rarely mentioned during the era of the Nixon opening to China—although Kissinger, while charmed and impressed by Bette Bao, was also careful enough to make sure that Lord kept the preparations for his 1971 trip to Beijing secret from his Taiwan-connected wife.)

Bette Bao was at least as ambitious as her husband, and considerably carthier and more vivacious. In 1978, she returned to China for the first time, seeing relatives and gathering information. The result was a novel, Spring Moon, that became a best-seller and launched her on a career as a popular author.

Since the days of the Nixon rapprochement, Bette Bao Lord had served as, in effect, the tutor for America's highest-ranking leaders in the ways of Chinese culture and thinking. It was Bette Bao, not the CIA, who offered Kissinger the interpretations he came to accept about some of Mao Tsetung's delphic utterances. 12 In 1984, when Ronald and Nancy Reagan were preparing for their trip to Beijing, Bette Bao Lord once again emerged as the principal White House adviser on matters Chinese. Secretary of State George Shultz recalled in his memoirs:

Winston Lord and his wife, Bette [sic] Bao Lord, and four China scholars were present. After the scholars had said their piece, we turned to Betty for some personal observations about the Chinese people. . . . [She] vividly described how the Chinese deal with others, and how she thought it best to respond. Putting herself in the shoes of the first lady and then the president, she role-played how conversations might proceed. 13

After his nomination was held up by Senator Helms for months, Lord finally arrived in China in late 1985. In his work as ambassador, he
proved to be attuned, far more than his predecessors, to the world of the American power elite. While in Beijing, he seemed more comfortable dealing with famous visitors from Washington or New York than with a lowly municipal official from Guangzhou or a diplomat from Bangladesh; he appeared, for a long time, more familiar with the details of the Kissinger diplomacy than the streets of Beijing. Lord was not a trained China scholar (“A China expert is an oxymoron” was a regular line in his repertoire), nor did he speak Chinese.

His wife, however, did. Arriving in China with plans to write another book, Bette Lord soon became immersed in the world of Chinese culture, social life and literary politics. She cultivated friendships with leading Chinese writers, actors and critics, such as the author Wang Meng and the actor Ying Buqian, at a time when they and other artists were beginning to test the limits of artistic freedom in China.

The younger and more daring members of Beijing’s cultural and literary elite began appearing at nighttime parties at the U.S. embassy, where Bette Bao Lord would ceaselessly make the rounds, encouraging them to dance to American music. She enjoyed poking fun at the humdrum routines of ordinary embassy life—and even, once a while, at her husband. “The Wasp’s away, let’s play,” she joked at the beginning of one party while the American ambassador was out of town. When Congressman Stephen Solarz asked during a trip to Beijing if he could talk with any dissident who had served time in a Chinese prison, it was Bette Lord who made the arrangements for a furtive nighttime interview.

The Lords were not popular within their own embassy. To those working underneath him, Winston Lord seemed to care far too much about what the press might write or what Washington officials and congressmen might think, and to care far too little about the concerns and day-to-day life of an ordinary American diplomat. To embassy personnel, Bette Bao Lord seemed a bit imperious and also too remote in a different way. She thought more about Chinese literary lions than the lives of other residents of Beijing, the ordinary Chinese or working Americans who held nine-to-five jobs. Her predecessor, Betty Lou Hummel, the wife of Ambassador Arthur Hummel, was no less bright but considerably less ambitious; she had served a motherly role by regularly baking cookies for the American community in Beijing. (Years later, back in Washington, the American officials and business personnel who had lived in Beijing held occasional reunions at which they could swap old memories and exchange phone numbers. While Lord’s predecessors and successors as ambassador all regularly attended these get-togethers, the Lords never came. They had never been part of the crowd.)

During the first years in Beijing after his 1985 arrival, Winston Lord showed few signs of being changed by his surroundings. He continued to talk and think in the idiom of geopolitics he had learned under Kissinger. Like George Bush in Beijing a decade earlier, Lord was careful to preserve, from the distance of China, his position within the Washington establishment; in early 1988, when New York Times columnist William Safire did a column about the up-and-coming figures who might run foreign policy in a Bush administration, he mentioned Lord as a leading candidate for national security advisor. 8

Whenever he was questioned about China by American visitors or resident correspondents, Lord responded with the conventional American viewpoint: China is progressing, and the reforms are on track. Signs of a darker, more repressive and more troubled China were dismissed with the usual formulations: two steps forward, one step back.

Nevertheless, merely by living in Beijing for an extended period of time, Lord was gradually exposed to a China different from the one he had seen on the Kissinger trips. And by virtue of his wife’s contacts with intellectuals, he was also obtaining a perspective on Chinese life that was not ordinarily available to American diplomats.

On June 1, 1988, the official car for the U.S. embassy in Beijing, a black Cadillac with a small American flag on the front, rolled through the gates of Beijing University. Out stepped Winston and Bette Lord. The couple wandered over to an outdoor gathering of students. Though the event was seemingly ordinary, it had far-reaching consequences for America’s relations with China’s Communist Party leadership.

The American ambassador had been invited to talk to the Beijing University students. He was an instinctively cautious speaker, who punctuated virtually every statement with a series of qualifications. What Winston Lord had to say was not particularly stirring or even encouraging to the students. With his wife translating, he talked about the importance of Sino-American relations, the cause with which he had been involved since Kissinger’s mission of 1971. It was a casual give-and-take; some of the questions posed to Lord were personal rather than political. The ambassador was asked, for example, what it was like to have an interracial marriage.

When one Beijing University student questioned how the United States could maintain strong ties with a China regime that was still fundamentally committed to Communism, Lord responded that ideology was not so important. “It’s true we have values in our society, and we are concerned about human rights. But we respect other countries, and do not try to impose our values,” he explained. “We look at how a country per-
forms on the world stage, rather than at its ideology.” It was the sort of answer Lord’s mentor Henry Kissinger would have given.

So exceptional were Lord’s remarks to the Chinese students that the following day, a Hong Kong newspaper carried a short article about the speech with a caption saying that the American ambassador had praised Deng Xiaoping. From the standpoint of China’s senior leadership, however, Lord’s measured words mattered far less than his presence on the Beijing University campus and the audience to which he was speaking. That spring, a group of students—among them Wang Dan, later one of the leaders of the Tiananmen Square movement—had organized a series of informal open-air meetings to explore various political issues, including democratic reforms. These sessions came to be nicknamed the “Grass Salon.” The first speaker in the series had been Fang Lizhi, the astrophysicist who had encouraged the student demonstrations in late 1986. Lord had addressed the fifth and final spring meeting of this salon.  

What followed Lord’s seemingly uneventful talk was never made public and was unprecedented in the nearly two decades of American rapprochement with China. A few days later, Deng Xiaoping himself sent word to Lord, through an intermediary, that he should not have appeared on the Beijing University campus. The message was phrased as a “cautionary” warning by Deng to the American ambassador; he appealed to Lord as an “old friend” of China.  

The message angered Lord, and he said so. He told the intermediary that the United States would never tell a Chinese ambassador to Washington that he could not speak to young Americans, or that he could not appear at a university in the United States. Lord noted that he had not even said anything to the Beijing University students with which Deng could disagree. “Please tell the chairman [Deng], with all due respect, that this is unacceptable,” Lord retorted. “I am not going to be restricted in my access. I spend most of my time with [Chinese] officials, but I have an obligation to get out and meet all people, including young people.”  

Not long afterward, the Lords visited Shanghai, where the ambassador had been scheduled to appear before a policy institute and Bette Lord had been invited to speak at Fudan University, another of China’s elite schools. At the last minute, the appearances were canceled. Fudan University officials told the Lords that the timing was not right because students were taking exams.

Lord reported these events to the Reagan administration in a restricted cable. Separately, American intelligence also reported that Deng Xiaoping was angrily complaining about Lord’s willingness to meet with the Beijing University students. Back in Washington, among China specialists within the U.S. government, there were some raised eyebrows and pointed questions. Why was Lord causing trouble for American policy toward China?

All of this was kept secret, known only to a select few American and Chinese officials. It was, however, an epochal event in defining the relationship between the United States and China. At issue was this question: How should one define the China with which the United States was dealing? Was Washington supposed to do business with China exclusively through the Communist Party leadership, or through the Chinese people and society as a whole?

From Lord’s point of view, the visit to the university campus was hardly unreasonable. In the turbulent political climate that prevailed in Beijing and Shanghai at the time, Chinese intellectuals were thinking and talking about new political ideas; in doing so, they appeared to have some encouragement from the political leadership. Lord had come to Beijing believing that one of his tasks as ambassador was to develop ties with a broader segment of Chinese society, particularly young people. If America were to base its relationship too narrowly on the top levels of the Communist Party, those ties might not last; the United States might find itself clinging to an eroding leadership, as it had with the shah of Iran.

Elsewhere in Asia, the Reagan administration had already taken much bolder steps in support of democratic reforms: Over the previous two years, in 1986–87, American officials had pressured two authoritarian rulers, Philippine President Ferdinand Marcos and South Korea President Chun Doo Hwan, to yield power and give way to democratic elections. In this instance, Lord was not preaching democracy at all, but merely meeting with a group of students.

Of course, there was a difference: This was China, a Communist regime, not South Korea, an American ally. Yet in other Communist countries, too, the United States had also taken steps toward contact with the society at large and toward recognition of the right of dissent that went quite a bit further than the ambassador’s casual talk to the Chinese students. Indeed, on May 30, 1988, the very week that Lord visited Beijing University, Ronald Reagan met with 96 Soviet dissidents at the American ambassador’s residence in Moscow. Ignoring complaints by Soviet President Mikhail S. Gorbachev that the meeting amounted to an interference in his country’s internal affairs, Reagan had told the dissidents that the United States would remain “unshakable” in its commitment to human rights.

Judged in the context of American policy toward other nations, then, Lord’s meeting was hardly unusual. By the standards of American policy
toward China, however, it was indeed an earthshaking departure from the past. The relationship America had built up with China since the time of the Nixon administration had been almost solely with the Communist Party leadership and not with wider segments of Chinese society. This had been part of the implicit Cold War bargain Washington had struck with Beijing since the days of Nixon and Kissinger.

Ever since 1971, China's Communist Party leadership had been given virtually an exclusive franchise on dealings with the United States. All contacts, at least those of any significance, went through the party leadership and were cleared by it. In the 1970s, several organizations were set up in China and the United States to enable the Chinese government to monitor and control the scholarly, cultural and economic exchanges between the two countries. Washington had handed the Chinese regime effective control over American programs in which other governments had no say: In selecting Fulbright scholars to study in America, for example, the United States regularly accepted the students recommended by the Chinese government, where elsewhere in the world American officials made their own independent selections.43

It was this system, this longstanding American willingness to deal with China only through its party leadership, that Lord's talk at Beijing University threatened to undermine. Moreover, his appearance took place at a time when the Chinese were becoming especially jittery, both because of tensions within the leadership and because of rising unrest throughout urban China.

At a Communist Party Congress the previous fall, Zhao had won renewed support for economic reforms. At the same time, however, the party gathering opened the way for Li Peng, the traditionalist most popular with party conservatives, to become the premier. By the summer of 1988, the economic reforms were in greater trouble than ever before. As the government talked of phasing out subsidies and letting the prices for more consumer goods be set by the market, panic buying once again swept Chinese cities. Official estimates put inflation at 19 percent for the year 1988, and the actual rate was probably 25 percent or more. In the factories, workers feared that the reforms could mean not only higher prices but layoffs. In the face of these problems, Zhao and his reformist allies lost some support within the top leadership, and Li Peng and the conservative forces gained in strength.44

Lord's visit to Beijing University had little impact. The students he addressed didn't revolt. His talk was indeed the sort of routine session American ambassadors around the world might have had with students. In the context of China's political situation in the spring and summer of 1988, however, it took remarkably little to make Deng Xiaoping and other Chinese leaders extremely nervous. Their hold over Chinese society was considerably more tenuous than Americans realized.

The growing unrest in China was not the only dark cloud gathering over America's seemingly tranquil, trouble-free romance with the Chinese leadership in the last half of the 1980s. There was, in addition, the new problem of China's missile exports.

America's Cold War relationship with China had been built not merely with the assumption that the two countries shared the goals of combating the Soviet Union and bringing about stability in East Asia, but also upon the notion that Washington and Beijing had no serious conflicts of interest elsewhere in the world. This idea had seemed plausible enough in the 1970s. American officials occasionally objected when China supported the Palestinians and other liberation movements at the United Nations. On the whole, however, American officials could take comfort in the belief that this was merely the usual Third World rhetoric, and that what China said didn't matter much.

Under Mao Tsetung, China had supplied arms for free, primarily to its Asian neighbors: North Vietnam, North Korea and Pakistan. At the beginning of the 1980s, however, China began selling arms overseas for profit. It quickly emerged as a leading supplier of low-cost weaponry around the world, particularly in the Middle East. From 1980 to 1987, China sold $8.7 billion worth of arms in the Third World. The overwhelming share of these sales were to Iran and Iraq; China supplied each side in the Iran-Iraq War with billions of dollars in weaponry. Many of the rocket launchers, artillery shells, jet fighters and missiles flying across the Persian Gulf had been made in China.45

By 1987, these supplies became an increasingly troublesome problem for American foreign policy. U.S. intelligence discovered that Iran was constructing missile launch sites near the Strait of Hormuz, the narrow waterway through which oil tankers must pass to and from the Persian Gulf. Iran, it turned out, had purchased new Chinese Silkworm land-to-ship missiles, able to carry 1,100 pounds of explosives—five times as large as the payload for the missiles Iran had previously used to attack ships in the Gulf.

American officials became particularly worried about the Chinese arms exports after May 1987, when the Reagan administration agreed to reflag Kuwaiti oil tankers so that they became, effectively, American ships entitled to the protection of the U.S. Navy. The Chinese Silkworms "represent for the first time a realistic Iranian capability to sink large oil tankers," explained Assistant Secretary of State Richard W. Murphy.46
The administration discovered, however, that when confronted by complaints, China responded with denial. To the Americans' astonishment, Chinese officials refused to acknowledge selling any arms at all to either side in the Iran-Iraq War. "Those reports are sheer fabrication," Li Jinhua, a spokeswoman for the Chinese Foreign Ministry, told reporters. At one point, Undersecretary of State Michael H. Armacost showed Chinese officials pictures of the missiles leaving China and then arriving, on the same ship, at the Iranian port of Bandar Abbas. Even then, the denials continued.  

For the Pentagon, the dispute over the missiles served as a warning that China was more than simply a potential partner in the Cold War. "The frustration level at the Pentagon in the latter half of 1987 rose steadily as the Chinese continued to avoid the Silkworm issue," wrote Eden Y. Woon, an air force officer working on the Pentagon's relations with China. "This lack of candor ... eroded the earlier goodwill toward China felt by many in the U.S. defense establishment. Some even questioned the basic worth of a military relationship with China."  

The result, finally, was the first series of economic sanctions America imposed upon China since the establishment of relations. On October 23, 1987, the Reagan administration announced that it would restrict the export of high-technology products to China as a protest against the missile sales. In practical terms, the action was a mild one: The United States merely froze the ongoing process in which it had been gradually liberalizing the controls on high-technology exports to China. Yet this represented a considerable change in America's approach to China, and it was a harbinger of what was to come.  

Although the trade restrictions were strongly opposed by the American business community, they appeared to be effective. Within a few months, China promised to cut off the flow of Silkworms to Iran, without ever quite acknowledging that it had been selling the missiles. "China has adopted strict measures to prevent what you call the Silkworm missiles from flowing into Iran through the international arms market," Chinese Foreign Minister Wu Xueqian told the National Press Club during a visit to Washington in March 1988. The Reagan administration responded by lifting the restrictions it had imposed six months earlier.  

The settlement of the Silkworm controversy, however, was soon overshadowed by the revelation of another Chinese missile transfer, one that was considerably more serious. American intelligence belatedly discovered that China had secretly sold 36 of its intermediate-range CSS-2 missiles to Saudi Arabia. These missiles, first deployed in China in 1971, have a range of up to 1,700 miles and had been developed in China with the aim of carrying nuclear weapons.  

The sale of the CSS-2 missiles was the result of more than two years of clandestine negotiations between Saudi Arabia and China. Prince Khaled bin Sultan, later to serve as the Saudi military commander during the Gulf War, claimed that the idea for the purchase had come directly from King Fahd, who thought that "we needed a weapon powerful enough to deter any potential enemy from attacking us." From the Saudi perspective, the potential enemies were either Israel, its longtime adversary, or Iran, which at the time was firing missiles across the Persian Gulf at Iraq. Saudi officials explained that they decided to buy the Chinese missiles after the Reagan administration turned down their requests to purchase F-15 combat planes.  

Both Saudi and Chinese officials had gone to extraordinary lengths to conceal their actions from the United States. Their success in doing so was particularly awkward for American intelligence officials. The United States considered both China and Saudi Arabia friendly countries; both had ongoing intelligence ties with the United States; and the CIA was supposed to keep a close eye on military developments in both countries. Compounding the agency's embarrassment, it turned out that the initial overtures for the deal had been made in Beijing by Prince Bandar, the Saudi ambassador to Washington, who was a friend of CIA Director William Casey. The later negotiations were conducted by Prince Khaled and Yang Shangkun, vice chairman of China's Central Military Commission and Deng's closest political ally.  

In order to evade the detection of American or Israeli intelligence, Khaled and other Saudi officials met their Chinese counterparts in Hong Kong hotel rooms, where they read documents under umbrellas opened indoors to protect against the possibility of hidden cameras. The Saudis were a boon for the Hong Kong hotel industry: Each time Khaled needed to call home to Saudi Arabia, he rented another room in a different hotel, strictly for a single phone call.  

In the Arabian desert, meanwhile, a secret training base was set up at which Chinese technicians could teach Saudis about the missiles; once brought to the desert base, Saudi trainees were not allowed to leave, and even their phone calls home were monitored to make sure they did not disclose to their families where they were.  

The result was that Saudi Arabia possessed, for the first time, missiles that enabled it to hit Tehran, Tel Aviv or any other area of Iran or Israel. The Reagan administration was furious, first of all at the Saudis. At the Pentagon, Assistant Secretary of State Richard Armitage called in Bandar and gave vent to the American frustration. "I want to congratulate you," Armitage told Bandar bitterly. "This is the law of unintended consequences. You have put Saudi Arabia squarely in the targeting package of..."
that officials were also trying to make additional sales to Iran, Pakistan and Libya. With this discovery, the subject of China's arms exports jumped to the top of the agenda between the United States and China. When George Shultz traveled to Beijing in July 1988, he warned Chinese officials about the "particularly destabilizing potential" of missile sales in the Middle East. The secretary said afterward he had been promised that China had not yet made any final sale, beyond the one to Saudi Arabia. Yet China's assurances were vague and less than conclusive.

Shultz's effort was only the beginning of a decade-long process of missile diplomacy. In the coming years, the subject of whether and to what countries China might sell these new M-9 and M-11 missiles was to preoccupy the Bush and Clinton administrations as well. China's missiles were to become the subject of secret talks, public maneuvering and outright haggling. China proved adept at parceling out concessions, making a series of promises, each slightly less vague than the last, often seeking something in exchange from the United States.

Shultz had been told only that China had not yet made any final sale of missiles except to the Saudis. In September 1988, Defense Secretary Frank Carlucci visited Beijing, looking for promises China would not export the M-9 missiles. Carlucci emerged with a dubious bargain, in which the United States traded a far-reaching new economic benefit to China for an assurance about missile sales that was less than conclusive.

After a meeting with Deng, Carlucci proudly told a press conference that China had agreed to conduct itself with restraint in selling missiles. "The Chinese have said that their future sales of missiles ... will be very prudent and very serious," Carlucci declared. In fact, American officials say Deng privately promised that China would not sell intermediate-range missiles—an assurance that left hanging the crucial question of how the phrase "intermediate-range" was to be defined. No one knew whether Deng's promise applied to the new solid-fuel missiles China had been trying to sell in the Middle East.

In exchange, Carlucci offered China a lucrative reward. He announced that the administration would clear the way for export licenses that would permit American-made commercial satellites to be launched in China on the Chinese Long March rockets. China was proposing to launch satellites at fees of $15 million to $30 million, well below the rates charged by companies bidding in the West. The United States had never before approved the launch of an American-made satellite by anyone other than one of its Western allies.

Reagan administration officials may well have wanted to approve the export of the satellites for commercial reasons that had nothing to do

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the Israelis. You are now number one on the Israeli hit parade. If the balloon goes up [war breaks out] anywhere in the Middle East, you're going to get hit first."13

The administration was also angry at China. When Foreign Minister Wu Xueqian arrived in Washington for the March 1988 visit designed to smooth over the earlier dispute over Silkworm missiles, he was greeted on the night of his arrival by Shultz and General Colin Powell, then Reagan's national security advisor. The two senior officials told Wu the United States had learned of the sale of the CSS-2 to Saudi Arabia; they sought details of the transaction and an explanation. In a private letter to the foreign minister a few weeks later, Shultz wrote, "The introduction of Chinese intermediate range ballistic missiles into the Middle East has the potential to create serious doubts in the U.S. and elsewhere over China's policies and intentions."

Chinese and Saudi Arabian officials informed the Reagan administration that the missiles had been modified in such a way that they could not carry nuclear warheads. These assurances, however, did not alleviate the American sense of unease over the sale. U.S. officials became increasingly aware that Chinese arms exports could alter the military balance in the Middle East.

The discovery of China's sale to the Saudis prompted fears in Washington that still worse surprises might be coming. China appeared to be preparing to sell newer, more advanced missiles to other Middle Eastern countries that were considerably less friendly to the United States than was Saudi Arabia.

The CSS-2 missiles were based on 1960s-era technology. They used liquid fuel, which is difficult, dangerous and time-consuming to transport; nearly two hours of preparation are required to launch the missiles. But by the late 1980s, China had developed more modern missiles, known as the M-9 and the M-11, which operate on solid fuel, so that they are more mobile and require as little as a half-hour to launch. These new missiles also have better guidance systems, making them more accurate than earlier Chinese missiles. The M-9 missile had a range of 375 miles, while the M-11S could travel about 180 miles.

These Chinese missiles had been developed for export as well as for the use of the People's Liberation Army. Nothing was secret about their existence. Indeed, in 1986, well before the missiles had been flight-tested, they had been put on public display at an Asian Defense Technology Exposition in Beijing and had been described in the Beijing Review, China's principal magazine for overseas readers.14

In the late spring of 1988, American intelligence found that China had concluded a tentative deal to sell its new M-9 missiles to Syria, and
with the missile diplomacy. The administration was being lobbied by Hughes Aircraft, the manufacturer of the satellites that Asian and Australian firms were hoping to launch in China. (On the other hand, other American companies that produced rockets, such as General Dynamics and Martin Marietta, lobbied against these export licenses, which would help China to undercut American prices for satellite launches.)

The central fact was that for approving the export of the satellites, the Reagan administration got remarkably little in return with respect to the M-9 missiles. In public, China had gone merely from saying it had not yet approved missile sales to declaring that it would be prudent in doing so. In private, China had promised not to sell intermediate-range missiles, without saying whether this statement applied to the M-9s.

No one in Washington knew for sure what China's unclear promises meant in practice. Within only a few months, CIA Director William Webster was asked by Pentagon and State Department officials to try to nail down from Chinese intelligence chief Xu Xin something more specific about missile sales than Carlucci had obtained. Webster tried, but failed. Xu merely repeated the bland words Deng Xiaoping had given Carlucci.

"I hope that we can now put this issue behind us," Carlucci had said of the Chinese missile sales at his press conference in Beijing. That was a false hope; he had conceded much and obtained little. It would be left to successors to attempt to obtain specific promises that China would not sell its new missiles to Syria or other countries in the Middle East. Within weeks after taking office, the Bush administration was trying to pin down what Carlucci hadn't.

The rising social discontent in China and the Chinese missile sales were both major new developments, signs of important changes in the relationship between the United States and China. Each one was, in its own way, an indication that the old Nixon-Kissinger ties with China were eroding.

The budding Chinese democracy movement raised important questions about the scope and the durability of those old ties. Nixon and Kissinger had dealt with Mao Tsetung and Chou Enlai at a time when China was rigidly controlled. By the late 1980s, however, Chinese society was opening up. Would it be sufficient for America to deal with China only through its top leaders, or would that prove too fragile a basis for an enduring relationship? Should America seek to establish links with other elements in Chinese society?

So, too, China's arms exports presented the United States with difficulties it had not confronted in the 1970s: Chinese foreign policy was potentially in conflict with that of the United States in the Middle East, one of the most vital regions of the world for American foreign policy. A decade earlier, U.S. officials had thought of China almost exclusively for what it could do for American interests in Asia and with the Soviet Union; Chinese policies toward the rest of the world had seemed to be of little consequence.

The Reagan administration didn't recognize the seriousness of these new developments. Instead, in its last years, it sought mostly to perpetuate the era of good feeling with China. The political and military leaders of America and China continued to court one another as though nothing was changing. Neither American nor Chinese leaders had any inkling that the Cold War relationship built up over the previous two decades was coming to an end.

On May 16, 1987, Karl Jackson flew to Honolulu for a special mission. The Pentagon had made him responsible for the care and feeding of Yang Shangkun, vice chairman of China's Central Military Commission. Yang was not only Deng's oldest and most trusted associate within the Chinese leadership but also, next to Deng, China's most senior military leader. He had been invited to visit America for two weeks as head of a large Chinese military delegation, and the Reagan administration had decided to give these Chinese officials the royal treatment.

In Honolulu, Yang was taken on a tour of Pearl Harbor. In Washington, Vice President Bush treated him to a nighttime cruise on the Potomac River aboard the presidential yacht Sequoia; while Bush listened raptly, Yang told old stories about how he had swept floors during the Cultural Revolution. In New York City, the Chinese leader saw Wall Street and visited Mayor Ed Koch, who asked undiplomatically, "Are you going to invade Vietnam again?" In St. Louis, Yang ate a bag and a half of popcorn on a boat ride down the Mississippi River. In Omaha, he and his delegation saw a Strategic Air Command installation; in San Diego, they toured an American aircraft carrier. In Los Angeles, they made the ritual visit to Disneyland, where Yang Shangkun had his picture taken together with Jackson and with Goofy.

Jackson, a former Berkeley professor, was the deputy assistant secretary of defense in charge of dealing with Asia. He spent most of his time in Washington attending meetings and writing policy papers. He had dreaded the prospect of spending day after day with Yang, an octogenarian who spoke little English and had traveled little outside of China. Before the trip, Jackson expected nothing but boredom and stilted conversation.

In fact, Jackson was charmed and delighted. Yang proved to be ener-
getic and intellectually curious. He inquired about housing prices and about American patterns of divorce. He reminisced about the war against Japan. He talked about his own brother, who had been in Chiang Kai-shek’s Nationalist Party and had died during China’s civil war.

Rarely did any of the problems America was soon to confront with China come up during Yang’s visit. At the time of the visit, Yang had already taken the forward role for the Chinese leadership in secretly negotiating the sale of the intermediate-range missiles to Saudi Arabia; however, American intelligence had not yet detected the transaction. Yang would also become, two years later, one of the two key figures (along with Deng) in China’s decision to have the People’s Liberation Army launch its bloody assault on the Tiananmen Square demonstrations in Beijing. At the time of Yang’s 1987 visit to America, however, the prevailing view in Washington was that China was in the midst of a long, steady reform process, in which there might be only a few bumps along the way, nothing more.

For one brief moment, late in the trip, Karl Jackson felt he was seeing Yang’s other, darker side. At a banquet for the Chinese community in Los Angeles, someone asked Yang about the aftermath of Hu Yaobang’s resignation as Communist Party secretary. The questioner wanted to know whether China’s reforms would continue and whether the leadership would continue to let Chinese students come to America.

Yang dispensed with his prepared text and delivered a steely response. Yes, the reforms would continue, and the students could still study in the United States, he answered. However, he went on, some things in China would never change. China would remain a Communist country, and it would continue to be ruled by the Communist Party.

Yang was saying no more than was official doctrine in China. He was repeating what is enshrined in China’s Constitution, which says that China will continue to be governed by the “people’s democratic dictatorship” under the leadership of the Communist Party. In the United States, however, these unpleasant realities had often been downplayed because they got in the way of winning public support for America’s Cold War partnership with China. It was much easier for American leaders to speak of the China that was changing than of the China that wasn’t.

Yang’s flash of toughness made a strong impression on Jackson. Much later, in the spring of 1989, when American leaders were wondering what the Chinese Communist Party leadership might do about the throngs of people gathering in the streets of its cities, Jackson remembered the Los Angeles dinner. These Communist Party leaders are not going to give up their monopoly on power, he thought. They won’t roll over or be steamrolled. Yang Shangkun was not like Ferdinand Marcos.42

George Bush was, in many ways, the antithesis of other American presidents of the modern era in dealing with China. After the Nixon administration, everyone else elected to the White House has taken office with the intent of altering the style or the substance of American policy toward China. In the end, these other presidents have tended to preserve far more than they changed. Bush, by contrast, came to the White House committed to continuing the existing U.S.-China relationship. Ironically, he was fated to preside over the greatest series of changes between America and China in the modern era. Indeed, the more Bush tried to perpetuate the past, the more he unintentionally ushered in the new.

Bush was perceived, throughout his four years in office, as an invertebrate China lover, someone who had consistently favored close ties with the leadership in Beijing. It was an understandable impression, but a superficial one, belied by Bush’s own record. On China issues, in fact, Bush had been all over the lot. During Nixon’s and Henry Kissinger’s opening to Beijing, it was Bush, as U.N. ambassador, who fought hard to prevent the loss of Taiwan’s seat in the United Nations; in doing so, he had clashed with Kissinger. In 1978, when Jimmy Carter established diplomatic relations with Beijing, Bush became one of the leading Republican critics of the deal, arguing that normalization should have been delayed and that the Democrats had given away too much. In the 1980 election, however, when Ronald Reagan and his supporters suggested they might backtrack on the terms the Carter administration had worked out for recognizing China, Bush opposed any retrogression. Once diplomatic ties had been established, he emerged as a strong proponent of close ties with China’s Communist Party leadership.