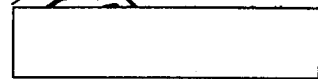


APPROVED FOR RELEASE
DATE: MAY 2007



~~Secret~~



EO 12958 3.3(b)(1)>25Yrs
EO 12958 3.3(b)(6)>25Yrs
EO 12958 6.2(c)



DIRECTORATE OF
INTELLIGENCE

Intelligence Report

*Peking-Taipei Contacts: The Question
of a Possible "Chinese Solution"*

(Reference Title: POLO XLVI)

~~Secret~~

RSS No. 0055/71
December 1971

WARNING

~~This document contains information affecting the national defense of the United States, within the meaning of Title 18, sections 793 and 794, of the US Code, as amended. Its transmission or revelation of its contents to or receipt by an unauthorized person is prohibited by law.~~

~~GROUP 1
Excluded from automatic
downgrading and
declassification~~

~~SECRET~~

[REDACTED]

This study concludes that no significant Nationalist vulnerabilities to proposed accommodation have developed to mid-1971, but that Peking's expectations and confidence in this regard are now almost certainly on the sharp rise. Indeed, a clear Nationalist interest in possible deals will probably soon begin to appear -- but still confined to individuals. Beyond the near future, and especially as accumulated misfortune besets Nationalist leadership, such interest will doubtless grow. Whether it comes to be the policy of the Nationalist leadership depends on a myriad of forces, chief among them the Nationalist succession, the effect of Taiwanese pressures, and, most importantly, the state of Nationalist confidence in outside guarantees of Taiwan's defense. Given a worst-case combination of such forces, susceptibilities to Peking will mount. Meanwhile, Peking will in any event grow more apprehensive that its Taiwan ambitions may be impeded by Taiwanese -- and Japanese -- aspirations.

This study has profited from constructive inputs from many offices in the Central Intelligence Agency. There is a sizable area of general agreement concerning Nationalist-Communist contacts to date, but because so much of the evidence is tenuous, and the future necessarily speculative, the views expressed in this study remain essentially those of its principal author, Jerome W. Rubin, who wrote much of this study during an early-1971 tour of duty with this Staff. This study is based on information available to 1 July 1971. Comments on the study and its judgments will be welcome.

Hal Ford
Chief, DD/I Special Research Staff

~~SECRET~~

[REDACTED]

~~SECRET~~

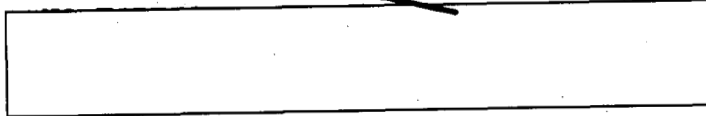
PEKING-TAIPEI CONTACTS:
THE QUESTION OF A POSSIBLE "CHINESE SOLUTION"

MEMORANDUM FOR RECIPIENTS:

This study details known contacts over the years between Chinese Communist and Chinese Nationalist figures, judges the intentions of Peking and Taipei, and advances certain judgments as to whether the present trauma of the Chinese Nationalists will cause them to become interested in an accommodation of some kind with Peking.

Available evidence is firm in very few instances; the study's judgments are accordingly advanced with caution. That Communist and Nationalist individuals have been interested from time to time in at least learning the other's views is clear: we know definitely that there have been a few initiatives by Chinese Communist intermediaries, from time to time, and some contact between Chinese Communist and Nationalist figures in third countries. It seems fairly certain that, until recently at least, the Taipei leadership has not been interested in sounding out Peking for the terms of any kind of deal -- that Nationalist interest, if any, has been confined to individual figures whose motives have been obscure. Peking's interest has apparently been principally that of attempting to undermine Nationalist morale and to sow discord between Taipei and the US.

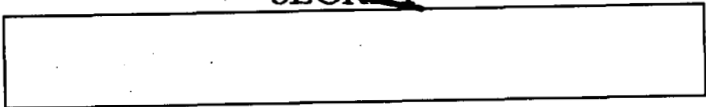
~~SECRET~~



PEKING-TAIPEI CONTACTS:
THE QUESTION OF A POSSIBLE "CHINESE SOLUTION"

Contents

	<u>Page</u>
SUMMARY.	i
BACKGROUND	x
I. THE CAMPAIGN FOR "PEACEFUL LIBERATION" BEGINS - Spring 1955 to Fall 1958.	1
A. Public Overtures and Private Approaches.	1
B. Hard Line Interruption of the Campaign.	12
II. PEKING RESUMES A "REASONABLE" POSITION - Fall 1958 to 1963.	15
A. Peking's Agents Persist	15
B. Taipei Denounces the Peace Talk Rumors.	18
C. Peking's Approaches, Including Some From "High-Levels," Continue	20
D. Evidence of Peking-Taipei Agent Contacts	26
E. Peking's Last Private Overture.	29
III. PEKING EXPLOITS ITS IMPROVED INTERNATIONAL PROSPECTS - Early 1964 to Late 1965.	33
A. Consequences of French Recognition.	33
B. Return to Peking of Li Tsung-Jen.	35
IV. THE CULTURAL REVOLUTION - Early 1965 to Early 1969	39
V. PROSPECTS FOR A "CHINESE SOLUTION"	43



~~SECRET~~

PEKING-TAIPEI CONTACTS:
THE QUESTION OF A POSSIBLE "CHINESE SOLUTION"

Summary

It should be noted at the outset that this study must of necessity be highly speculative. The evidence is firm only on occasion. At times the U.S. Government has been informed by Chiang Ching-kuo of approaches to Chinese Nationalist figures by Chinese Communists; [REDACTED]

[REDACTED] at still other times some contact must be assumed. It seems clear that in such contacts to date there has been neither much Chinese Communist expectation nor significant Chinese Nationalist vulnerability. But the accelerating decline of the GRC's fortunes -- and raison d'etre -- is bringing new forces into play which bring this shadowy "Chinese solution" question more to center stage.

The first known Chinese Nationalist-Communist contacts, after the Nationalist expulsion from the mainland, took place in 1955-1956. The apparent causes were various checks at that time upon overt Chinese Communist advances in the Taiwan Strait: the conclusion of a US-GRC Mutual Defense Treaty (December 1954); Peking's turn (April 1955) to a new, "peaceful" foreign policy course, overall; and the initiation (August 1955) of the US-Chinese Communist

-i-

~~SECRET~~

~~SECRET~~

talks in Warsaw. It was in this context of reduced military pressures and of Peking's shift to a professed interest in negotiating a "peaceful" settlement of the Taiwan issue with the GRC, that Peking began to supplement its public overtures to Taipei by a series of private letters to Nationalist leaders -- over a period of seven years. During the same period Chinese Communist agents and officials instigated false rumors of peace talks between the two regimes. Peking also sought in various ways to entice Nationalist and unaligned Chinese leaders abroad to return "home."

These "peaceful liberation" initiatives of 1955 apparently had several related objectives: to give Peking an appearance of reasonableness in the eyes of the world, to generate mutual suspicion between Washington and Taipei, to disturb and discredit GRC leaders, and to encourage betrayals. The relative emphasis on these several objectives seemed to vary from time to time. Open psychological warfare -- radio broadcasts, rumors, and written propaganda -- was predominant in early 1957. During several later periods, Peking's effort focussed on private communications intended to create suspicion in Taipei as to US reliability and the attitudes of individual members of the GRC leadership. Some of these private approaches were said to be from persons within, or close to, the Peking leadership; others were from agents who could have been disavowed but who doubtless acted with Peking's knowledge and encouragement. All of these approaches proposed negotiations between Peking and Taipei, and many of them contained alleged Communist terms for a peaceful accommodation. In general, the terms amounted to the

-ii-

~~SECRET~~

~~SECRET~~

[REDACTED]

promise of a large measure of local autonomy for Taiwan under Peking's flag. The GRC ignored these approaches, viewing the proposals as counterfeit and the letters themselves as instruments of psychological warfare.

These Communist overtures, as we have them, were mainly in the form of unauthenticated letters and conversations that are very difficult to evaluate. The most nearly credible evidence has been used for this discussion, and the amount of pertinent information that may remain concealed is unknown. If -- [REDACTED] and we must assume -- certain letters to the GRC from the Communists were withheld from US officials, the GRC's reasons for withholding them are not clear. And it is impossible to say whether any of Peking's private communications represented a genuine hope for a positive response. The available evidence does not reveal the policy-making level (if any) in Peking at which private approaches were instigated, nor how the timing and content of these approaches were decided. The various peace gestures lacked any note of urgency and, when taken together, appear to lack careful planning and coordination. Improvisation and a desultory quality seemed to mark the Chinese Communist effort from the beginning, together with acquiescence from time to time in the self-initiated schemes of pro-Communist "operators" in Hong Kong.

The most noteworthy role in these Communist initiatives, 1955-1962, was perhaps that of a rather disreputable Hong Kong character named Tsao Chu-jen, who wrote various letters of enticement to Chiang Ching-kuo over a period of several years. There is

-iii-

~~SECRET~~

[REDACTED]

~~SECRET~~

[REDACTED]

some evidence suggesting that Tsao had known and worked with the younger Chiang in Kiangsi, beginning in 1938, and may even have been on Ching-kuo's staff during some of that time. Thus Tsao may have been an excellent instrument for Communist feelers -- a person with access, but who could have been disavowed by Peking if it so chose.

In any event, Ching-kuo reported Tsao's approaches to US authorities, and all of these -- and all other known overtures for negotiations in the years 1955-1962 -- were reportedly ignored or flatly rejected by the GRC. There is no credible evidence to the contrary. The Nationalists apparently not only rejected the idea of peace talks but resented the notion that they might consider seriously such a course. In late 1958 GRC Vice President Chen Cheng publicly confirmed rumors and press reports that GRC leaders had privately been receiving proposals for negotiations from the Chinese Communists. The Vice President denounced these initiatives and other peaceful "liberation" gestures as attempts to divert attention from Peking's failure to interdict the offshore islands in 1958, and to create distrust between Taipei and its US ally. The GRC took this step, three years after Peking's effort began, only after deciding that the post-Taiwan Strait crisis rumors about peace talks required an official denial.

Later, in the latter part of 1962 and during 1963, [REDACTED] disclosed the existence of contacts in Hong Kong between an influential resident Chinese Communist agent and a Kuomintang agent with access to the GRC leadership. The content of meetings between these men suggested possible GRC interest

-iv-

~~SECRET~~

[REDACTED]

~~SECRET~~

[REDACTED]

at that time in privately exploring Peking's attitudes. There is no evidence that these contacts brought Taipei and Peking into serious discussions, much less actual political negotiations, although these low-level contacts could have been followed up by others that escaped US detection. The last known such private communication to the GRC, a purported letter from a middle-level Communist official and former Nationalist general, was in January 1963.

When in January 1964 France recognized the Peking regime, the Chinese Communists, including some of the senior leaders, sought to create a snowball diplomatic effect by hinting at improved prospects for a settlement with the GRC. In late 1965 Peking received an unprecedented degree of support in the General Assembly for admission to the United Nations. But by early 1966 Peking's diplomatic activity was interrupted by the Cultural Revolution, and the disorder on the mainland during the next few years reversed the trend of international acceptance of the Chinese Communist regime. During those years -- 1965 to early 1969 -- no Peking approaches to Taipei are known to have been made, other than some tentative approaches made in Europe through various international organizations.

As for motives, Peking's 1955-56 "peaceful liberation" talk was moderately effective in gulling certain governments, and probably was viewed by the Chinese Communist leadership as worth the low-priority effort expended. The "reasonable" posture resulted in improved public relations and diplomatic gains. Some of the initiatives probably sharpened Nationalist

-v-

~~SECRET~~

~~SECRET~~

[REDACTED]

sensitivity to the ambassadorial talks in Warsaw between the US and Peking, and this may have led to the agent contacts in Hong Kong in 1962-63. There was one significant "return" -- in 1965, of the aged former GRC Vice President, Li Tsung-jen -- which was probably a product of Peking's efforts. The private communications also may have had a marginal effect on political jockeying in Taipei, but Vice President Chen Cheng's death in 1965 removed the only apparent threat to Chiang Ching-kuo's primacy after the death or retirement of his father. There were no consequent defections by GRC leaders, in response to the Communist enticements, no apparent major demoralization among the Nationalists, and no appreciable disturbance of the Taipei-Washington relationship.

In the spring of 1969 the mainland situation began to stabilize -- more or less -- and Peking moved to rehabilitate its diplomacy. Again, the Chinese Communists were interested in appearing reasonable and in encouraging the belief that the "peaceful liberation" of Taiwan was not only desirable but probable. Diplomatic successes in late 1970 and 1971 have facilitated Peking's strategy of affecting patience and moderation about Taiwan, and of trying to generate distrust between Taipei and Washington. Chinese Communist figures have meanwhile been busily spreading reports that the GRC is nearing the end of the road and that Taiwan will eventually be assimilated back into China.

Indeed, Peking's expectations have doubtless been raised sharply by events of the past year or so. Communist China is in the process of enjoying the breakthrough in international status which it has

-vi-

~~SECRET~~

~~SECRET~~

long coveted, and Mao and Chou En-lai must judge that the dimensions of this breakthrough will markedly improve Peking's political and psychological leverage against the Nationalists. Chinese Communist figures have made certain statements of late apparently aimed at capitalizing on rising vulnerabilities, and we must assume that these statements are being paralleled -- or shortly will be -- by attempts to make private contact with Nationalist figures or intermediaries. We should further assume that Peking may sweeten its offers somewhat, in the expectation that the GRC will have virtually no place to go, and that time may work to Peking's advantage. Even so, it would seem unlikely that Mao or his successors will offer any deal in which the small print adds up to much more than honorific status for ex-Nationalists.

For its part, in accelerating diplomatic isolation, and apparently uncertain of US intentions, the GRC is faced with declining morale, and doubtless will experience increased uneasiness over Taiwanese assertiveness, some greater internal security problems, and heightened individual Nationalist mainlander interest in various "worst case" options. Although disgruntled or despairing Nationalist figures who have left Taiwan thus far have for the most part settled in Hong Kong, Southeast Asia, or the USA, some may come to choose the China mainland -- or defection in place.. To important measure, the degree of receptiveness which develops among the Nationalists to Peking will depend upon the feasible options open to them which circumstance and numerous variables bring. For the near term -- so long as the Chiangs and their mainlander colleagues have no reason seriously to doubt that the US will defend Taiwan against attack -- it seems likely that the respective personal and collective benefits to them

-vii-

~~SECRET~~

~~SECRET~~

[REDACTED]

of a model Taiwan province (still called "China") would outweigh any enticements Mao or his heirs would offer. Indeed, Nationalist resistance to a deal will probably tend to remain generally staunch as long as certain circumstances prevail: retention of the GRC's still-formidable economic, administrative, and security capabilities; Taiwanese disorganization and political prudence; some continued international status and role for the Republic of China; and, above all, reasonable confidence in a US defense guarantee of Taiwan. But some of those may give way. And, additional variables will be at work: the longevity of Generalissimo Chiang Kai-shek (now 85) and of Chiang Ching-kuo (in precarious health); the attrition of time upon mainland dominance of the great Taiwanese majority; and the existence of certain other options probably open to some mainland Nationalists.

We know that Peking has been able secretly to enlist a few Taiwanese in its service; there will almost certainly be more of this. But, by and large, the Taiwanese will want independence, not still another -- and worse -- master. To the degree that an effective Taiwanese independence movement arises, we can expect it to become not only an increasing object of Peking's concern, but in effect a source of pressure upon Peking to undermine the will of the GRC before Taiwanese independence [REDACTED] becomes a realistic threat to Peking's objectives.

The long-term prospect -- as well as can be judged at this time -- may be one of increased Taiwanese assertiveness; some resulting GRC crackdown; some decline in stability on Taiwan; and some move toward investigating

-viii-

~~SECRET~~

[REDACTED]

~~SECRET~~



options other than dependence upon the US -- e.g., seeking increased support from Japan, the USSR, or other outside countries; making the best of things on Taiwan; individual flight abroad; or individual accommodation to Peking. In the event, however, that US or other outside guarantee of Taiwan's security should come to appear uncertain, then the long-term and troubled outcome may remain to be worked out between the great weight of China and the insular entity of Taiwan.

-ix-

~~SECRET~~



~~SECRET~~

BACKGROUND

Since the founding of the Chinese People's Republic in 1949, the Chinese Communists have never deviated from the position that Taiwan is an internal question to be settled by the Chinese themselves. The Communists have been careful to foreclose none of the options about the means to the "liberation" of Taiwan. They have shared consistently with the Government of the Republic of China (GRC) in Taipei the unqualified position that Taiwan is a part of China, and from time to time they have re-emphasized the legal and historical basis of that position. Peking views any advocacy of Taiwan's autonomy -- e.g., the Taiwan Independence Movement -- as an "imperialist" intrigue, while Taipei has suppressed Taiwan independence leaders as a threat to Nationalist power on Taiwan and subversive of the GRC claim to be the government of all China.

Prior to the defeat of Japan in 1945, the Chinese Communists favored independence for Taiwan, but when the GRC accepted Japan's surrender on the island and occupied it, the Communists shifted to advocacy of an "autonomous" Taiwan within China. It was not until 1949, when Chiang Kai-shek's exiled control of Taiwan posed a continuing challenge to the legitimacy and security of the People's Republic of China, that the Chinese Communists adopted the uncompromising position they hold now.

-x-

~~SECRET~~

~~SECRET~~

The legal status of Taiwan is arguable. Following China's defeat in the Sino-Japanese War, it was ceded to Japan. During World War II the Allied Powers unequivocally committed themselves in the Cairo Declaration of 1943 to restore Taiwan to China. In the peace treaties Japan signed with the Allied Powers in 1951 and, separately, with the GRC in 1952, Japan renounced sovereignty over Taiwan but did not hand it specifically to the GRC. Thus while Peking and Taipei hold the Cairo Declaration to be an unchallengeable basis for their claims, Taiwanese independence leaders, citing political developments since 1945, including the denial of Taiwanese freedom under the GRC, argue that legal sovereignty is still to be determined in the absence of Japanese disposition of the territory. These advocates point out also that Article 103 of the United Nations Charter provides for self-determination as a principle in fixing the status of former colonial territories. However, since 1949 the political and military realities of Nationalist control have eclipsed the juridical ambiguities about Taiwan's status.

Until 1955 Peking's pronouncements about the "liberation" of Taiwan were belligerent. The outbreak of the Korean War in 1950 and the neutralization of Taiwan had nullified Communist aspirations regarding a military takeover of the island, but Peking continued to address the question in threatening language. When in December 1954 the US signed a Mutual Defense Treaty with the GRC, the risk of any move against Taiwan became clearly unacceptable, especially since Peking's Soviet ally had in the

-xi-

~~SECRET~~

~~SECRET~~

meantime indicated that support for Peking's claim to Taiwan did not extend to military support for "liberation" of it by Peking's resort to force.

In light of the military impossibility of seizing Taiwan, Peking shifted to the political tactics of sowing suspicion between Washington and Taipei and of trying to defect prominent Nationalists. Side by side with the public level of political tactics, a clandestine effort was developed in which the Chinese Communists reached out from the mainland, via operatives in Hong Kong, to target-individuals on Taiwan. The greater part of this clandestine effort was implemented by the dispatch of proposals and defection-probes through the medium of secret letters. This paper surveys the most important Communist-initiated letters which are known to be authentic probes, and will offer an analysis of their role in the struggle between Peking and Taipei over the past two decades.

-xii-

~~SECRET~~

~~SECRET~~

I. THE CAMPAIGN FOR PEACEFUL "LIBERATION" BEGINS -
Spring 1955 to Fall 1958

A. Public Overtures and Private Approaches

On several occasions during the spring of 1955 Chinese Communist Premier Chou En-lai offered publicly to negotiate the status of Taiwan with the "Taiwan authorities." As the first hint of seeming flexibility in Peking's position on the issue, Chou's overture was calculated to give Peking an appearance of reasonableness and to portray the US as the intransigent and offending party. The offer was ignored officially by the GRC, but in July 1955 it was rejected by a cabinet-rank spokesman in Taipei who requested anonymity in conversation with foreign journalists. Referring implicitly to the forthcoming US-Peking talks in Warsaw, the spokesman said that Chinese Communist double talk might fool some Americans but not the Chinese people.* Since that time, the themes of Chinese Communist perfidy and of GRC disdain for those who failed to understand it

*New York Times, 31 July 1955.

-1-

~~SECRET~~

~~SECRET~~

[REDACTED]

have never been absent from comments about dealing with Peking which Taipei has issued publicly, and which GRC leaders have made privately to US officials.

Between August and December 1955 and coincident with Peking's public enticements, a Hong Kong journalist, Tsao Chu-jen, sent three secret letters to Chiang Ching-kuo, President Chiang Kai-shek's son and likely successor and then Deputy Secretary General of the GRC National Defense Council. No aspect of Peking's peaceful "liberation" campaign from 1955 to the early 1960's is more puzzling than the role of this Tsao, whose secret communications to Chiang Ching-kuo in 1955 anticipated Chou En-lai's formal declaration in 1956 by almost a year.

Tsao had been born in Shanghai, in about 1898, and was acquainted with Chiang Ching-kuo on the mainland as early as 1938. At that time Chiang was Pacification Commissioner in Kiangsi Province, from which the Chinese Communists had been driven, and Tsao was writing for a newspaper which Chiang may have owned. According to one source, Tsao was also a member of Chiang's staff at that time. The two men reportedly saw each other occasionally during World War II and may have been closer friends than Chiang Ching-kuo has ever acknowledged. In the late 1930's Tsao associated with a group of leftist writers while at the same time valuing his contacts with the Kuomintang.

In 1950 Tsao Chu-jen moved to Hong Kong from the mainland. By 1955, when he emerged as an "intermediary," his reputation was that of a self-seeking opportunist and pro-Communist, but one known

-2-

~~SECRET~~

[REDACTED]

~~SECRET~~

[REDACTED]

to criticize Peking on specific issues. He visited the mainland from time to time and appeared to have access to Chinese Communist officials, including Chou En-lai. Tsao's wife lived in Shanghai, and there is inconclusive evidence that he sometimes used her as a channel to Peking. There is little doubt that the Chinese Communists viewed Tsao's relationship with Chiang Ching-kuo as a useful instrument in their psychological offensive against the GRC.

[REDACTED] Chou En-lai once said that Chiang Ching-kuo would trust no one representing Peking if he would not trust Tsao Chu-jen. On the other hand, Peking did not trust Tsao completely; he leaked information without authorization, and, if his old association with Chiang Ching-kuo was seen by Peking as an asset, it was seen also as a limit to his reliability.

Tsao Chu-jen probably exaggerated his intimacy both with the Peking leadership and with Chiang Ching-kuo in an effort to maintain his status with both. The Chinese Communists -- as will be seen -- deliberately augmented his credibility in late 1958. As for Chiang Ching-kuo, there is evidence that he might have perceived Tsao some years later as potentially useful. Tsao appears to have operated under the general rather than the specific direction of Peking. He was apparently encouraged to engage in fishing expeditions and report the results, if any. His Hong Kong "case officer" - at least for part of Tsao's active period - was Fei I-min, publisher of the Peking-controlled Ta Kung Pao and a senior Chinese Communist operative in the colony. Most of Fei's political activities in Hong Kong ultimately reflect guidance from Chou En-lai or from Chou's aides.

-3-

~~SECRET~~

[REDACTED]

~~SECRET~~

In one sense it seems almost inconceivable that a serious effort by the Peking leadership to arrange talks with the GRC would have involved a man like Tsao Chu-jen. Then what was the game? There is no wholly satisfactory answer to the question, although a partial answer can be derived from a few facts and reasonable assumptions. Peking probably saw Chiang Ching-kuo as a non-doctrinaire "realist" who someday would control Taiwan. A private communication link with Chiang, if it could be arranged, would be useful for a variety of potential purposes. Tsao Chu-jen knew Chiang, and was available and eager to give it a try. Peking could if necessary disavow Tsao -- his reputation would make that easy. Further, rumors of peace talks -- many of them doubtless generated by Peking -- had been reported in Hong Kong and elsewhere. These rumors were an element of Peking's psychological warfare effort, and approaches by Tsao and others to the GRC would if nothing else give them a modicum of substance.

Tsao's three letters to Chiang Ching-kuo in late 1955 asked Chiang to send a representative to Hong Kong to receive "important information" about a Peking-Taipei reconciliation. The existence of these letters was leaked to the press, probably by the writer himself; only after the leak did Chiang divulge the letters to US representatives in Taipei. Originating with a dubious figure like Tsao, this initiative was clearly not a serious approach to Taipei. It may have been encouraged by Peking's Hong Kong apparatus as a no-cost fishing expedition that might if nothing else embarrass Chiang Ching-kuo, making it appear that

-4-

~~SECRET~~

~~SECRET~~

[REDACTED]

in Peking's eyes he was susceptible to such a suggestion. By reporting the letters to US officials, Chiang, who had spent 12 years in the USSR and had temporarily joined the Communist Party there, showed sensitivity to possible US suspicions and called attention to his rejection of the approach. It is noteworthy that a US journalist had published a report that Chiang had sent an emissary to Hong Kong who returned with an offer from Peking of "autonomous" status for Taiwan and a high position for Chiang Ching-kuo; Chiang now dismissed this as a fabrication, which undoubtedly it was.

In June 1956 Peking formally established its "peaceful liberation" posture. Chou En-lai, addressing the National People's Congress in Peking on 28 June, made an authoritative declaration of Peking's basic negotiating position on Taiwan. This declaration was to be cited later by P'eng Te-huai, Chinese Communist Minister of National Defense, when he announced the suspension of the bombardment of Chinmen (Quemoy) in early October 1958. Chou En-lai said in June 1956:

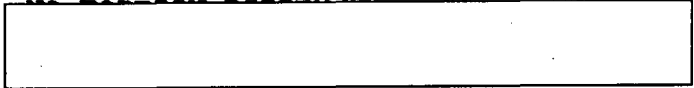
"Now on behalf of the Government I formally state: we are willing to negotiate with the Taiwan authorities on specific steps and terms for the peaceful liberation of Taiwan, and we hope that the Taiwan authorities will send their representatives to Peking or another appropriate place, at a time which they consider appropriate,

-5-

~~SECRET~~

[REDACTED]

~~SECRET~~



to begin these talks with us. In order to unite all patriotic forces to realize at an early date the complete unification of our motherland, I wish here to declare once again that all patriotic people, regardless of whether they joined the patriotic ranks earlier or later, and regardless of how great the crimes they committed in the past may have been, will be treated in accordance with the principle that patriots belong to one family and with the policy of no punishment for past misdeeds. They are all welcome to perform meritorious services for the peaceful liberation of Taiwan, and will be duly rewarded according to the degree of their merits and provided with appropriate jobs."

This patronizing statement, committing Peking to nothing, was a strong reaffirmation of Chinese Communist "reasonableness" on the question of Taiwan. It was consistent with the relatively moderate style of policy at the time -- at home and abroad. It was designed to gain a wider and more attentive international audience for Peking's attempt to set the claims of the family of the Chinese people against the alleged interference and aggression of outsiders. Chou provided no details about the shape of a political accommodation with the GRC, but a diverse assortment

~~SECRET~~



~~SECRET~~

[REDACTED]

of specific proposals was to be communicated privately to GRC leaders over the next few years. The tone of Chou's declaration and its basic themes -- forgiveness, flexibility, leniency, patriotism, and participation -- characterized overtures from the Communist side from that time on. The declaration set the stage for Peking's effort during the following decade to appear "reasonable," to promote distrust between the GRC and the US, to weaken Chinese Nationalist morale, to sow suspicion within the GRC leadership, and to encourage defections and betrayals in Taipei. There was nothing in Chou En-lai's statement to suggest the expectation of a positive response, and there was in fact no response at all.

In September 1956, a few months after this declaration, a minor Chinese Communist functionary who was the brother of Huang Shao-ku, then GRC Vice Premier, arrived in Hong Kong; from there he wrote to his brother in Taipei, requesting an invitation to Taiwan. His alleged purpose was to transmit Peking's proposal for a settlement. The mainland brother invited the GRC to send a team of observers (the first of many such invitations from Peking's side) to visit Communist China for a first-hand look at conditions. In an apparent effort to disarm the GRC leadership and to appear "reasonable", the mainland brother apologized in his message for the harshness of some of Peking's domestic policies, explaining them as necessary to consolidate authority and improve the situation. He also referred to the journalist Tsao Chu-jen as an "intermediary" but one lacking sufficient stature to bring negotiations between Peking and Taipei into being. Thus he verified Tsao as an instrument of Peking while suggesting at the same time that Peking's hopes and intentions had now moved beyond Tsao's level of operations.

-7-

~~SECRET~~

~~SECRET~~

[REDACTED]

This approach to Huang Shao-ku, a senior and respected GRC official, was probably instigated by high-level Chinese Communist officials in Peking. The choice of the mainland principal can only be explained by the sibling relationship, which suggests that the initiative, far from being a serious bid for negotiations, was in fact more an attempt to defect or to discredit Vice-Premier Huang Shao-ku. When Huang reported this message to the GRC leadership, he was instructed to write his brother as follows: do not come to Taiwan; do not communicate with me on anything except personal matters; do not contact GRC adherents in Hong Kong; do not expect to see me again until our return to the mainland under the Nationalist flag.

The information about this approach and the Vice Premier's response was provided to US sources at the time by Chiang Ching-kuo. Chiang's action was a further indication of sensitivity to US opinion and of a felt need to re-emphasize GRC rejection of any dialogue with Peking or its agents. Tsao Chu-jen's letters the year before had been leaked, forcing Chiang Ching-kuo to disclose them. Information about this new approach, and about all the others that were to be made, could also become known to the US. Hence failure to report these letters to US officials in Taipei, and to re-emphasize the inflexibly negative GRC attitude toward them, was clearly a risk Chiang could not accept, apart from his personal opposition to any contacts with Peking. Chiang Ching-kuo is the source of all of the credible information made available by the GRC about private overtures from the Communist side. According to him, no GRC response, aside from the flat rejection of the approach to the

~~SECRET~~

[REDACTED]

~~SECRET~~

[REDACTED]

Vice-Premier in 1956, was ever made to specific Communist initiatives. There is no reliable evidence to the contrary.

The next known approach came shortly thereafter when a Taipei banker, Kao Su-ming, reportedly close to Chiang Ching-kuo, received a letter from a Hong Kong "Third Force" activist, Cheng Szu-yuan. Cheng was an associate of Li Tsung-jen, former Vice President and for a time Acting President of the GRC prior to its removal to Taiwan. Li had been living in the US in political exile. Cheng asked Kao to obtain Chiang Ching-kuo's permission to visit Hong Kong to discuss possible negotiations on a settlement between Peking and Taipei. Although Cheng might have written the letter on his own, there is evidence that Peking encouraged the initiative, perhaps believing that Cheng's association with Li Tsung-jen, a respectable "neutral", would attract notice. Cheng had visited Peking earlier in 1956 and when he returned to Hong Kong he tried to persuade "Third Force" leaders there to go to the mainland. Li Tsung-jen later dissociated himself from Cheng's efforts, although as it turned out, Li himself returned to the mainland in 1965.

In February 1957, General Chang Chih-chung, a Nationalist defector (1949) to the Communists and a prominent member of the puppet party Kuomintang Revolutionary Committee, sent a letter to GRC Vice President Chen Cheng appealing for negotiations but making no concrete proposals. This approach from a mainland functionary must have been encouraged by Peking as an attempt to embarrass the Vice President,

-9-

~~SECRET~~

~~SECRET~~

[REDACTED]

who turned the letter over to Chiang Ching-kuo. The letter went unanswered.

In March 1957 Tsao Chu-jen again sent letters, this time to Chiang Ching-kuo and to the previously-mentioned Kao Su-ming. Tsao now suggested that Kao visit the mainland in his, Tsao's, company for a first-hand look. Tsao's letter to Chiang Ching-kuo advanced six possible conditions for a Peking-GRC accommodation:

- (1) agreement to talk about peace on equal terms;
- (2) cessation of military activity by both sides;
- (3) self-government for Taiwan under Chiang Ching-kuo;
- (4) re-establishment of friendly relations between China and the US;
- (5) after the conclusion of negotiations, Taiwan to send representatives to various political groups on the mainland;
- (6) Peking to be responsible for all military and political expenditures on Taiwan.

A week later Tsao outlined essentially the same conditions in a letter to GRC Vice Premier Huang Shao-kuo. It is doubtful that the terms proposed by Tsao in these letters were drafted in Peking. In these and other letters Tsao was to write, he probably included what he thought

-10-

~~SECRET~~

[REDACTED]

~~SECRET~~

[REDACTED]

would interest the recipient. The proposals in his March 1957 letters were vague except as to Chiang Ching-kuo's primacy on Taiwan, even though they conveyed a pretense of Chinese Communist friendliness and generosity.

In early 1957, at about the time Tsao Chu-jen was writing to Chiang Ching-kuo and the others, Peking stepped up its propaganda directed to Taiwan and its efforts to defect ex-mainlanders in Hong Kong. Radio broadcasts carried a large number of personal appeals by mainland residents to individual Nationalist leaders and their families. These appeals tried to exploit homesickness and stressed patriotism and reconciliation. Rumors were planted concerning high-level discussions between Peking and Taipei, and there was an attempt to generate pressure for peace negotiations on the GRC among overseas Chinese communities.

This 1957 campaign began to disturb the GRC leadership. Taipei, dependent upon the US and seeking US support for eventual recovery of the mainland, did not want to be taken too much for granted, but neither did it want suspicion of GRC intentions to develop in Washington. The rumors of peace talks were starting to find foreign believers, even in embassies and foreign offices around the world where the rumors were traded and reported on. A sense of the atmosphere at the time is suggested by the fact that US diplomatic [REDACTED] [REDACTED] officers in Taipei and Hong Kong were urged periodically to evaluate the possibility that GRC-Peking negotiations were about to occur, or were already in progress. President Chiang Kai-shek was personally concerned, and the question of counter-psychological

-11-

~~SECRET~~

[REDACTED]

~~SECRET~~

warfare was discussed at Kuomintang Central Committee meetings. But no counter-campaign was launched -- not then -- probably because of a judgment that any formal reaction would give the rumors a measure of credibility, of serious Nationalist concern. GRC leaders, when asked about peace talks with Peking, simply dismissed the idea as preposterous. And it was preposterous, but GRC sensitivity to the impact of the rumors was real, just as Chiang Ching-kuo's personal sensitivity to the letters from Tsao Chu-jen had induced him to divulge the letters to US officials and to affirm his rejection of the suggestion they contained.

B. Hard-Line Interruption of the Campaign

By the early summer of 1957 the Chinese Communist leadership was shaken and disillusioned by the discontent that surfaced during the Hundred Flowers Movement. In June the "anti-rightist" campaign began, and domestic developments eventuated in the assertive hard-line measures of a year later, the "people's communes" and the Great Leap Forward. Foreign affairs meanwhile moved toward significantly hardening Chinese positions with respect to the Soviet ally.

Meanwhile, in November 1957, Chou En-lai granted an interview in Peking to the editor of Sueddeutsche Zeitung, the leading Munich daily.* Chou reaffirmed

*Issue of 19 November 1957.

~~SECRET~~

~~SECRET~~



the Taiwan issue as an internal Chinese question, stating that Peking might be willing to recognize Chiang Kai-shek's position as "leader on Taiwan." Thus he compromised the private approaches made during the previous year and cast President Chiang in the role of a powerless supplicant. Chou in this interview accused the US of pursuing a Two-China concept, which he said Peking would never accept, and he asserted that the US would never allow a Nationalist attack on the mainland. Therefore, according to Chou, Chiang Kai-shek would have to choose a way out, and nothing but the date (of a deal with the Chinese Communists) was left for him to decide. When asked by the editor whether Peking had any confidential connections with Chiang or his inner circle, Chou seized the opportunity to feed possible US suspicions of GRC intentions: "If we had any official (connections), the US would let Chiang down."

Peking generally ignored Taiwan during the momentous events of 1958, until 23 August, when mainland batteries in Fukien Province began the shelling of Chinmen Island. Mao Tse-tung a few weeks later denounced the "US occupation of Taiwan." By September Peking had retreated to a face-saving pretense that the "liberation" of the offshores or of Taiwan by force had never been its intention -- Peking having been compelled to back off by effective, US-supported GRC counteraction, and by having learned that Moscow was not about to bail Peking out in the event of a major confrontation with the US.

~~SECRET~~



THIS
PAGE
INTENTIONALLY
LEFT
BLANK

~~SECRET~~

II. PEKING RESUMES A "REASONABLE" POSITION -
Fall 1958 to 1963

A. Peking's Agents Persist

In September 1958 -- during the offshore island crisis but prior to the Chinese Communists' backing-off -- Tsao Chu-jen appeared once again, sending letters in that month from Hong Kong to Chiang Ching-kuo, Vice Premier Huang Shao-ku, and GRC Defense Minister Yu Tai-wei. In these letters he mentioned that he had recently revisited the mainland and had had conversations with unnamed Chinese Communist leaders. To prove his credentials as Peking's representative, Tsao said he could "guarantee" that for one week, beginning 6 October 1958, the Communists would not shell GRC supply ships to the offshore islands that were unescorted by US warships. This prediction of a Communist move which in fact took place reconfirmed Tsao's status as an instrument of Peking, although it did not really answer the question of his importance as a negotiating intermediary. In any event, Tsao proceeded to leak the story about the conditional bombardment suspension to a Singapore newspaper, possibly a self-serving indiscretion but more likely a Peking-inspired effort to amplify publicity favorable to the pose of decency and conciliation.

Tsao Chu-jen's September 1958 letters contained terms for the "peaceful liberation" of Taiwan, terms which Tsao said had the approval of the Peking authorities. These included the retention of Chiang Kai-shek's

-15-

~~SECRET~~

~~SECRET~~

control of civilian and military affairs on Taiwan, Chinmen to become a trading center after the withdrawal of Nationalist troops, Taiwan to become an autonomous area "like Tibet and Sinkiang" (!) on a date to be determined, and the Kuomintang to remain an independent political party. Tsao described mainland progress as "terrific" and urged a GRC delegation to visit Communist China on an inspection trip. Tsao's letter to Chiang Ching-kuo said that Peking viewed Chiang as the logical eventual leader of post-settlement Taiwan, and that Vice-President Chen Cheng was also highly regarded by the Chinese Communist leadership.

These terms, like those offered by Tsao more than a year earlier, may have been formulated by himself, but were almost certainly based on Tsao's discussions with persons within, or close to, the Chinese Communist leadership. They reflected Peking's interest in re-establishing an ostensibly reasonable stance -- in fact a tough, though face-saving, one for the GRC -- on a Taiwan solution, and this was paralleled at the time by Peking's demonstration of interest in renewing the talks with the US in Warsaw. Public expression was given to the shift in Taiwan policy by Peng Te-huai when he referred on 6 October 1958 to Chou En-lai's earlier (1956) declaration, and when later, on 25 October, he said, "Chinese problems must be settled by us Chinese alone. If they are difficult to settle for the time being, things can be talked over at length."

In any event, when Chiang Ching-kuo showed Tsao Chu-jen's September 1958 letters to US officials, he said his father would never enter into direct negotiations with Peking and that the Nationalist leadership

-16-

~~SECRET~~

~~SECRET~~

preferred any status in the free world to selling out to the Communists. Ching-kuo quoted a Chinese proverb, "It is better to be a cracked piece of jade than a whole piece of common clay." He also said that the letters would be ignored, and that the GRC leadership wanted to make certain that the US knew about these approaches lest Peking succeed in creating distrust between Washington and Taipei.

In October 1958, Chang Shih-chao, an elderly Hunanese alleged to have been at one time a teacher of Mao Tse-tung, sent a letter to Wu Chung-hsin, a Kuomintang elder statesman personally close to Chiang Kai-shek. Chang was a member of the Standing Committee of the National People's Congress and held one or two other minor posts. Disclaiming any status as an official Peking negotiator, Chang told Wu that he was writing as an old friend who believed that a critical stage existed in the Peking-Taipei struggle. He warned that the US would betray the Nationalists and alleged that the US had offered secretly in Warsaw to yield the offshore islands to Peking in exchange for a renunciation of Peking's claim to Taiwan. Chang said he had seen the "secret documents" about this in Peking and that Chiang Kai-shek was obviously ignorant of the true situation. Chang argued that if the US and Peking were talking to each other, then Taipei and Peking were justified in doing the same. Chang urged that the letter be shown to Chiang Kai-shek but otherwise kept confidential "to avoid senseless rumors in international circles." Chang offered no settlement terms; he merely requested Wu, with President Chiang's permission, to meet him in Hong Kong for a discussion of these matters.

A source close to Chiang Ching-kuo reported that President Chiang regarded the writer as an authentic

~~SECRET~~

~~SECRET~~

[REDACTED]

agent of Peking. Chang Shih-chao was known to visit Hong Kong occasionally and to contact, or attempt to contact, Chinese Nationalists. His intimacy with Mao Tse-tung was probably exaggerated by various sources, but he had been a respected Chinese educator prior to World War II, and in Hong Kong in the late 1950's he was taken much more seriously than Tsao Chu-jen as an instrument of the Peking leadership. His approach to President Chiang's associate was a major effort to generate suspicion of US intentions among senior Nationalist leaders. His October 1958 letter (and a second he wrote to Wu in December 1958 complaining about the lack of a reply to the first) was never acknowledged.

[REDACTED]

[REDACTED] Chang Shih-chao's approach was the first known attempt to reach Chiang Kai-shek directly. As such, the initiative could have reflected a degree of inexplicable optimism about Nationalist vulnerability to suspicion of US intentions. The GRC leadership viewed the initiative in this light and, apparently fearing that Chang's activities might produce real mischief for the Washington-Taipei relationship, Nationalist leaders talked among themselves about the need to watch Chang Shih-chao and destroy his influence and reputation.

B. Taipei Denounces the Peace Offensive

By early November 1958, the Chinese Nationalists had become convinced of the need to clear the air of a new flurry of rumors about possible negotiations with

-18-

~~SECRET~~

~~SECRET~~

Peking. We know privately that the GRC considered Tsao Chu-jen and Chang Shih-chao as Communist psychological warfare agents and their letters only one element of an overall program aimed at dividing the Chinese Nationalists, eroding Nationalist morale, and rupturing the GRC-US relationship. The GRC leaders were relatively unconcerned about Tsao Chu-jen, whom they considered an "opportunist" without authentic Peking credentials, but they believed Chang Shih-chao to be a bona fide agent whose reputation and influence should be destroyed.

Accordingly, in mid-November 1958, GRC Vice President Chen Cheng, in an interview with a Central News Agency correspondent, acknowledged that Nationalist officials had been receiving letters from Peking representatives urging peace talks. He referred to radio broadcasts to Taiwan and to the spreading of rumors in Hong Kong. He denounced the Chinese Communist campaign as typically treacherous and said it was calculated to cover up both the failure of Peking's attack on Chinmen and the mainland "internal crisis." Another objective, Chen said, was to confuse the people of the world and drive a wedge between China and the US. He answered a question about US Government knowledge of the situation by saying, "The Chinese and US governments have been exchanging information and opinions regularly on the peace rumors of the Communist bandits. Therefore, both the Chinese and US governments have a clear understanding of such peace rumors and have confidence in each other..." This was doubtless intended not only to reassure Washington, but to give Peking a clear statement that the letters from its agents -- in case there was any doubt -- were being divulged to the US and that it was no use trying to corrode the Taipei-Washington

-19-

~~SECRET~~

~~SECRET~~

relationship. The interview was given a moderate amount of press coverage on Taiwan during the succeeding two days. All papers unreservedly praised the statement, the independent papers rather more strongly than the official press.

We know that in December 1958 Tsao Chu-jen said privately that Peking's peace overtures were "finished" because of the lack of any response from Taipei. (In fact, however, they were resumed in 1959.) Tsao described Peking's purpose during the three-year campaign of direct approaches as that of simply persuading the GRC to communicate, and he said that the Chinese Communists would accept "almost any terms." Since it was clear that Peking had been driving a hard bargain with Taiwan -- Tibetan status being no great new status for Chiang Kai-shek -- and knew that the Nationalists were not about to accept, Tsao's remark was doubtless another attempt to spread the idea of Peking's "reasonableness."

C. Peking's Approaches, Including Some From "High Levels", Continue

For a brief period in 1959 Peking reduced the level of its public attention to Taiwan. References to the hope for "peaceful liberation" became infrequent, and routine propaganda about Taiwan declined. There was a corresponding decline in mainland appeals for individual defections. The GRC had acknowledged publicly the private approaches from Peking and had denounced these moves, and the rumors of peace talks, in a strong statement aimed at deflating the

-20-

~~SECRET~~

~~SECRET~~

effect of additional overtures and rumor campaigns. If Peking had hoped that any of its private initiatives, withheld from the US by the GRC but surfaced by Chinese Communist agents, might create suspicions in Washington, Chen Cheng's statements would have liquidated such hope. Moreover, continuing preoccupation with Taiwan would have called attention to Peking's inability, demonstrated during the Taiwan Strait crisis, to do anything but talk about the Taiwan question. Finally, economic and political problems on the mainland diverted the leadership's energies to more immediate concerns. Nevertheless, Tsao Chu-jen once again sent letters -- urging peace negotiations -- to Chiang Ching-kuo in early January and in late April 1959. In the April letter he proposed that Chiang Ching-kuo and Chen Cheng govern Taiwan jointly after a settlement with Peking. Again the proposition fell on deaf ears.

In late 1959 Peking seemed ready to re-open the "peaceful liberation" campaign on a large scale. The release -- after a decade -- of 30 Kuomintang "war criminals" was announced on 4 December, and Peking beamed a special broadcast to Taiwan about this event. Chiang Ching-kuo told a US official that he regarded the release of prisoners as an extremely significant development, foreshadowing a new peace campaign. He said he had evidence that Peking's agents were again in Hong Kong to promote peace talks.

In January 1960 a new high-level approach to the GRC was made when Tan Te, a cousin of the wife of GRC Vice President Chen Cheng, visited Tokyo from the mainland. Tan Te gave Mrs. Chen's sister, who was living in Tokyo, a letter from himself and one from Fu Tso-i, Chinese Communist Minister of Water

-21-

~~SECRET~~

~~SECRET~~

Conservancy and Electric Power and a former Nationalist General, to be delivered to Chen Cheng. Tan Te's letter purported to convey a message from Premier Chou En-lai, the gist of which was that the authorities on Taiwan should remain firm in opposing any "Two Chinas" plot and in restricting foreign influence; that Peking would never agree to abandon Taiwan in exchange for the offshore islands; and that, as quoted by Tan Te, "if the Taiwan side has any difficulty or need, your mainland friends sincerely want to help, and your mainland friends assure you that they have the capability to do so. If there is any need for help, please notify your mainland friends by contacting the writer of this letter."

The only new idea in the purported Chou message was the offer of mainland help to Taiwan in case of "need." This could have been a hint to Chen Cheng of Peking's interest in dealing with him directly and privately. The reference to the offshore islands seemed to echo remarks contained in a letter a year earlier from Chang Shih-chao, Mao Tse-tung's "associate," to President Chiang Kai-shek's close friend. An approach from Peking on this high level is not known to have occurred afterwards.* The Nationalist disclosure of Chou's message to US officials indicated that the GRC would treat -- and

*Mention will be made later in this study of a dubious report concerning a purported 1965 letter from Mao to Chiang Kai-shek.

-22-

~~SECRET~~

~~SECRET~~

would regard -- the initiative in the same way as previous private approaches from lesser Chinese Communists. Whether or not Chou En-lai himself was in fact behind this initiative, the message was apparently intended to exploit rivalry between the Vice President and Chiang Ching-kuo and to stimulate suspicion of US policy concerning the offshore islands.

Assuming that Fu Tso-i's letter to Vice President Chen Cheng was not counterfeit, it was the first of three such letters sent to Chen for some special purpose. It may have been designed to create suspicion of possible US betrayal. The first, January 1960, letter stressed the themes of "Two China intrigues" and the hopelessness of a Nationalist recovery of the mainland by force. It argued that the existing situation clearly called for peaceful unification, and it urged GRC leaders to resist alleged US efforts to gain control of Taiwan through some form of "amenable self-government" for the island. If Chen Cheng thought it premature to negotiate, the letter said, Peking would continue to work on its own without fanfare against "Two China intrigues." The letter raised issues and proposed peace talks without specifying the terms of a possible settlement. The Nationalists ignored the letter.*

*It should be added that Tsao Chu-jen tried his hand two more times in 1960, in April and August, in letters to Chiang Ching-kuo. Tsao reasserted his status as a representative of Peking (which since 1959 had become dubious), urged GRC negotiations with Peking, and reiterated his hope that Taipei
(footnote continued on page 24)

~~SECRET~~

~~SECRET~~

Beginning in mid-1960, Peking was concerned -- or wanted to appear concerned -- about possible US support for the Taiwan Independence Movement and had hoped that GRC sensitivity on this issue was increasing. Fei I-min in Hong Kong seemed pre-occupied with the question in September 1960 when he contended, erroneously, that Thomas Liao, the leader of the Taiwan Independence Movement in Japan, would soon visit the US. Expecting his remarks to reach the GRC leadership, Fei said there would be an "almost unconditional approach" from Peking to Taipei and that although the Communist flag would have to fly over Taiwan and foreign affairs be handled by Peking, the GRC leaders otherwise could "do as they pleased." This was of course an excessively charitable statement of Chinese Communist policy toward Taiwan once the island had, like Tibet and Sinkiang, become "autonomous."

In November 1960 Chou En-lai, discussing the issue of Taiwan with Edgar Snow said:

Since it has been possible for China and the US to hold ambassadorial talks in Geneva and Warsaw, talks can also be held at the same time between the

(footnote continued from page 23)
would send an inspection delegation to the mainland. Among Tsao's proposals in those letters was that Chinmen be "neutralized" and made into a "free port." As always before, the tone was friendly and understanding, calculated to portray Chinese Communist good will and Tsao's own interest in helping the Nationalists. As before, the letters were ignored.

-24-

~~SECRET~~

~~SECRET~~

Central Government of China and the
Chiang Kai-shek clique.

This was the public component -- designed to persuade international opinion that Peking considered negotiations with Taipei feasible -- of Chinese Communist approaches to the GRC during the previous year.

There were no additional overtures to Taipei until July 1961, when the Kennedy Administration had been in office about six months. Another purported letter from Fu Tso-i reached Chen Cheng through his wife's sister in Tokyo. This letter, now more explicitly, accused the Kennedy Administration of working toward a Two China formula "in the interests of the Taiwanese and of US control of the island." Thomas Liao was named as a tool of this alleged policy, and the letter urged the Nationalists to join Peking in opposing the threat. Thus Peking took a long step toward endorsing Nationalist (Chinese) overlordship of Taiwan's native population. The letter nailed down this concept by proposing as a basis for settlement that Chen Cheng administer Taiwan internally while Peking conduct external relations and, if necessary, protect Taiwan against the US. The obvious intent of this letter, which the GRC ignored as it had all the rest, was to persuade the Nationalists that the new US administration was interested only in controlling Taiwan and not in the Chinese Nationalists, and that Chinese collaboration to defend Chinese territory had become imperative.

-25-

~~SECRET~~

~~SECRET~~

[REDACTED]

Also in July 1961, Tsao Chu-jen sent another letter to Chiang Ching-kuo containing the proposal that Chinmen and Amoy be joined as a "buffer zone" and a "free port." Then in November 1961 and again in March 1962, Tsao wrote Chiang Ching-kuo urging a Nationalist investigation of mainland conditions. All of these letters were brought to the attention of US officials by Chiang Ching-kuo, who reaffirmed his intention to ignore them.*

D. Evidence of Peking-Taipei Agent Contacts

In August 1962 the London Observer published a story by Dennis Bloodworth alleging that Peking and the "family of Chiang Kai-shek" had reached a secret agreement on the future of Taiwan. Bloodworth reported that during the previous three months Taipei representatives had been contacting Hong Kong "peace brokers" regularly. The reported agreement, undoubtedly false and denounced as such by the GRC, could have been inspired in part by supporters of GRC Vice

*Tsao's letters of 1959-62 tended to ramble and to elaborate on minor points in a way suggesting pure invention on his part. Peking by early 1959 may have given up on Tsao as an effective instrument of psychological warfare, and probably was no longer briefing him. Tsao probably wrote most of the letters during this period largely on his own, as a means of keeping a personal stake in any possible consequences of Peking's effort to disturb US-GRC relations.

~~SECRET~~

[REDACTED]

~~SECRET~~

[REDACTED]

President Chen Cheng. There was evidence at the time that Chen was maneuvering to prepare for a power struggle with Chiang Ching-kuo following the death or retirement of President Chiang. The reference to the "family of Chiang Kai-shek," as Peking's counterpart in the alleged agreement, suggested an effort to embarrass the younger Chiang. Bloodworth is known to have talked to Tsao Chu-jen in Hong Kong, as well as to people on Taiwan earlier, and Tsao's responsibility for at least part of the story was later corroborated [REDACTED]

[REDACTED] it is also possible that agents, working for Chen Cheng, had persuaded Tsao to plant the story on Bloodworth.

The Bloodworth story raises the question of actual contacts in Hong Kong between Communist and Nationalist operatives. We know definitely that some such contacts existed at the time. Between August and November 1962, and possibly during several preceding months, a Chinese Communist agent in Hong Kong was known to be meeting with a Kuomintang agent. The two men are related, a fact worth notice in view of Peking's demonstrated inclination to approach Taipei through family ties. Both men had some form of access to the respective leaderships in Peking and Taipei, and they discussed questions pertinent to a possible settlement between the two regimes. The Kuomintang agent was acquainted with the letters written four years earlier by Chang Shih-chao, Mao Tse-tung's "representative," to Chiang Kai-shek's close friend. The two agents also discussed other letters of alleged interest to the GRC; if these letters exist, they were withheld for unknown reasons

-27-

~~SECRET~~

[REDACTED]

~~SECRET~~

[REDACTED]

from US officials. There is no evidence that either man was authorized to do any more than to listen to the line set forth by the other.

There are reasons why the Chinese Nationalists in the latter part of 1962 might have decided to keep in touch indirectly, at a low level, with an agent of Peking. In the spring of that year the GRC was observing mainland unrest and making plans to exploit it through military probes on the east coast. Peking, after learning about these plans, moved troops into defensive positions in Kwangtung and Fukien Provinces. Then in late June 1962 the US assured Peking through the ambassadorial talks in Warsaw that Washington would not support, and was opposed to, GRC military action. The Chinese Communists, obviously relieved, acknowledged publicly their satisfaction with the US assurances.

The GRC leadership had no illusions in 1962 about the US policy of avoiding a crisis with Communist China. But to hear Peking tell the world that it had received confirmation privately from the US must have infuriated Taipei even though its visible reaction was, as always, low-keyed. President Chiang complained to US officials about the effect on Nationalist morale. It may be conjectured that at this point the GRC, probably at the personal instigation of Chiang Ching-kuo, decided to set up contacts at a low level in Hong Kong. As Chang Shih-chao had pointed out several years earlier, the US was talking to Peking in Warsaw and allegedly was prepared to see Peking have the offshore islands. Then why, asked Chang Shih-chao, should not Peking and Taipei keep in touch? It was a suggestion to which Chiang Ching-kuo could have been susceptible in the summer of 1962.

-28-

~~SECRET~~

~~SECRET~~

Although the GRC doubtless had no intention of negotiating with Peking, nor even of acknowledging any peaceful settlement approaches from Peking's agents, Nationalist leaders might have seen a low-level channel to Peking as a possible means of checking on US reports to the Nationalists about the ambassadorial talks in Warsaw. In any case, after 1963 no further reporting was received on contacts between these two agents in Hong Kong.

E. Peking's Last Known Private Overture

In late January 1963 the third purported letter from Fu Tso-i, delivered to Chen Cheng via his sister-in-law in Tokyo, pursued the alleged "Two Chinas" threat and introduced the question of Sino-Soviet relations. It said: "at present China's foreign debts are just about paid up... In the past some people persisted in saying China was a fellow traveler with others. Now no one would believe such remarks." There was other evidence at about this time that Peking was interested in signalling privately to the Nationalists that it was free of Soviet domination and that the GRC ought to break with the US (as though the situations were parallel) and negotiate the unification of a wholly independent China. Later in 1963 an influential Chinese Communist journalist told a Hong Kong resident about to leave for Taiwan where he expected to see GRC officials, that Mao Tse-tung had never accepted Soviet control, and that China was being "oppressed" by Khrushchev, just as the GRC was being "oppressed" by the US.

-29-

~~SECRET~~

~~SECRET~~

On the margin of this 1963 letter, in what Chiang Ching-kuo told US officials was Chen Cheng's hand, was written the word "never" beside a passage which offered a third period of cooperation between the Nationalists and the Communists. This no doubt reflected the true attitude of GRC leaders.

The purported Fu Tso-i letter of 1963 to Chen Cheng ended, as far as is known, the seven-year program of Chinese Communist approaches to the GRC. Peking's proposals in these overtures focused on an attempt to persuade the Nationalists that union with the mainland under Peking's sovereignty would not deprive the Taipei power structure of most (or any) of its local privileges. Peking's control over foreign relations was consistently stated as a condition, and just as consistent was the offer to arrange for a delegation of Nationalist observers to travel the mainland to "see for themselves." The emphasis here was always on the secrecy and security of such a delegation, although suggestions were occasionally offered as to its possible composition. The letters projected attitudes of patience, understanding, and sensitivity to the dignity of GRC leaders.

The GRC ignored the letters, and there is no evidence that Peking really expected much more than probing Nationalist sensitivities and attempting to sow suspicions. The initiatives and the rumors had not split the leaders in Taipei, nor subverted the Taipei-Washington relationship, but they had compelled the GRC to issue denials from time to time and in late 1958 to confirm the Communist campaign, thus acknowledging its possible impact on public opinion on Taiwan. The Hong Kong contacts in 1962 presumably resulted directly from Peking's private approaches.

-30-

~~SECRET~~

~~SECRET~~

The reason why no Chinese Communist letters have come to light since January 1963 is not clear. Others could have been sent which Chiang Ching-kuo withheld, as some evidence suggests he may have done prior to 1963. If Chiang did in fact fail to divulge later communications, knowing that the US might learn of them in other ways, then his decision to accept this risk would have indicated reduced sensitivity to possible US suspicions. Perhaps -- regardless of whether additional letters were received -- Chiang wanted the US to suspect him of holding out as implicit retaliation for his own suspicions, real or pretended, about the substance of the ambassadorial talks in Warsaw. But it is equally possible that Peking abandoned the private letter device after early 1963 as no longer worth the effort.

-31-

~~SECRET~~

THIS
PAGE
INTENTIONALLY
LEFT
BLANK

~~SECRET~~

III. PEKING EXPLOITS ITS IMPROVED INTERNATIONAL PROSPECTS - Early 1964 to Late 1965

A. Consequences of French Recognition

In January 1964 France recognized the PRC -- a serious setback for the GRC, which closed its embassy in Paris and severed all contacts with France. It was apparent that Peking viewed French recognition as a milestone in its effort to supplant the GRC in the world community and as a new weapon in its psychological offensive against Taipei. Politburo member Liu Shao-chi reportedly told Indonesian Ambassador Djawato, when the latter presented his credentials in April 1964, that Peking had renewed its unification offers to Taipei in early 1964, but that no reply had thus far been received. Liu supposedly told the Indonesian diplomat that Chiang Kai-shek could return to the mainland in a "responsible position", or else remain on Taiwan as the provincial leader; the only condition was that all ties with the US be broken. There was no corroboration from Nationalist sources of such an approach. Liu's statement may have been intended for diplomatic circulation in an effort to demonstrate Peking's "reasonableness" and to encourage a snowball effect following France's recognition of Peking.

An editorial in the Chinese Communist-controlled Hong Kong daily Wen Wei Pao, in February 1964 had

-33-

~~SECRET~~

~~SECRET~~

hinted at a possible new move in Peking's peaceful "liberation" campaign:

"The Kuomintang on Taiwan does not need to be an empty shell. If it reforms, casts off US control, becomes independent, one would not need to speak of its returning to the bosom of the motherland to cooperate for the third time. To avoid being a completely empty shell it is only necessary for the Kuomintang to cast off the US Two-Chinas plot."

This was the first time a Chinese Communist organ had intimated that Taiwan could have any future other than a return to Peking's control. The statement "one would not need to speak of its returning to the bosom of the motherland" seemed calculated to provoke discussion of a possible revision of Peking's claim to Taiwan. The inspiration for this trial balloon is unknown, but it was probably related to the high hopes induced by France's major diplomatic decision the previous month. Chairman Mao himself appeared to confirm the pose of a generous attitude toward the GRC when he talked a few months later to a visiting Italian delegation. On that occasion he spoke bitterly of Khrushchev and, by feigned contrast, mildly of Chiang Kai-shek, stating that Chiang could be the governor of an "autonomous" Taiwan under Peking's sovereignty.

-34-

~~SECRET~~

~~SECRET~~

[REDACTED]

In April 1964, Peking briefed local Communists regarding a softer line toward the Nationalists, with the intention of justifying to its own followers in Hong Kong the need for a smile campaign. A pro-Peking businessman in Hong Kong, just back from a visit to the Mainland, stated privately that other nations probably would soon follow France in establishing relations with Peking. He said there had been a noticeable thawing in the US attitude toward China and he thought the US would not object to a settlement between Peking and Taipei, provided it were secured with the agreement of Chiang Kai-shek. He predicted that Chiang Ching-kuo would succeed his father and would be prepared for an accommodation. If this were achieved, he said, Peking would grant Taiwan autonomy with a status similar to that of Inner Mongolia (which was of course not autonomous at all).

B. Return to Peking of Li Tsung-jen

In July 1965 former KMT leader Li Tsung-jen with his wife flew to Paris and then to Peking, where he was to remain until his death in 1969. Li's possible defection had been rumored intermittently for years and his arrival in Peking produced a (Chinese) Roman carnival. At a large press conference in Peking in late September, Li appeared in a boiler suit and recited the Chinese Communist line on Soviet revisionism, US "aggression" in Vietnam, and other issues. His "bombshell" was an incredible allegation that a US "Republican bigwig" had approached him to arrange an anti-Chiang Kai-shek coup d'etat on

-35-

~~SECRET~~

[REDACTED]

~~SECRET~~

Taiwan. In any event, Li Tsung-jen's return, contrary to Peking's apparent hopes at the time, did not stimulate others. We know that Li and his old associates in Hong Kong tried to encourage additional returns or defections through private approaches, but no significant consequences are known to have resulted. After the first flush of excitement and publicity, Li was reduced to the status of a museum piece, without any official position, living quietly and apparently in comfort, talking with old friends in Peking, and writing letters to other Chinese friends abroad, the US included.

There is inconclusive evidence that Li Tsung-jen's return was motivated by personal rather than political considerations. His wife was terminally ill in July 1965 -- she died in Peking less than a year later -- and there was a report that the decision to return to the mainland was made only after the Nationalists failed to meet Li's price (honors and a large sum of money) for going to Taiwan instead. Whatever the truth about this, there is no doubt that the Nationalists wanted to prevent his return to China and that Peking scored some modest propaganda gains from Li's move.

An event in October 1965 indicated the vulnerability of some Chinese Nationalists to the idea of a negotiated settlement with Peking, the return of Li Tsung-jen a few months earlier possibly having contributed to the episode. A Kuomintang legislator, Tang Szu-yao, submitted a written interpellation of the Legislative Yuan, not to be made public, in which he advocated consideration of renewed cooperation with the Chinese Communists.* Copies of the

*The offending legislator, a Honanese then about 60, had been a municipal official in Peking prior to the fall of the mainland to the Communists.

-36-

~~SECRET~~

~~SECRET~~



document were delivered to all members of the Legislative Yuan but were almost immediately retrieved by special delivery letter. Chiang Kai-shek, furious when he learned about the document, ordered the Kuomintang Central Disciplinary Committee to handle the matter. Tang was expelled from the Kuomintang in February 1966, and some of Tang's colleagues thought him deranged for having distributed such a document.

-37-

~~SECRET~~



THIS
PAGE
INTENTIONALLY
LEFT
BLANK

~~SECRET~~



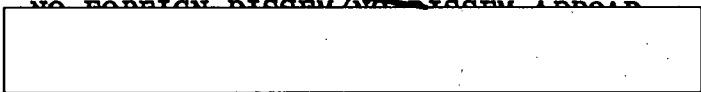
IV. THE CULTURAL REVOLUTION - Late 1965 to Early 1969

From late 1965 to the spring of 1969, the Cultural Revolution on the mainland interrupted Peking's psychological warfare against the GRC and against the latter's relationship with the US. Rumors heard during those years about Peking-Taipei peace talks were even less credible than before, and whatever agent-level contacts between the two regimes may have occurred were less likely than ever to imply any movement toward negotiations. When in March 1966 the chief of Peking's trade mission in Vienna reportedly told a Western European businessman that Peking and the GRC were talking peace, he presumably was trying to create an impression of Peking's "reasonableness" in a bid for sentiment favoring diplomatic recognition of the Chinese Communists. No significant new approaches to the GRC are known to have been made by Peking during the Cultural Revolution.

By late 1966 the Chinese Nationalists were observing mainland disorder with interest and hope. The spectacle of a strong revolutionary party and bureaucracy in the process of self-liquidation obviously lent force to the Nationalist argument about Chinese Communist impermanence. Chiang Kai-shek reacted to prospects for effective anti-Peking operations, but he warned his supporters that the Chinese Communist possession of nuclear

-39-

~~SECRET~~



~~SECRET~~

weapons required a cautious policy. Chiang's hope was to isolate Mao Tse-tung and encourage factionalism and suspicion on the mainland. GRC propaganda used the slogans "those who are not our enemies are our friends" and "only Mao is the enemy." In March 1967 President Chiang called for the establishment both on Taiwan and the mainland of an "anti-Mao National Salvation United Front." GRC radio broadcasts, letters, and air-dropped leaflets invited defections to the Nationalists and encouraged guerrilla warfare on the mainland. Echoing a theme from Chou En-lai's 1956 speech, the GRC told potential mainland defectors, "we will not reckon past accounts." Special agents and guidelines were dispatched to Hong Kong for dealing with Communist defectors and for liaison with possible rebellious organizations on the mainland. Nationalist spokesmen, seeking to drive a wedge between Mao and his chief lieutenants, hinted privately at GRC willingness to do business with Chou En-lai but never with Mao Tse-tung. There is no evidence that the Nationalist attitude toward negotiating with the Chinese Communists had changed; the GRC's objective was simply to create trouble for Peking, just as Peking's various overtures had tried earlier to discredit GRC leaders in the eyes of the US and provoke suspicion in Taipei of US intentions.

During 1967 and 1968 GRC hopes for significant Communist defections and the political fragmentation of the mainland were disappointed. Disorder continued, but Mao and the People's Liberation Army maintained control, few significant defections occurred, and the GRC's return to the mainland seemed as distant a possibility as ever. However, the bitter Peking-Moscow

-40-

~~SECRET~~

~~SECRET~~

quarrel persisted, and the GRC, again on the defensive, ceased its attacks on the USSR and opened discreet contacts with Victor Louis, a Soviet overseas agent.

In March 1969 Chiang Kai-shek appealed for Japanese support, and again for mainland defections, in a published interview with a Japanese journalist. Once more Chiang borrowed from Peking's line by promising friendly treatment to Chinese Communist cadres who chose freedom and came to Taiwan. He repeated the familiar slogan, "only Mao is my enemy," but said that there was no possibility of accommodation and cooperation with the Chinese Communists. This last assertion -- denying the possibility of an accommodation with Peking -- seems to be the basic guideline of Chiang's policy. There is no evidence in recent materials that he has changed this thinking in any degree.

-41-

~~SECRET~~

THIS
PAGE
INTENTIONALLY
LEFT
BLANK

~~SECRET~~

NO FOREIGN DISSEM

V. PROSPECTS FOR A "CHINESE SOLUTION"

The central problem at hand now is of course whether the present precipitous decline of the GRC's world fortunes will appreciably change Chinese Nationalist lack of interest to date in overtures from Peking.

There is no historical inevitability about the unification of Taiwan and the mainland. "Return to the Mainland" has long been largely a ritualistic slogan resembling "next year in Jerusalem" in its political and psychological content. Peking's slogan, "liberation of Taiwan," has little more level of realism, at least while the US defense commitment is still intact. There are no grass-root passions on either the Communist or GRC sides to outlast successor leaderships and sustain the issue of unification-by-force as a political or emotional urge; both in Peking and among mainlander Nationalists, the motivation to risk other equities over the unification question may well weaken over the long term. Nonetheless, the salvaging of some status and fortune under Peking, as part of a great new China, would -- in extremis -- almost certainly have more appeal to some mainlander Nationalists than would a future of taking one's chances with aspiring and perhaps vengeful Taiwanese overlords.

The chief keys to this problem at the moment, at least, are probably President Chiang Kai-shek and the state of his confidence that the US will protect Taiwan. So long as he has no reason seriously to doubt the latter, the chances of any deal with Peking on his part seem remote. He is a proud man -- in his eyes, a great world figure; the loss of face and the implicit

~~SECRET~~

~~SECRET~~

[REDACTED]

admission of past faults that would be involved in his accepting some kind of figurehead status with Peking are sizable forces among those holding him from accommodation. Further, he still believes in the Nationalist profession of a "Return to the Mainland." For President Chiang this watchword has taken on the quality of an article of faith, the mainland to be redeemed eventually by largely political means -- if need be by his GRC successors. There is no way of judging with confidence how that slender thread of hope would be affected in the event he should come to feel that the US security guarantee of Taiwan were no longer a reasonable certainty.

A more significant actor -- and factor -- for the future is the Generalissimo's putative de facto successor, Chiang Ching-kuo. Primarily to create suspicion in Washington of possible Chinese Nationalist opportunism, Peking in its efforts over the years has sought to promote the expectation that the younger Chiang will be "more flexible" after his father dies or retires.

[REDACTED]

[REDACTED] The possibility cannot of course be excluded that Chiang Ching-kuo, himself a "pragmatist," might feel that he could deal with a Chinese Communist leadership whose revolutionary impulses had been replaced by bureaucratic stability and low-risk policies. Such a regime, perhaps resembling in at least some aspects his own rule on Taiwan, might be managed by men whom Ching-kuo could understand

-44-

~~SECRET~~

[REDACTED]

~~SECRET~~

[REDACTED]

and -- by calculated risk -- trust. Peking has for many years targeted Ching-kuo in its peace offensives and other contacts as the key to the "peaceful liberation of Taiwan," and we must assume that the prudent Ching-kuo has secretly kept open the option of a deal, however far-out or remote this contingency. To some degree, at least, a future mainland China and he would have something of value to offer each other, the basis for settlement being Peking's sovereignty over Taiwan, in return for the guarantee of Nationalist proconsular viability on Taiwan -- and over the Taiwanese. Peking otherwise could not gain this sovereignty except by force; and, other than by a deal with Peking, Chiang Ching-kuo might have to rely on a precarious hold, over growing political pressures from the majority Taiwanese, to displace mainlander KMT rule on the island.

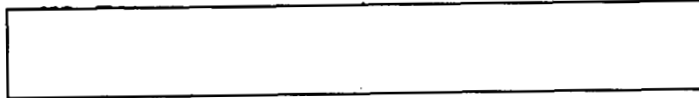
Having raised this contingency, it should be emphasized that the chances of any such eventuality will doubtless be slight so long as Chiang Ching-kuo remains reasonably confident of US defense of Taiwan. He has a realistic appreciation of the worth of Peking's promises. The personal and political rewards of being the model boss of a model kingdom -- albeit one reduced in international status -- would doubtless outweigh his expectations from some kind of museum-piece status (even as a PRC Vice President) under the Chinese Communists. His carefully-structured apparatus on Taiwan will probably remain a fairly potent one for some time to come, until eroded over the long term by his death, extreme GRC adversities, and/or eventual mainlander decline in the face of Taiwanese fecundity.

-45-

~~SECRET~~

[REDACTED]

~~SECRET~~

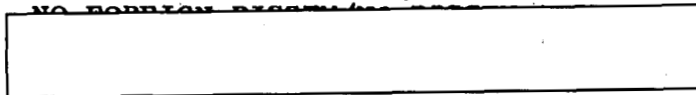


Somewhat similar considerations would seem likely to obtain in the event that Chiang Ching-kuo should predecease his father. Ching-kuo has developed a broad and efficient cadre of lieutenants in the GRC administrative, military, and internal security establishments; and, given reasonable confidence on their part in the continuing US protection of Taiwan, they would for the most part doubtless remain loyal to President Chiang, and might be able for some time to deflect or neutralize Taiwanese pressures. A serious situation would arise, nonetheless, with the passing as well of Chiang Kai-shek. In such event, political stability might well fragment, and receptiveness to Peking mount -- the outlook for US protection of Taiwan probably remaining the principal operative factor. Beyond an interim such period, much would depend upon the particular GRC successors -- whether a collegium or not, the degree to which they were able to hang together, and especially the degree to which they were to change some fundamental attributes of Chinese Nationalist rule and begin sharing significant national authority with the Taiwanese. Upon that outcome would heavily rest Taiwan's subsequent stability, viability, and, not least, susceptibility to Chinese Communist siren songs.

In the meantime, and short of such contingency, Taiwanese interest in what Peking has to offer will also grow, in almost any event, though to lesser extent than in the case of individual mainland Nationalists. We know that the Chinese Communists have been successful in recruiting some Taiwanese abroad. Peking's agents also conduct various low-scale pamphlet and other psychological warfare efforts on Taiwan, and we must assume that there is a certain

-46-

~~SECRET~~



~~SECRET~~

[REDACTED]

susceptibility among Taiwanese students, intellectuals, and possibly military personnel to Chinese Communist themes. We know that there is some vicarious pride, among such groups, in certain of Peking's achievements of recent years. Also, Taiwanese independence aspirations and political organization appear overall to be somewhat fuzzy and future-tensed in nature, not items creating intense and immediate pressures. Nonetheless, Peking does not have a very fertile field in which to sow enticement among the Taiwanese. That population is fairly well aware of the relative conditions of life and opportunity in China and Taiwan, and in the main seem clearly more interested in some day creating a going Taiwanese state than in trading their not intolerable present fortunes for something like the Peking-proffered Tibetan status.

Further speculation is fruitless at this time, as the Nationalist-Communist future is so much the product of so many significant unknowns. Suffice it to say, what was the general setting of this game is now radically changed. What was a far-out contingency has become a much more relevant question -- and one deserving of close US intelligence watch -- to all the principal players. For the Chinese Communists, present circumstances doubtless expand and strengthen expectation and long-term confidence. For the respective populations on Taiwan, present circumstances now make unavoidable the long-evaded question of feasible alternatives, including even a "worst case" future of one with Peking.

[REDACTED]

[REDACTED] Not least,
there are new questions of moment for the US.

-47-

~~SECRET~~