

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

OD(80)17

COPY NO: 42

26 February 1980

CABINET
DEFENCE AND OVERSEA POLICY COMMITTEE

DEFENCE SALES TO CHINA: INTERNATIONAL IMPLICATIONS

Memorandum by the Secretary of State
for Foreign and Commonwealth Affairs

1. The Defence Secretary's Memorandum OD(80)15 sets out the strategic, security and commercial implications of the 3 defence sales projects for which Government approval is now being sought. Approval would also have important political implications for our relations with China, for East-West relations and for our relations with other countries in the area, particularly India.

SINO-BRITISH RELATIONS

2. The rapid expansion of our political and commercial relations with China since Mao's death in 1976 reflects the following considerations:

- (a) a reconciliation between China and the Soviet Union is unlikely in the foreseeable future;
- (b) in the short and medium term China poses no strategic threat to the West;
- (c) the internal situation is reasonably stable and the leadership are pursuing pragmatic outward-looking policies;
- (d) we have a common interest in resisting Soviet expansionism; and
- (e) a similar shared interest in the stability and prosperity of Hong Kong.

3. We must recognise that China could revert to the essentially anti-Western isolationism of the Cultural Revolution years; that our interests may diverge in the longer term; and that we will be helping to arm a country which is a potential adversary of our

friends and allies in the area. Nevertheless limited defence sales are a natural part of our present relationship; and last October the Prime Minister reaffirmed to Premier Hua Guofeng our readiness to supply China with military equipment. But we need to exercise care when considering requests to authorise contract negotiations on equipment falling into the more sensitive categories agreed at our meeting on 11 June (such as the RB.199 and torpedoes). It would be very difficult to go into reverse at a later stage, unless there had been a serious disruption in our relations with China.

4. Approval for the 3 projects would represent an important demonstration of the Prime Minister's assurance to Premier Hua, and help us to become established in the market before the Americans move in (which they may well do in the next few years). But there is no political case for doing business with the Chinese except on strictly commercial terms. They are clearly out to acquire advanced technology with minimum purchases of hardware.

INTERNATIONAL IMPLICATIONS

GENERAL

5. In the medium term the 3 projects would not significantly enhance China's offensive capability in relation to that of her neighbours. But they are militarily more significant than any previous Western defence sales to China. They are therefore likely to attract considerable criticism not only from the Soviet Union but also from other countries which perceive a long term threat from China.

SOVIET UNION

6. The Russians are obsessed with the idea of a threat from China. They see Western defence sales as evidence of an anti-Soviet policy. The sales being considered would make the UK the leading supplier. There would therefore be a strong Soviet reaction, including perhaps some reduction in our exports to the Soviet Union (£419 million in 1979). Because of the strategic threat which it poses and its economic size, the Soviet Union is bound, whether we like it or not, to remain more important to us than China. But we cannot accept a Soviet veto over the development of Sino-British relations.

SECRET

INDIA

7. The sales would not substantially alter the strategic balance between India and China, but the Indians would conclude that they increased Chinese capability against India. Our substantial defence sales interests in India, including recent contracts for the sale of Jaguar and Sea Harrier, could also be at risk in a market already dominated by the Soviet Union.

ASEAN

8. The principal immediate concern of the ASEAN countries is over the growth of Soviet and Vietnamese influence in the area. They also perceive a longer term threat from China, but are unlikely to complain about these defence sales.

COCOM ASPECTS

9. The Americans are now contemplating sales of defence-related material to China, although they may still prefer us to process the more sensitive sales outside COCOM. Our latest consultations show that our other leading COCOM partners are also more relaxed about such sales. We may not yet be able to reach agreement on procedures for handling them within the COCOM framework, and we may therefore have to continue to bypass COCOM. But it does not look as though our partners will raise major objections to the 3 projects.

CONCLUSION

10. I agree therefore with the Defence Secretary's recommendations. But because of the international implications, the negotiations will need close monitoring.

Foreign and Commonwealth Office
26 February 1980