



PM/79/65

PRIME MINISTERPrime Minister

Content with 'X'?

Agreed out 16/7

Defence Sales to China

1. On 11 June OD authorised me to inform our COCOM partners bilaterally of our intention to permit the sale to China of six specific items of defence related equipment for which negotiations are at an advanced stage. We agreed that although our partners' concurrence should not be sought, a final decision to authorise the sales should be reserved until it was known how sharply they reacted to the notification.
2. In the event, the response was generally mild. Many of our partners, including the Americans (whose recommended procedure we had followed) made no comments. Significant reactions from others are summarised in the annex to this minute.
3. Unless any of my colleagues sees objection, I recommend that Francis Pym should now authorise the manufacturers of the 6 items to proceed towards signature of contracts with the Chinese.
4. On Harrier, British Aerospace have put forward detailed technical proposals in Peking. But there seems to have been some loss of interest by the Chinese: they are concerned about the price compared with that paid by the Americans; even if they buy, they will probably want fewer than the 70 mentioned last year; and no contract is likely before the end of the year. If the eventual deal is largely concerned with the transfer of technology, we may face a tougher time with our COCOM partners, particularly the Americans.
5. I am copying this minute to other members of OD and to Sir John Hunt.

C

(CARRINGTON)

Foreign and Commonwealth Office
16 July 1979



CONFIDENTIAL

ANNEX

REACTIONS TO BILATERAL APPROACHES

a) The Belgians, in taking note of our action (which they correctly assumed to be the outcome of a failure to achieve a consensus on an alternative procedure) emphasised the desirability of adhering to existing COCOM procedures and thought there might be implications for other sales in the future.

b) The Germans, similarly, referred to their earlier expression of preference for using existing COCOM procedures for these sales. The absence of further comment from the Germans may be the result of the discussion on this subject which Mr Vance told Mr Pym he would hold with Herr Genscher.

c) The Japanese reminded us of the political importance they attached to this matter, and reserved the right to comment further. However the Japanese Embassy in London have told us that they will probably not create serious difficulties for us. We have emphasised to them that our action in this case is not our preferred course.

d) The Canadians questioned our view that the six items were strategically uncontentious. They expressed fears for the future of the COCOM machinery, but accepted that, in the present

CONFIDENTIAL

/case



CONFIDENTIAL

case, we had little alternative to bilateral notification
of our intentions.

CONFIDENTIAL

CONFIDENTIAL

289

FUE



10 DOWNING STREET

cc OD China
Home Sec.
Lord Chancellor
(Foreign Sec)
Chancellor / Ex.
Defence Sec.

From the Private Secretary

17 July 1979
Lord President
Lord Privy Seal
Trade Sec.
+ C.O.

DEFENCE SALES TO CHINA

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute (PM/79/65) of 16 July about the reactions of our COCOM partners to our plans for the sale of defence equipment to China.

The Prime Minister has taken note of the COCOM response and, subject to the views of her colleagues in OD, agrees with the further action proposed in paragraph 3 of Lord Carrington's minute.

I am sending copies of this letter to the Private Secretaries to the other members of OD and to Martin Vile (Cabinet Office).

B. G. CARTLEDGE

J. S. Wall, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

ls