

ZRS 580

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FM PEKING 190700Z SEP
 TO PRIORITY FCO
 TELEGRAM NUMBER 813 OF 19 SEPTEMBER
 INFO PRIORITY MODUK.

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Prime Minister
Paul

DEFENCE SALES.

1. . IN THE COURSE OF A LONG TALK WITH DENG XIAOPING ON 17 SEPT-
 EMBER, MR HEATH ASKED WHAT PROPORTION OF THE MODERNISATION BUDGET
 WAS LIKELY TO BE DEVOTED TO MILITARY EQUIPMENT. DENG DID NOT
 ANSWER THE QUESTION DIRECTLY BUT REFERRED TO CHINA'S NEED TO
 DEVELOP HER MILITARY INDUSTRY, PARTICULARLY AIRCRAFT. HE UNDERSTOOD
 BRITAIN, ITALY AND THE FRG WERE COOPERATING ON A NEW AIRCRAFT,
 THE 'TORNADO', AND ASKED WHETHER IT WAS POLITICALLY FEASIBLE FOR
 CHINA EITHER TO JOIN IN THE DEVELOPMENT AND PRODUCTION OR AT
 LEAST TO BUY SOME OF THE FIRST AIRCRAFT TO BE PRODUCED.

SOME PARTS MIGHT EVEN BE MANUFACTURED IN CHINA. HE SAID HE HAD
 PROPOSED BUYING F15 OR F16 AIRCRAFT FROM THE UNITED STATES BUT,
 THE AMERICANS HAD NOT AGREED. TORNADO WAS A FIGHTER AND SOME
 MIGHT ARGUE THAT THIS WAS AN OFFENSIVE WEAPON, BUT THE DISTINCTION
BETWEEN OFFENSIVE AND DEFENSIVE WEAPONRY WAS HARD TO DRAW. CHINA
URGENTLY NEEDED A PLANE CAPABLE OF COPING WITH THE MIG23 OR 25.

2. MR HEATH SAID THAT SINCE THIS WAS A COOPERATIVE VENTURE,
 WE WOULD HAVE TO TALK TO OUR PARTNERS ABOUT ANY SUCH STEP.
 I SAID I WOULD REPORT WHAT DENG HAD SAID BUT WARNED THAT SO FAR
EVEN WE OURSELVES DID NOT HAVE TORNADO.

3. DENG WENT ON TO SAY THAT ALTHOUGH FRANCE HAD SOLD MIRAGE
 TO OTHER COUNTRIES, SHE HAD NOT YET AGREED TO SUPPLY CHINA AND
 HE WONDERED WHETHER FRANCE WAS RESTRAINED BY COCOM RULES AND THE
 DISTINCTION BETWEEN OFFENSIVE AND DEFENSIVE EQUIPMENT. HE SAID
 THAT THE US GOVT HAD MADE IT CLEAR THAT THEY WOULD NOT SELL
 MILITARY EQUIPMENT TO CHINA BUT DID NOT OBJECT TO AMERICA'S ALLIES
 DOING SO.

4. MR HEATH RAISED AS AN AREA OF POSSIBLE COOPERATION ANTI-
 TANK MISSILES, AND DENG AGREED THAT COOPERATION HERE WOULD BE A
 GOOD THING.

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5. MR HEATH ALSO ASKED WHETHER THE CHINESE HAD REACHED A DECISION ON HARRIER. DENG IMMEDIATELY COMPLAINED ABOUT THE HIGH PRICE, SAYING THAT HARRIER HAD BEEN SOLD TO THE UNITED STATES FOR US DOLLARS 3 MILLION AND WAS NOW BEING OFFERED TO CHINA FOR US DOLLARS 10 MILLION. I EXPLAINED THAT THE CHINESE PACKAGE, UNLIKE THE US PACKAGE, INCLUDED ARMAMENTS AND COST OF TRAINING. DENG REITERATED THAT THE AIRCRAFT WAS TOO EXPENSIVE. IT WAS ALMOST AS EXPENSIVE AS THE F16 BUT HAD A MORE LIMITED ROLE. CHINESE PILOTS HAD TEST FLOWN THE HARRIER IN BRITAIN SUCCESSFULLY SO TRAINING SHOULD NOT BE VERY EXPENSIVE. HE APPEALED TO US FOR A MORE REASONABLE PRICE, APPROACHING THE QUESTION FROM A POLITICAL VIEWPOINT. HE ARGUED THAT IN THE LAST RESORT IT WAS FOR THE BRITISH GOVERNMENT TO FIX THE PRICE.

6. GRATEFUL TO KNOW WHETHER THERE IS ANYTHING FURTHER I CAN SAY TO CORRECT CHINESE MISCONCEPTIONS OVER THE HARRIER PRICE. ON TORNADO, IF, AS I ASSUME, THIS IS JUST NOT ON, A QUICK INDICATION OF OUR POSITION WOULD PROBABLY BE WISE.

7. RECORD FOLLOWS BY BAG.

CRADOCK

FILES

FED
ACDD
DEF D
EESD
NAD
PLANNING STAFF
TRED
PS
PS/SIR I GILMOUR
PS/MR BLAKER
PS/MR HURD

PS/PUS
SIR A DUFF

MR BUTLER
MR EVANS
MR P H MOBERLY
MR CORTAZZI

MR FERGUSON
MR MURRAY
MR BULLARD

ADDITIONAL DISTRIBUTION
DEFENCE SALES TO CHINA
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2

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