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Prime Minister

MO 11/14

18th November 1980

*To write at
this stage.*

Paul 19/11

Star Paul,

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BL 755 CLUSTER BOMB FOR CHINA

We have recently corresponded about the sale of the BL 755 Cluster Bomb to Egypt. For some time now the Chinese have been interested in acquiring BL 755 and bombs with retarder tails. A Defence Sales team has just returned from Peking, and the Defence Secretary considers that it is now time to consider whether to authorise detailed contractual negotiations and, if successful, whether to supply these weapons to the Chinese.

As you will recall, BL 755 is a low-level close support weapon, developed to deliver a relatively high quantity of explosives against concentrations of armour. We are not sure to which of their aircraft the Chinese intend to fit it, although one possibility is the F7 - for which we are also providing an avionics refit. The bombs with retarder tails are standard 1000 lb and 540 lb bombs - the purpose of the retarder tail is to enable delivery at low level. BL 755 is a MOD weapon made in the Royal Ordnance Factories and industry, chiefly Hunting Engineering. It is filled and assembled at ROF Glascoed. Retarder tails are made by Hunting Engineering, and are attached to bombs made in the Royal Ordnance Factories. Sales of both weapons are handled by the MOD, which would be responsible for negotiating the details of any contract.

Since the discussions have hitherto been only exploratory, we do not have precise details of Chinese requirements. But they have made it clear that, in the case of both weapons, they would wish to proceed in three stages: first the purchase of complete weapons from the UK; second, assembly of weapons from sets of components and, finally, full licensed production in China. The first two stages would be those which would provide the greatest economic benefit to the UK and it has been made clear to the Chinese that any deal would have to provide for certain minimum numbers of weapons to be provided whole or as components before we could agree to licensed manufacture. Until we have details of precise Chinese requirements it is difficult to be specific, but the numbers so far discussed with the Chinese are for a minimum of 5,000 complete weapons of each type (BL 755 and retarded bombs) followed by a minimum of 3,000 sets of components



for assembly in China, and licensed manufacture thereafter. The Chinese have indicated that they would wish to see a reduced price and a higher proportion manufactured in China. These points will need to be pursued in further negotiations. Nevertheless the deal could be worth some £50M and would provide much needed work for the ROFs and industry, including Hunting Engineering. Without details of Chinese requirements it is difficult to be precise about timescale, but, by way of an example, a contract signed early next year for the quantity mentioned above would enable deliveries to start in early 1982 and be completed during 1984. The Chinese would then be capable of full licensed manufacture possibly by 1985/86.

Despite the attractions of the deal in terms of work for the ROFs and industry, it would nevertheless represent a new development in our defence sales relations with China. Although the essential purpose of both BL 755 and the retarded bombs is anti-armour and defensive, they do have a clear offensive capability and could not be presented as anything other than a significant contribution to the Chinese strike force. Moreover, the deal would be an isolated one and not part of a wider package such as Sea Dart or Stingray in the projected destroyer refits. It would also be the first time that a Government-to-Government deal had been specifically authorised with the Chinese, although this has always been a likely development.

In security terms, the equipment carries a maximum classification of Confidential, but we believe that it should be possible to conduct both the sale and licensed manufacture at Restricted level, and on this basis we would have no objections. It may eventually become necessary to release some Confidential information but we believe that this should not cause any insuperable problems.

In terms of the strategic balance, the acquisition of BL 755 (in the numbers and over the timescale mentioned in paragraph 3) would partly fill a Chinese defensive gap against vastly superior Soviet armour positioned on their northern frontier. The effect of deploying the weapons would be to redress an imbalance between Chinese and Soviet forces. A strong Soviet political reaction could therefore be expected to the sale. The deployment of BL 755 in the South against Vietnam would have little significant effect on the military situation, given the nature of the terrain which precludes the large-scale use of armour.

On balance, the Defence Secretary considers that we should authorise contractual negotiations and agree, in principle, to the supply and manufacture of the weapons if these are successful, subject to reference back to OD before any contract

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is signed. We would need, at a later stage, to notify our Cocom partners, and we could expect that they might find this a particularly difficult proposal to endorse. Mr Pym thinks, however, that the time to address this aspect is when contract negotiations are further advanced and we have a firmer idea of Chinese intentions.

I am copying this letter to Michael Alexander (No 10), to the Private Secretaries to other members of OD, to the Private Secretary to the Secretary of State for Industry and to David Wright (Cabinet Office).

Yours truly
J D S Dawson

(J D S DAWSON)

Oct 1 1950

