



CONFIDENTIAL

Prime Minister
[Signature]

①

This seems sensible. Agree?

Nidrahim

FCS/80/161

Lg. [Signature] 24/x1

Yes [Signature] 19/x1

SECRETARY OF STATE FOR DEFENCE

COCOM: Defence Sales to China

1. I wrote to you on 8 July to propose a formula for a "China differential" in COCOM which would reconcile the desire of some of our partners that defence sales to China should be put through COCOM with our own wish to maintain as much freedom as possible in deciding what sales we should allow British firms to make.

2. As agreed, we have now consulted our main partners and have reached agreement on a draft formula based on the one I suggested in July. However, in order to accommodate the Americans and the Japanese, we have weakened slightly the presumption of approval by COCOM of defence sales to China (by omitting the phrase at the end of our original formula "that such cases in general should be approved"). In spite of this omission, the presumption in favour of sales to China remains strong.

3. In the course of our consultations, we have emphasised to our main COCOM partners that in our view the sort of sales we have in mind would not threaten the collective security of member states; we therefore trust that they will not adopt a restrictive attitude towards them. We have also underlined our view that it is no longer appropriate to apply to China the same criteria for supplying strategic materials that we apply to the USSR and its allies. I think that our partners accept this, although the Japanese are understandably more nervous than most other COCOM countries about the prospect

/of a militarily

CONFIDENTIAL



of a militarily stronger China. In presenting our formula, we would reiterate these points, both in COCOM and in capitals, on the lines of the enclosure to this minute.

4. It would suit us better to by-pass COCOM entirely for our defence sales to China, or at least to continue with our present procedure of bilateral notification in capitals, than to resubmit ourselves to the formal discipline submission to COCOM. However, our partners have made it clear that they would much prefer us to return to the COCOM fold. If we do not follow the normal COCOM procedures in our defence sales to China, it will be harder for other governments to require their manufacturers to do so for their proposed sales, civil as well as military. We would also be offering a precedent for other Governments to evade the COCOM disciplines for strategic sales to other COCOM-embargoed countries. This would not be in our interests. As the Secretary of State for Trade said in his letter of 14 July, we need to maintain the effectiveness of COCOM vis-a-vis the Soviet Union.

5. There is of course a risk that some COCOM countries may object to certain of our proposed sales. But I do not think they will do so lightly. It is clear from our enquiries that they are ready to go along with limited defence sales to China, including weapons. Moreover, they are well aware that we have over-ridden COCOM objections in the past; if, therefore, they want us to continue to submit our defence sales to China to COCOM, they will have a strong interest in accommodating us.

6. As you will recall, we adopted our present bilateral notification arrangement at the request of the Americans. If we now return to full COCOM procedures for defence sales to China, we shall be able to extract in return a helpful and

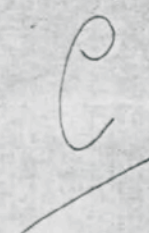
/significant



significant change in the treatment in COCOM of defence sales to China. I hope that you and other colleagues can agree that we may now formally put to COCOM our revised formula for a China differential, with the caveats set out in para 3 above. As I said in my earlier minute, we would seek to have the formula adopted by oral consensus.

7. There would be advantage in moving quickly. American officials have told us informally that they are happy with our proposed formula. Although it seems unlikely that the policies of the Reagan Administration in this field will be significantly different, it would be prudent to put the formula to COCOM while the Carter Administration is still prepared to take decisions. Unless my colleagues express reservations before 24 November, I intend to send instructions on that date to our COCOM delegate to act accordingly.

8. I am copying this minute to the Prime Minister, other members of OD, the Secretary of State for Industry and Sir Robert Armstrong.


(CARRINGTON)

Foreign and Commonwealth Office
19 November 1980



British Formula for a Differential in COCOM in Favour of China

'The Committee records a consensus that recent changes in the People's Republic of China and the current Chinese position in international affairs justify a positive approach to the treatment of exceptions cases for exports to the People's Republic of China. This favourable treatment should apply to items on all three COCOM lists: the industrial list, the international munitions list and the international atomic energy list. The proposed export to China of any COCOM listed item, except those which are approved at national discretion pursuant to notes on the lists, should be reviewed by the Committee in this light, regardless of which list it is on and whether it is for a civilian or military end-use'.

Supporting Statement:

The British Government do not intend to allow British firms to export (or seek approval to export) nuclear weapons, or equipment and technical data which could make a significant contribution to the design, development or manufacture of nuclear weapons or of their delivery systems. The Government do however propose to seek approval for their supply of certain weapons as well as dual-use items. Potential sales in these categories might best be handled in COCOM on a case-by-case basis.

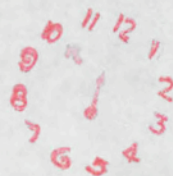
In the absence of an agreed procedure in COCOM the British Government have been using their own judgement on the sale of military equipment to China. With Government approval, British firms are now engaged in negotiations with the Chinese about the supply of a variety of equipment, including weapons. In view of the British Government, such sales as may result would not be inconsistent with the proposed China differential.

/Nor would



Nor would they threaten the collective security of member states. The British Government trust that their partners will take a liberal view in COCOM of what the UK should supply and will not necessarily expect the UK to restrict sales to China to those they would themselves be prepared to make.'

19 NOV 1980





MO 26/9/10

FOREIGN AND COMMONWEALTH SECRETARYCOCOM: DEFENCE SALES TO CHINA

Thank you for your minute of 19th November.

2. I agree that we should now present the revised UK formula to COCOM together with the supporting statement which you attached to it. It is unfortunate that we have been obliged to drop the phrase "such cases in general should be approved" since this undoubtedly weakens the formula, but I accept that this was a necessary concession in order to prevent even more restrictive terminology being included by the Americans. I hope that we shall encounter a positive attitude towards defence sales to China from our COCOM partners under this formula and that objections will not be raised to our proposals. If we were to encounter difficulties - I note that there is some concern over likely Japanese attitudes - I think we would need to consider very carefully whether the disadvantages of procuring sales to China in COCOM under the new formula were outweighed by the broader benefits which you mention, in particular maintaining the effectiveness of COCOM towards the Soviet Union. We shall therefore need to watch progress very carefully on the first UK proposals to be considered under the revised formula, which will probably be the LUDA frigate refits.

3. I agree with you that there is every advantage in trying to settle this before the change of Administration in the United States.

4. I am copying this minute to the recipients of yours.

Ministry of Defence

21st November 1980

D. Dawson
(Private Secretary)
(Appointed by F P
and signed in his absence)



24 NOV 1980

