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PM/84/191

PRIME MINISTER

I think this will cover the H-1c letter or memo

Covering ~~TOP SECRET~~

Prime Minister.

Two papers here. Agree:

- ① to propose to Chinese opening of negotiations on a nuclear cooperation agreement.*
- * ② to ask JIC to re-assess the risk of China passing on sensitive information to Pakistan?*

China: Nuclear Cooperation Agreement

1. I believe that it would be appropriate for us to negotiate a nuclear cooperation agreement with the Chinese. There is general support for the idea in other interested Whitehall departments who have been consulted through the Cabinet Office machinery.

C.D.P. 14/12.

2. The Chinese have embarked on a large civil nuclear programme of which the Guangdong power station is only one part. They have said that they want western technology and equipment with which to carry out the programme and their current activity shows that this is not an idle statement. Whilst we are unlikely in the short term to sell the Chinese a reactor system because of present Chinese preference for PWR's, there is a wealth of nuclear expertise available in Britain which will be useful to China as her programme develops. Fuel cycle services which could bring good returns may be of particular interest. The Chinese Prime Minister and the Chinese Ambassador in London have both in the past hinted that there is scope for cooperation. Our competitors, such as the FRG and France, are ahead of us in building up cooperation with the Chinese. The US is also hoping to conclude an agreement which would open up wide opportunities for its companies. If we are to have any slice of the cake we should not delay in making proposals to the Chinese.

3. The sort of agreement we envisage is one which will provide a framework for British companies and other organisations involved in the nuclear industry to work within and which makes it clear from the outset that the cooperation is for peaceful purposes only. The

** See PAKISTAN Int. File*



agreement will provide us with assurances on this point in much the same way as a comparable agreement with a non-nuclear weapon state. There is a specific provision for our prior consent to the retransfer to third parties of materials and equipment which we may have provided. This is to ensure against possible diversion to destinations to which we would not export direct ourselves because of the proliferation risk. China has in the past not been too careful about placing end use restrictions on her exports and has had a particularly close relationship with Pakistan whose intentions are suspect. I have looked carefully at these aspects of possible nuclear trade with China and believe that there has been sufficient change in her policy and practice since she joined the International Atomic Energy Agency in January this year for us to develop peaceful nuclear trade with her with some confidence. We would, however, for the time being, not transfer particularly sensitive technologies such as those relating to reprocessing and enrichment.

4. In the course of negotiation our officials will need to explore very carefully with the Chinese their current policy on non-proliferation and to developments in Pakistan. Before any framework agreement reaches the point where signature or ratification becomes a real prospect, we shall need to assess the outcome of that aspect of the talks and to see whether the assurances we will have secured from the Chinese are sufficient to allay Parliamentary concern. We shall have to be careful to avoid getting boxed in to the position which the US Administration now find themselves in. They have received satisfactory oral assurances from the Chinese in respect of supply of Chinese technology or materials to a third country. But the Chinese have refused to give them anything in writing. They believe that they will require something in writing on this in order to persuade Congress to ratify the agreement. It



does however remain the view of the US Administration that a nuclear trade agreement with China is both necessary in commercial terms and sensible in non-proliferation terms. They are still pursuing a solution to their problem.

5. The conclusion of a nuclear cooperation agreement would I believe help us in putting substance into our relationship with the Chinese and in developing our economic exchanges. Unless you see any objection, I propose that you should take the opportunity of our discussions with Chinese leaders in Peking next week to put forward in general terms the proposal for a nuclear cooperation agreement between our two countries. The point is already included in your briefing. The Embassy could then follow up by putting forward a draft agreement.

6. I am copying this minute to the Secretary of State for Energy, the Defence Secretary, the Environment Secretary and Mr Channon at the DTI.

GEOFFREY HOWE

Foreign and Commonwealth Office

14 December, 1984

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14 DEC 1984



10 DOWNING STREET

From the Private Secretary

17 December 1984

CHINA: NUCLEAR COOPERATION AGREEMENT

The Prime Minister has considered the Foreign Secretary's minute of 14 December in which he proposes that she should take the opportunity of her discussions with the Chinese leaders next week to put forward a proposal for a nuclear cooperation agreement between our countries.

The Prime Minister does not think it appropriate to pursue this suggestion during her forthcoming visit. I suggest that you consider how it might best be taken further in the New Year.

I am copying this letter to the Private Secretaries to the Secretary of State for Energy, the Defence Secretary, the Environment Secretary and Mr. Channon.

(C.D. POWELL)

Len Appleyard, Esq.,
Foreign and Commonwealth Office.



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

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Secretary of State for Trade and Industry

10 January 1985

CONFIDENTIAL

Sir Geoffrey Howe QC MP
Secretary of State for
Foreign & Commonwealth Affairs
Foreign & Commonwealth Office
Downing Street SW1

NBPM
EDP
10/1

D. Geoffrey

CHINA: NUCLEAR CO-OPERATION AGREEMENT

You copied your minute to the Prime Minister of 14 December to Paul Channon. I have also seen the minute of 17 December from the Prime Minister's private secretary.

2 I support the proposal to negotiate a nuclear co-operation agreement with China, although, as you say, China's preference for PWR means that we have a long way to go before we could offer a credible reactor. Nonetheless I agree we should not leave it to others to make the running in areas such as fuel, where prospects may be better.

3 On a cautionary note, our experience over the Guangdong project and other power projects in China has been that the Chinese are reluctant to pay commercial rates for services such as training, consultancy work or design studies, where the UK has considerable expertise. It is therefore important that any agreement finally negotiated with the Chinese should contain adequate provisions against its use by the Chinese to extract free advice or services, either from companies or HMG.

4 I am copying this letter to the Prime Minister, Peter Walker, Michael Heseltine and Patrick Jenkin.

Norman Tebbit

NORMAN TEBBIT

FOREIGN Policy, Am Visit to China

NOV 84

10 JAN 1985