

CCPC ①



PM/85/48

PRIME MINISTER

Yes - I think he must - it is a matter of 126. no

Prime Minister
Agree that officials should discuss with their
Remain a bit colleagues
a joint position for
further talks with
Chinese on the possible sale
of a centrifuge
enrichment plant?
CDP
16/5

Nuclear Cooperation with China

1. In my minute of 14 December last, I proposed the negotiation of a nuclear cooperation agreement with China to provide a framework for the British nuclear industry to use in promoting their commercial interests. Negotiations began in Peking in March. China has, as you know, embarked on a large civil nuclear programme which is providing valuable opportunities for the sale of Western equipment and expertise. The Guangdong project is a case in point.

2. In December, I wrote that there had been sufficient change in China's attitude to proliferation to justify our developing peaceful nuclear trade with her with some confidence; but that it was not proposed, for the time being, to transfer particularly sensitive technologies such as those relating to re-processing and uranium enrichment. The Chinese have, however, placed us in a dilemma. Through the uranium enrichment company URENCO (in which British Nuclear Fuels plc is a partner with Netherlands and FRG companies) the Chinese have asked whether they may buy a centrifuge enrichment plant. They have offered URENCO a joint venture partnership and indicated that they will accept international safeguards on the plant as re-assurance that it will be used only for peaceful purposes. They have not gone into detail on either the commercial or safeguards aspects.

3. URENCO has said that it believes business of the order of £500 million to be available to it if a joint venture were to

/proceed.



proceed. The company has been asked to provide supporting evidence and an assessment of potential profits and cash flow. Some of the information will need to come from further discussions with the Chinese. URENCO has been invited back to China for further discussions in June. The inter-governmental management committee must now decide whether to permit URENCO to proceed, subject to Ministerial approval in each country. The committee meets on 20 May to try to agree a generally acceptable set of conditions and to discuss possible negotiating tactics.

4. All three governments are concerned about the extent to which such a project, involving technology transfer, might help the Chinese military programme; and might, through deliberate or accidental leakage of information, contribute to the proliferation of nuclear weapons more generally in the region. There is also the problem of convincing COCOM, principally I believe the Americans, that it is right to proceed. We for our part would insist on strict conditions on technology transfer. Officials have developed specific ideas to put to the management committee on 20 May. That meeting should lay the basis for further exploratory talks with the Chinese on both commercial and governmental aspects. I believe that it is only through further exploration that we shall be able to assemble the facts on which to base a final decision whether or not to cooperate with the Chinese.

5. Unless you see objection, I propose to let officials

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- 3 -

continue discussions with their Dutch and German colleagues on the preparation of a joint position to put to the Chinese. We shall then be able to see whether it is worth becoming more deeply involved in the project. If the business is as valuable as URENCO believes, the proposal should certainly not be turned down out of hand.

6. I am copying this minute to the Secretaries of State for Energy, Defence and Trade and Industry and the Chancellor of the Exchequer and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to read 'G. Howe', with a stylized flourish at the end.

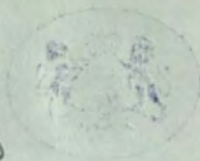
GEOFFREY HOWE

Foreign and Commonwealth Office

16 May 1985

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c Percy Cradock



10 DOWNING STREET

From the Private Secretary

17 May 1985

NUCLEAR COOPERATION WITH CHINA

The Prime Minister has considered the Foreign Secretary's minute of 16 May about China's wish to buy a centrifuge enrichment plant from URENCO.

The Prime Minister is content for the explanatory discussions proposed by the Foreign Secretary to take place. She would like to be kept closely informed of developments.

I am copying this letter to the Private Secretaries to the Secretaries of State for Energy, Defence and Trade and Industry and the Chancellor of the Exchequer, and to Richard Hatfield.

C.D. POWELL

L.V. Appleyard, Esq.,
Foreign and Commonwealth Office.

CS-1



NSPM
CDD
17/5

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PRIME MINISTER

NUCLEAR CO-OPERATION WITH CHINA

I have seen a copy of Geoffrey Howe's minute of 16 May. I agree that the ideas developed by officials are a suitable basis for a further discussion with Dutch and German officials.

Copies go to Geoffrey Howe, Nigel Lawson, Michael Heseltine and Norman Tebbit and Sir Robert Armstrong.

Secretary of State for Energy
17 May 1985



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